

<b>Title of Report:</b>	<b>Causeway Workforce Development Forum Internal Audit (Labour Market Partnership)</b>
<b>Committee Report Submitted To:</b>	<b>Audit Committee</b>
<b>Date of Meeting:</b>	<b>8<sup>th</sup> June 2022</b>
<b>For Decision or For Information</b>	<b>For Information</b>

<b>Linkage to Council Strategy (2019-23)</b>	
<b>Strategic Theme</b>	Improvement and Innovation
<b>Outcome</b>	Expenditure Certified
<b>Lead Officer</b>	Audit, Risk & Governance Manager
<b>Cost: (If applicable)</b>	n/a

<b>Budgetary Considerations</b>	
Cost of Proposal	n/a
Included in Current Year Estimates	<b>YES/NO</b>
Capital/Revenue	Revenue
Code	n/a
Staffing Costs	Internal Staffing Cost to Complete

<b>Screening Requirements</b>	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

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## Executive Summary

This internal audit was completed in accordance with the financial regulations as determined by the Department for Communities for the 2021/22 financial year of the partnership. This report summarises the findings arising from a review of Labour Market Partnership (LMP). This is a new partnership within Council and has not therefore had an audit before.

A number of areas within the Partnership have been highlighted in this report where controls could be enhanced. The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be inadequate arrangements in place to ensure that the LMP complies with its statutory functions and with Council's requirements.	1	1	-
There may be insufficient procedures in place to ensure that funding applications are appropriately assessed resulting in funding being allocated to activities or organisations which do not meet the LMP's objectives	-	-	-
Insufficient documentation may be maintained on file as evidence that the project was completed in accordance with the original application and LMP objectives have been achieved	-	-	-
There may be inadequate reporting and monitoring of the LMP, leading to potential reputational damage to the LMP and Council	-	-	1
<b>Total recommendations made</b>	<b>1</b>	<b>1</b>	<b>1</b>

Based on audit testing we are able to provide the following levels of assurance:

Internal audit confirms that the expenditure incurred is accurately stated and has been spent for the purposes intended and in line with the conditions of the grant.

With regard to the level of assurance in relation to the system of governance, risk management and controls of the Labour Market Partnership any opinion on this would be limited.

The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to our attention during the normal audit work and are not necessarily all the weaknesses, which may exist. The content of this report has been discussed with the Chief Officer to confirm factual accuracy. The assistance and cooperation received during the course of our review is gratefully acknowledged.

## Objective

The main objective of the audit was to review the key systems and controls in relation to the management of the Labour Market Partnership (LMP) that have been established by the Council.

*This report has been prepared for the Members of Causeway Coast and Glens Borough Council and should not be disclosed to any third party, quoted or referred to without prior written consent of the author.*

## Background

Employability NI is the Department of Communities (DfC) new approach to providing support services for unemployed individuals seeking to get back into work. Each Council will develop and introduce a 'Labour Market Partnerships' (LMP) with the aim of creating new jobs and meet the needs of employers within the Borough. The design of local action plans is to:

- Deliver a reduction in economic inactivity and long-term unemployment to bring NI closer in line with UK rates;
- Provide increased support for those with health conditions (esp. mental health) and disabilities; and
- Create a mechanism for government to collaborate with Councils and other Departments to offer local solutions.

One of the key elements of the programme design was the proposal to create 'Local Inclusive Labour Market Partnerships' in each council area. They intend to:

- Provide leadership and lead on the integration of services;
- Develop local area plans including setting targets for performance;
- Manage devolved funding and its delivery; and
- Manage arrangements for the evaluation of local interventions.

The new employment offer devised under Employability NI includes a LMP for delivery in each of the 11 Councils districts with a regional LMP to oversee the work of the 11 Local LMPs. The aim of the LMP is to improve employability outcomes and labour market conditions locally by working through coordinated, collaborative, multiagency partnerships engaged in the provision of employability services to co-design and co-commission employability interventions.

## Risks

The risks identified relating to the audit of the park management and agreed with management are as follows:

- There may be inadequate arrangements in place to ensure that the LMP complies with its statutory functions and with Council's requirements.
- There may be insufficient procedures in place to ensure that funding applications are appropriately assessed resulting in funding being allocated to activities or organisations which do not meet the LMP's objectives

- Insufficient documentation may be maintained on file as evidence that the project was completed in accordance with the original application and LMP objectives have been achieved
- There may be inadequate reporting and monitoring of the LMP, leading to potential reputational damage to the LMP and Council

## Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Director of Leisure and Development
Acting Head of Prosperity and Place
Strategic Project Officer

## Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations.

### 6.1

#### Issue 1 - Establish a Labour Market Partnership

**a) Observation-**

Grant Thornton developed a Causeway Coast & Glens Labour Market Partnership Action Plan in August 2021. The LMP action plan sets out:

- Findings from the consultations
- Findings from the statistical audit
- Strategic Context

The purpose of the Causeway LMP action plan is to support NI initiatives, ensure that local knowledge and insights are 'surfaced' and develop solutions based on local context.

The following five actions have been identified within the LMP action plan:

1. Establish a Labour Market Partnership
2. Deliver comprehensive labour market intelligence and job matching
3. Labour market activation

4. Improve employability and skills through lifelong learning
5. Co-design/support intervention measures

It was envisaged that DfC would be providing 100% funding on an annual basis to deliver upon the Causeway Labour Market Partnership. At the time of this audit (May 2022) the Causeway Labour Market Partnership has not yet been established within Council. Audit understands that this delay is due to the collapse of the NI Executive and Councils concern in relation to the funding deficit identified. The Department wrote to Council on the 29<sup>th</sup> March 2022 to confirm that the LMPs will be treated as a priority funding area in the 2022-23 financial year. The Department had been working on the basis of a £7m budget in 2021-22 for all 11 partnerships and confirmed that as a minimum the Department will operate with an indicative LMP Budget of £5.5m in 2022-23. In the event the NI Executive is not re-established there is a risk that to deliver the full suite of initiatives planned, the Council would have to make up the 20% shortfall in funding identified (approximately £198k) or scale back the projects to be implemented for 2022-23.

In the interim Council have been using existing staff resources who have supported the process in the absence of a partnership. These staff have procured an action plan for 2021/22 and 2022/23. There may be an expectation from the Department that LMPs will ensure seamless development and delivery of partnership plans, from the start of 2022/23. No programmes have been delivered for 2021/22 therefore audit has no recommendations in relation to the development or implementation of any initiatives under this scheme.

**b) Implication-**

With the delay in establishing a Causeway Labour Market Partnership (CLMP) there is a risk that strategic objectives of the LMP will not be achieved and implementation of local projects on the ground will be delayed.

**c) Priority Rating-**

1

**d) Recommendation-**

In the absence of a formal Causeway Labour Market Partnership, the Workforce Development Forum has been acting in an interim basis to perform the functions identified by the Department. Audit recommends that urgent and careful consideration needs to be given by the Council for the establishment of the Local LMP in the absence of the NI Executive and consideration given to the potential funding shortfall identified to deliver the actions identified in the LMP Actions Plans.

The delay in establishing a LMP will inevitably have a knock-on effect of the delivery of a number of the key activities identified within the LMP action plans.

**e) Management Response-** Staff are due to commence on 13th June 2022 with the date for an initial meeting of the LMP planned to take place before 30th June.

**Responsible Officer & Implementation Date-** LMP manager 13<sup>th</sup> June 2022

## 6.2

Issue 2 – Governance of Labour Market Partnership (LMP)	
<b>a) Observation-</b>	<p>Within the Departments financial guidelines for Local Labour Market Partnerships the financial responsibilities of the Council and Local LMP are detailed. These require Council on behalf of the Labour Market Partnership to ensure have effective Corporate Governance and Risk Management procedures in place for the Labour Market Partnership which are confirmed to the DfC in the Councils Letter of acceptance of funding.</p> <p>These require the Partnership to have adequate professional indemnity insurance in place to cover the responsibilities associated with the operation of a Labour Market Partnership.</p>
<b>b) Implication-</b>	<p>There is a risk that governance, risk management and insurance procedures are not in place for the commencement of the partnership resulting in a loss to the Council.</p>
<b>c) Priority Rating-</b>	<p>2</p>
<b>d) Recommendation-</b>	<p>Audit recommends that once established the Partnership procures the necessary insurance as required by the Department and the Councils Insurance Officer. Training to be developed and delivered to Officers and Members of the Partnership.</p>
<b>e) Management Response-</b>	<p>SPO is currently checking with other LMP staff officers and the insurance department within Council re getting the correct insurance in place.</p>
<b>Responsible Officer &amp; Implementation Date-</b> SPO - ongoing	

## 6.3

Issue 3 Use of Consultants/Agency Staff	
<b>a) Observation-</b>	<p>Grant Thornton has developed the Causeway Coast and Glens Labour Market Partnership action plan for 2021/22. Section 5.3 within the LMP Action Plan lists the strategic priorities proposed as:</p> <ol style="list-style-type: none"><li>1. To form and successfully deliver the functions of the local Labour Market Partnership for the area</li><li>2. To improve employability outcomes and/or labour market conditions locally</li><li>3. To support delivery of Employability NI</li></ol> <p>The 2021/22 Grant Thornton action plan formed the basis for the development and enhancement of the 2022/23 partnership action plan developed by Officers within the Council. The positions within the Partnership are to be funded posts therefore these vacancies are being filled by Agency staff.</p>

<b>b) Implication-</b> There is an increased risk to the ownership and governance of the partnership with the use of consultants and agency staff to deliver the partnership. They may not hold the local knowledge or know how as to where best to need arises.
<b>c) Priority Rating-</b> 3
<b>d) Recommendation-</b> It is important for Director and Head of Service to maintain an oversight role in respect of the outcomes of the Causeway Labour Market Partnership as with the use of consultants and agency staff there is an increased risk of ownership of the Partnership and outcomes may not be as closely considered to achieve the highest impact for the Borough. This could be achieved by monthly/quarterly update meetings with senior management to determine any issues arising within the Partnership and how these can best be resolved.
<b>e) Management Response-</b> The new LMP manager is coming from the education sector and has a wide knowledge of current programmes and labour market interventions from previous employment history. Monthly progress meeting with the Head of Service is to be scheduled on commencement to monitor progress of the partnership.
<b>Responsible Officer &amp; Implementation Date-</b> Head of Service, 13 <sup>th</sup> June 2022

## Conclusion

The internal control environment, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include but are not limited to the possibility of poor judgement in decision – making, human error, control processes being deliberately circumvented by employees and others, management overriding of controls and unforeseen circumstances arising.

The risk associated with the Labour Market Partnership achieving its strategic objectives is considered to be medium. It is important that a Partnership is formed at the earliest opportunity to allow for the timely roll out of schemes and initiatives on the ground.

As a result of the audit, senior management have been reminded of their statutory obligations in relation to the establishment and oversight of a Causeway Labour Market Partnership. Internal Audit has made three recommendations, one at high, one at medium and one low priority. The recommendations have been accepted by management and procedures put in place to address the issues.

## **Appendix I: Definition of Assurance Ratings and Hierarchy of Findings**

### **Satisfactory Assurance**

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## **Appendix II: Limitations and responsibilities**

### **Limitations inherent to the internal auditor's work**

We have undertaken this review subject to the limitations outlined below:

#### **Internal control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### **Future Periods**

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate; or
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of management and internal auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control, and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

## Appendix III: Summary of Key Controls Reviewed

Risk	Control issues
<p>There may be inadequate arrangements in place to ensure that the LMP complies with its statutory functions and with Council's requirements.</p>	<ul style="list-style-type: none"> <li>• The LMP has terms of reference</li> <li>• Members and staff receive training to understand the role of the LMP</li> <li>• An action plan has been developed for the LMP to ensure it fulfils its statutory roles and objectives</li> <li>• The LMP has a mechanism for gathering the views of and engaging with the public and other stakeholders</li> </ul>
<p>There may be insufficient procedures in place to ensure that funding applications are appropriately assessed resulting in funding being allocated to activities or organisations which do not meet the LMP's objectives</p>	<ul style="list-style-type: none"> <li>• A register of funding provided by the LMP to external bodies or groups is maintained</li> <li>• Open calls for applications for funding are made and evidence of advertising is retained for audit purposes</li> <li>• Clear criteria are available as guidance for applicants</li> <li>• Funding applications are made in writing and providing sufficient detail</li> <li>• Applications received after the designated deadline are not accepted</li> <li>• Where procurement staff are involved in a LMP funded project the appropriate Council Procurement policies have been adhered to</li> <li>• Procurement assessment panel guidelines have been followed where a tender process has been completed</li> <li>• Those assessing funding applications declare all interests (including details of any gifts or hospitality received) prior to the assessment process - this is subject to an audit recommendation</li> <li>• Funding applications are assessed in accordance with the set criteria and approval by the LMP is documented before funding is issued - this is subject to an audit recommendation</li> <li>• Letters of Offer are held on files together with an applicant's acceptance where applicable</li> <li>• Letters of rejection are held on files where applicable</li> <li>• Funding claims are processed in a timely manner by the LMP</li> <li>• Other funding schemes are researched to identify any funding provided to applicants for the same project to prevent duplication of funding</li> <li>• Government Grant Database is updated to include details of new funding issued by LMP - this is subject to an audit recommendation</li> </ul>
<p>Insufficient documentation may be maintained on file as evidence that the</p>	<ul style="list-style-type: none"> <li>• LMP Financial Guidelines are adhered to for all funding awarded</li> <li>• Supporting documentation is held on file to demonstrate that expenditure claimed is eligible and</li> </ul>

<p>project was completed in accordance with the original application and LMP objectives have been achieved</p>	<p>approval has been received – this is subject to an audit recommendation</p> <ul style="list-style-type: none"><li>• Project monitoring procedures are in place to ensure the conditions of the letter of offer have been met and LMP objectives have been achieved -this is subject to an audit recommendation</li><li>• Supporting evidence is obtained as proof that projects were completed in accordance with the original application (e.g., photographs, leaflets, site visits)</li></ul>
<p>There may be inadequate reporting and monitoring of the LMP, leading to potential reputational damage to the LMP and Council</p>	<ul style="list-style-type: none"><li>• Regular monitoring of progress against a LMP action plan is completed and progress is reported to the LMP members - this is subject to an audit recommendation</li><li>• Progress is reported to the Council</li><li>• Progress is reported to the Department for Communities</li><li>• LMP meetings are documented, and actions agreed are followed up</li></ul>

## Appendix IV: Points for the consideration of management

Submission of Funding claims to Department for Communities
<p>For the 2021/22 financial year Council were required to submit the funding claim workbook, statement of income and expenditure and final progress reports, project and thematic to the Department for Communities no later than 21<sup>st</sup> April 2022. Audit noted that this information was not submitted to the Department until the 29<sup>th</sup> April 2022.</p> <p>Council should endeavour to meet all requirements as specified by the Department, including deadlines for claim forms and information to be submitted.</p>
<p><b>Management Response-</b> An extension to the original deadline of 21<sup>st</sup> April was requested and granted until 28<sup>th</sup> April, due to staff leave, and the claim was submitted on the 27<sup>th</sup> April 2022</p>
Accruals based Accounting
<p>Nothing material has come to the attention of internal audit during the course of the internal verification work and certification performed that would indicate that the claim is not fairly stated or is not in accordance with the relevant terms and conditions of the financial regulations and conditions as set out by the Department. However, the Income and Expenditure account for the Labour Market Partnership should be prepared on an accruals basis. It was noted that the Income and Expenditure Statement did not include an accrual for the audit fee for the year ended 31 March 2022. The return submitted should be revised to reflect the audit fee and any other expenses that may have accrued in respect of the 2021/22 financial year end.</p>
<p><b>Management Response-</b> The strategic project officer (SPO) has approached the funder who will allow an amended claim to be submitted. The SPO will follow up with the finance section and submit a revised claim.</p>