



Swansea Bay City Region Joint Committee - 13 June 2024

## Swansea Bay City Deal Internal Audit Recommendation Report 2023-24

<b>Purpose:</b>	To consider and endorse the findings and actions of the 2023-24 Internal Audit review into the SBCD Portfolio.
<b>Policy Framework:</b>	Internal Audit Governance Arrangements Internal Audit Charter Joint Committee Agreement
<b>Recommendation(s):</b>	It is recommended that Joint Committee:  1) Reviews and endorses the findings and actions of the 2023-24 Internal Audit review into the SBCD Portfolio as at Appendix A.
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<b>Legal Officer:</b>	Debbie Smith, Monitoring Officer, SBCD

### 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 16<sup>th</sup> November 2023.

### 2. Main Body of Report

2.1 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.

2.2 The Internal Audit Scope for 2023-24 covered the following key areas:

- Follow Up of Previous Recommendations.
- Governance Arrangements.



- Joint Committee Agreement; Governance Boards & Decision-Making arrangements; Assurance, Audit and Scrutiny.
- Project Management & Monitoring Arrangements.
  - Project Management Process; Monitoring and Evaluation Arrangements; Change Control Process; Post Completion Reviews.
- Financial Management;
  - Budgetary Control; Private Sector Investment; Grant Claims Process.
- Risk Management Arrangements.

2.3 The Internal Audit report has determined an audit assurance rating of 'Substantial'; A sound system of governance, internal control, financial management and risk management exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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

Audit Element	Recommendation	Timescale for Action
<p>Quarterly Programme/Project Monitoring Reports and Monthly Highlight Reports (outside of the quarterly cycle) are prepared and presented to the Programme (Portfolio) Board and the Joint Committee, providing both a RAG rated and narrative update of Programme/Project progress. Review of the monthly Highlight reports identified that there is some repetition in the information that is being presented, and also some variation between how Programmes/Projects present their update. For example, one Programme has one overall update on completed and planned activities, without clearly distinguishing between either. Additionally, the Programme does not report on risks or issues within their Highlight report. It was also noted that further work is required to ensure there is synergy in the development of the Finance RAG ratings between the PoMO and the Finance team, which would allow both a strategic and holistic overview of the financial status of a Programme/Project to be</p>	<p>Monthly and Quarterly monitoring reports should be enhanced, to ensure Programme/Project progress over the period is clearly identifiable, and bring consistency to information reported. In addition, further work should be undertaken to enhance the synergy in the financial RAG rating of Programmes/Projects, by including the annual investment and grant draw-down status in RAG rating determinations.</p>	<p>End of quarter 1 FY 2024/25</p>

Audit Element	Recommendation	Timescale for Action
<p>taken into account when determining the RAG rating, for example by also considering the annual investment and grant draw-down status into the RAG rating determination. A framework for the determination of RAG ratings has been developed, however, this would benefit from enhancement to ensure all relevant factors are considered when deciding on which rating to apply.</p>		
<p>Funding agreements stipulate that grant claims should be submitted by lead bodies on a quarterly basis, to allow funding to be distributed to Programmes/ Projects. As previously reported during the 2022-23 Internal Audit review, not all Programmes/Projects are complying with this requirement. At the time of the audit, grant claims had been received from four Programmes/Projects, with funding distributed to two. Actual and planned payments, at the time of the audit, totalled £8,336,027, resulting in top-slice income of £125,000 that can be drawn down to support the annual PoMO budget, against a projected top-slice of £760,858 to be received during 2023-24. Internal Audit were informed that it is likely that further claims will be received in relation to Quarter 4, 2023-24, and the Swansea Bay City Deal Section 151 Officer outlined the funding strategy for the PoMO budget. Advice was provided to the Finance Manager in regard to verification checks on receipt of grant claim forms, to ensure there was consistency in the verification process applied prior to distributing grant funding to partners.</p>	<p>Programmes/Projects in delivery should submit grant claims on a more frequent basis, to allow funding to be distributed in a timely manner (and within the correct financial-year), enabling draw down of the top-slice to support the PoMO budget.</p>	<p>End of quarter 1 FY 2024/25</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 2023-24

**Appendices:**

Appendix A Internal Audit Report 2023-24