

Public Accounts Committee
PAC(4) 28-12 - Paper 1

Written evidence for the Public Accounts Committee on the Wales Audit Office's Report on the Welsh Government's relationship with the All Wales Ethnic Minority Association (AWEMA)

1. Introduction

- 1.1 The Wales Audit Office (WAO) published its report on the Welsh Government's Relationship with AWEMA on 18 October 2012. The Welsh Government cooperated fully with the WAO throughout the course of its value for money study and has welcomed the report, accepting all of the recommendations. As Derek Jones, the Permanent Secretary and Principal Accounting Officer, said on 18 October, the Welsh Government is already implementing the recommendations detailed in the WAO's report as part of the Grants Management Project and other governance activities.

2. General

- 2.1 The Welsh Government is committed to working with its partners to provide value for money for public funds and delivery of the Welsh Government's objectives.
- 2.2 In order to ensure this, we are adopting a proportionate and risk based approach to due diligence which focuses on assessing the health of the corporate governance in the partner organisation, by identifying whether the organisation has appropriate systems in place; confirming whether the systems are working; assessing the organisation's capacity and capability to deliver desired outcomes; and, crucially, ensuring the organisation's Board is holding the Chief Executive or Chief Accounting Officer to account. It is not the role of the Welsh Government, however, to carry out an organisation's corporate governance checks for it - if that was the case, we would effectively be taking over each organisation, rather than treating it as an arm's length body.
- 2.3 We recognise that this cannot give us, or the Public Accounts Committee, absolute assurance about all of our delivery partners; however, we are seeking to further strengthen our due diligence policies and processes as part of the Grants Management Project, taking on board the issues identified in the WAO's report on the Welsh Government's relationship with AWEMA.
- 2.4 We are also looking for ways to provide a more joined up and coordinated approach to assist our delivery partners, and the third sector in particular, in achieving high standards of governance. In order to facilitate this, the Welsh Government has joined a working group with the Big Lottery Fund, the Wales Council for Voluntary Action

(WCVA), and the Charity Commission, with the aim of providing a unified programme of support and guidance for this vital arm of delivery. It is proposed to develop a protocol to share information about funded organisations.

3. Recommendations

3.1 Below is a summary of the Welsh Government's responses to the recommendations contained in the WAO's report.

1. Taking into account the issues raised by this report and in the context of its own ongoing Grants Management Project, the work of the Grants Centre of Excellence and its response to the Public Accounts Committee's recent interim report on grants management, we recommend that the Welsh Government should:

a) Establish and communicate to grants managers and grant recipients clear protocols for due diligence work to be built into its processes for awarding grant funding and monitoring delivery, proportionate to the scale of funding and the type of recipient body.

Work is underway within the Grants Management Project to embed minimum standards of due diligence that will take place as part of the processes for awarding grant funding. This will be supported by a central repository of information available across the Welsh Government, providing an assessment on legal status; financial viability; the need for payment in advance; and, standards of governance. This information will be supplemented by grant specific due diligence with a focus on the ability of the recipient to deliver outcomes in relation to the grant award being considered. The approach taken will adopt a risk based assessment, taking account of the scale of the funding provided and the type of recipient body.

b) Give further consideration to the development of a customer relationship management system as the basis for ensuring shared knowledge across the Welsh Government of its various funding relationships with external organisations.

By mid 2013, reports covering grant schemes, payments and commitments across Welsh Government grants will be made available based on the current grants payment system. This system will be supported with a more comprehensive ICT solution which will include a customer relationship management module aimed at sharing information across the Welsh Government and providing an analysis of all grant funding with a particular focus on grant recipients and delivery of outcomes.

c) Ensure that grants managers are required, when considering bids from potential grant recipients and in their general management of that funding, to understand the Welsh Government's overall financial relationship with those organisations.

Information on the overall financial relationship which the Welsh Government has with grant recipients will be available through enhancements to the current grants payment system. It is intended that grants managers, as part of their due diligence work, will be required to confirm that they have taken account of the Welsh Government's overall financial relationship with proposed funding recipients. This will need to be a manual exercise in the short term until the new ICT solution is in place and fully populated.

d) Establish clear protocols for the handover of responsibilities between senior officials and between Ministers, ensuring that those succession arrangements articulate relevant departmental and wider Welsh Government funding relationships with external organisations and, in particular, the history of any particular concerns about those organisations.

We appreciate the importance of formalising handovers, and the flow of communication, at Ministerial and senior official level. We are now reviewing our procedures to strengthen them and ensure that they cover funding relationships with external partners and capture any historical concerns.

e) Ensure that grants managers understand that all substantive contact with grant recipients about their funding should be formally recorded on file.

The guidance and training developed by the Grants Management Project makes it clear that all substantive contact with grant recipients about their funding must be formally recorded on file. In the short term, this information will be stored by the individual grant schemes. However, once the Customer Relationship Management based system is in place, this information will be available to all of the teams providing grant funding to external partners.

2. Having already identified changes in some of its processes in response to the situation with AWEMA, we recommend that WEFO should also:

a) Ensure that all project officers are fully aware of the purpose and importance of their monitoring and of their responsibilities in supporting projects and verifying that projects are proceeding satisfactorily and delivering intended outcomes. We consider that such improvement could be achieved through mandated and periodic refresher training.

WEFO has an established training programme for staff engaged in the delivery and management of the programmes. A training event was held in September 2012 for all staff in WEFO's Programme Management and Finance Divisions with exercises to highlight WEFO's mutual dependency and relationship with other Welsh Government departments. While there are additional technical issues in respect of EU funded programmes, these are core programme and project management skills and WEFO will ensure its programme management staff undertake the training being rolled out by the Grants Management Project.

b) Ensure that all current projects have been monitored regularly and documented, in accordance with WEFO's requirements.

WEFO's guidance for project management requires projects to be reviewed on a regular basis, which, depending on the performance of the project, can be quarterly, six-monthly or by written procedure. WEFO is reviewing the application of these procedures across the ERDF and ESF programmes to ensure this guidance is being met and that, where reviews are undertaken through written procedure when the project is performing well, this is documented consistently and kept under review.

c) Review all special conditions which are recorded as 'open', and once their actual status has been confirmed, ensure that project officers take any necessary follow-up action promptly.

This has already been undertaken across the ERDF and ESF Programmes. Many special conditions will be open throughout the life of the project, rather than being prerequisites to a later stage of the project. Open special conditions are being reported to senior management to ensure that action is being taken on conditions that ought by now to have been signed off.

3. Welsh Government officials have recognised that, in responding to the situation with AWEMA's insolvency they have been, to an extent, operating in uncharted territory. We recommend that the Welsh Government should undertake a lessons learned exercise and develop internal guidance to support any future response to a similar situation.

The Welsh Government is carefully considering the issues raised by AWEMA and will capture the lessons learned for the future. Furthermore, the Grants Management Project will develop guidance to indicate to officials what actions should be undertaken when financial concerns are raised about a partner organisation. This approach will place the Welsh Government in a stronger position to protect public funding and recover grant monies in any future similar case of insolvency.

4. WEFO has now established successor arrangements for each of the three AWEMA led EU Convergence Programme projects. We recommend that, for the remaining duration of these projects, WEFO conducts quarterly monitoring meetings with the lead project sponsors, and that it maintains regular contact with the other project partners to help identify and resolve promptly any issues of concern and to generally support the delivery of these projects.

Both WEFO and the partners in the successor projects have been committed to ensuring that services to beneficiaries under these projects are maintained. We have used the establishment of the new projects to develop a new model for managing these projects where our quarterly review meetings for all three projects are held at one meeting with all sponsors present (the most recent was on 13 November 2012). The approach has gone a long way to help build

transparency, trust and capacity in each body, and we plan to use this approach for all projects delivered through collaborative partnerships, at least on an annual basis.