

The Welsh Assembly Government's response to the report of the National Assembly Audit Committee's report on the General Report of the Auditor General for Wales 2004: Committee Report (2) 08-04

The Welsh Assembly Government welcomes the findings of the report and offers the following response to the 15 recommendations in the report.

Recommendations

- i. The Welsh Assembly Government strives to make early progress in identifying and introducing further improvements in its financial and risk management procedures, supported by comprehensive staff training arrangements and processes for dissemination of good practice.**

Accepted

The Welsh Assembly Government is introducing improvements in its financial management procedures through much greater delegation to senior managers, thus making them personally accountable and, in support of that delegation, establishing skilled business units whose main focus is on financial and management procedures. Both the senior managers and the business units are having significant additional training for their new responsibilities, while centrally a core of professionally trained staff are providing additional support and disseminating good practice.

The Welsh Assembly Government's risk management procedures have been subject to review by both internal audit and external consultants, and risk management is being embedded in the Assembly Business Planning procedures. A risk management training module has been developed for staff generally and further training is being investigated.

- ii. The Welsh Assembly Government should ensure that it makes full use of the capabilities available within its new computerised financial system, using resource-based information both within its in-year financial management processes and also in support of the preparation of its annual accounts. This should include the provision of appropriate training to senior managers and other staff outside of the Finance function where necessary. The Welsh Assembly Government should also seek to draw on emerging best practice in financial management arrangements from elsewhere within the central government sector.**

Accepted

The Welsh Assembly Government intends to continue to develop its use of the capabilities available within its computerised financial system. This will partly be achieved through developments planned as part of its programme of business developments and partly as a result of the requirements of the ASPB merger process. Training is already available to staff outside the Finance Group in the use of resource based information. Further training will be

provided as more resource based facilities are developed. The Welsh Assembly Government has already started to benchmark its practices against a template of best practice provided by the Treasury. Visits will also be made to Scotland and Northern Ireland to learn from their experiences of working in a similar complex business environment to that of the Welsh Assembly Government. We shall also be continuing to work with and learn from the experiences of the Auditor General for Wales and his staff.

- iii. **The Welsh Assembly Government should make it clear to the Chairs of Assembly sponsored bodies that the prompt implementation of agreed audit recommendations should be regarded as a performance issue for their senior management teams.**

Accepted

The Permanent Secretary has already made it clear to Chief Executives of Assembly Sponsored Bodies that prompt implementation of agreed audit recommendations is a priority for them and that their Audit Committees should monitor progress.

The Welsh Assembly Government will make it clear to Chairs of Assembly Sponsored Bodies that they should treat the implementation of agreed audit recommendations as a performance issue for their senior management team.

- iv. **This Audit Committee report, together with the response of the Welsh Assembly Government to it, should be copied to the Chairs and Chief Executives of each Assembly sponsored body by the Principal Accounting Officer, together with a request that both documents be placed on the agenda of each organisation's Audit Committee at the earliest opportunity.**

Accepted

The Permanent Secretary is sending a copy of this response, together with the Audit Committee's report, to both the Chairs and Chief Executives of each Assembly Sponsored Body and requesting that both documents are placed on the agenda of each organisation's Audit Committee at their next meeting.

- v. **The Welsh Assembly Government should strengthen its oversight of the accounts preparation process, in particular by ensuring that any slippage against agreed timescales is brought to the attention of senior management at the earliest opportunity so that prompt corrective action can be taken.**

Accepted

The Permanent Secretary strengthened his oversight of the accounts preparation process for 2003-04 through monthly reports and meetings and, where problems were encountered, through weekly reports and meetings. Thus prompt corrective action has been taken wherever that has been possible. The Permanent Secretary has also held regular meetings with the staff of the Auditor General for Wales to gain their perspective on progress and issues where they have arisen. The timetables for the preparation of all

accounts were agreed in advance with the staff of the Auditor General for Wales and, in most instances, for the 2003-04 accounts, the timetable was advanced by a month or more.

- vi. **Greater priority is afforded to bringing forward the preparation of accounts wherever possible to ensure compliance with the Treasury's "faster closing" initiative and to facilitate the timely production of Whole of Government Accounts.**

Accepted

The timetable agreed with the Auditor General for Wales for the submission of the 2003-04 draft accounts for audit was advanced by a minimum of a month for all Assembly and NHS accounts. This was achieved with the exception of Powys LHB.

- vii. **Senior NHS and Assembly Government officials should ensure that realistic timetables are agreed and adequate resources deployed in relation to the preparation of the accounts of the new local health boards in order that these should not put at risk the achievement of the timely production of Whole of Government Accounts.**

Accepted

Realistic timetables were agreed for the preparation of the accounts of the new new local health boards in respect of 2003-04, and in 21 out of the 22 boards, they fully met the timetable. However, one was delayed despite the combined efforts of the health board, the Welsh Assembly Government and the Audit Commission, and as a result there has been some delay in the production of the Whole of Government Accounts.

- viii. **All possible efforts are made to ensure that the National Assembly for Wales is able to publish the first live set of Whole of Government of Wales accounts for 2003-04 in a timely manner and that it meets all of the Treasury's deadlines for the submission of information for the UK Central Government Accounts, thereby avoiding any risks of external criticism that could give rise to reputational damage.**

Accepted

All efforts have been made to meet the Treasury's timetable for submission of information for the UK Central Government Account, and the Treasury and the Chair of the Audit Committee were notified in advance of the delay in submitting information. The Treasury has indicated that the delay will not materially affect their requirements. The Welsh Assembly Government is working to publish the first set of Whole of Government of Wales accounts for 2003-04 at the earliest possible time.

- ix. **Welsh Assembly Government officials in the relevant sponsor departments should include the prompt payment performance of these bodies within their explicit oversight arrangements and agree appropriate remedial action plans as necessary with the poorest performers.**

Accepted

The Welsh Assembly Government officials are now monitoring prompt payment performance of Assembly sponsored bodies and, where necessary, agreeing and monitoring remedial plans.

- x. **The Welsh Assembly Government ensures that there is no loss of momentum in either the pace of the Welsh Procurement Initiative Team's activities or the rate of increase in identified potential savings. We should be grateful to receive an annual update on the work and achievements of the Team from the Auditor General.**

Accepted

The Welsh Assembly Government is continuing to push forward the work of the Welsh Procurement Initiative Team and has recently announced in "Making the Connections" an increase in the savings to be achieved by the Welsh Public Sector, and in support of that is increasing the resources devoted to achieving procurement savings through Value Wales.

- xi. **The Welsh Assembly Government ensures that appropriate steps are taken by the bodies concerned to realise the potential savings identified by the Team, thereby freeing up resources from within the finite Welsh block for redeployment elsewhere on frontline public service delivery.**

Accepted

The Welsh Assembly Government is committed to all public bodies achieving savings through procurement in order to enhance frontline public services. This would be achieved through the setting of performance targets. Achievement of those targets will be assisted by the implementation of the methodologies and good practices identified by the Welsh Procurement Initiative Team.

- xii. **The Welsh Procurement Initiative Team should complete its programme of procurement fitness checks across all Assembly sponsored bodies as soon as possible and that the wider lessons and examples of best practice that may emerge from these exercises should be disseminated appropriately by the Principal Accounting Officer.**

Accepted

The Welsh Procurement Initiative Team is pressing ahead with its programme of procurement fitness checks across all Assembly sponsored bodies. The best practices that emerge will be disseminated by the Principal Accounting Officer and the bodies asked to adopt them.

- xiii. **The Welsh Assembly Government should consider carefully the potential for the application of the Team's approach to securing improvements in procurement practice across the wider Welsh public sector.**

Accepted

The Welsh Procurement Initiative has always operated across all sectors of the Welsh public sector, and the Welsh Assembly Government has reinforced this in the proposals set out in “Better Connections”.

- xiv. **The Welsh Assembly Government should develop a clear strategy with measurable objectives to avoid any repetition of problems in the management of projects that could impact adversely on the eventual closure process for the current Welsh European Structural Funds Programmes.**

- xv. **The Welsh Assembly Government be more proactive in making absolutely clear to project sponsors at the outset the standards of financial management that will be expected of them in order to secure full compliance with the onerous requirements of the Structural Funds Programmes, providing appropriate training and other support where necessary, and also ensure that sufficient resources are devoted to project monitoring by WEFO officials and internal auditors.**

Accepted

The Welsh Assembly Government recognises the need to ensure a smooth closure process for the current programmes and that achievement of this depends on effective preparatory work by the Internal Audit Service, WEFO and project sponsors. A group with membership from WEFO and Internal Audit Services has been established to develop a strategy in early 2005 and manage the closure process. The strategy will build on work being done at a UK level.

A key element of the strategy will be ensuring that project sponsors are clear about their responsibilities. Work on this has already been undertaken (eg for new programmes the approval letter contains clear details of the requirements for audit trails and document retention). During the life of projects, much greater emphasis has been placed on giving advice to grant recipient bodies by the establishment of the Article 4 Team, which visits sponsors, and the support given by partnership bodies to projects in their ‘Aftercare’ role. WEFO staff have also held or participated in workshops and have also given presentations to a range of organisations. A series of guidance notes is planned and the new WEFO website provides updated information in a more accessible form. When the report from the European Commission Auditors on the 1994 – 1999 Programme is received, key messages from their visit will be sent to all grant recipient bodies.

With respect to the Financial Control (Article 10) Team, the Welsh European Funding Office reviewed the closure reports and has significantly improved a range of procedural and practical matters including producing revised

documentation and increased staff training. In addition a professionally qualified Audit Adviser has been added to the team. The staff position will be kept under review.