

Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 2 June 2023

Internal Audit of Integrated Employer Engagement Programme

Item number 5.5

Executive Summary

This paper sets out the outcomes of recently completed Internal Audit work for the City Region Deal.

The Integrated Employer Engagement component of the Integrated Regional Employability and Skills (IRES) programme has recently undergone an audit, with an overall outcome of 'Substantial Assurance' provided.

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Internal Audit of Integrated Employer Engagement Programme and Forward Audit Plan

1. Recommendations

The Committee is requested to:

- 1.1 Note the outcomes of the 2022/23 Internal Audit (IA) review of the City Region Deal Integrated Employer Engagement project.

2. Background

- 2.1 There is a requirement within the City Region Deal grant offer letter that an internal audit review should be undertaken every second year.
- 2.2 The City of Edinburgh Council's (the Council) Internal Audit function has completed a review for the 2022/23 audit year, which covered the Integrated Employer Engagement (IEE) project.
- 2.3 A previous review of City Region Deal Funding Processes was completed by the Council's IA function in June 2020.
- 2.4 A summary of the IIE audit outcomes is included at paragraphs 3.1 – 3.6 and the full audit report is provided at Appendix 1.

3. Main report

City Region Deal Integrated Employer Engagement project review

Audit Background

- 3.1 The [Integrated Employer Engagement](#) (IEE) project is part of the Integrated Regional Employability and Skills (IRES) programme. The IRES programme represents a £25m investment as part of the larger City Region Deal. The IEE project seeks to bring together training providers and local employers, including small to medium enterprises (SMEs), to develop ways to assist the population of the region (Fife, Scottish Borders, the Lothians, and City of Edinburgh) to receive the training and support they need to enter employment.
- 3.2 The IEE project is run by the [Capital City Partnership \(CCP\)](#), an Arm's Length External Organisation (ALEO) of the City of Edinburgh Council.

Audit Scope

- 3.3 The scope of the audit was to assess the adequacy of design and operating effectiveness of the key controls established to ensure that the Integrated Employer Engagement programme is achieving its objectives.

Audit Outcomes

- 3.4 The overall assessment of the review is 'Substantial Assurance' reflecting there are generally effective controls in place surrounding the City Region Deal Integrated Employer Engagement (IEE) project planning, grants process, and project reporting and governance.
- 3.5 The following areas for improvement which should strengthen established controls were noted:
- 3.5.1 the IEE project team should request confirmation of agreement from Business Gateway contacts on fund specifications.
 - 3.5.2 recipients of funding should be issued with additional reminders to provide monitoring returns following the conclusion of projects.
 - 3.5.3 risk registers should include target and actual completion dates for actions.
- 3.6 All of the above actions have been addressed by the Capital City Partnership as of 31/03/2023.

4. Financial impact

- 4.1 There is no financial impact associated with the audit of the Integrated Employer Engagement programme.

5. Alignment with Sustainable, Inclusive Growth Ambitions

- 5.1 Inclusion and sustainability are key drivers for the City Region Deal, and audit work will help to provide assurance that risks are effectively identified and managed.

6. Background reading/external references

- 6.1 City Region Deal Integrated Regional Employability and Skills (IRES) Programme - <https://esescityregiondeal.org.uk/ires>

7. Appendices

- 7.1 Internal Audit Report: City Region Deal Integrated Employer Engagement project review

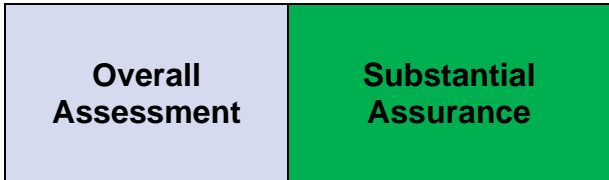


Internal Audit Report

City Region Deal - Integrated Employer Engagement

16 March 2023

PL2205



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This Internal Audit review is conducted for the City Region Deal by the City of Edinburgh Council Internal Audit function under the auspices of the 2022/23 Internal Audit plan approved by the Governance, Risk and Best Value Committee in October 2022. The review is designed to help the City Region Deal assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City Regional Deal. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and members as appropriate.

Executive Summary

Overall
Assessment

Substantial
Assurance







Overall opinion and summary of findings

There are generally effective controls in place surrounding the City Deal Integrated Employer Engagement (IEE) project planning, grants, and project reporting and governance.

The following areas for improvement which should strengthen established controls have been noted:

- the IEE project team should request confirmation of agreement from Business Gateway contacts on fund specifications
- recipients of funding should be issued with additional reminders to provide monitoring returns following the conclusion of projects
- risk registers should include target and actual completion dates for actions.

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
IEE project planning			No issues noted	N/A
IEE project grants process			Finding 1 – Business Gateway Formal Fund Specification Agreement	Low Priority
			Finding 2 – Proactive Follow-Up of Monitoring Information	Low Priority
IEE project reporting and governance			Finding 3 – Risk Register Action Dates	Low Priority

Areas of good practice

Our review identified:

- an effective process is in place to capture and assess grant applications
- the process to obtain funding from local authority partners is well-managed and evidenced
- there are good reporting links from the IEE project team to the City Region Deal Programme Management Office, and the Integrated Regional Employability and Skills Board.

[See Appendix 1 for Control Assessment and Assurance](#)

Background and scope

City Region Deals are packages of funding and decision-making powers, agreed between the Scottish Government, the UK Government and local partners. They are designed to bring about long-term strategic approaches to improving regional economies, aiming to help harness additional investment, create new jobs and accelerate inclusive economic growth.

The six local authorities that make up the Edinburgh and South East Scotland City region, together with regional education and training providers and the private sector, signed a 15-year Deal with the UK and Scottish Governments in August 2018, with a value of £1.3 billion (now worth over £1.4 billion). The Deal aims to drive productivity and growth while reducing inequalities and deprivation.

The [Integrated Employer Engagement \(IEE\) project](#) is part of the Integrated Regional Employability and Skills (IRES) programme. The IRES programme represents a £25m investment as part of the larger City Region Deal. The IEE project seeks to bring together training providers and local employers, including small to medium enterprises (SMEs), to develop ways to assist the population of the region (Fife, Scottish Borders, the Lothians, and City of Edinburgh) to receive the training and support they need to enter employment.

The IEE project is run by the [Capital City Partnership \(CCP\)](#), an Arm's Length External Organisation (ALEO) of the City of Edinburgh Council.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure that the Integrated Employer Engagement programme is achieving its objectives.

Risks

The IRES programme board have identified the following as key risks to the IEE project's success:

- inefficient financial management
- failure to achieve programme targets
- failure to provide effective programme management and governance.

Limitations of Scope

No areas were specifically excluded from the scope of the review.

Reporting Date

Testing was undertaken between 9 January 2023 and 10 February 2023.

Our audit work concluded on 10 February 2023, and our findings and opinion are based on the conclusion of our work as at that date.

Findings and Management Action Plan

Finding 1 – Business Gateway Formal Fund Specification Agreement

Finding Rating	Low Priority
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The Business Gateway is a publicly funded service contributing to the economic wellbeing of Scotland by providing access to free business support services.

The Capital City Partnership (CCP) team will discuss and agree with each of the Business Gateways in the City Deal’s six Local Authority areas what their funding requirements are. The CCP team then send a fund specification to the Business Gateway contacts, which details how the fund will provide grants to local businesses, and how the grants will be assessed and awarded.

Internal Audit notes that the initial discussions between CCP officers and Business Gateway contacts are not recorded and, although management advise the specification provided to the contacts is developed from these discussions and circulated, no formal approval of the Employer Fund specification is requested from the Business Gateway contacts.

Risks

- **Failure to provide effective programme management and governance**
– Business Gateways may not receive the funding elements they require.

Recommendations and Management Action Plan: Business Gateway Formal Fund Specification Agreement

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
1.1	Once the Capital City Partnership team have issued the specification to Business Gateway contacts, they should request agreement or comment on the specification from these key contacts, and advise that if a response is not provided within a mutually agreed period then approval of the fund specification is assumed.	The IEE team hold consultation teams calls with the 6 Business Gateway teams to establish the IEE Employer Fund need annually, following these consultations a questionnaire is issued to all 6 teams to confirm the findings and agreements made within the consultations, from there a specification is written and issued out to the Business Gateway teams. The audit team recommend the IEE seek confirmation or advise that if a response is not provided within a mutually agreed period then approval of the fund specification is assumed. This recommendation is accepted and will be implemented when designing the 2023 IEE Employer Fund process.	Paul Lawrence – Executive Director of Place	Rona Hunter, Chief Executive Officer (Capital City Partnership) Ellen Munro, Head of Integrated Employer Engagement	30/06/2023

Finding 2 – Proactive Follow-Up of Monitoring Information

Finding Rating	Low Priority
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As part of the IEE project’s objective to improve employment prospects in the City Region Deal area, the CCP team offer Employer Fund grants up to a total of £1,000 to small businesses in each of the six City Region Deal Local Authority areas.

Applicants to this fund have their monitoring requirements set out in their Grant Offer letter. These requirements allow the CCP team to monitor the impact the fund is having in relation to creating or retaining jobs, and how the grant was used.

However, internal audit found that 3 out of the 20 grant recipients sampled did not provide the information requested in the offer letter following the conclusion of their projects.

It was also noted that, although funding recipients receive a general email from the CCP team requesting that they complete their monitoring return, there is no individual follow-up by CCP officers for applicants who fail to respond, meaning that monitoring information is not collected and there are potential gaps in the data on how much impact the fund is having.

Risks

- **Inefficient financial management** – applicants may not be using the funds received for their stated purpose, meaning the IEE project will not be meeting its aims and objectives to retain or increase employment in the City Deal area
- **Failure to achieve programme targets** – the IEE project team may not receive a full understanding of impact their funding achieved against the project’s objectives.

Recommendations and Management Action Plan: Proactive Follow-Up of Monitoring Information

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
2.1	Additional reminders should be sent by the CCP team to applicants who have not complied with the monitoring request. This follow-up should be documented in an appropriate location.	The IEE team issue a monitoring and evaluation survey to all recipients of the IEE Employer Fund, and then issue a reminder to complete the survey for those that have not yet done so. The audit team recommend a further individual reminder be sent to the recipients that have not responded. This recommendation has been accepted and this process is now in place for the monitoring and evaluation of the 2022 IEE Employer Fund.	Paul Lawrence – Executive Director of Place	Rona Hunter, Chief Executive Officer (Capital City Partnership) Ellen Munro, Head of Integrated Employer Engagement	30/06/2023

Finding 3 – Risk Register Action Dates

Finding Rating	Low Priority
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The risk registers for the IEE project, as maintained by the IRES Programme Management Office, included details of the risks and mitigating actions to be taken, but do not include completion timescales for actions to confirm risks are being managed to an acceptable level.





Risks

- **Failure to provide effective programme management and governance** – mitigating actions to reduce or prevent risks happening are not completed in a timely manner.

Recommendations and Management Action Plan: Risk Register Action Dates

Ref.	Recommendation	Agreed Management Action	Action Owner	Contributors	Timeframe
3.1	Completion of actions in line with agreed dates should be monitored and reviewed as required and escalated where appropriate.	IEE have a project Risk Register in place which monitors project risks and control measures. The risk register is reviewed regularly by the Head of Integrated Employer Engagement and the IEE staff. Once reviewed, the risk register is presented to the IEE Delivery Advisory Group (DAG) for approval. As part of the IRES governance, IEE are required to submit their approved risk register to the PMO annually (as a minimum) or each time a change is made. The audit identified that the current template did not include risk completion timescales. In response, the risk register has been amended to include a review date which demonstrates that risks are being managed to meet the needs of the project. The PMO have also added review dates to the overall IRES risk registers to enhance control measures.	Paul Lawrence – Executive Director of Place	Rona Hunter, Chief Executive Officer (Capital City Partnership) Nicola Raine, IRES Programme Connector	30/06/2023

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control 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.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.