

WELSH ASSEMBLY GOVERNMENT'S RESPONSE TO THE AUDIT COMMITTEE'S REPORT ON:

National Council for Education and Training for Wales: Financial Management of Partnership and Innovation and Development Projects and Assembly Government's sponsorship of ASPBs

The Welsh Assembly Government welcomes this report on these two subjects and sets out its detailed response below. In the case of the National Council we recognise the seriousness of the issues raised in the Committee's report. We are reassured by the fact that corrective action is being implemented by the Interim Chief Executive. The Auditor General has laid the National Council's 2002-03 accounts. In his report on the accounts he gave an unqualified audit opinion and concluded that "there is some cause for optimism", while recognizing that more work is needed to entrench the progress made and complete the action plan.

Recommendations and Response

On the National Council's 2001-02 financial position

(i) Any Assembly Sponsored Public Bodies finding themselves in a similar position in future [i.e. faced with significant budget and expenditure problems] should enter into early and open dialogue with their sponsor department, so that significant decisions on the timing of commitment of public funds within the Welsh block can be taken in full knowledge of wider strategic factors and due weight given to the need to secure good value for money.

Agreed. The Welsh Assembly Government will draw the Committee's report and its recommendations to the attention of all ASPBs requesting that they should note and action as necessary this and other applicable recommendations.

On the Pop Centre MP3 Café project

(ii) The list of key project management weaknesses set out in Table 1 of this report should be drawn to the attention of staff in all Assembly Sponsored Public Bodies, in the firm expectation that the wider lessons of this project will be learned for the future.

Agreed. This will be covered in the action set out under (i) above

(iii) This report should be circulated by the Welsh Assembly Government

to the Chair of each sponsored body and the Chairs of their respective Audit Committees, in order that they might benchmark their own corporate governance and risk management processes in the light of the National Council's experience.

Agreed. The Finance Minister will write to all Chairs.

On the other projects managed by the National Council

(iv) The remaining outstanding remedial measures should be implemented urgently, both to correct weaknesses found in existing projects and to ensure that there can be no recurrence of these serious failings on new projects. This Committee would like to be notified by the National Council once it has completed its implementation of the programme of corrective action.

Agreed. The National Council has taken significant measures to ensure that new projects are approved and operated in accordance with its control documents. Detailed procedures have been developed to improve project planning, implementation, monitoring and evaluation. Of the 47 projects and schemes found to be non-compliant following ELWa's internal review in April 2003, corrective action has been taken in all but six cases. Action is ongoing to resolve the outstanding issues and it is expected that all the necessary approvals will be obtained by the end of March 2004. The National Council will notify the Audit Committee when its programme of corrective action has been completed.

On the payments to Training Providers in March 2002

(v) The Welsh Assembly Government should draw the attention of all Assembly Sponsored Public Bodies to the lessons to be learnt from this instance of financial mismanagement and stress to them that the circumvention of controls is not to be tolerated.

Agreed. This will be covered in the action set out under (i), (ii) & (iii) above

On the Welsh Assembly Government's sponsorship of ASPBs

(vi) We endorse the Permanent Secretary's suggestion of a two-year 'probation' period for new ASPBs during which they should be subjected to more rigorous scrutiny than normal, and recommend that this be instituted with immediate effect.

Agreed. This will be covered in revised guidance (see also (viii) below)

(vii) The probation period should conclude with an independent external assessment of the quality and effectiveness of the body's systems of control, the results of which should be reported to the Permanent Secretary as Principal Accounting Officer. Completion of the probation period should be dependent on the satisfactory results of that external review.

Agreed. This will be covered in revised guidance (see also (viii) below)

(viii) The Assembly Compliance Office should provide more generic guidance to sponsor department officials on the discharge of their responsibilities.

Agreed. This will be produced and issued as early as possible in 2004 and a copy sent to the committee.

(ix) The training provided to sponsor department officials on the principles of effective sponsorship should also be thoroughly overhauled, and the Assembly Compliance Office should work closely with the Auditor General and his staff to secure real improvements in this regard.

Agreed. This has already started and will build on the programme outlined by the Permanent Secretary to the Committee. The Assembly Compliance Office have already started developing such training with Government's Centre for Management and Policy Studies (formerly Civil Service College) and are further developing this work with the Auditor General and his staff to produce a pilot session to run in early February.

(x) The Welsh Assembly Government should review the rationale for continuing the existing imposition of a fixed 2 per cent carry-over limit for all sponsored bodies, irrespective of the nature of their operations.

Agreed. The Welsh Assembly Government has reviewed the present 2% limit and is minded to increase it in order to help ASPBs improve their budget management, whilst at the same time maintaining robust control over the utilisation of and value for money obtained from grant-in-aid. Discussions on the appropriate limit will take place with ASPBs over the next 3 months so that changes can be implemented for 2004-05 year end.

(xi) . We **recommend** that the Welsh Assembly Government should review its appointment procedures for senior posts, particularly where new public bodies are being created.

Agreed. This will be done as part of the review of guidance to sponsor divisions(see (viii) above).