



Swansea Bay City Region Joint Committee - 27 July 2023

Internal Audit Recommendation Report 2022-23

Purpose:	To consider and approve the findings and actions of the 2022-23 Internal Audit review into the SBCD Portfolio.
Policy Framework:	Internal Audit Governance Arrangements Internal Audit Charter Joint Committee Agreement
Recommendation(s):	It is recommended that Swansea Bay City Region Joint Committee: 1) Reviews and approves the findings and actions of the 2022-23 Internal Audit review into the SBCD Portfolio.
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1. Introduction

1.1 An Internal Audit review of the Swansea Bay City Deal has been carried out as agreed by the Swansea Bay City Deal Joint Committee on 10 November 2022.

2. Main Body of Report

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

2.1 The Internal Audit Scope for 2022-23 covered the following key areas:

- Governance
 - Follow Up of Previous Recommendations

- Joint Committee Agreement, Governance Boards & Decision Making
- Assurance, Monitoring and Evaluation Arrangements
- Internal Control
 - Project Management, Process and Monitoring
 - Impact of Inflation and Construction Price Rises
 - Project Outcomes and Benefit Realisation
- Financial Management
 - Budgetary Control
 - Grant Funding
- Risk Management Arrangements

2.2 The Internal Audit report has determined an audit assurance rating of '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.

2.3 The Internal Audit review into Swansea Bay City Deal concluded the following recommendations:

Audit Element	Recommendation	Timescale for Action
<p>It was noted that there is no direct connection between the financial status of Programmes/ Projects and the overall status of Programmes/ Projects. Whilst a RAG rating of the financial status is included at a summary level the detail provided relates to overall budgets rather than whether actual spend is in line with budgets, or whether grant drawn-down is in line with the forecasted funding profile. The detailing of parameters would also allow Members to understand the boundaries within each RAG rating is applied. Enhanced financial reporting would allow a greater correlation between activities and finances for each of the Headline Programmes/Projects.</p> <p>Testing identified that there is currently slippage in time recorded against the delivery date for nine Programmes/ Projects. Whilst this is currently highlighted in terms of RAG rating, reporting could be enhanced by providing a narrative indication within the Quarterly Monitoring report as to the level of slippage when compared to the original planned timescale. This would provide Members with a greater insight into the progress of projects, and enable greater scrutiny on projects which are significantly behind target.</p>	<p>As each of the Programmes/Projects move into full delivery, quarterly monitoring reports presented to the Joint Committee and Programme (Portfolio) Board should be developed to incorporate enhanced financial monitoring, including whether expenditure is in line with forecasts and whether grant drawn-down is in line with the agreed funding profile. Reporting would also benefit from enhanced data regarding delivery timescales. This would provide correlation and synergy between project progress and financial reporting.</p>	<p>June 2023 (end of Q1 2023-24)</p>

Audit Element	Recommendation	Timescale for Action
<p>Change notifications are managed at Programme/Project level, with a requirement for the PoMO to be notified for reporting purposes. Thresholds for changes to cost/time/quality have not been formally defined, which could result in ambiguity within Programmes/Projects as to whether a change notification is required to be submitted to the PoMO.</p>	<p>The change notification process (including potential baseline thresholds) should be clearly defined, to provide clarity to Programmes/Projects as to when they need to comply with the change notification process, and bring consistency across the Portfolio.</p>	<p>September 2023 (end of Q2 2023-24)</p>
<p>The PoMO are monitoring the impact of the current financial climate on the Portfolio. A detailed update to Programme (Portfolio) Board took place in November 2022. Review of the paper presented identified that potential mitigating actions have been documented, and a qualitative assessment undertaken against these. However, there was no detail recorded of the quantitative impact of the mitigations. Given the volatility on the market, and the impact this could have on the Portfolio, regular detailed updates should be provided. Additionally, further detail regarding the funding gap, and potential mitigations, should be provided to Joint Committee, to allow Members to be fully appraised of the mitigating actions being taken by the PoMO, Programmes and Projects.</p>	<p>Regular updates on the impact of the current financial climate should be tabled as standing agenda items for the Programme (Portfolio) Board to enable regular monitoring on the impact of the current climate on the Portfolio. This should include periodic updates to the financial assessment, and regular review of the mitigating actions developed to ensure they are deliverable, and achieving the intended benefit. Periodic updates on the forecast pressure and mitigating actions should also be provided to the Joint Committee, to keep them fully appraised of the matter.</p>	<p>June 2023 (end of Q1 2023-24)</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. Annual budgets are also presented to Joint Committee for approval. At the time of the Internal Audit review a draft budget for the 2023-24 financial year had not been prepared. The 2023-24 draft budget is due to be presented to the Programme (Portfolio) Board on 16 May 2023.</p>	<p>The development of the Swansea Bay City Region budget for 2023-24 should be concluded at the earliest opportunity (recognising that a five-year budget has previously been approved by the Joint Committee). Moving forward, arrangements should be made to ensure that draft budgets are presented for approval prior to the start of the upcoming financial year.</p>	<p>July 2023</p>
<p>Testing identified that only a small number (five) of grant claim forms had been received during 2022-23. Testing also identified that the grant claim forms are not always used consistently. Review of the grant claim forms identified that the incorrect amount of grant funding was paid on one occasion.</p>	<p>Grant claim forms should be used by all Programmes/Projects when requesting funding from Swansea Bay City Deal. Programmes/Projects in delivery should be advised that quarterly grant claims should be submitted, to allow funding to be distributed to lead bodies in a timely manner. Additionally, verification of the grant claim forms should be undertaken prior to payment being made, to ensure the total value of grant paid does not exceed the balances included within the payment profile.</p>	<p>Immediate</p>

3. Financial Implications

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

4. Legal Implications

4.1 The Joint Committee Agreement provides that the Accountable Body will ensure that the finances and discharge of functions relating to the Swansea Bay City Deal are audited.

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

5.1 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: Swansea Bay City Deal Internal Audit Terms of Reference 2022-23

Appendices:

Appendix A Internal Audit Report 2022-23