

# Swansea Bay City Deal

## Final Internal Audit Report 2023-24



## Introduction and Objective of Audit Review

Swansea Bay City Deal is an investment of circa £1.3 billion across a portfolio of nine headline programmes and projects, delivering a combined total of 35 individual projects throughout the counties of Swansea, Carmarthenshire, Neath Port Talbot and Pembrokeshire.

An Internal Audit review of the Swansea Bay City Deal has been carried out as part of the 2023-24 Internal Audit Plan, as agreed by the Swansea Bay City Deal Joint Committee on 16 November 2023.

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 and Methodology

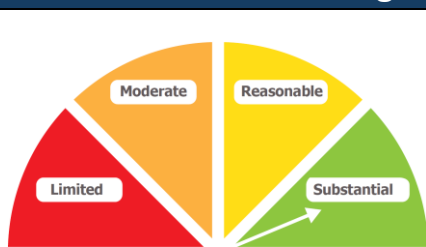
The scope of the audit review covered the following key areas:

- 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.

We took an evidence based approach to our audit review using interviews with staff, review of supporting documentation and sample testing to arrive at our opinion.

This audit review was performed following Internal Audit’s standard methodology, in conformance with the Public Sector Internal Audit Standards. It should be noted that all testing undertaken as part of this audit review was on a sample basis and therefore the results should be considered in this context. Internal Audit cannot provide absolute assurance of effectiveness.

## Overall Assurance Rating



**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.

### Recommendations:

| Priority  | Number |
|-----------|--------|
| Very High | 0      |
| High      | 0      |
| Medium    | 2      |
| Low       | 0      |

*NB: Low level recommendations are reported directly to Services under review*

## Executive Summary

Governance arrangements for Swansea Bay City Deal (SBCD) continue to be satisfactory. SBCD is governed by a Joint Committee Agreement and reporting structures have been developed. Joint Scrutiny Committee meetings are held regularly and there is effective scrutiny by Members over individual Programmes and Projects, and the overall Portfolio. No issues were identified regarding the quoracy of Meetings.

Five recommendations were made during the 2022-23 Internal Audit review. It was confirmed that two recommendations have been completed in full (Change notification process and Impact of inflation and construction price rises). The remaining three are in progress, as work continues to be undertaken to ensure the changes are fully embedded (Enhanced monitoring, Budgetary control and Grant funding). Where relevant, outstanding elements of the previous recommendations have been incorporated within the recommendations in this report.

The Gateway Assurance Framework continues to operate, providing the structure and clarity for the management, resourcing and governance of Gateway assurance arrangements for the SBCD Portfolio and its constituent Programmes and Projects. Assurance Panel meetings are held regularly, with outcomes reported to the Programme (Portfolio) Board.

A Monitoring and Evaluation Plan has been developed to allow a clear structure for the delivery and monitoring of the SBCD. The Monitoring and Evaluation Plan was last subject to full review in Spring 2023. Currently, the Portfolio Management Office (PoMO) are developing the Evaluation Framework, to enhance the importance of evaluation within the Monitoring and Evaluation Plan and effectively measure the outcomes and impacts of interventions. It is intended that the Evaluation Framework will be presented for approval during Quarter one 2024-25, with a wider update of the Monitoring and Evaluation plan undertaken thereafter.

Effective Programme/Project management arrangements continue to be in place, and have been further strengthened through enhancements to the Change Control Process. Testing confirmed efforts to ensure compliance with the Change Control Process are beginning to come to fruition, with an increase in change notification/requests received by the PoMO during 2023-24 when compared to previous years.

Performance is monitored against performance targets by the PoMO, through RAG ratings on the Portfolio Dashboard and quarterly Programme/Project monitoring, through the monthly Highlight reports and the monitoring of benefits realisation data. Further enhancements to the quarterly reporting process are required to ensure synergy between the quarterly financial updates and the quarterly PoMO reporting, enabling both a strategic and holistic view of the financial status of a programme/project is taken into account when determining the RAG rating. Review of Highlight reports also identified that there is some repetition in the information that is presented (such as reiterating actions that have been completed, for example), and some variation between how Programmes/Projects present their update, and arrangements should be strengthened in this regard.

The SBCD operate a 5-year budget, which was approved by the Joint Committee on 09 July 2020, for the period 2020-21 through to 2024-25, with updates regularly presented to the Joint Committee for approval. Of the £1.3bn investment through the SBCD, over the lifetime of the City Deal, an estimated contribution of £625m is required from the private sector. The SBCD are aware of the risks relating to private sector investment, and this is included within the Portfolio Risk Register. A Private Sector Investment/Contribution Annual Report was prepared for 2022-23, and submitted to the Joint Committee in May 2023 to appraise Members of the current situation. It is recorded within the Portfolio Risk Register that it is intended that this report will be reproduced annually, with the next annual report due to be submitted through Governance Boards in June 2024.

Funding Agreements are now in place for all nine Headline Programmes/Projects, which will allow funding to be distributed to all partners on receipt of grant claim forms. Grant funding arrangements continue to require strengthening, to ensure Programmes/Projects comply with the requirements within the Funding Agreements, through the submission of regular grant claims, to enable the achievement of planned top-slice income.

Taking into consideration the above points, and based upon the detailed findings of the review, Substantial assurance is placed on the arrangements in place for Swansea Bay City Deal. The recommendations arising from this review have been consolidated within the Findings and Action Plan.

## Findings and Action Plan

### 1.0 Monitoring Arrangements

**Issue:**

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 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.

**Recommendation:**

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.

**Grading**

Medium

**Management Response:**

A framework will be drafted and guidance provided to all Project/Programme Leads to ensure consistency across the Portfolio when reporting RAG status of the 6 categories (Delivery, Scope, Staffing / Resources, Finance, Stakeholder Engagement, Overall Rating) that make up the Scorecard within the Quarterly Report.

A more in-depth review will be undertaken by the PoMO with Project and Programme Leads regarding Highlight Reports and Quarterly monitoring. The aims will be to ensure all Programmes and Projects are reporting progress, reduce repetition between reports and provide consistency across the Portfolio e.g. all are reporting key risks and issues and their mitigating/resolving actions.

**Responsible Officer:**

Portfolio Director & Regional Finance Manager

**Timescale for Implementation:**

End of quarter 1 FY 2024/25

## 2.0 Grant Claim Process

**Issue:**

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.

**Recommendation:**

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.

**Grading**

Medium

**Management Response:**

A reminder will be sent to Project Managers in respect of grant claim forms being submitted on a timely basis and these claims should include supporting evidence before funding can be released.

**Responsible Officer:**

**Timescale for Implementation:**

Regional Finance Manager

End of quarter 1 FY 2024/25

## Report Distribution

Chris Moore, Swansea Bay City Deal Section 151 Officer  
Jon Burnes, Swansea Bay City Deal Portfolio Director  
Steven Aldred-Jones, Swansea Bay City Deal Finance Manager  
Tracy Meredith, Swansea Bay City Deal Monitoring Officer

## Auditor

Charlotte Hodges, Swansea Bay City Deal Deputy Head of Internal Audit

## Key Dates

|                               |               |
|-------------------------------|---------------|
| Fieldwork Complete            | 23 April 2024 |
| Draft Report Issued           | 24 April 2024 |
| Management Responses Received | 10 May 2024   |
| Final Report Issued           | 10 May 2024   |

## 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:

- Matt Holder, Swansea Bay City Deal Head of Internal Audit
- Charlotte Hodges, Swansea Bay City Deal Deputy Head of Internal Audit

### Assurance Rating Descriptions and Report Circulation

| Assurance Rating   | Description   | Report Circulation  |
|--------------------|---|---|
| <b>Substantial</b> | 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.  | Section 151 Officer/<br>Portfolio Director/<br>Finance Manager/<br>Monitoring Officer<br><br>Programme (Portfolio)<br>Board/Joint Committee |
| <b>Reasonable</b>  | There is generally a sound system of governance, internal control, financial management and risk management in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.                     | Section 151 Officer/<br>Portfolio Director/<br>Finance Manager/<br>Monitoring Officer<br><br>Programme (Portfolio)<br>Board/Joint Committee |
| <b>Moderate</b>    | Weaknesses or non-compliance were identified. Improvement is required to the system of governance, internal control, financial management and risk management to effectively manage risks to the achievement of objectives in the area audited.   | Section 151 Officer/<br>Portfolio Director/<br>Finance Manager/<br>Monitoring Officer<br><br>Programme (Portfolio)<br>Board/Joint Committee |
| <b>Limited</b>     | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, internal control, financial management and risk management is inadequate to effectively manage risks to the achievement of objectives in the area audited. | Section 151 Officer/<br>Portfolio Director/<br>Finance Manager/<br>Monitoring Officer<br><br>Programme (Portfolio)<br>Board/Joint Committee |

### Recommendation Grading Descriptions

| Recommendation Grading | Description  |
|------------------------|--|
| <b>Very High</b>       | There is a serious risk to the organisation as a whole, or to the achievement of Strategic objectives through fundamental weaknesses in the control environment. Management action to implement the appropriate control is required immediately. |
| <b>High</b>            | Remedial action is required urgently to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weakness in key controls.  |
| <b>Medium</b>          | Remedial action is required in a timely manner to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.  |
| <b>Low</b>             | Remedial action is required as soon as practicably possible to enhance the control environment.  |