



Swansea Bay City Region Joint Committee - 23 June 2022

Internal Audit Report

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| Purpose: | To seek approval from Joint Committee of the findings and actions of an internal audit review into the SBCD Portfolio |
| Policy Framework: | Swansea Bay City Deal (SBCD) Joint Committee Agreement (JCA) |
| Consultation: | Programme Board |
| Recommendation(s): | It is recommended that Joint Committee: 1) Approves the findings and actions of the internal audit review into the SBCD Portfolio as at Annex A |
| Report Author: | Chris Moore (SBCD S151 Officer) |
| Finance Officer: | Chris Moore (SBCD S151 Officer) |
| Legal Officer: | Tracey Meredith (SBCD Monitoring Officer) |

1. Introduction

An audit review of the Swansea Bay City Deal (SBCD) has been carried out as agreed by the Swansea Bay City Deal Joint Committee.

2. Internal Audit

The audit aims to provide assurance that the Swansea Bay City Deal has adequate governance, internal control, risk management and financial management arrangements in place, which are operating effectively and assisting it to achieve its objectives.



2.1 Audit Scope

| <u>Area</u> | <u>Description</u> |
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| Governance: | <ul style="list-style-type: none"> • Follow Up of Previous Recommendations • Follow Up of Gateway Review Recommendations • Decision Making • Assurance, Monitoring and Evaluation Arrangements • Registers of Interests and Related Parties |
| Financial Management: | <ul style="list-style-type: none"> • Budgetary Control • Investments • Grant Claims Process |
| Risk Management: | <ul style="list-style-type: none"> • Risk Management Arrangements |
| Project Management & Monitoring | <ul style="list-style-type: none"> • Project Management, Process and Monitoring • Project Outcomes and Benefit Realisation |

The internal audit report has determined an audit assurance rating of 'Substantial'; There are none or few weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, and they would either be unlikely to occur or their impact is not likely to affect the achievement of the SBCD objectives. This report will be presented to the Joint Committee within the 2022/23 financial year and was subject to delay in financial year 2021/22 due to the COVID-19 crisis and local elections.

The Strategic and Annual Audit Plans are approved by Joint Committee annually and regular reports are made to the Joint Committee throughout the year on progress and any significant weaknesses identified.

In addition to the planned work, the Internal Audit Unit undertakes fraud investigation and proactive fraud detection work.

2.2 The internal audit review into the Swansea Bay City Deal concluded the following recommendations:

| <u>Audit Element</u> | <u>Recommendation</u> | <u>Timescale for Action</u> |
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| Formal agreements should be signed with partners who have not signed up as part of the Joint Committee Agreement (i.e. Universities and Health Boards). All contributions due should then be paid or appropriate escalation/action taken. Not Complete – Swansea Bay City Deal are awaiting the signed formal agreement from one partner, who have requested further information. Confirmation was received that all partners are paid up to date. | Formal agreements should be signed with partners who have not signed up as part of the Joint Committee Agreement (i.e. Universities and Health Boards). | 30 June 2022 (end of Q1 2022-23) |
| A procurement exercise has been undertaken to purchase project management software. Internal Audit were advised that there have been delays in concluding the procurement exercise, with an issue relating to insurance requiring resolution. Along with providing enhanced dashboard data, and formalising and providing consistency in reporting, the introduction of the software could release efficiencies within the Portfolio Management Office (and within Programmes/Projects) through reducing both duplication and the current administrative burden when consolidating Programme/Project level data to Portfolio level data. | Discussions to resolve the issue relating to the purchase of the Portfolio Management Software should be expedited, allowing efficiencies to be realised within the Portfolio Management Office. | 30 June 2022 (end of Q1 2022-23) |

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| <p>Reliance is placed upon Project Authority Lead's to ensure the accuracy of transactions contained within the grant claim forms received from grant recipients. Testing confirmed that transaction lists are provided to the Finance Manager which supported entries contained within grant claims.</p> <p>It was noted that the Joint Committee Agreement states in Section 20.7 "if any Council provided with funding from the Government Funding to implement a project in the Swansea Bay City Deal it shall audit the finances and the discharge of functions relating to that project".</p> <p>Currently, there is no consistent process in place to allow Swansea Bay City Deal to receive such assurance from Project Authority Leads. The introduction of a process whereby internal audit review results are communicated to Swansea Bay City Deal would allow the Section 151 Officer to receive a greater level of assurance when certifying grant claim forms.</p> | <p>Consultation should be undertaken with Project Authority Lead's to ensure internal audit reviews are undertaken on the Headline Programmes/ Projects on a rolling basis. Swansea Bay City Deal should request that the outcome of any subsequent internal audit review is provided to the Section 151 Officer and Portfolio Management Office.</p> | <p>30 Sept 2021 (end of Q2 2021-22)</p> |
| <p>The Joint Committee approved the five-year budget (2020-21 to 2024-25) for the administration and support functions of the Swansea Bay City Deal on 09 July 2020. Quarterly updates on spend against budget, and the expected outturn position, have been provided during both 2020-21 and 2021-22. It was noted that the annual budget for 2021-22 was not submitted to Joint Committee for approval. The annual budget for 2022-23 has recently been reviewed by the Programme (Portfolio) Board, and is due to be presented to the next meeting of the Joint Committee for approval</p> | <p>To ensure the requirements outlined within the Joint Committee Agreement are complied with, the annual budget for Swansea Bay City Deal must be approved by the Joint Committee. This will ensure there is openness and transparency in the budget setting process, and allow the opportunity for Joint Committee to scrutinise any budget variations prior to the annual budget being set.</p> | <p>30 June 2022 (end of Q1 2022-23)</p> |

3. Financial Implications

Financial implications as appropriate are detailed within the report and are linked to the recommendations.

4. Legal Implications

There are no legal implications associated with the report.

5. Alignment to the Well-being of Future Generations (Wales) Act 2015

The SBCD Portfolio and its constituent projects are closely aligned to the Well-being of Future Generations (Wales) Act 2015 and the seven well-being goals for Wales. These alignments are outlined in a Portfolio Business Case for the SBCD, as well as in individual project business cases.

Background Papers: None

Appendices:

Annex A: Internal Audit Report 2021/22