

**WELSH ASSEMBLY GOVERNMENT RESPONSE TO THE AUDIT
COMMITTEE REPORT ON:**

**THE 2006-07 CONSOLIDATED RESOURCE ACCOUNTS OF THE
NATIONAL ASSEMBLY FOR WALES (3) 03-08**

We welcome the findings of the report and offer the following responses to the six recommendations made.

RECOMMENDATIONS:

1. We recommend that the Assembly Government strengthen the effectiveness of its Corporate Governance Committees by increasing the proportion of external appointee members and by ensuring that all such Committees are chaired by external appointees.

Accepted

The Permanent Secretary is responsible for establishing the corporate governance arrangements within the Welsh Assembly Government as part of her personal responsibilities as Accounting Officer. She is committed to ensuring that such arrangements operate effectively to provide assurance on risk management, governance and internal control. The relatively recent introduction of Corporate Governance Committees for all Additional Accounting Officers has provided a greater and more focussed assurance of the management and control processes operated by the Welsh Assembly Government. Their composition is still in the course of development.

In line with Treasury guidance, the Permanent Secretary is committed to strengthening the external challenge on committees and the appointment of suitably qualified external members as chairs of these committees and this will be actioned in the next three months.

2. We recommend that the Assembly Government should invariably and promptly perform monthly bank reconciliations. No departure from such a policy should be made except for wholly exceptional reasons and then only with the Permanent Secretary's personal authorisation.

Accepted

Bank reconciliations are an important check to support daily controls and monitoring over bank and cash management. As part of the Corporate Finance Change Programme new processes have been introduced that in the future will automate much of the work involved in the reconciliations. As a consequence we are now up to date with all reconciliations. No exceptional circumstances which would warrant departure from this policy are anticipated.

3. We recommend that the Assembly Government incorporate such good practice – not embarking on a major project without estimating its full costs and without establishing machinery to monitor the outturn – in its project management processes and make sure that such practice is invariably followed.

Accepted

The Assembly Government has a good record in managing programmes and projects using formal programme and project management disciplines. Where these are adopted, this is generally done in line with guidance and procedures set out in Managing Successful Programmes, which incorporate best practice. On this occasion the Audit Committee has recognised that the Assembly Government was 'largely successful' in managing the ASPB Mergers Programme.

It has not been normal practice to cost the staff time involved in delivering Welsh Assembly Government projects unless there have been additional resources employed specifically for the piece of work.

4. We recommend that the Assembly Government should strengthen its project management arrangements so as to establish a clear plan for realising benefits and for monitoring whether the expected benefits have in fact been achieved.

Accepted

The Assembly Government is increasingly using formal programme and project management disciplines. These are generally in line with guidance and procedures set out in Managing Successful Programmes, which incorporates best practice on benefits management. Programmes now include a benefits realisation plan which identifies where savings will be made and who will be responsible for delivering them.

Targets to deliver efficiencies in line with the ASPB merger savings were set for each of the affected Departments and the delivery of these is being monitored and recorded.

5. We now look to the Assembly Government to act on the Auditor General's analysis and to learn from its recent experiences in delivering the Corporate Finance Change Programme successfully.

Accepted

As reported to the Audit Committee, there is strong support from and leadership by the Assembly Government Senior Management team for the Corporate Finance Change Programme (CFCP). The key developments and management issues are reviewed monthly by the Programme Board, Management Board and Senior Business Team and this will continue throughout the programme.

The Programme has been subject to independent external Value Wales Gateway project reviews at key stages. These reviews have recognised the significant senior stakeholder and organisational support that is being given to the programme and it has endorsed the robust programme management disciplines and arrangements that have been established to deliver the programme, including the risk management arrangements.

Phase 1 of the Programme was implemented successfully on 1 April 2008 and this involved the replacement of the core financial processes run within the central Finance Department. This phase was completed within extremely short timescales and this could not have been achieved without the significant commitment and support of management and staff across the organisation.

The CFCP is a major change programme aimed at transforming Financial Management arrangements across the Welsh Assembly Government. The programme will take time to fully implement but its success will continue, through a process of continuous improvement, by maintaining the same level of focus and commitment that has already been demonstrated in phase 1. These changes are wider than finance and will underpin a new way of working right across the business.

6. We recommend that the Assembly Government should continue to disseminate its lessons learnt where practicable to support wider organisational change processes across the Welsh public sector.

Accepted

The Assembly Government agrees that it has an important role to play in disseminating good practice across the wider public service in Wales, and is pleased that the Audit Committee considers it important that the good practice exhibited during the management of the ASPB mergers should be disseminated in this way.