

The National Assembly for Wales

*Report on the review of National Council –
ELWa Action Plan August 2003*

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Dear Mr Pavelin

Report on our review of the National Council - ELWa Action Plan August 2003

We are pleased to enclose the report on our review of the National Council - ELWa Action Plan. This report concludes the first part of our review on the actions planned by the National Council for completion by the end of August.

The second part of our review will take place during September to update the position with respect to any outstanding action on the plan. We will also consider the high level control environment at the Higher Education Funding Council Wales. This work will be brought together into a second report at the end of September.

Yours sincerely

PricewaterhouseCoopers LLP

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A The Burke/Litwin model of organisational change

I Introduction

- 1.1 This report sets out the findings and recommendations arising from our independent review of the Action Plan developed by the interim Chief Executive of the National Council – ELWa.

Background

- 1.2 The National Council - ELWa is an Assembly Sponsored Public Body established in October 2000 under the Learning and Skills Act 2000. Its statutory name is the National Council for Education and Training for Wales.
- 1.3 On 1 April 2001, it took over the majority of the functions of the four Training and Enterprise Councils and the Further Education Funding Council for Wales. It assumed responsibility for funding, planning and promoting all post-16 education and training in Wales with the exception of higher education which is the responsibility of the Higher Education Funding Council for Wales.
- 1.4 The National Council – ELWa has responsibility for further education, private and voluntary sector training provision, adult continuing education and, with effect from April 2002, sixth form provision.
- 1.5 The first set of published accounts for the National Council covered the 17 month period from October 2000 to 31 March 2002. The report by the Auditor General for Wales in respect of these accounts highlighted:
- weaknesses in the organisational structure of the National Council and the absence of key pillars of sound corporate governance
 - significant shortcomings in financial management and procurement procedures
- 1.6 The Auditor General for Wales also qualified his opinion on the regularity of expenditure included in the accounts because the requisite approval was not obtained for £2.2 million of expenditure.
- 1.7 In response to the issues raised by the Auditor General for Wales and the National Council's Internal Audit Service the interim Chief Executive produced an Action Plan aimed at addressing the weaknesses by the end of September 2003.
- 1.8 In addition to the above a letter was sent by the Assembly's Accounting Officer to the interim Chief Executive in May 2003 setting out milestones and objectives which he required the Council to achieve.
- 1.9 We were asked to review the Action Plan to give an independent view on the Council's success to date and potential to achieve action scheduled to be complete by the end of September 2003.

Scope

1.10 This report is on the first phase of our review which covered the:

- completeness of the Action Plan developed by the interim Chief Executive of the National Council in respect of the issues raised by the Auditor General for Wales, The National Council's Internal Audit Service and the Assembly's Accounting Officer;
- risk management processes now being employed to identify and manage emerging risks and issues; and
- progress on the Action Plan actions that should have been completed by the end of August 2003.

1.11 The second phase of our review will take place in September covering the Action Plan actions scheduled for completion in September

Approach

1.12 Our approach was to start by analysing the Council's Action Plan to ensure it was possible to map the issues raised by the Auditor General for Wales and the Assembly's Accounting Officer to the actions on the different sections of the Action Plan.

1.13 We then used our specialist in risk management to assess the approach to risk management adopted by the Council with the aim of identifying any gaps in the Action Plan.

1.14 Once the above methodology had been used to establish whether the Action Plan covered the issues and risks, we reviewed the actions to determine whether they had been completed as planned.

1.15 In undertaking our work we drew on staff with specialist knowledge in areas such as ICT, funding methodologies, project management and training.

1.16 Throughout this work we maintained an awareness of the impact of our findings on the Higher Education Funding Council.

1.17 Regular meetings were held with Welsh Assembly Government's Chief Accountant during the fieldwork stage of our work to ensure any emerging issues were brought to his attention.

Acknowledgements

1.18 We would like to thank all those staff at the National Council who assisted with this review for their co-operation and openness. It was clear that they were working to meet their obligations under the Action Plan and to help restore the reputation of the organisation.

II Executive summary

Introduction

- 2.1 This section sets out the main findings from our work in respect of the scope outlined in our Introduction.

Completeness of the Action Plan

- 2.2 We are satisfied that the Action Plan prepared by the Interim Chief Executive of the National Council addresses the issues raised by The Auditor General for Wales and the Assembly's Accounting Officer. We do however consider that the National Council should be giving further consideration to issues of change management and culture that are covered in the Organisational Development Plan, but are not directly addressed by the Action Plan. This has been recognised by the National Council as particularly relevant for the next few months and then when the new management team is appointed.

Risk Management

- 2.3 Our review of the risk management processes currently employed by the National Council concluded that effective policies and procedures are in place to help ensure risk management is embedded across the organisation. However, although the Risk Management Policy, and associated training, were first implemented in early 2002 it is only since June that steps have been taken to actively manage the approach across the organisation.
- 2.4 The actions contained in the Action Plan agreed with the Assembly are consistent with the key risks and actions identified by the Council's senior management and directors as recorded in the Risk Register.
- 2.5 We found that the Corporate Risk Register contains the data fields necessary to enable risks and their resulting actions to be effectively recorded and monitored. There are regular meetings at Corporate and Directorate level to ensure that risk registers remain up to date and that action to mitigate risks is actively monitored.
- 2.6 The Internal Audit Operational Plan and Strategy are risk based and conform to Government Internal Audit Standards.
- 2.7 Arrangements that are currently being introduced for the follow up of Internal Audit recommendations require Directors to report monthly on the implementation of recommendations relating to their Directorate. Spot checks are then undertaken by the audit service on those actions recorded as completed. A monthly report will also be issued to the Performance Group giving the status of all current recommendations.

Progress in respect of the Action Plan

2.8 The majority of the actions that were due for completion by the end of August have been completed, in particular:

- project management guidelines have been issued;
- new organisational structures have been defined for the Finance Department;
- communication risks have been identified and an Action Plan drawn up;
- month end finance checklists have been introduced;
- a closedown plan has been used for the 2002/03 Financial Accounts;
- the Remit Letter has been clarified with the sponsor division of the Welsh Assembly Government;
- high level process maps have been drawn up for the new Planning and Funding system;
- agreement to the extension of the redundancy policy has been reached with the Welsh Assembly Government;
- Standing Orders and Financial Regulations have been revised;
- Finance staff have been included in the Financial Planning and Costing Group and in the task and finish groups on the new planning and funding system;
- a new organisational structure has been agreed, redundant posts have been identified, changing jobs have been sized, the structure has been costed and the HE requirements determined;
- a revised scheme of delegations has been drawn up;
- ASPB Training has been provided to the majority of staff in the organisation;
- performance objectives have been determined for permanent finance staff;
- consultation has occurred with the Works Council;
- a system has been set up to monitor the completion of action points arising from internal audit recommendations;
- action is ongoing in respect of the ICT Development Plan;
- the design of job descriptions for Directors has been completed and the position of existing Directors determined; and

- the new organisational structure has been determined and the staff have been allocated into pools, based on the proximity of their existing job to a job in the new structure.

2.9 The detailed findings section of this report provides more detail on these completed actions and makes recommendations where appropriate. The Action Plan is reproduced showing the progress that we found in each area.

Issues not fully addressed

- 2.10 One of the key risks that the Action Plan aimed to address was the potential for a lack of commitment to action if new Directors were appointed late. At present three of the four Director posts are filled by interim appointees. The Chief Executive is also an interim appointment. The position of Council Secretary has been vacant since the 15th of August and interviews for a replacement are expected to take place at the end of September. It is unlikely that the new management team will be in place until January 2004. However a new Chair has been appointed and she will take up her post in November 2003.
- 2.11 Whilst budgets have been set for 2003/04, the process of reviewing the budget profiles is still ongoing. The Interim Director of Finance and Risk expects the budgetary control system to be fully robust from the completion of the mid year review. A robust system of budgetary control is a key element of any system of internal control, helping to protect an organisation from major risk. When operating effectively it can mitigate against weaknesses in lower level controls.
- 2.12 A Finance month end checklist has been introduced as per the plan but it remains to be fully completed (specifically PAYE and salary control reconciliations). There is currently no provision for this checklist to be evidenced as having been reviewed.
- 2.13 Redundancy notices planned for June 2003 were delayed as a consequence of the re-negotiation of the voluntary redundancy scheme and the programme of face to face meetings undertaken by the interim Chief Executive. This delay has been fed into the costing spreadsheet which is updated whenever decisions are made concerning who will be made redundant.
- 2.14 A significant number of finance appointments are temporary either through secondment from the Risk Assurance Department or in one case from the National Assembly. It is important that the new structure is populated with permanent employees as quickly as possible to ensure ownership of the new procedures and controls.
- 2.15 The Management Statement and Financial Memorandum are still being reviewed by the National Council, and it is aware of the need to reflect revisions in the framework of control once agreement has been reached with National Assembly.

Issues for the HEFCW

2.16 We have not carried out any detailed work at the HEFCW at this stage of our review. However, our work at the National Council has highlighted one issue for both Councils surrounding those members of staff who initially had a single contract with the combined funding body, which now are required to have separate contracts for their work for the HEFCW and the National Council. The HEFCW does not have the resource to employ its own dedicated team and is therefore dependent on staff that work for both Councils. Therefore the HEFCW needs to ensure there are adequate arrangements in place to ensure their needs are given sufficient priority by staff predominately working on National Council issues.

Next steps

2.17 During September we will review progress on the outstanding issues in the National Council's Action Plan as well as look at their plans for the period following the end of September. We will consider the impact of the Action Plan on the culture of the organisation and how that culture may be changed as the new management structure is populated with permanent appointments. We will use the Burke/Litwin diagram shown at Appendix A to frame our review.

2.18 We will also review the high level control environment within the HEFCW.

Conclusion

2.19 In summary, out of the 28 action points due for completion by the end of August:

- 19 have been achieved;
- 4 are partially achieved; and
- 5 are not complete, although 4 of these relate to the population of the new structure and the other is in respect of the review of the financial memorandum.

2.20 The National Council - ELWa has made progress against the Action Plan drawn up in May, albeit with further action needed in some areas. However, the implementation of new processes in itself will not create the sustainable change necessary to maintain controls in the future. The processes need to be supported by focussed management capable of defining a vision and organisational values, building team spirit and improving morale which has been affected by a period of adverse publicity and redundancies.

2.21 The completion of the Action Plan is therefore the starting point and the next six months are crucial as staff and responsibilities are migrated into the new structures. The appointment of the new Chair, Chief Executive and the remaining directors will be critical to the operation and effectiveness of the new control framework. The new team will need to define and personify a culture of innovation within the necessary control framework and crucially will need experience of change management. The fact that the senior management team is unlikely to be in place before Christmas means that the National Council is entering a period of further challenge.

III Detailed findings

3.1 This section sets out our detailed findings and recommendations in respect of our review of the Action Plan. We have made comments on the elements of the Action Plan and made recommendations for the National Council where appropriate.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
1	Sub-optimal customer service Insufficient resources to deliver control environment	<p>Review the framework of financial control across the Council to ensure it:</p> <ul style="list-style-type: none"> meets the requirements of the regularity framework, in particular the programme requirements in the Management Statement schedules; and meets the business needs of the Council and supports the delivery of effective services to customers. <p>Establish systems/controls where weaknesses exist including:</p> <ul style="list-style-type: none"> formal procedures and processes, including approvals; guidance; project management and contract management; standard documentation; and monitoring and reporting arrangements. <p>Where weaknesses are identified, review the activity to ensure compliance with the framework and as the basis for regularising the position.</p>	30/09/03	<p>This action is ongoing and is mainly dependent on the final agreement of the Management Statement and Financial Memorandum (MSFM).</p> <p>A Project Management Guide has been produced along with pro-forma project management documents such as a Project Initiation Document.</p> <p>The interim Director of Finance and Risk is confident that this action will be completed by the end of September, and the evidence suggests that the Project Team is making progress with their review of the MSFM.</p> <p>A new process of monitoring Internal Audit recommendations has been introduced. The recommendations are recorded in a monthly report which is reviewed by the Performance Management Group.</p> <p>The interim Director of Finance and Risk has asked Internal Audit to undertake spot checks to ensure that there is evidence that recommendations recorded as implemented have actually been implemented.</p>	Progress is ongoing and there are no apparent barriers to the completion of this action by the end of September 2003.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
2	Insufficient resources to deliver control environment	Establish appropriate organisational structures within Finance Directorate, clearly allocating roles and responsibilities for control and compliance.	Achieved	<p>The new finance structure gives a clear picture of reporting lines through the Finance Directorate. However, no detail is given in the structure chart of exact roles and responsibilities for individual positions. There is no governance structure chart. Standing Orders and Financial Regulations give details of Committee structures.</p> <p>The Risk Assurance Department is currently providing significant cover to Finance whilst re-organisation is ongoing. The Finance Operations Manager post is currently filled by a Senior Audit Manager from the Risk Assurance Dept. The Senior Risk Assurance Manager is acting as Head of Risk Assurance whilst he is acting as interim Director of Finance and Risk.</p> <p>Some concerns have been expressed by staff over the remoteness of the regional accountants from the core accountancy function and over the workload of senior finance staff. One operational accountant, for example, was unaware of any programme budgets, nor has she received the budgetary control procedures and is unaware of the implementation date.</p>	<p>A clear split has been established between financial and management accounting.</p> <p>A significant number of finance posts are filled from the Risk Assurance Department consequently resources in the Risk Assurance department are stretched.</p> <p>There appears to be scope to improve the communication with regional accountants.</p>

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
3	Sub-optimal customer service Negative publicity	Communication strategy: <ul style="list-style-type: none"> effective early identification and management of risks from a communications perspective; and 	From April 2003	<p>A detailed Internal and External Communications Strategy was developed for the National Council in July 2002. However the events that followed meant that the work of the communications team in respect of the strategy has often become overtaken by negative publicity.</p> <p>The Director of Communication and Participation produced a paper for the Chairman and Chief Executive on 7 May 2003 covering the background of bad press relations and then giving details of communications that had been undertaken to show improvements. This gives details of press releases and articles in the Western Mail educational supplement. This document also includes plans for future press releases to offset the negative publicity to date and provides details of positive media opportunities that the public affairs team have identified for the future. This thus contains elements of a communications strategy/ plan.</p> <p>An update paper was produced in July 2003.</p> <p>Email version of ELWa news has been reviewed. This is a useful briefing for staff which is produced monthly.</p> <p>Some regional staff expressed the desire for a weekly communication even if it reported nothing new has happened.</p>	<p>Risks have been identified from a communications perspective, therefore action achieved.</p> <p>Recommendation</p> <p><i>The National Council - ELWa would benefit from a revised communication strategy which takes account of its current environment on which it can consult staff and then use as a basis for going forward.</i></p>

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
3	Sub-optimal customer service Negative publicity	<ul style="list-style-type: none"> effective internal communications and employee relations surrounding the restructuring, based on the principle that staff are always the first to hear the developments. 	Achieved	<p>Actions have been undertaken to communicate organisational changes. However our interviews revealed that there was some dissatisfaction amongst regional staff. Some key issues raised were:</p> <ul style="list-style-type: none"> the announcement of changes being made too early, subsequent changes being made to structures after staff thought changes had been finalised; long delays between initial announcement and subsequent face to face communications; different regions at different stages of the process and thus a lot of rumours and dissatisfaction at regions less developed in the process; lack of understanding about the process. Exactly how and when it will happen; lack of understanding of what individuals new roles will involve and how they will move from old to new jobs; delays in job descriptions being received for new jobs and not being received by the dates promised; lack of clarity as to at what point old responsibilities stop and new ones start; Mid Wales region with most complaints about process. Could be due to the late changes made to this structure which resulted in 3 more jobs being cut; issues raised by regional finance staff about poor communications with central finance department staff. 	<p>As stated in the above point there is a process of monthly communication of organisational issues, through ELWa news.</p> <p>It is very rare for an organisation to satisfy everyone when making such large changes to its structure and therefore the comments made do not necessarily mean that the communications are not effective.</p> <p>There were no apparent omissions in the methods of communication employed.</p>

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
4	Sub-optimal customer service	Establish formal management check processes: <ul style="list-style-type: none"> month end checklist; and Action Plan for year end and Accounts preparation. 	Achieved	<p>Month end checklist</p> <p>This was first used in April/ May. The June checklist reviewed was generally completed but there were elements of it that had not been signed off. The Finance Manager acknowledges that there are elements that are still not being fully completed but believes that the process will continue to improve.</p> <p>We found that on the June checklist key areas remain outstanding (most notably PAYE and salary control reconciliations).</p> <p>There is no facility within the checklist for the documentation of when each element of the checklist was completed.</p> <p>There is no evidence of review of the checklist by a senior member of finance staff.</p> <p>Close down plan</p> <p>A close down plan has been produced. When compared against our reference good practice plan it was noted that the good practice plan we referred to provides a lot more detail.</p> <p>Not all areas of the plan are assigned to finance staff and the critical path is not identified.</p>	<p>Action partially achieved</p> <p>Recommendation</p> <p><i>The month end checklist should be fully completed as soon as possible.</i></p> <p>Action achieved</p> <p>Recommendation</p> <p><i>The close down plan for next year should be prepared with reference to the good practice example to be provided by PwC.</i></p>
5		Clarify the remit letter - write to the National Assembly.	Achieved	This has been done by the interim Director of Finance and Risk and the subsequent implications on the budget considered. We understand that this Remit Letter has not yet been accepted by the Chairman.	Action completed as per plan.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
6	Loss of business continuity	Production of Planning and Funding System project high level process maps to inform design of new structure.	Achieved	A dedicated Project Manager has been appointed to manage this project. Finance staff are being involved in the task and finish groups formed in respect of the methodology. The process maps provide a high level overview of the process and will help in the detailed planning which is now required.	The initial steps have been taken as per the plan. Main risk appears to be proposal to change from claim payments to profiled payments for private sector suppliers.
7		Agreement reached with WAG on extension of Redundancy Policy.	Achieved	Approval for the extension of the redundancy scheme to December 2004 obtained.	Action achieved.
8	Lack of commitment to action if new Directors appointed late	Complete design of job description for Director level and position of existing Directors determined.	Achieved	Job descriptions have been produced for the four new Director posts and the Chief Executive. They have also been produced for the Directors in the regions who retain the title Director but are not part of the senior management team. The position of the existing Directors has been established. Only one has been permanently appointed into the new structure.	Action achieved.
9	Non Compliance with regularity framework Potential for poor decision making	Immediate Corporate Governance issues to be addressed: <ul style="list-style-type: none"> • review standing orders to ensure current compliance in all departments/regions and to inform the change process for the future; and • review delegated powers to ensure current lawful use and inform the change process enabling the executive to function and to react quickly to change. 	Achieved	Revised Standing Orders have been produced for implementation on the 1 st of October. Training has been provided to the majority of staff. The delegated powers have been revised by the Council Secretary as part of the review of Standing Orders. The Council Secretary has now left the organisation and therefore will not be available to answer queries when the Standing Orders become operational.	Action achieved The implementation will not occur until October 2003 when the new Council Secretary has been appointed.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
10	Sub-optimal use of resources Loss of business continuity	Establish a formal structure for Finance involvement in the change processes, restructuring and the planning and funding system, vis: <ul style="list-style-type: none"> a financial planning and costing group in order to provide control over running costs; and participation in task and finish groups in order to design the framework of control for the new planning and funding system. 	Achieved	Finance staff are involved in the Financial Planning and Costing group. As previously noted they are also involved in the task and finish groups in respect of the revised funding methodology.	Action achieved.
11	Ongoing problems Insufficient resources to deliver control environment or required staff restructuring Lack of commitment to action if new Directors appointed late Accommodation savings not made	Restructuring – extremely challenging timescale and may not be met of Section 3 key risks A: <ul style="list-style-type: none"> Assembly to confirm new Minister is content with plans; structure agreed; redundant posts identified; all staff positions determined; sizing of changed jobs; and agree HE requirements. 	May 2003	Verbal assurances have been obtained by the National Council’s Director of Organisational Development that the Minister does not want to approve the plans, other than for the Senior Management Team. The structure has been agreed and this has been confirmed in writing by the Assembly. The redundant posts have been identified and the details attached to the HR1 form. All staff have been placed into pools: <ul style="list-style-type: none"> Assigned pool – staff whose old and new post are equivalent Recruitment pool – staff to be interviewed for posts in new structure as elements of their old job are in the new job Redeployment pool – staff interviewed for posts not currently existing as their post does not exist in the new structure Alternative employment pool – staff being assisted to find work inside or outside the National Council. 	Actions have been achieved by the end of August.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
				<p>Jobs have been sized as part of the process of placing staff into pools.</p> <p>The structure has been costed on a spreadsheet which is amended as the decisions are made about each post and the relevant redundancies.</p> <p>HE requirements have been established and 27 staff identified as having joint responsibilities. This is considered a high risk situation by the National Council as staff require separate contracts for their ELWa and their HEFCW roles as well as separate line managers.</p>	
12	<p>Sub-optimal use of resources</p> <p>Sub-optimal customer service</p> <p>Ultra vires action</p>	<p>Review the organisation, resources and skills mix within the Finance section to meet the Council's needs (part of work on restructuring):</p> <ul style="list-style-type: none"> interim measure: appoint two temporary finance managers. 	May 2003	A new structure has been determined but currently several posts in that structure are filled by temporary appointments, one a secondment from the Welsh Assembly Government, two others from the Risk Assurance Department.	Action achieved, although there is a need to make permanent appointments to ensure buy-in to the processes and procedures being developed.
13	<p>Potential for poor decision making</p> <p>Ultra vires action and/or litigation</p>	Establish a revised scheme of delegations to effect closer control over expenditure and programme approvals.	May 2003	<p>The version we received was version 2 of 2, effective from 1 August 2003. Financial Regulations (FRs) mention the main areas of legislation that must be complied with but not all of them.</p> <p>The FRs are at a high level and must be backed up by more detailed systems notes.</p> <p>The paragraph on confidential information does not mention the Data Protection Act.</p> <p>Levels of delegated authority appear appropriate although there are concerns over the practicalities of authorisation limits.</p>	<p>Action achieved.</p> <p>Recommendations</p> <p><i>Financial Regulations should be reviewed to ensure they refer to all of the relevant legislation.</i></p> <p><i>The Data Protection Act requirements should specifically be mentioned in the Financial Regulations</i></p>

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
14	Loss of business continuity	ASPB training: <ul style="list-style-type: none"> 40 staff remain to be trained on the internal "working for an ASPB" training; and all new entrants to meet with the Secretary to the Council to discuss the role of an ASPB, control by standing orders, delegations, legislation, financial regulations and management statement etc. 	May 2003	ASPB training has been delivered. It is not possible for new starters to be briefed by the Council Secretary as there is not one in post at present.	Partially achieved. Recommendation <i>Alternative arrangements for briefing new starters on the role of an ASPB need to be made whilst a new Council Secretary is being sought.</i>
15	Loss of business continuity	Internal review of compliance issues <ul style="list-style-type: none"> the current audit review of existing projects be provided with legal advice in relation to contract and probity issues; and additional check of all current working practices and procedures to be undertaken post appointment of temporary solicitor to be managed by the Secretary to the Council. Thus enabling a thorough review of current working practices from a legal and administrative view and ensuring that external legal services are properly appointed, instructed and monitored. 	May 2003	Council secretary was providing limited legal advice on issues such as variations to standard terms and conditions. However he resigned and left on the 15 August 2003. Currently no legal coverage. Ongoing action to find a solution should lead to obtaining external legal advice early in September.	Some progress made although the loss of the Council Secretary will cause a delay in establishing proper arrangements and even when external legal advice is secured there will be no "intelligent purchaser" of legal services at the National Council.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
16	Loss of business continuity	Budgetary control <ul style="list-style-type: none"> • set up budgets for 2003/04; and • establish comprehensive system of budgetary control and reporting. 	May 2003	Revised budgetary control procedures are still in draft form. They are due to be rolled out in the Autumn – to be utilised for the 2004/05 budgetary process. The procedures state that monthly monitoring reports are to be produced but only requires remedial action if underspends occur. It is inappropriate to think that there will never be overspends as the control procedures state. Provision should be made in the procedures for dealing with overspends. The budgets received appear to be in draft form due to ongoing work on the profiling of budgets. Monitoring return pro formas are included in the control procedures and appear appropriate. Finance are due to hold workshops on financial management and accountability in September 2003.	Action partially achieved. The budgetary control system is still not fully robust and some work remains to be done particularly in respect of profiling the budget. Recommendation <i>The budgetary control procedures should be finalised as soon as possible.</i> Recommendation <i>Training should be provided for budget holders, particularly on the budget setting process as the procedure notes are complicated.</i>
17	Staff morale	Review finance systems and processes - document and assess adequacy and impact of organisational changes.	May 2003	Finance systems have been reviewed by internal audit and the impact of organisational changes are currently being assessed.	Action achieved.
18	Staff morale	Establish formal performance objectives for all Finance staff within the Council's Management of Performance and Development Scheme.	May 2003	All staff permanently employed within the Finance Department structure have performance objectives set within the Council's Management of Performance and Development Scheme. Where appointments are still to be finalised objectives have not yet been set.	Action achieved.
19	Staff morale	Consultation with Works Council.	June 2003	Works Council has been consulted on changes such as revised voluntary redundancy policy.	Action achieved.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
20		Population of new structure.	June 2003	See action point 11. Population of the new structure has commenced but is not complete. As noted in previous sections several finance posts not yet decided and this is the case in many of the Directorates.	Action ongoing.
21	Sub-optimal use of resources Staff inadequately trained	Agreement of redundant employees and issue of notices.	June 2003	This has not been achieved. The redundancy notices have only just been issued for the first group. Some positions are still to be determined so not all of those who will be made redundant have yet been determined.	Action ongoing.
22	Potential for poor decision making Ultra vires action	Review the Financial Memorandum and Management Statement against the Remit Letter for 2003/04: <ul style="list-style-type: none"> • revise/clarify where appropriate; • revise the financial regulations and other financial procedures as appropriate; and • revise the framework of control as appropriate. 	June 2003	Work is ongoing on this and until the Management Statement and Financial Memorandum is agreed final revisions to the Financial Regulations and framework of control, although probably minor in nature, may be needed.	Action ongoing.
23	Lack of commitment to action if new Directors appointed late.	Initiate a project management development programme comprising: <ul style="list-style-type: none"> • access to the organisation's approved project methodology through the publication of a project management handbook via the ELWaNet; and • the provision of project and contract management training for key personnel. 	June 2003	Generally sound guidelines for Project Management although some recommendations for improvements. Main weakness is confusion over the role of the Project Board as opposed to the Project owner. Not clear whether a de-minimis applies or whether there is any difference in the application of the guidelines depending on the scale of the project. Project Management training has been designed and will be rolled out to the appropriate people once the structures have been finalised.	Action achieved. Recommendations <i>The role of the Project Board should be made clear in the guidelines as it is currently confused with the role of the Project Owner.</i>

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
24		ASPB training for all new entrants to be provided with "plain English" introduction to ASPB, legal powers, compliance issues through standing orders, delegations and management statements and financial regulations etc.	June 2003	See above, ASPB training provided.	Action achieved.
25		Recruitment consultancy starts work to fill Chief Executive and Director posts.	June 2003	This was delayed as original plan to use a selective tender process was abandoned when a complaint was made by a firm not included. A full tender process was then followed and consultants were assessed against set criteria, this process was documented and a clear preferred supplier chosen.	Action delayed but now achieved.
26		Complete review and report to the National Council: <ul style="list-style-type: none"> • on all corporate governance proposals; • on the remit and operation of Regional Committees; and • on the remit and operation of sub committees. 	July 2003	This was achieved through the revisions to the Standing Orders, although the new Standing Orders will not be adopted until October 2003.	Action achieved, consequent revisions to Standing Orders will be presented to the National Council in September.
27	Sub-optimal use of resources Potential for poor decision making Poor scrutiny and deficient corporate governance	Continue population of new structure. Some redundant people to leave organisation.	August 2003	See points 20 and 21 above.	Action ongoing.
28		Further redundancies to take place.	Sept 2003	As above	Action ongoing
29		Work commences on negotiation of 2004 pay scales.	Sept 2003	We will review action on this point in our September review as the action is not yet due for completion.	To be completed as part of PwC September review

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
30		Secretary to the Council and interim Finance and Risk Director to develop working manual of Standing Orders, Financial Regulations, Management Statement etc with working procedures for decision making and reporting. Document to be a business manual for all staff in the operation of the organisation.	Sept 2003	We will review action on this point in our September review as the action is not yet due for completion. However, elements are already in place such as Project Management guidelines.	To be completed as part of PwC September review.
31		Address internal audit and NAO recommendations set out in: <ul style="list-style-type: none"> • IA management implementation plans; and • NAO management letter. 	May – Sept 2003	A new process has been put in place to monitor action taken on internal audit recommendations. Directors report monthly on progress and spot checks are undertaken by Internal Audit to confirm reported action has occurred.	Action achieved.

	Key risk to be addressed	Action Plan Proposed action	Date per ELWa	PwC finding	Conclusion/ Recommendation
32	Insufficient IT to deliver necessary efficiencies	ICT Development Plan agreed in December 2002 and is currently going through the procurement process. Once process has been completed in line with European procurement rules, the plan will be implemented.	ASAP but by March 2004	The baseline technical infrastructure is on schedule for implementation, testing and organisational roll out. The Senior ICT manager appears technically aware and sufficiently experienced to deliver the infrastructure project by March 2004.	<p>Action ongoing</p> <p>Recommendations</p> <p><i>To ensure that the upgraded infrastructure and ICT resources are fully exploited going forward we recommend that the National Council:</i></p> <ul style="list-style-type: none"> • <i>ensures a training strategy is compiled, approved and communicated to all staff</i> • <i>ensures disaster recovery plans are documented, implemented and tested</i> • <i>compiles an information strategy which complements the technical infrastructure and then use that to inform the ICT development plan to optimise the exploitation of the new infrastructure</i> • <i>ensure the project management guidelines are implemented and applied for all future projects.</i>

Appendix A

The Burke/Litwin model of organisational performance and change

