

# AUDIT COMMITTEE AGENDA

**Date:** Tuesday 9 February 2010 **Secretariat**  
**Time:** 1500-1730 **Bridgette Hall**  
**Place:** EEDA Offices, Histon, Board room A & B 01223 200812/ 07740741901  
[bridgettehall@eeda.org.uk](mailto:bridgettehall@eeda.org.uk)

STANDING ITEMS				
Time	Item	Title	Paper no	Page
1500	1	Declaration of Interests	VERBAL	
1505	2	Minutes, actions and matters arising of last meeting <ul style="list-style-type: none"><li>Matters arising from the Chair's meeting</li></ul>		2 -1
1510	3	Quarterly Internal audit report	AC0210 (1)	3 -1
1520	4	Risk management update	AC0210 (2)	4 -1
1530	5	Terms of reference for the Audit Committee	AC0210 (3)	5-1

ITEMS FOR DISCUSSION				
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1535	6	Review of complaints 2009	AC0210 (4)	6-1
1550	7	Audit Committee Self-Assessment	AC0210 (5)	7-1
1600	8	Draft NAO Audit Strategy 2009/10	AC0210 (6)	8-1
1610	9	Internal Audit Strategy and Plans 2010/11	AC0210 (7)	9-1
1620	10	Statement on Internal Control	AC0210 (8)	10-1
1630	11	HM Treasury internal audit transformation project	AC0210 (9)	11-1
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CONFIDENTIAL ITEMS FOR DISCUSSION				
Time	Item	Title	Paper no	Page
1700	13	Bedfordshire and Luton Economic Development Partnership	AC0210 (11)	13-1
1715	14	NAO Review of International Financial Reporting Standards for 2008-09	AC0210 (12)	14-1
1725	15	Report on Procurement Activity	AC0210 (13)	15-1

ANY OTHER BUSINESS				
1730	<b>Date of next meeting:</b> <ul style="list-style-type: none"><li>9 June (1400-1700) two weeks before the board meeting for the annual report and accounts</li></ul>			

# AUDIT COMMITTEE AGENDA



	<p><b>Information paper:</b></p> <ul style="list-style-type: none"><li>• Scheme of delegation</li></ul>
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<b>Title:</b>	Internal Audit Quarterly Report	<b>Paper no:</b>	<b>AC0210(1)</b>
<b>Item no:</b>	3	<b>Author:</b>	Angela Mason-Bell / Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484588 / 01223484555
<b>Directorate:</b>	Corporate Services		<a href="mailto:AngelaMason-Bell@eeda.org.uk">AngelaMason-Bell@eeda.org.uk</a> <a href="mailto:PhilDavies@eeda.org.uk">PhilDavies@eeda.org.uk</a>

<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED
<b>PAPER TYPE</b>	STRATEGIC DISCUSSION/DECISION
<b>BOARD CHAMPIONS</b>	AUDIT COMMITTEE

## ISSUE

An update is provided on the internal audit plan, assurances provided and issues identified following recent audits, together with the Executive's progress in implementing management actions agreed in respect of previous audit activity.

## RECOMMENDATIONS

Audit Committee members are asked to consider:

- i. The issues and risks identified from recent internal audit reports.
- ii. The progress made by the Executive in implementing agreed management actions.
- iii. The outcome of reviews from other providers of assurance.

## OVERVIEW

### Internal Audit Activity

Final reports have been issued for the internal audit activities summarised below.

<i>Internal Audit Activity</i>	<i>Assurance Opinion</i>	<i>Number and prioritisation of management actions agreed</i>
Review – Rural Development Programme for England (RDPE) - EEDA's Core Systems	Reasonable	1 Minor*
Review – Rural Development Programme for England (RDPE) - Delivery Partners 4 separate reports	Reasonable 4 reports	2 Minor* 6 Intermediate*
Review - Corporate Risk Management Plans 2009/10	Reasonable	3 Medium priority
Analysis – Management Information	N/A Analysis	N/A Analysis
Investigations - Bedfordshire and Luton Economic Development Partnership 2 separate reports	N/A Investigation	2 High priority

\*Ratings as prescribed by the Rural Payments Agency, which approximate to EEDA's low and medium priority ratings.

## Other Sources of Assurance

A number of assurances have been received with regards to EEDA's European programmes. These are to be followed up as part of the internal audit work currently in progress and captured as part of the evolving assurance framework for these programmes.

Internal Audit has refreshed the analysis of local authority assurances in respect of the Economic Participation Programme (covered as a separate item on your agenda).

## ESSENTIAL BACKGROUND

### 1. Internal Audit Reports

The audit objectives and issues identified from the audits completed since the last meeting of the Audit Committee are summarised below.

#### 1.1 Rural Development Programme for England (RDPE)

*The reports referred to below were issued under the Audit Committee's email protocol.*

As part of the internal audit strategy for RDPE, a review of EEDA's core systems is carried out each year along with a sample of accountable bodies, intermediary bodies, local action groups and directly funded projects.

For 2009/10, the following bodies were audited:

- Norfolk County Council
- Bedfordshire Rural Communities Charity
- Landskills East
- Waveney Valley Local action Group

Under our service level agreement with the Rural Payments Agency, all organisations must be audited using the testing templates specified by the Rural Payments Agency.

In all cases, we were able to provide reasonable assurance that the expected key controls were in place. In respect of the local action groups, limited expenditure had been incurred, therefore a desk-top review of documentation was carried out and an assessment made of its adequacy.

Areas for improvement include the clarification and documentation of some processes, ensuring that terms of reference are in place for all decision-making bodies and signing off contracts on a timely basis.

#### 1.2 Review of EEDA's Corporate Risk Management Plans

A key element of the Internal Audit strategy and plan for 2009/10 has been to provide assurance that EEDA's corporate risk management plans are adequate to manage the risks identified, and that the key controls are operating in practice. This is undertaken by a range of assurance work, which includes detailed substantive audits, follow-up of issues raised previously and the facilitation of the completion of risk management plans. The review focussed on 12 out of the 18 corporate risks, covering strategic, reputation and external risks and key risks to business processes. Seven top-tier risk management plans and five second-tier plans were reviewed.

We can provide positive assurance that the controls and management actions captured are being operated effectively in practice. The majority of controls considered to be in place when the risk management plans were drawn between March and June of 2009 were found to still be in operation at the time of the review in August to November 2009. In a small number of cases, circumstances had changed, which had not been reflected in the plans, although the in-year reviews provide a formal opportunity to update the plans. Whilst the introduction of formal, comprehensive in-year reviews in 2009/10 represents a significant improvement in the risk management arrangements of the Agency, these reviews could be completed on a more timely basis.

## 1.3 Management Information

Internal Audit continues to provide consultancy and advice services to support EEDA's Achieving Excellence programme. Specific work undertaken recently has been an analysis of how information requests are handled within EEDA and how flows of information could potentially be improved. The proposed solutions arising from this work relate to widening EEDA's publication scheme to capture frequently submitted FOI requests, and signposting of key information sources and owners in EEDA. The solutions were directed at addressing the issue of the short timeframes typically available to respond to requests for information from external parties.

## **2. Other sources of assurance**

### 2.1 European Union funded programmes

For EEDA's European Regional Development Fund (ERDF) activities, the Department for Communities and Local Government (CLG) conducts a continuous and extensive cycle of audits over the governance and operational control over the programme. Similarly, for EEDA's European Social Fund (ESF) activities, the Department for Work and Pensions (DWP) commissions regular audits.

### 2.2 European Regional Development Fund

*The CLG assesses EEDA as relatively low risk when compared to most other RDAs, and therefore EEDA will be subject to four systems audits in the period 2009 and 2010 (this compares with between 7 and 10 audits for some RDAs).*

#### *EEDA Specific Audits*

- Article 71 audit - to establish whether the risk management and control systems established by EEDA for the ERDF programme are compliant with European Commission regulations. *This report was issued to the Audit Committee under the email protocol in December 2009.*

The auditors concluded that EEDA's system was compliant with the regulations and issued an overall unqualified opinion.

The Head of European Structural Funds confirmed that action has been taken to address all recommendations made in the report. The CLG carries out follow up activity to confirm that appropriate actions have been completed.

## *RDA-Wide Audits*

- Project Selection - audit on a sample of RDAs, which did not include EEDA, to provide assurance on the controls in place in respect of the selection, appraisal and approval of ERDF.

The auditors concluded that the controls in place were generally sound and in accordance with the European Commission Regulations.

Areas for improvement centred on ensuring adequate documentation were on project files, and included the justification of selection methods and any deviations from standard intervention rates.

- RDA as End Beneficiary – audit on a sample of RDAs, again not including EEDA, to review the level of projects where the RDA is the grant recipient for ERDF and that where this is the case, the justification is strong and subject to appropriate levels of competition.

The report highlighted the need for robust systems, structures and documentation to demonstrate:

- Clear separation between the role of the RDA as applicant and the role of the RDA as intermediate body.
- Adequate procedures to ensure that there is transparency, equal treatment and completeness of the selection process.
- Management verifications on expenditure and outputs and compliance with the European Commission rules.

The issues raised through these cross-RDA audits have been considered by the executive to ensure that if EEDA was subject to such audits, the Agency would meet the requirements.

## 2.3 European Social Fund

A systems audit to assess EEDA's systems in place for meeting European Commission regulations, including added value, claim mechanisms, state aid requirements, beneficiary eligibility and tendering arrangements. *This report was issued to the Audit Committee under the email protocol in December 2009.*

The audit was part of the DWP's programme to check 5% of the ESF projects in the region. Just over £3.6 million of expenditure claimed by EEDA was inspected and visits were made to seven delivery partners.

Actions required by EEDA related to ensuring that contractors are aware of the documentation retention periods for the programme, appropriate use of ESF logos, full documentation to support the eligibility of beneficiaries and eligibility of expenditure claimed and evidence of match funding.

In its subsequent follow up action, the DWP has confirmed that all action points have now been implemented by EEDA.

## 2.4 Economic Participation Programme Assurance Framework

A separate paper on your agenda draws together Internal Audit's analysis of the assurances currently available on local authorities contracted to deliver EEDA's Economic Participation Programme.

### **3. Implementation of Agreed Management Actions**

The summary relating to the implementation of the Executive's agreed management actions in response to issues and risks identified through internal audits and the National Audit Office is attached at annex 3. The schedule highlights those audits where all actions are complete and provides a comparison on the progress made since the report to the Audit Committee in November 2009.

Management actions relating to four audits have been completed in full in the period since the last Audit Committee in November 2009. One high priority and three medium priority actions are overdue in respect of the management actions arising from 2008/09. Three medium priority actions and one low priority action are yet to be completed for reports issued in 2007/08.

Issues and risks are graded as high, medium or low priority. High priority items and risks are expected to be addressed within three months and low / medium priority recommendations within six months of the report being presented to the Audit Committee.

The implementation of agreed management actions is reviewed on a regular basis by the Governance Team through the provision of monthly status reports to Executive Directors and ongoing discussions with the officers responsible for implementing the actions and verification work.

### **IMPLICATIONS/RISKS**

Where issues are identified through the activities of internal audit and other assurance providers, this indicates risks are not been adequately managed by the Agency. The timely implementation of agreed management actions and a periodic review of key controls in operation across EEDA ensure that these risks are appropriately mitigated and the internal control environment has no fundamental weaknesses.

### **KEY MILESTONES/TIMELINES/NEXT STEPS**

The status of agreed management actions will be reported as part of EEDA's performance scorecard for the quarter ending 31 March 2010.

### **ANNEXES**

- Annex 1 – Internal Audit Report – Risk Management Plans
- Annex 2 – Internal Audit Report – Management Information
- Annex 3 – Status of Agreed Management Actions

<b>Title:</b>	Risk Management Report	<b>Paper no:</b>	<b>AC0210(2)</b>
<b>Item no:</b>	4	<b>Author:</b>	Angela Mason-Bell / Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484588 / 01223484555
<b>Directorate:</b>	Corporate Services		<a href="mailto:AngelaMason-Bell@eeda.org.uk">AngelaMason-Bell@eeda.org.uk</a> <a href="mailto:PhilDavies@eeda.org.uk">PhilDavies@eeda.org.uk</a>
<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED		
<b>PAPER TYPE</b>	STRATEGIC DISCUSSION/DECISION		
<b>BOARD CHAMPIONS</b>	AUDIT COMMITTEE		

## ISSUE

To provide the audit committee with an update on EEDA's risk management arrangements.

## RECOMMENDATIONS

The Audit Committee is asked to:

- i) Endorse the draft risk management strategy for 2010/11.
- ii) Endorse the corporate risk register for 2010/11.
- iii) Endorse the deadlines for completion of the risk management plans and in-year review.

## OVERVIEW

EEDA's Risk Management Strategy has been refreshed for 2010/11.

The annual risk management workshop was held with representatives from EEDA's Board and the Chief Executive's Team on 20 January 2010.

Through the workshop, a number of new corporate risks were identified and others refocused to reflect changes to EEDA's operating environment over recent months and the current and foreseen external factors that might impact upon the achievement of the Agency's objectives.

The risks were categorised into strategic risks, reputational risks, external risk, delivery risk and risks to key business processes as in previous years, and the two new categories of financial risks and compliance risks, which were added for 2010/11.

The resultant corporate risk register is currently being finalised and will be tabled at the meeting on 9 February 2010.

'Top-tier' risk management plans are to be completed by 15 March 2010, signed off by Chief Executive's Team, and reviewed on a quarterly basis by the risk owner. All other risk management plans are to be completed by 30 April 2010 and are to be subject to a mid-year review by the risk owner.

The corporate risk register will be subject to a mid-year review by the Chief Executive's Team.

## ESSENTIAL BACKGROUND

### Risk Management Strategy 2010/11

The Risk Management Strategy 2010/11 captures:

- How EEDA identifies, assesses and manages the significant risks facing the Agency
- The roles and responsibilities for risk management leadership, oversight and risk ownership
- The consideration of emergent risks during the year
- The frequency of the in-year review of corporate risk management plans

The Risk Management Strategy for 2010/11 can be found at annex 1.

### Corporate Risk Register 2010/11

The arrangements for identifying, assessing and managing the significant risks facing EEDA is a key element of EEDA's risk management strategy.

The corporate risk register for 2010/11 was formulated at the annual risk workshop on 20 January 2010, facilitated by our internal audit partners, Ernst and Young.

The workshop participants included the Chief Executive's Team, the Chair of EEDA's Board, the Chairs and Vice-chairs of the Strategy Committee, Performance and Resources Committee, and Audit Committee members.

The participants at the workshop on 20 January 2010 agreed:

- The category for each risk.
- The residual risk scores for the impact and likelihood of each risk. The risk scores determine the relative severity of each risk (significant, high, moderate or low) and the tier in which the risk falls.
- That the Chief Executive's Team would be the governing body to which risk management plans would be submitted for approval, and would be responsible for appropriate escalation to the Board.
- That the Chief Executive's Team would assign an appropriate risk owner at Executive Director level to each corporate risk.

For 2010/11 the corporate risk register has the following three tiers:

- Top Tier - The deadline for completion of these risk management plans is 15 March 2010. The risk management plans will be signed off by CET and subject to a quarterly review by the risk owner.
- Second Tier - The deadline for completion of these risk management plans is 30 April 2010 and they will be subject to a mid-year review by the risk owner.
- Directorate and Programme Tier - The deadline for completion of these risk management plans is 30 April 2010. These risks are to be managed through the directorate team structures and programme boards.

The Governance team will continue to work with the risk owners in developing the risk management plans if facilitation or support is required. Progress against the development of the plans will be reported to the Chair of the Audit Committee on a regular basis and to the Audit Committee through the routine risk management report.

## **Corporate Risk Management Plans 2009/10**

Risk management plans for all of EEDA's corporate risks for 2009/10 have been subject to the agreed in-year review. All top-tier risk management plans were reviewed by the risk owners by the end of August 2009. Following the review of the corporate risk register in October 2009, all of the risk management plans were subject to review and risk management plans were developed for the two new risks identified.

The implementation of periodic in-year review of the corporate risk management plans represents a significant improvement in EEDA's risk management arrangements.

Annex 2 shows the status of the corporate risk management plans for 2009/10.

## **IMPLICATIONS/RISKS**

The necessity to adhere to good governance principles and the fast changing operating environment of the Agency requires that risk management plans are reviewed periodically during the year to ensure that risks are managed in an appropriate manner.

## **KEY MILESTONES/TIMELINES/NEXT STEPS**

Risk Management plans for top-tier corporate risks are to be developed by the risk owner by 15 March 2010 and for all other risks by 30 April 2010.

The risk management arrangements for programme boards and area teams are to be developed over the coming months as the new delivery and oversight structures become more embedded.

The risk management plans are to be subject to in-year review, determined by the tier in which each risk falls. The risk register is to be reviewed by the Chief Executive's Team mid-year, alongside a consideration of any emergent risks that need to be captured.

The outcome of the mid-year review will be reported to the Audit Committee in November 2010.

## **ANNEXES**

Annex 1 - Draft Risk Management Strategy 2010/11

Annex 2 - Status of Risk Management Plans 2009/10

# AUDIT COMMITTEE PAPER

<b>Title:</b>	Terms of reference for the Audit Committee	<b>Paper no:</b>	<b>AC0210(3)</b>
<b>Item no:</b>	5	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010		Phil Davies
<b>Directorate:</b>	Corporate Services		01223-484555
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**CONFIDENTIALITY STATUS** UNCLASSIFIED

**PAPER TYPE** DECISION

**BOARD CHAMPIONS**

## ISSUE/PURPOSE OF PAPER

To allow the members of Audit Committee to consider revisions to the terms of reference of the Committee.

## RECOMMENDATIONS

To approve the revised terms of reference for the Committee and recommend them to the Board.

## KEY POINT SUMMARY

The terms of reference have been changed to reflect the transfer of responsibilities for performance management to the Performance and Resources Committee.

## ESSENTIAL BACKGROUND

The committee's terms of reference have been revised to reflect the committee's current responsibilities.

Members of the committee may recall that a previous version, including tracked changes, was circulated under the e-mail protocol to members of the audit committee. Following this consultation a number of committee members felt that there should still be a reference to reviewing output and outcome measures in respect of the review which the committee undertakes of the annual report and accounts. Therefore a further revision has been made to the draft terms of reference in respect of these duties, which are outlined in section 12.5 of the terms of reference.

A number of other minor drafting amendments have been included, as outlined at annex one.

## IMPLICATIONS/RISKS

The terms of reference for EEDA's sub-committees need to be reviewed and updated periodically to keep them up-to-date.

## KEY MILESTONES/TIMELINES/NEXT STEPS

The terms of reference include a provision for an annual review by the committee.

## ANNEXES

Annex one: revised terms of reference for the Audit Committee, including tracked changes.

<b>Title:</b>	Review of complaints 2009	<b>Paper no:</b>	<b>AC0210(4)</b>
<b>Item no:</b>	6	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010	Liz Shannon-Sinclair / Neil Hayes	
<b>Directorate:</b>	Communications		
<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED		
<b>PAPER TYPE</b>	INFORMATION PAPER		
<b>BOARD CHAMPIONS</b>	None		

## ISSUE/PURPOSE OF PAPER

This paper is to provide the Audit Committee with an overview of the operation of EEDA's complaints procedure in 2009.

## OVERVIEW

In 2009 we received a total of 29 complaints. This compares to 20 complaints in 2008. Whilst this represents a substantial increase, we believe the increase can largely be attributed to better identification of stage one complaints by staff members.

When analysing the nature of complaints to EEDA, there are two common themes that result in the most complaints; funding for businesses and EEDA's procurement of goods and services. In both cases the issues relate to the decision as well as the process.

For example, 10 (34%) complaints related to business funding. Of those, half specifically related to the Proof of Concept fund in terms of the level of detail in the rejection letter, the decision itself and the application process.

As a result, a number of areas for improvement have been identified to ensure a more robust process, e.g. ensuring letters of rejection include the full reasons for rejection, and ensuring that rejection reasons more clearly relate to funding criteria.

Proof of Concept funding is soon to change to Proof of Market funding. The Legal team, Access to Finance team and Customer Service team have agreed to review all Proof of Market documentation and letter templates to ensure all letters are in a consistent format and include the relevant information and improved guidelines for applicants.

The second largest area is EEDA procurement, with 6 (17%) complaints relating to the procurement process and decision. The tender / procurement process is clearly illustrated on the website and subject to external frameworks such as OJEU, and therefore we only have limited ability to reach a satisfactory resolution in all cases.

In addition:

- three (10%) customers made complaints to EEDA in relation to funded partner organisations.
- two (7%) customers have made more than 1 complaint in 2009.

- two (7%) customers who originally complained to EEDA in 2008 have then made a further complaint in 2009. In both cases the complainant has subsequently complained to either the Parliamentary Ombudsman and /or BIS. In both cases we have had no negative feedback.
- two (7%) customers have gone on to request further information under the FOI process.

## FINANCIAL IMPLICATIONS/RISKS

No financial implications

## ESSENTIAL BACKGROUND

The EEDA complaints procedure was reviewed in 2009.

The procedure was revised to ensure that the process was more robust and provide additional levels of escalation if required. As part of our programme of customer service training, staff were made aware of the complaints procedure, and of their role in identifying and responding to complaints.

The revised procedure split the complaints into three groups;

- stage one, where the recipient complained direct to the officer, of which we had 13 complaints, these are generally dealt with verbally
- stage two, where the recipient complained direct to the customer service manager, of which we had 15 complaints, and we responded to the customer in writing
- stage three, where the recipient complained direct to the Chief Executive, which related to one complaint, and where we responded to customer in writing.

This paper summarises relates to the complaints EEDA has received in 2009. However, monitoring complaints is just one part of our work to improve customer service. EEDA has also received numerous compliments through customer feedback in 2009. This has ranged from personal comments regarding specific members of staff, for example.;

- " the EEDA officer was very informative"
- "He gave me excellent support"
- "very speedy response"

to general feedback regarding EEDA, for example.

- "always have a good response from EEDA"
- "Thank you for all your encouragement and support, we would not be here now without it"
- "Great discussion with the EEDA team, we now have a meeting in the diary, always had a positive experience with EEDA"

Our monitoring of complaint and compliment trends is expected to further improve our overall service to and satisfaction of customers in 2010.

## KEY MILESTONES/TIMELINES/NEXT STEPS

In order to further improve our performance in this area we will conduct the following this year:

- The Legal, Customer Service and Access to Finance teams will complete their review of Proof of Market documentation and revise accordingly
- EEDA's internal adoption of RBSIS will enable a more efficient reporting mechanism for managing complaints and accessing electronic documentation such as complaint letter templates
- A refresher lunchtime session will be held to further raise awareness of the complaints process and staff responsibilities
- Continued work on customer satisfaction including customer journeys to try to pin point service areas in need of improvement to mitigate any potential complaints

## ANNEXES

Appendix 1 - 2010 EEDA Customer feedback external document (this has recently been refreshed ready for 2010)

Appendix 2 – complaint overview

# AUDIT COMMITTEE PAPER



<b>Title:</b>	Audit Committee Self-Assessment	<b>Paper no:</b>	<b>AC0210(5)</b>
<b>Item no:</b>	7	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010		Phil Davies / Owen Garling
<b>Directorate:</b>	Corporate Services		01223 484555 / 01223 484589
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**CONFIDENTIALITY STATUS** UNCLASSIFIED

**PAPER TYPE** STRATEGIC DISCUSSION/DECISION

**BOARD CHAMPIONS**

## ISSUE/PURPOSE OF PAPER

To provide the Audit Committee with a summary of the outcome of the self-assessment exercise undertaken by Audit Committee members in November 2009.

## RECOMMENDATIONS

Audit Committee are asked to endorse the attached Action Plan.

## OVERVIEW

In November 2009 members of the Audit Committee attended a workshop to undertake a self-assessment of the Committee's effectiveness. The Governance Team facilitated the workshop, using the requirements set out in the *HM Treasury Audit Committee Handbook as the basis for the self-assessment*.

This paper presents the results of the self-assessment along with an action plan aimed at strengthening current arrangements to ensure that the Audit Committee continues to have a comprehensive view of the arrangements for governance, risk management and internal control at EEDA.

## ESSENTIAL BACKGROUND

HM Treasury guidance states that Audit Committees should function in accordance with *HM Treasury Audit Committee Handbook*.

The handbook provides best practice guidance which:

- supports Audit Committees in achieving the principles of good Corporate Governance;
- reflects the increasing availability of good practice experience for Audit Committees in central government which can be drawn upon; and
- reflects the increasing significance of risk management and associated assurance needs.

# AUDIT COMMITTEE PAPER

The handbook recommends that Audit Committees should actively self-assess their effectiveness on a regular basis and report the results of that review to the Board. The handbook includes a set of 50 key questions which can be used to undertake a self-assessment of the work of the Audit Committee.

To enable the discussions to be focussed on the key roles and responsibilities of the Audit Committee, the questions were grouped into five themes:

- Risk Management;
- Statement on Internal Control;
- Internal and External Audit;
- Accounting policies, annual report and accounts; and
- the work of the Audit Committee.

Attached at annex one is a copy of the slides used to facilitate the discussions at the workshop. The slides have been updated in light of the discussions at the workshop to reflect the evidence available to support the Committee's effectiveness.

Members of the Audit Committee raised a number of issues at the workshop where they felt that further actions were required to ensure that they have a comprehensive view of the arrangements for governance, risk management and internal control within EEDA.

Annex two sets out the issues identified by the Audit Committee members along with the suggested actions.

## **IMPLICATIONS/RISKS**

The objective of the facilitated workshop was to manage the risk that the Audit Committee is not receiving the information that it requires to perform its duties effectively.

## **KEY MILESTONES/TIMELINES/NEXT STEPS**

Annex Two sets out a proposed timetable for implementation of the actions.

## **ANNEXES**

Annex One – Audit Committee Self Assessment Slides

Annex Two – Issues raised and Suggested Actions

# AUDIT COMMITTEE PAPER

<b>Title:</b>	Draft NAO Audit Strategy 2009/10	<b>Paper no:</b>	<b>AC0210(6)</b>
<b>Item no:</b>	8	<b>Author:</b>	Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484555 / 07740110837
<b>Directorate:</b>	Corporate Services		<a href="mailto:PhilDavies@eeda.org.uk">PhilDavies@eeda.org.uk</a>

**CONFIDENTIALITY STATUS** UNCLASSIFIED

**PAPER TYPE** STRATEGIC DISCUSSION/DECISION

**BOARD CHAMPIONS** AUDIT COMMITTEE

## ISSUE/PURPOSE OF PAPER

Presentation of the draft NAO external audit strategy for the audit of the accounts for the financial year 2009/10.

## RECOMMENDATIONS

Audit Committee members are asked to consider the NAO audit strategy for 2009/10.

## OVERVIEW

The NAO's audit approach is primarily risk based and is tailored to EEDA and its business environment.

At the conclusion of the audit process the NAO will provide EEDA with a management report outlining the auditors' findings.

## ESSENTIAL BACKGROUND

The Comptroller and Auditor-General is the appointed independent external auditor of the Agency under Section 15 of the Regional Development Agencies Act 1998.

The purpose of the audit strategy is to provide EEDA with a clear understanding of how the NAO plan to carry out the audit of the financial statements for the year ending 31st March 2010.

The proposed fee for the audit of EEDA's 2009-10 financial statements is £57,750. A further fee is proposed of £5,950 for the audit of EEDA's restatement of its 2008-09 financial statements under the International Financial Reporting Standards (IFRS).

## IMPLICATIONS/RISKS

If significant weaknesses in the financial control environment or material misstatements in EEDA's financial accounts are identified by the NAO, this could lead to a qualified auditor's opinion. This could damage the reputation of EEDA with stakeholders.

## KEY MILESTONES/TIMELINES/NEXT STEPS

The NAO carries out its audit over a number of stages, the provisional timetable for which is included on page 12 of the strategy.

## ANNEXES

Annex 1 – NAO audit strategy 2009/10

# AUDIT COMMITTEE PAPER



<b>Title:</b>	Internal Audit Strategy and Plans 2010/11			<b>Author</b>
<b>Item no:</b>	9	<b>Paper no:</b>	AC0210(7)	Angela Mason-Bell / Phil Davies
<b>Meeting date:</b>	9 February 2010			01223484588 / 01223484555
<b>Directorate:</b>	Corporate Services			07917328066 / 07740110837
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<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED
<b>PAPER TYPE</b>	STRATEGIC DISCUSSION/DECISION
<b>BOARD CHAMPIONS</b>	AUDIT COMMITTEE

## ISSUE/PURPOSE OF PAPER

The purpose of this paper is to consider the Governance Team Internal Audit Strategy 2010/11, which includes a refreshed internal audit planning framework, and an outline five-year strategic plan.

## RECOMMENDATIONS

Audit Committee members are asked to:

- i) Endorse the Governance Team Internal Audit Strategy 2010/11 (Annex 1)
- ii) Consider the latest draft of the audit framework (Annex 2)
- iii) Consider whether the internal audit programme for 2010/11 is sufficient to support the Audit Committee in discharging its role effectively.

## OVERVIEW

The Government Internal Audit Standards require that the Internal Audit strategy is refreshed at least annually. This ensures that the focus of EEDA's internal audit service continues to reflect the principal risks to the Agency, the changing priorities and its environment.

For 2010/11 the structure of the internal audit plan has been revised to reflect the refresh of EEDA's Corporate Plan and the changing organisational delivery mechanisms, in particular through area working.

A comprehensive series of consultations is underway to inform the detailed plan for 2010/11.

## ESSENTIAL BACKGROUND

### Internal Audit Strategy 2010/11

The Internal Audit Strategy for 2010/11 is aimed at ensuring that the internal audit service at EEDA continues to improve and reflect best professional practice. It has been developed following an audit planning workshop held on 17 December 2009 between the Governance Team and our internal audit partners, Ernst and Young. The draft strategy has been endorsed by the Accounting Officer and the Chief Executives Team.

The Strategy focuses the available internal audit resource on the key risks to EEDA's corporate objectives, programmes and priorities, whilst ensuring adequate attention is directed at fundamental systems, controls and processes. Internal Audit also seeks to add value to the organisation by working alongside management in the development of improved frameworks, systems and procedures.

For 2010/11 the structure of the internal audit plan has been revised to reflect the refresh of EEDA's Corporate Plan and the changing organisational delivery mechanisms, in particular through area working. The Internal Audit programme of work is structured to provide assurance around the following key themes:

- Governance and Management of the Agency
- Corporate Programmes
- Fundamental Processes and Systems
- Area Working Arrangements
- Emergent Risks, Issues and Priorities
- Follow up of agreed management actions

The strategy will need to be revised during the year to account for developments which may arise from the consultation paper which has been issued by HM Treasury on the internal audit transformation project. A more detailed consideration of the HM Treasury transformation project is the subject of a separate agenda item.

## **Five-year strategic plan and Internal Audit Plan 2010/11**

The strategic five-year plan and detailed Internal Audit plan for 2010/11 are currently being developed. As in previous years, consultation will take place with Executive Directors and their management teams, to identify potential areas for inclusion in the plan and the possible external sources of assurance for the forthcoming year.

Following the workshop with the Board and CET on 20 January, the corporate risk register for 2010/11 will be considered to ensure the plan covers each area of risk appropriately.

As in the last two years, it is proposed that internal audit activity will be split between reviews, advisory and analysis work.

A draft version of the five-year strategic plan together with the latest iteration of the internal audit annual plan for 2010/11 will be tabled at your meeting.

## **IMPLICATIONS/RISKS**

The audit strategy and internal audit strategic and annual plans are designed to mitigate the risk that EEDA does not have an effective internal audit service which meets the required standards set down by HM Treasury.

## KEY MILESTONES/TIMELINES/NEXT STEPS

The five-year strategic plan and the annual operational plan for 2010/11 are currently under development, this process includes consultation with Executive Directors and their management teams to determine priorities for audit activity during the financial year 2010/11.

The latest version of these plans will be tabled at your meeting and it is suggested that final approval of the detailed operational plans is undertaken through the established e-mail protocol after further consultation with the chair of the Audit Committee and the Accounting Officer.

## ANNEXES

Annex 1 - Internal Audit Strategy 2010/11

Annex 2 - Draft of the Internal Audit Framework

# AUDIT COMMITTEE PAPER

<b>Title:</b>	Statement on Internal Control	<b>Paper no:</b>	<b>AC0210(8)</b>
<b>Item no:</b>	10	<b>Author:</b>	Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484555 / 07740110837
<b>Directorate:</b>	Corporate Services		<a href="mailto:PhilDavies@eeda.org.uk">PhilDavies@eeda.org.uk</a>
<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED		
<b>PAPER TYPE</b>	STRATEGIC DISCUSSION/DECISION		
<b>BOARD CHAMPIONS</b>	AUDIT COMMITTEE		

## ISSUE/PURPOSE OF PAPER

To consider the National Audit Office guide for Audit Committees in their role when reviewing the Statement on Internal Control.

## RECOMMENDATIONS

Audit Committee members are asked to agree to an enhanced role for the Audit Committee in scrutinising the Statement on Internal Control prepared by the Accounting Officer.

The Audit Committee is asked to approve an additional meeting be held in May to undertake this additional scrutiny role with regard to the Statement on Internal Control.

## OVERVIEW

The National Audit Office have announced that they will have a renewed focus on the Statement on Internal Control produced by public sector bodies when undertaking their audit of the accounts for the financial year 2009/10.

The National Audit Office have produced a guide to assist Audit Committees in their challenge function and identify good practice in corporate governance, risk management and internal controls in respect of the Statement on Internal Control produced by the Accounting Officer.

In order to undertake this enhanced role is suggested that an additional Audit Committee meeting will be required in May in order to fulfil this role effectively.

## ESSENTIAL BACKGROUND

The Comptroller and Auditor General announced that the National Audit Office would be raising their profile in terms of the work which they undertake in reviewing the Statement on Internal Control (SIC) produced by Accounting Officers across the public sector.

The National Audit Office has produced a guide for Audit Committees. The guide sets out the NAO's approach to the audit of the SIC and outlines how Audit Committees across the public sector can add value to the process leading to the production of the SIC by the Accounting Officer. A full copy of the guide is included as annex one.

# AUDIT COMMITTEE PAPER

The Accounting Officer has a statutory responsibility to produce the SIC as a public accountability document, that describes the effectiveness of the internal controls within the Agency. The SIC is the means by which the Accounting Officer describes the approach taken on risk management, internal control and corporate governance. It is also a vehicle for highlighting areas where improvements could be made in these arrangements. The SIC forms part of the Annual Report and Accounts.

Elsewhere on your agenda Audit Committee members who attended the Audit Committee self assessment workshop have recommended that the Audit Committee should have an enhanced role in the process for the production of the SIC, through scrutinising the declarations made by the Executive Directors to the Accounting Officer.

It is suggested that the Audit Committee's scrutiny role could be undertaken at an additional meeting to be convened in May 2010 to undertake this role. This additional scrutiny could involve the consideration of the draft Statement on Internal Control prepared by the Accounting Officer, with a view to making recommendations to the Accounting Officer. Additional scrutiny of the underlying evidence provided by Executive Directors to the Accounting Officer in support of the Statement on Internal Control could also be undertaken at the May meeting of the Audit Committee.

In order to balance the agendas between the May and June meetings of the committee it is suggested that the executive be asked to consider the items which normally would go to the June meeting, which also considers the Annual Report and Accounts and is therefore often a very full agenda, with a view to balancing the workload between the two meetings.

In adopting this approach, it would mean that the Audit Committee would meet five times a year, with the June meeting being orientated towards consideration of the Annual Report and Accounts.

## IMPLICATIONS/RISKS

The SIC is a mandatory disclosure requirement for all NDPBs in order to comply with HM Treasury's Financial Reporting Manual. Although external auditors do not provide an explicit audit opinion on the contents of the SIC, there is a risk that if the Agency does not follow best practice the NAO will report adversely in their Management Letter.

## KEY MILESTONES/TIMELINES/NEXT STEPS

The Audit Committee's scrutiny role could be undertaken at an additional meeting to be convened in May 2010. The final version of the SIC will be included as part of the Annual Report and Accounts, on the agenda for the June meeting of the Audit Committee.

## ANNEXES

Annex 1 – NAO guidance for Audit Committees on the Statement on Internal Control.

# AUDIT COMMITTEE PAPER



<b>Title:</b>	HM Treasury internal audit transformation project	<b>Paper no:</b>	<b>AC2010(9)</b>
<b>Item no:</b>	11	<b>Author:</b>	Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484555 / 07740110837
<b>Directorate:</b>	Corporate Services		<a href="mailto:PhilDavies@eeda.org.uk">PhilDavies@eeda.org.uk</a>

**CONFIDENTIALITY STATUS** UNCLASSIFIED

**PAPER TYPE** STRATEGIC DISCUSSION/DECISION

**BOARD CHAMPIONS**

## ISSUE/PURPOSE OF PAPER

To consider the issues arising from the HM Treasury consultation paper on the internal audit strategic improvement plan.

## RECOMMENDATIONS

Audit Committee members are asked to consider the issues arising from the consultation paper and approve the suggested response to HM Treasury.

## OVERVIEW

HM Treasury have published a consultation document on significant changes to the internal audit profession within central government bodies. The consultation proposes significant changes to the way that Accounting Officers and boards of NDPBs gain assurance on the governance, risk management and internal control arrangements within the NDPB.

The consultation proposes a new people and resourcing model and a new structure for internal audit across central government. It also proposes an enhanced role for the head of the government internal audit profession to drive consistency and quality, and to raise stakeholder understanding.

## ESSENTIAL BACKGROUND

HM Treasury have been undertaking a review of the arrangements in place across central government departments, NDPBs and agencies for the provision of internal audit services to the Principal Accounting Officers and Accounting Officers.

The project has been sponsored by David Bell, the Permanent Secretary, Department for Children Schools and Families and has been led by HM Treasury with support from Ernst and Young.

# AUDIT COMMITTEE PAPER



HM Treasury have recently issued a consultation document outlining their findings and recommendations. HM Treasury has asked Accounting Officers, audit committees and other stakeholders for their views on the proposals; the deadline for responding to the consultation document is the 15th of February 2010. A full copy of the consultation document from HM Treasury is included at annex one.

The Treasury's proposals have been developed on the basis of information gathered through interviews with Principal Accounting Officers, finance directors in central government departments, central departmental audit committees together with other stakeholders.

HM Treasury believe that their proposals will provide a better line of sight from Principal Accounting Officers (the permanent secretaries in central government departments) across their range of key strategic risks within their department and across the department's delivery chain.

The consultation proposes a new group structure based on a departmental family to enable more coherent planning across organizational boundaries. Internal audit services would be provided by a centrally based team reporting, in our case, to the head of internal audit within BIS with a direct reporting line to the departmental permanent secretary.

This change will have a significant impact on the way that Accounting Officers and boards within NDPBs, including the RDAs, are able to gain assurance on governance, risk management and internal control within their organisation. HM Treasury have indicated that there will be a significant reduction in the number of internal audit staff across central government.

A cross RDA response is currently being formulated. A suggested response, which the audit committee may wish to send to HM Treasury in response to the consultation document, is also currently being formulated and will be tabled at your meeting.

## **IMPLICATIONS/RISKS**

There are significant risks for the Accounting Officer and the audit committee, if the proposals are implemented, that they may not be able to rely on internal audit to provide the assurance they require over the governance, risk management and internal control arrangements within the Agency.

## **KEY MILESTONES/TIMELINES/NEXT STEPS**

The HM Treasury consultation period closes on the 15th of February 2010.

## **ANNEXES**

Annex 1 – HM Treasury internal audit strategic improvement plan, consultation document

<b>Title:</b>	Economic Participation Programme Local Authority Assurance	<b>Author</b>	
<b>Item no:</b>	12	<b>Paper no:</b> AC0210(10)	Angela Mason-Bell / Phil Davies
<b>Meeting date:</b>	9 February 2010		01223484588 / 01223484555
<b>Directorate:</b>	Corporate Services		07917328066 / 07740110837
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<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED
<b>PAPER TYPE</b>	STRATEGIC DISCUSSION/DECISION
<b>BOARD CHAMPIONS</b>	AUDIT COMMITTEE

## ISSUES

This paper provides an update on the external assurances available on the governance and control arrangements of the local authorities with which EEDA has contracted for delivery of the Economic Participation Programme in the region.

## RECOMMENDATIONS

The Audit Committee is asked to consider the adequacy of the assurances available with regards to the Economic Participation Programme 2009/10.

## OVERVIEW

From 2008/09 EEDA has looked to significantly change its model for sub-regional funding, in response to the Sub National Review and in preparation for Area-based working, using the economic participation programme as a pilot for contracting with the region's local authorities. EEDA has recognised that there are risks associated with the new approach in terms of delivery and governance, and consequently a need to keep the performance of local authorities and the governance arrangements in place under review.

A diverse range of assurances is available from which EEDA can gain insights and some comfort that the risks to the delivery of the Economic Participation Programme are being managed effectively. Annex 1 contains assurances currently known to EEDA and annex 2 an explanation of each.

The assurances provided by the Audit Commission and external auditors indicate that all local authorities in the region are at least meeting minimum requirements (4 cases), if not exceeding them (5 cases) and in general are governing the business and managing finances and resources adequately. EEDA needs to be satisfied that the programme remains on track and is adequately managed and controlled such that the programme objectives are met.

It was reported in the previous updates to the Audit Committee in 2009 that in two cases – Peterborough City Council and Essex County Council - an internal audit opinion of limited assurance was provided over the economic participation programme for 2008/09.

Proactive action has been taken by the executive in these two cases and progress continues to be made in addressing the issues made and strengthening the systems and controls over the programme at those local authorities. For Peterborough City Council, all of the clawback of funding in relation to 2008/09 has been concluded.

Where internal audit work on the programme for 2009/10 is to be undertaken by local authority internal audit teams, this work is either underway or due to be completed before the end of the funding year 2009/10.

The assurances gained from external providers and local authority internal audit work continues to complement EEDA's monitoring arrangements, established oversight mechanisms at senior management level and ongoing liaison at operational level by EEDA's Economic Participation (EP) team. From January 2010, transitional arrangements are in place as the area teams take responsibility for sub-regional engagement and overseeing progress with delivery with local authorities

## ESSENTIAL BACKGROUND

### 1. Funding granted to local authorities for the Economic Participation Programme

During 2008/09, EEDA contracted with six local authorities for the delivery of the sub-regional element of the programme. In 2009/10, the number of local authorities through which the programme is being delivered was increased to eleven, with EEDA granting a total of £22.85 million. For 2010/11, whilst the capital programme is removed, the revenue budget of £8.2 million remains a significant part of EEDA's revenue allocation.

### 2. EEDA's Assurance Framework

A roadmap for developing EEDA's assurance framework was endorsed by the Audit Committee in December 2008. EEDA has adopted the 'three lines of defence model'. With regards to programmes contracted through local authorities, the sources of assurance available include those external to EEDA and those available through the Agency's own internal mechanisms. The main lines of defence are:-

- **1<sup>st</sup> line of defence** - contracted delivery arrangements - as set out through partnership governance arrangements and EEDA's funding agreements.
- **2<sup>nd</sup> line of defence** - monitoring and review of delivery - through EEDA relationship managers, project sponsors and project monitoring arrangements, and local authority internal audit work.
- **3<sup>rd</sup> line of defence** - external assurances over delivery arrangements – external audit reports and EEDA's internal audit arrangements.

As part of EEDA's assurance framework, in order to minimise duplication and the regulatory burden on local authorities, EEDA has been seeking to place reliance wherever possible on the work of local authority internal audit teams with regards to the programme.

### 3. Analysis of current assurances on local authority governance and operational delivery

Building on our previous analyses, Internal Audit continues to carry out a periodic assessment of the sources of assurance available to the Agency.

Annex 1 contains a table summarising the assurances and insights known about the governance, risk management and control frameworks within the eleven local authorities that have received funding for the programme in 2009/10.

The assurance framework has been updated to capture the results of the independent audits on statements of grant usage for the programme in 2008/09 and monitoring visits on the programme for 2009/10.

The assurance framework has also been amended to reflect the new comprehensive area assessment and organisational performance assessment frameworks implemented by the Audit Commission from April 2009.

#### 3.1 Area and local-authority-wide Audit Commission assurances

Where overall ratings are available, five of the region's authorities that we fund to deliver the programme received an organisational assessment of 'performs well' and in four cases they are rated as 'performs adequately'.

In the Audit Commission's assessment of performance management arrangements and Use of Resources, all of the local authorities are also rated as at least meeting requirements management if not exceeding them.

#### 3.2 Assurances specific to the Economic Participation Programme

##### **Second line of defence assurances**

- **Overall**

EEDA's Economic Participation team continues to meet regularly with local authorities to review progress on delivery of the programme and this intensifies in the second half of the financial year in order to review risks around the delivery of the programme in each authority.

All projects must be approved by the appropriate delegated Executive Director at EEDA.

The programme is scrutinised by partners, including EEDA, through the varying Local Area Agreement (LAA) structures with each locality. Regular performance reports are provided by local authority economic participation teams through the LAAs.

EEDA's economic participation team is managing three key risks identified in association with the delivery of the programme in 2009/10:-

1. The first risk arises as a result of working with five local authorities who are delivering the EPP for the first time from the 1 April 2009. They have therefore had to develop the appropriate systems and processes in a relatively short period of time. For 2 Local Authorities, Central Bedfordshire and Bedford Borough, that were only constituted on the 1 April 2009, and this has been a particular challenge.
2. The second risk is around the capital element of the programme. 2009-10 is the last year the sub-regional EPP will have any capital funding. As a result, there isn't a pipeline of

well developed potential future capital projects in place and this has made contingency planning at a local authority level more challenging. For the five new Local Authorities involved this year, delivery of the capital element is the most challenging as they are essentially running a single-year capital programme. EEDA's EPP team monitor this risk regularly with the local authorities and are working up contingency plans should capital funding need to be reallocated. A regional review meeting took place on 21 January 2010 to review risk across the programme and review contingency options.

3. A third risk relates to potential redundancies within the local authorities during 2009-10 and 2010-11 as the programme budget reduces and becomes revenue only from 1 April 2010. The EPP team have already been notified of some redundancies and will work closely with the relevant local authorities to ensure adequate resources and continuity plans are in place.

- ***Peterborough City Council***

As agreed at the last Audit Committee in November 2009, the executive wrote to Peterborough City Council's Chief Executive (a copy of the letter is attached at annex 3).

Peterborough City Council's Internal Audit team has been provided with evidence to support the implementation of all recommendations made and no further internal audit work is due to be carried out in 2009/10. Peterborough City Council's Internal Audit plan for 2010/11 will include the economic participation programme.

EEDA have concluded any necessary clawback of funding in relation to funding year 2008/09.

- ***Essex County Council***

EEDA continues to monitor progress with delivery of the programme and there is in place a plan for reviewing risks and Essex County Council internal audit team will next review the audit actions in May 2010.

- ***Southend Borough Council***

At the last Audit Committee meeting, concerns were flagged over Southend-on-Sea Borough Council's internal audit and assurance arrangements for the programme. To address the capacity issue, two actions were agreed between EEDA and the Council.

1. The first action was a joint meeting between the EEDA and Southend-on-Sea's internal audit teams and their delivery team. This highlighted that progress was being made in putting in place consistent systems and a programme of monitoring visits was to be scheduled to ensure that organisations delivering projects were meeting EEDA's requirements.
2. Southend-on Sea Borough Council also agreed to commission an internal audit from EEDA's partners, Ernst and Young, and provide some resource from their internal audit team to support the audit and develop an appropriate action plan. This audit is due to take place week commencing 1 March 2010.

In addition EEDA's economic participation team have been working with Southend-on-Sea Borough Council to develop the programme and manage the risk that funding would not be utilised in 2009/10, which could undermine the achievement of the programme objectives.

## **Third line of defence assurances**

For those local authorities with whom EEDA is contracting for the first time in 2009/10, liaison between EEDA's Internal Audit team, Programme Management and Monitoring Team (PMMT) and the EP team has continued. Subsequent visits have been made by Internal Audit and PMMT where appropriate, independent of the EP team's regular operational management visits and liaison.

Specific and targeted assurance information on the programme can be derived from a number of sources independent of the operational responsibilities for the programme.

- ***Independent Accountant's reports over the programme at the end of each financial year***

The audited statements of grant usage in respect of the programme for 2008/09 were due from six local authorities by 31 October 2009. Signed audited statements are awaited from Suffolk County Council and Hertfordshire County Council.

As stated in the NAO's management letter for 2009/10, these are a key source of audit assurance, therefore it is important that these are received on a timely basis and that any qualifications and clawback of funding are acted upon promptly.

Qualifications were received from the auditors of the statements of grant usage for Cambridgeshire County Council and Essex County Council. PMMT have received assurances that the issue raised in respect of the funding agreement for Cambridgeshire County Council has been addressed. The majority of those raised for Essex County Council had been identified as concerns by the Council's internal audit team. Where this was not the case these have been added to the action plan developed as a result of the internal audit work, and are being followed up through Essex County Council's internal audit follow up processes.

- ***Monitoring visits undertaken by the Programme Management and Monitoring Team***

For 2009/10, all of the five local authorities newly funded for the delivery of the programme have been subject to a monitoring visit during November and December 2009. These visits have highlighted some common themes with regards to ensuring key decision documents are signed and the adequacy of documentation to support the completion of appropriate processes.

In light of the issues raised in the internal audit of Essex County Council for the programme in 2008/09 and the subsequent qualification of the statement of grant usage, a monitoring visit is to be undertaken in January 2010.

- ***Local Authority or EEDA Internal Audit activity on the Economic Participation Programme***

For the programme in 2009/10, the table below summarises the internal audit activity that is either currently underway or planned. The frequency and scope of internal audit coverage is

generally determined by the level of risk and financial materiality of the programme relative to other activities within the local authority.

Local Authority Area	Planned Internal Audit Activity 2009/10
Southend-on-Sea Borough Council	A joint visit was carried out by EEDA and Southend-on-Sea's internal audit teams to carry out a desk top review of the processes and systems in place, and to provide advice where improvements could be made to meet EEDA's funding conditions. A full audit is to be carried out by EEDA's internal audit partner, Ernst and Young, starting on 1 March 2010.
Bedford Borough Council	Full audit - fieldwork to be completed by 31 <sup>st</sup> December 2009.
Cambridgeshire County Council	Full audit to be carried out in 2010/11.
Central Bedfordshire Council	Full audit - fieldwork completed, reporting in progress
Essex County Council	Follow up of the internal audit report 2008/09
Hertfordshire County Council	Full audit to be carried out in February 2010
Luton Borough Council	Full audit to be carried out in February 2010
Norfolk County Council	Follow up of the internal audit report 2008/09
Peterborough City Council	Follow up of the internal audit report 2008/09 and another full audit in 2010/11
Suffolk County Council	Internal Audit to consider the inclusion of the programme as part of their planning process for 2010/11.
Thurrock Council	Full audit - fieldwork completed, reporting in progress

Where reliance cannot be placed upon the assurances provided by local authorities, EEDA's internal audit team may insist as a last resort on carrying out its own audit of the programme.

## IMPLICATIONS/RISKS

Annex 4 recaps the risk factors associated with placing reliance upon other providers' assurances. In particular, due differentiation is necessary to reflect that some of the external sources of assurance can only provide general assurances over the adequacy of systems and controls in operation. However, they can be used as a basis for EEDA's management and project sponsors to determine appropriate and proportionate follow up action.

Where issues are identified through the activities of internal audit and other assurance providers, it indicates that risks may not be adequately managed, with a potential impact upon the delivery of EEDA's programmes and objectives. The timely implementation of agreed management actions helps ensure that risks to the programme are being appropriately mitigated.

# AUDIT COMMITTEE

## KEY MILESTONES/TIMELINES/NEXT STEPS

The results of internal audit reports by local authorities, and other assurances received, will continue to be reported to the Audit Committee as part of the quarterly internal audit update.

## ANNEXES

Annex 1 – Local Authority assurances update

Annex 2 – Explanation of local authority assurances

Annex 3 – Letter to Peterborough City Council

Annex 4 – Risks associated with placing reliance upon local authority assurances

Draft 1 approved by Head of Governance	21 January 2010
Reviewed at CET	26 January 2010
Final draft approved by Executive Director	

# CONFIDENTIAL AUDIT COVER SHEET



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<b>Title:</b>	Bedfordshire and Luton Economic Development Partnership	<b>Paper no:</b>	<b>AC0210(11)</b>
<b>Item no:</b>	13	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010		Angela Mason-Bell / Phil Davies
<b>Report to:</b>	Audit Committee		01223484588 / 01223484555
<b>Directorate:</b>	Corporate Services		07917328066 / 07740110837
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<b>CONFIDENTIALITY STATUS</b>	UNCLASSIFIED
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<b>PAPER TYPE</b>	INFORMATION
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<b>BOARD CHAMPIONS</b>
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<b>This board paper is confidential and exempt from disclosure under the Freedom of Information Act 2000, section 43(2), commercial interests.</b>
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# CONFIDENTIAL AUDIT COVER SHEET



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<b>Title:</b>	NAO Review of International Financial Reporting Standards for 2008-09	<b>Paper no:</b>	<b>AC0210(12)</b>
<b>Item no:</b>	14	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010		Jim Dore
<b>Report to:</b>	Audit Committee		01223 200826
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**PAPER TYPE** INFORMATION

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**BOARD CHAMPIONS**

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**This board paper is confidential and exempt from disclosure under the Freedom of Information Act 2000, section 43(2), commercial interests.**

# CONFIDENTIAL AUDIT COVER SHEET



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<b>Title:</b>	Report on Procurement Activity	<b>Paper no:</b>	<b>AC0210(13)</b>
<b>Item no:</b>	15	<b>Author</b>	
<b>Meeting date:</b>	9 February 2010		Tim Morgan
<b>Report to:</b>	Audit Committee		Procurement Manager
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**PAPER TYPE** INFORMATION

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**BOARD CHAMPIONS**

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**This board paper is confidential and exempt from disclosure under the Freedom of Information Act 2000, section 43(2), commercial interests.**

# BOARD PAPER

**Title:** Report on Delegation

**Paper no:** Information

**Item no:** Any other business

**Sarah Green, Head of Legal Services Author**

**Meeting date:** 9<sup>th</sup> February 2010

**Directorate:** Corporate Services

**CONFIDENTIALITY STATUS** UNCLASSIFIED

**PAPER TYPE** INFORMATION PAPER

**BOARD CHAMPIONS**

## ISSUE/PURPOSE OF PAPER

To report on the following as required by EEDA's Delegation Scheme:

1. Number of instances where Head of Legal Services or Head of Major Projects has acted as second signatory for bank instructions (excluding routine payment runs).
2. To report on sub-delegations in writing of delegated authorities reported to CET.

## OVERVIEW

There are no recorded instances where Head of Legal Services or Head of Major Projects has acted as second signatory for bank instructions (excluding routine payment runs) from the date when the Delegation Scheme was amended to allow them to do so (10<sup>th</sup> December 2009 to the date of this paper (21<sup>st</sup> January 2010).

No recorded sub-delegations in writing of delegated authorities have been reported to CET from the date when the Delegation Scheme was amended to permit this (15<sup>th</sup> October 2009).

## FINANCIAL IMPLICATIONS/RISKS

None

## ESSENTIAL BACKGROUND

EEDA's Board at its meetings on 15<sup>th</sup> October and 10<sup>th</sup> December 2009 required the executive to report to EEDA's audit committee regarding the matters above.

## KEY MILESTONES/TIMELINES/NEXT STEPS

Further reports will be submitted to each audit committee.

## ANNEXES