

SWANSEA BAY CITY DEAL

Annex A

Report Issued to:

Chris Moore, Swansea Bay City Deal Section 151 Officer

Report Copied to:

Jon Burnes, Swansea Bay City Deal Portfolio Director

Report Copied to:

Richard Arnold, Swansea Bay City Deal Finance Manager

Report Copied to:

Tracey Meredith, Swansea Bay City Deal Monitoring Officer

Auditor:

Charlotte Hodges, Principal Auditor

Rationale for Audit:

Annual Risk Based Review

Internal Audit Report No:	21063 (2021-22)
Assurance Rating:	Substantial
Fieldwork Completed:	30 March 2022
Draft Report:	31 March 2022
Management Comments:	
Final Report Issued:	

Introduction and Objectives

An audit review of the Swansea Bay City Deal (SBCD) has been carried out as part of the 2021-22 Internal Audit Plan, as agreed by the Swansea Bay City Deal Joint Committee. The audit aims to provide assurance that 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.

Audit Scope

Governance:	<ul style="list-style-type: none">• Follow Up of Previous Recommendations• Decision Making• Assurance, Monitoring & Evaluation Arrangements
Internal Control:	<ul style="list-style-type: none">• Project Management, Process and Monitoring• Project Outcomes and Benefit Realisation
Financial Management:	<ul style="list-style-type: none">• Budgetary Control• Investments• Grant Funding
Risk Management:	<ul style="list-style-type: none">• Risk Management Arrangements

Methodology

<ul style="list-style-type: none">• Interviews with relevant officers
<ul style="list-style-type: none">• Review of systems
<ul style="list-style-type: none">• Reviewing supporting documentation
<ul style="list-style-type: none">• Sample Testing

Executive Summary

Good progress has continued to be made since the previous internal audit review to strengthen arrangements, through the implementation of recommendations made and continued development of the control framework.

An Assurance Framework has been developed to bring structure to the rigour, effectiveness and frequency of assurance activities for the Portfolio, Programmes/Projects and their associated workstreams. Welsh Government approval of the Framework is pending. A Change Control Procedure has been established, and approved by the Joint Committee. This Procedure has been utilised once since it was introduced, with no issues identified from review of the Change Control Request and associated documentation although it is acknowledged that the Change Control Procedure will require further refinement as more Programmes/Projects move through this process.

A standardised process for monitoring outputs, outcomes and impacts has been developed, with the Portfolio Management Office gathering baseline benefit realisation data during 2021-22. Moving forward in 2022-23, benefit realisation data will be collated quarterly, and submitted to the Joint Committee and other Governance Boards for update and scrutiny. It is also intended that an annual benefit realisation report will be produced from 2022-23. The introduction of Project Management Software should be expedited to support, streamline and strengthen processes as well as creating efficiencies within the Portfolio Management Office.

The five-year budget for Swansea Bay City Deal was approved by Joint Committee on 09 July 2020. The budget for 2022-23 has been reviewed by the Programme (Portfolio) Board, and is due to be submitted to the Joint Committee at its next meeting. Business Cases for all nine Headline Programmes/Projects have received Ministerial approval, and are either in delivery or are in the process of moving to delivery stage. For Programmes/Projects which are in delivery, funding agreements are in place, with funding being released to aid delivery. A grant claim process has been developed to support the movement of funding to Project Authority Leads. There is an opportunity to strengthen the assurance received by the Section 151 Officer when signing grant claims through the use of local internal audit reviews.

FOLLOW UP OF PREVIOUS RECOMMENDATIONS

Of the five recommendations made (and accepted) during the previous audit review in 2020-21, three have been addressed. The risk resulting from one recommendation has been accepted, and is included as an item on the Portfolio Risk Register. The remaining recommendation is partially complete:

- 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.*

RECOMMENDATION

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).

Grade: Important

MANAGEMENT RESPONSE

Further information has been provided to the remaining partner. Confirmation has been received that the partner is content to sign and will forward imminently.

Responsible Officer

Chris Moore

Timescale for Action

April 22

PROJECT MANAGEMENT, PROCESS AND MONITORING

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.

RECOMMENDATION

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.

Grade: Important

MANAGEMENT RESPONSE

The PoMO have escalated the issue to the Portfolio SRO and S151 and work is ongoing to resolve the issues as a matter of urgency. Notwithstanding this, the PoMO has also developed a dashboard in order to improve reporting, which will form the basis of the dashboard within the P3M software. The PoMO has also continued to ensure consistency in reporting requirements by undertaking regular reviews, seeking regular feedback from SBCD stakeholders and SRO's and continuing to obtain external assurance at a Portfolio level in order to ensure governance and its processes are appropriate, proportionate and fit for purpose.

Responsible Officer

Jonathan Burnes

Timescale for Action

Quarter 1 2022/23

BUDGETARY CONTROL

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. In relation to annual budget setting, the Joint Committee Agreement states:

- Section 7.1(l) states: “The Accountable Body shall: Report to the Joint Committee on the proposed budget for the Accountable Body costs, the Economic Strategy Board costs, Joint Committee costs, Joint Scrutiny costs, Programme Board costs and Portfolio Management Office costs before the commencement of each financial year for agreement”; and
- Section 19.1(a) states: “The Joint Committee shall agree a budget for the Accountable Body Costs, Economic Strategy Board Costs, Joint Committee Costs, Joint Scrutiny Committee Costs, Programme Board Costs and Portfolio Management Office Costs on a rolling 3 year basis. The Joint Committee shall review this budget annually and before the commencement of each financial year and shall agree the Annual Costs Budget each year with year 1 being confirmed and years 2 and 3 being indicative”.

Whilst it is acknowledged that the Joint Committee have approved a five-year budget for Swansea Bay City Deal, approval of the annual budget underpins expected income and expenditure profiles for the distinct financial years, and allows movement from the original budget approval to be ratified by the formally constituted body.

RECOMMENDATION

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.

Grade: Important

MANAGEMENT RESPONSE

The annual budget for 2022/23 has been presented to programme board and will be approved at the next Joint Committee on June 23rd 2022.

Responsible Officer

Chris Moore

Timescale for Action

Quarter 1 2022/23

GRANT FUNDING

Since the last internal audit review, the process of distributing grant funding to Project Authority Lead's on receipt of grant claim forms has commenced. Review of the process developed for receipt of grant claims and supporting documentation, prior to disbursement of funds to Project Authority Lead's did not identify any issues, with the process having evolved during 2021-22 to ensure a suitable control framework is in place.

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.

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". 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.

RECOMMENDATION

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.

Grade: Opportunistic

MANAGEMENT RESPONSE

Consultation will be undertaken with Regional Local Authorities to ensure internal audit review's of projects are shared with the Accountable Body and PoMO to strengthen assurance measures upon processing of grant claims.

Responsible Officer

Chris Moore

Timescale for Action

Quarter 2 2022/23

ASSURANCE RATINGS

Level of Assurance	Description	Standard Circulation
Substantial	There are no 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.	Section 151 Officer/Portfolio Director/Finance Manager/Monitoring Officer Programme (Portfolio) Board/Joint Committee
Moderate	There are some weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, but these are unlikely to have a significant effect on the achievement of the SBCD objectives.	Section 151 Officer/Portfolio Director/Finance Manager/Monitoring Officer Programme (Portfolio) Board/Joint Committee
Limited	There are a number of weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which, in aggregate, could have a significant effect on the achievement of the SBCD Objectives.	Section 151 Officer/Portfolio Director/Finance Manager/Monitoring Officer Programme (Portfolio) Board/Joint Committee

RECOMMENDATION GRADING

Seriousness	Action Required
Critical	High risk that requires prompt strategic or operational action.
Important	Medium risk that requires strategic or operational action.
Opportunistic	Potential to strengthen the service by taking advantage of a situation

Low level findings will be reported during the exit interview.

LIMITATIONS IN ASSURANCE

It should be noted that full testing was not undertaken as part of this audit review, therefore the results should be considered in this context.

ACKNOWLEDGEMENT

We would like to take this opportunity to thank all staff involved for their co-operation during the audit review.

CONTACT DETAILS

If the Internal Audit Service can be of any further assistance please contact:

- Matthew Holder, Audit, Risk & Counter Fraud Manager
- Charlotte Hodges, Principal Auditor