

## **The Welsh Assembly Government's response to the report of the National Assembly Audit Committee's report on EU Structural Funding: Progress on Securing the Benefits for Wales: Committee Report (2) 09-04**

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

### **Recommendations**

**i) WEFO takes the opportunity of the additional time arising from the deferment of the previously planned computer system enhancement to deliver a state of the art system that is designed specifically to meet the needs of future programmes.**

### **Accepted**

A new WEFO computer system has been selected by the Merlin Programme Board as one of the first Merlin projects to proceed. The project development will start in January 2005 and the new systems will be implemented by November 2006 (in time for new Programmes).

The project will be tightly managed using the PRINCE methodology, which includes elements such as a senior level steering Project Board; project milestones; a user group etc. In addition, progress will be subject to regular scrutiny (Gateway reviews) by the Merlin Programme Board.

When developing the project over the next two years, WEFO and Merlin will be considering not just the computer systems, but also the business processes needed to effectively and efficiently deliver the Structural Funds Programmes. The aim is to make all processes more user-friendly (while complying with the EC requirements for both current and future Programmes) and to provide state-of-the-art systems which will allow project sponsors to submit applications, claims etc via the world wide web.

**ii) WEFO now picks up the pace of introducing "template projects" and ensures that it achieves its objective of developing eight such projects by 2005.**

### **Partially accepted**

Work has been continuing on project commissioning via the development of template and strategic projects.

Three template projects are well advanced, one large strategic project has been submitted and is being

formally appraised, and four other projects are in final stages of development. All these projects should reach appraisal stage in 2005.

However, the reducing availability of funds and the need to ensure compliance with state aids regulations (which are becoming more of a constraint) will limit the opportunity to develop further projects for the current Programmes. WEFO will be considering how to progress template/strategic projects, ready for the start of new Programmes in 2007, when it develops the details of new Programmes during 2005.

**iii) WEFO reviews its appraisal times target to ensure that it is clearly defined, measurable, and realistic yet challenging.**

### **Accepted**

WEFO is reviewing the appraisal times target, with particular emphasis being placed on ensuring that targets are meaningful for applicants. Current guidance for applicants will also be strengthened to explain how to check to see that their application is complete and well prepared before it is submitted. As part of the review, WEFO will also consider how best to keep applicants in touch with developments. The review will be completed by the end of March 2005.

**iv) WEFO takes steps to make quick progress with project monitoring visits so that they reach the ten per cent coverage as quickly as possible.**

### **Accepted**

WEFO has already made significant progress on project monitoring visits and is on course to meet its target of visiting 10% target of live projects by the end of March 2005.

**v) WEFO includes the external project audits in the risk based approach to project monitoring and control which it plans to develop.**

### **Accepted**

Where external audit certificates include significant qualifications, these qualifications will be incorporated into the risk based approach to project selection for monitoring and control visits which is already in place. WEFO has also established a register of audit qualification issues which will cover all audit certificates received from the start of 2005. The register will be available to all teams in WEFO. This will also be used to identify common problems which may need action eg provision of guidance/reminders for applicants or auditors.

**vi) All proposals for replacing retrospective grants are received and approved by WEFO without delay, and that in future a reasonable deadline for this is included in the grant**

agreement.

## Accepted

All retrospection projects approved in 2003 are required to submit their proposals (for using the money released) by the end of March 2005. Projects approved in 2004 have a deadline of the end of June 2005. Deadlines will be set in future grant agreements and systems have been established to monitor progress.

**vii) Assembly officials monitor the timeliness of grant claims from Assembly Sponsored Public Bodies and local authorities and discuss any problems with performance at a senior level with the organisations concerned.**

## Accepted

WEFO will further develop its monitoring arrangements for late claims and will maintain contact at senior level to discuss problems. Contact at Chief Executive/Director of Finance level has taken place across a number of public sector organisations in the latter part of 2004 and the aim is to meet all major sponsors in the first half of 2005. A copy of the Audit Committee's recommendations and the Welsh Assembly Government response is to be sent to the Chief Executives of all Assembly Sponsored Public Bodies and local authorities in Wales.

**viii) Whilst recognising that the scope is limited with current technology and information requirements, WEFO does whatever is necessary and possible to minimise the burden on sponsors in relation to the completion of claim forms.**

## Accepted

WEFO is looking at ways of minimising the burden on sponsors where possible. For example, it has revised its European Regional Development Fund (ERDF) claim form so that many of the historical data fields are automatically inserted from the WEFO database before the form is sent out - thereby aiding completion by the sponsor. Also, the new European Social Fund (ESF) form introduced in July 2004 is now also provided to sponsors in Excel format to assist completion. WEFO recognises the need to involve sponsors in the design of forms, guidance and processes and will be working with sponsor groups to take this recommendation forward, starting in early 2005.

**ix) WEFO should consider developing a system of reasonable and proportionate sanctions against sponsors that repeatedly fail to submit claims without undue delay.**

## Accepted

WEFO is strengthening its procedures for monitoring performance at sponsor level.

Sponsors have already been informed that their delivery record (achievement of outputs, spend against profile, submission of timely claims etc) will be taken into account when deciding whether future projects will be approved.

All grant offer letters to project sponsors include an ability for WEFO to withhold or withdraw grant where sponsors do not claim in accordance with the approved financial profile. As noted in the response to recommendation (vii), WEFO will develop further its monitoring arrangements for late claims during 2005, and use the sanctions set out in the offer letter where necessary.