

**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 2005: Committee Report (2) 08-05**

The Welsh Assembly Government is grateful for the report. We welcome the findings and offer the following response to the eight recommendations in the report.

1.	<p>The Welsh Assembly Government should strengthen the project management system that it has in place to oversee the 2005-06 accounts preparation process, including that for the Whole of Government Accounts. It should also review the adequacy of the steps being taken by individual sponsored bodies to achieve the faster closing requirements and consider what practical measures might be implemented to improve the overall quality of the accounts being prepared by those bodies.</p> <p><b>Accepted.</b></p> <p><b>A Resource Accounts Project Board was established in January 2005, comprising members of the accounts production teams within the Assembly Government (including NHS Finance) and representatives from an ASPB, the Wales Audit Office and HM Treasury. This will soon be expanded to include Local Authority accounting, as part of Whole of Government Accounts. The Board met monthly in 2005 and oversaw the successful accounts preparation for 2004-05. It has also been controlling the developments needed to achieve faster closing of the 2005-06 accounts and will continue to meet monthly throughout 2006. Because the Assembly can lay accounts during the recess we are not following Treasury's timetable on faster closing in all aspects, but we are working towards Treasury's ultimate deadline with regard to Central and Whole of Government Accounts.</b></p> <p><b>The Local Health Board and NHS Trust accounts have already been reviewed to ensure consistency of accounting across the sector and the NHS Bodies have been made fully aware of the faster closing deadlines. The ASPBs are aware of faster closing requirements through the regular meetings between Assembly Government officials and ASPB Chief Executives and Finance Directors. Further guidance on the faster closing timetable requirements will be issued to all sponsored bodies before 31 March 2006.</b></p>
2.	<p>The Welsh Assembly Government should implement robust procedures to ensure that all of its enlarged departments will achieve the required payment performance standard from 1 April 2006. It should also review the performance of sponsored bodies in this area and issue good practice guidance on payment processing to help raise the overall level of performance being reported.</p> <p><b>Accepted.</b></p> <p><b>A full review of all sponsored bodies payment performance will be undertaken in January/March 2006 with good practice guidance on payment performance issued to help improve the levels of performance being achieved. We will also be providing full training to all merging staff on the payment performance standards set by the Assembly ensuring that they are fully aware of the targets they will be expected to meet.</b></p>

3.	<p>The Welsh Assembly Government should ensure comprehensive financial systems are put in place to enable resource-based information to be used within management procedures and decision making. The lessons learned from the development work being undertaken in this area as part of the merger project should be shared with the Assembly's remaining sponsored bodies, to assist them in improving their own financial and management information systems. Staff within sponsored bodies and the Assembly Government should also be given training on how to understand and use resource-based information when it becomes fully available.</p> <p><b>Accepted.</b></p> <p><b>Developments on creditor related management information are currently being tested. The aim is that these developments will be fully implemented within Economic Development and Transport Group early in 2006 and throughout all Groups by December 2006. There are also developments in hand on improved fixed asset, debtor and loans information.</b></p> <p><b>When the developments are complete, training will be provided to all users. The experience and knowledge gained in producing and implementing these developments will be shared with all sponsored bodies.</b></p> <p><b>The Finance Department already provides training on Resource Accounting and Budgeting and is looking to provide additional tailored advice to Business Units and Budget Holders over the next few months.</b></p>
4.	<p>The Welsh Assembly Government should ensure that the key staff required for the accounts preparation process continue to give high priority to this work in the weeks following the merger on 1 April 2006, in order that the faster closing project timetable is not jeopardised.</p> <p><b>Accepted.</b></p> <p><b>Merging ASPB staff key to the preparation of their respective bodies' final accounts are joining the Economic Development and Transport and Education and Lifelong Learning Departments. Directors of the appropriate Departments (as Sub-Accounting Officers) will ensure continuity of staffing in respect of the ASPB accounts and that their priority will be the production of the accounts.</b></p>
5.	<p>The Welsh Assembly Government should establish effective governance and financial management structures to support the new sub-Accounting Officers. It should also maintain the visibility of expenditure on the functions of the former sponsored bodies through, for example, appropriate financial analyses within its annual resource accounts.</p> <p><b>Accepted.</b></p> <p><b>Each sub-accounting officer now has a departmental corporate governance committee and discrete business unit to assist them in the exercise of their accounting officer responsibilities. The Assembly Internal Audit Service (IAS) is represented on each of the committees. There is also an independent member on each committee. Sub-accounting officers have been issued with comprehensive guidance on the principles of corporate governance; the role of</b></p>

**departmental corporate governance committees; and their relationship with the main Assembly Government corporate governance committee.**

**At the request of the Principal Accounting Officer, IAS have undertaken a 'fitness check' exercise to provide assurance that all sub-accounting officers' governance and financial management structures are robust. IAS have reported that in all instances the structures are robust. Further assurance work will be undertaken periodically for the Principal Accounting Officer.**

**The visibility of expenditure relating to the former sponsored bodies will be maintained. The data warehouse systems being developed will ensure this.**

6. **The Welsh Assembly Government should embed effective asset management arrangements within its management procedures, supported by comprehensive training for relevant staff. It should also impose a consistent standard of asset management planning across its sponsored bodies, particularly in terms of the scope and content of asset management plans.**

**Accepted.**

**Value Wales has been established to bring strategic direction to the public sector's approach to management of capital investment. It will provide support in respect of asset management planning.**

**Consultative comprehensive asset management planning guidance for Assembly Sponsored Public Bodies has been issued and distributed to relevant officials. An asset management planning workshop for ASPBs and WAG sponsor branches following on from this was held on 6 January 2006. Wales Audit Office officials participated in the event. We will evaluate the results of the consultation and workshop and use these as the basis for finalising ASPB asset management planning guidance and rolling out guidance and training throughout the Welsh Assembly Government. The objective is to issue final guidance by no later than February 2006. Advice and guidance will be provided in 2006-07, the nature and timing which will take into account issues emerging from ASPB asset management plans for 2006-07.**

**An overall Assembly Asset Management Plan will be prepared for 2006-07.**

**An Administrative Property Strategy Group has been established and an electronic Property Information Mapping System (e-PIMS) is in the process of being adopted. Information gathered during this process will form the basis of an Assembly Government Property Strategy covering a period of 5-10 years, aimed at to informing property investment and rationalisation plans. The collection and clarification of data is expected to be recorded on e-PIMS by early 2006.**

**The Assembly Government is currently reviewing the use of its core estate as part of the overall relocation strategy and merger of Assembly Sponsored Public Bodies (ASPBs). The recommendations are due to be made in April / May 2006 although it will be a work in progress which will shift in line with the merging estate.**

7. The Welsh Procurement Initiative team within Value Wales should complete its programme of procurement fitness checks across all Assembly-sponsored bodies as soon as possible, and the improvement areas identified by the fitness checks completed to date should be addressed promptly. The wider lessons highlighted by the Initiative's work, and examples of best practice, should be publicised by the Welsh Assembly Government. The Welsh Assembly Government should enhance its existing training programme to provide all staff involved in procurement with the level of skills necessary to carry out their functions, including detailed knowledge of the contractual rules relating to procurement. This review of training provision should also be undertaken at the sponsored bodies.

**Accepted.**

**To date, Value Wales has completed 26 Procurement Fitness Checks (PFCs) across the public sector in Wales, including nine across the larger ASPBs. A workshop is scheduled for 21st March 2006 to cover PFCs for the remaining smaller ASPBs and will complete the ASPB programme. A PFC programme will also be complete within Higher Education by the end of this financial year and consideration is being given to the viability of a Further Education programme for the forthcoming financial year. A programme of PFCs within Local Government is underway and ongoing.**

**Examples of best practice guidance and associated case study examples emerging from the work undertaken by Value Wales, including Food for Thought and the recent 'Opening Door's' Charter, have been published by the Welsh Assembly Government. Additionally, an open resources section on [www.buy4wales.co.uk](http://www.buy4wales.co.uk) is being developed to ensure published guidance documentation is widely accessible.**

**To date, the Value Wales open training programme has delivered 74 procurement training courses, filling 1068 places. 96% of public sector organisations in Wales have participated in the programme. The short course programme for Jan - Mar 06 has been published with 15 courses scheduled. The planned programme covers subject areas ranging from Project Management Principles to Contract Law and from Sustainable Procurement to EC Procurement.**

**Additionally, four students from North Wales are the first to take part in a procurement apprenticeship scheme set up to produce qualified procurement professionals for the public sector. The year long scheme which started on the 1<sup>st</sup> September is the first of its kind and covers areas such as purchasing supplies and tendering.**

**The development and publication of a strategic plan for the future of the training programme past April 2006 formed the basis of a key stakeholder meeting held on 6th January 2006. Along with training and development steering group members, representatives from PSMW, CIPS, the University of Glamorgan, WLGA, Constructing Excellence and social care discussed potential future requirements. The resulting strategy and operational plan will be circulated to the wider procurement community for consultation.**

8. The Welsh Assembly Government should impress upon the senior management of all grant recipients (at Chief Executive or Accounting Officer level where applicable) the importance of ensuring compliance with all of the requirements of European funding regulations.

**Accepted.**

**The Permanent Secretary wrote to all Accounting Officers and Chief Executives of public bodies which are recipients of structural funds in January 2006 stressing the need to ensure compliance with EC regulations and their responsibility for ensuring this is the case. The Chief Executive of WEFO is similarly writing to all other project sponsors. WEFO is also preparing a pack to send to sponsors reminding them of their responsibilities and giving guidance on ways of meeting those responsibilities.**

**WEFO continues to take a proactive approach to ensuring compliance with EC regulations, particularly on financial matters. WEFO acts on audit findings in three ways:**

- **any expenditure reported as ineligible is excluded from the calculation of the grant payable to the sponsor. As a result only eligible expenditure is declared to the EC;**
- **any recurring problems with a sponsor are highlighted and followed up – either in writing or through visits from the monitoring, audit or appraisal teams;**
- **any recurring issues across sponsors (e.g. on eligibility or audit trail issues) are highlighted so that guidance can be issued. WEFO has recently issued revised guidance on in-kind match funding, overheads and document retention.**

**WEFO has established an audit issue database to allow collation of this information.**

**Face-to-face contact with sponsors is a particularly effective way of minimising problems. WEFO is therefore ensuring that all sponsors are visited by the Article 4 monitoring team at least once. The team is now at full strength (13 staff) and almost 300 project sponsors have already been visited.**

**Once the EC has finalised its requirements for closure of the current programmes, WEFO will be working closely with Internal Audit Services to ensure that the necessary preparatory work starts early.**