

EDUCATION THROUGH REGIONAL WORKING CONSORITUM

Report Issued to:

Yan James, ERW Interim Managing Director

Report Issued to:

Jon Haswell, ERW Section 151 Officer

Report Copied to:

ERW Joint Committee (Final Only)

Auditor:

Charlotte Hodges, Audit Team Leader

Rationale for Audit:

Annual Risk Based Review

Internal Audit Report No:	19091 (2019-20)
Assurance Rating:	Limited
Progress To Date (↑, ↓ or →):	↓
Fieldwork Completed:	03-03-2020
Draft Report:	11-03-2020
Management Comments:	26-06-2020
Final Report Issued:	26-06-2020

Introduction and Objectives

An audit review of the Education Through Regional Working (ERW) Consortium has been carried out as part of the 2019-20 Internal Audit Plan, as agreed with the Joint Committee, the ERW Section 151 Officer and the ERW Interim Managing Director. The objective of the audit was to provide assurance to the Joint Committee, the ERW Section 151 Officer and the ERW Interim Managing Director that the Consortium has adequate governance, internal control, risk management and financial management arrangements in place, which are operating effectively, and that the recommendations arising from the previous Internal Audit reviews and actions contained within the Annual Governance Statement have been implemented.

Audit Scope

Governance: Internal Control: Risk Management:	<ul style="list-style-type: none">• Follow Up of Previous Internal Audit Recommendations and Annual Governance Statement (AGS) Actions• Emerging Governance Matters• ERW Business Plan
Financial Management:	<ul style="list-style-type: none">• Sustainability of Funding for Central Team• Core Costs and Expenditure• Grant Schedules & Returns from Authorities

Methodology

<ul style="list-style-type: none">• Interviews with relevant Officers
<ul style="list-style-type: none">• Examination of systems and relevant documentation
<ul style="list-style-type: none">• Evaluation of the adequacy of internal controls
<ul style="list-style-type: none">• Sample testing

Executive Summary

There have been significant changes to the composition of the Consortium during 2019-20, with a change in the Interim Managing Director and the commencement of the revised staffing structure in September 2019.

There has been limited progress in implementing recommendations from both the previous internal audit review and the Significant Governance Issues and Priorities for Improvement that were contained within the 2018-19 Annual Governance Statement. There is a lack of oversight by the Joint Committee to ensure previously identified matters arising are addressed and resolved.

Previously identified governance issues have not been addressed, and there are a number of emerging governance concerns around the future Footprint of the Consortium, and the consequential funding ramifications of this. This has diverted an element of the strategic focus away from undertaking the core work of the Consortium, has increased the level of uncertainty over the future of the Consortium and could potentially impact upon the morale of staff employed.

A concerted effort has been made during 2019-20 to reduce the core costs of the Consortium, with reductions noted across a number of budget lines. Examination of expenditure is continuing to ensure efficiencies are realised where possible.

The 2019-20 Business Plan is aligned to the National Mission, and was approved by the Joint Committee on 3 April 2019. Following approval, the Business Plan was costed. Information presented to the Joint Committee to monitor the operational implementation of the Business Plan (such as Team Activity, implementation, and financial monitoring) is disjointed, inhibiting the Joint Committee's ability to scrutinise the performance of the Consortium. A methodology for evaluating the effectiveness of the 2019-20 Business Plan has not yet been fully developed, as the 2019-20 Business Plan did not contain performance metrics to enable effective monitoring. Assurance was provided that lessons have been learned from this, and will be resolved within the Business Plan that is developed for 2020-21.

PREVIOUS INTERNAL AUDIT RECOMMENDATIONS AND AGS ACTIONS

There has been limited action to address the recommendations arising from the previous internal audit reviews, the Leaders of Learning Programme Investigation or the matters arising in the 2018-19 Annual Governance Statement. It has been confirmed that:

- 5 of 21 recommendations have been actioned in full from the previous internal audit review, with 5 further recommendations currently in progress;
- 2 of 3 recommendations have been actioned from the grant work undertaken during 2018-19;
- 2 of 10 recommendations have been actioned in full from the Leaders of Learning Investigation with 5 further recommendations in progress;
- 1 Significant Governance Issue is outstanding, with the other currently in progress;
- 1 of 6 Priorities for Improvement is currently in progress, and 1 Priority for Improvement has been partially addressed. The remaining actions are outstanding.

(Full details are provided in Appendix 1)

A number of recommendations, along with AGS Actions relate to the governance and future funding arrangements for ERW. Limited progress has been made on these matters. A paper detailing revised Governance Arrangements was submitted to the Joint Committee in November 2019, but was deferred to a future meeting.

A process for monitoring the implementation of recommendations and Annual Governance Statement actions by the Joint Committee has not been devised. Such oversight would assist in ensuring recommendations are addressed, provide challenge where progress is not made at the expected pace, and inhibits the Joint Committee's ability in discharging its commitment to implementing the improvements outlined in the Annual Governance Statement.

RECOMMENDATION 1

Action must be taken to implement the recommendations outstanding from previous internal audit reviews, and Annual Governance Statement actions. Progress reports on the implementation of internal audit recommendations and Annual Governance Statement Significant Governance Issues and Priorities for Improvement should be submitted to each meeting of the Joint Committee, and could be incorporated into an Integrated Report. This will allow effective oversight, monitoring and scrutiny of the implementation of recommendations and assist in ensuring improvements are made at the required pace.

Grade: Critical

MANAGEMENT RESPONSE

- Measures will be put in place to ensure progress monitoring the outstanding recommendations within an appropriate and achievable timescale given the current Covid-19 challenges.
- In partnership with key governance groups, officers will focus on:
 - 6.1b, 8.2a, LOLR3, LOLR2, IAR6.6, IAR6.7c, IAR6.7d, IAR8.2b, IAR8.5
 - IAR8.3 has been commenced and will be revised in line with Covid-19 implications (including revised funding levels)
 - IAR 6.4 has been commenced will be published in line with Covid-19 implications and circumstances

Responsible Officer

Interim MD + Principal Accountant

Timescale for Action

May – December 2020

EMERGING GOVERNANCE MATTERS

At the time of the internal audit review there were a number of emerging governance matters which could have a significant impact upon the future of the Consortium, along with the governance issues identified during previous audit reviews which still remain outstanding. These include:

- One Local Authority having given notice to withdraw from the partnership, with this withdrawal coming into effect from 31 March 2020.
- Education Services from two Local Authorities in the Region were inspected by Estyn during 2019-20, with Estyn providing judgements that both were a significant cause for concern and require follow-up activity.
- The future Footprint of ERW has been under discussion during the latter part of 2019-20, with a paper setting out a roadmap/options appraisal for any likely future ERW arrangements submitted to the February 2020 Joint Committee (which was subsequently postponed to a later date). Whilst the paper recommends that the Joint Committee provide an “in-principle” decision on the preferred future Footprint/model, there is concern that such an “in-principle” decision may not be made at the meeting, which would lead to further continued uncertainty around the future of the Consortium. Any final decision regarding the future Footprint would also be required to be made by each partner Local Authority rather than the Consortium. This uncertainty also has implications on the morale of permanent employees, as any decision could impact upon future staffing requirements. A decision to change the Footprint of ERW could also have financial implications for partner Authorities if redundancy processes were instigated.
- At the December 2019 meeting, the Joint Committee approved the proposals in respect of the ERW Financial and Funding Model for 2020-21 based on six authorities (despite one having given notice). Concern has been raised that another local authority has since inferred they will not increase their core contribution. This would leave a shortfall in funding for the core budget, and raise concerns of equity across the Region if different contributions levels were paid.

(continued)

RECOMMENDATION 2

The process to agree the future Footprint of ERW should be expedited to ensure a swift resolution, enabling the Consortium and partner Local Authorities to move forward on an agreed agenda, and to provide stability to the future partnership arrangements. Following resolution, Local Authorities should reconfirm their commitment to partnership working, and the vision and objectives of the Consortium to ensure there is a clear strategic focus and all are working towards a collective goal. A robust governance structure must also be put in place.

Grade: Critical

MANAGEMENT RESPONSE

- Work has commenced and progressed in line with pre Covid-19 expectations as noted within the commentary
- The rescheduled Joint-Committee Meeting (21.7.20) will progress the agenda further forward and set out a series of achievable milestones to ensure completion of the revised ‘Footprint’ at the earliest opportunity and in readiness for the financial year 2021-22
- The Autumn and Spring term Joint-Committee meetings will monitor and support progress across this key priority area

Responsible Officer

Lead CEO, Lead Director + Interim MD

Timescale for Action

July 2020 – March 2021

EMERGING GOVERNANCE MATTERS (continued)

- The draft minutes for the 9 December 2019 Meeting record that the Joint Committee resolved to approve the proposals made by the Education Directors based on five authorities (excluding NPT). This decision was not consistent with the information presented to the Joint Committee.
- The governance arrangements within the Legal Agreement are not being adhered to. The Executive Board have only met once during 2019-20, with the Education Directors meeting in place of the Board. Directors are presenting recommendations for decision to the Joint Committee, with no oversight by the Executive Board, which is not constituted with the delegated responsibilities included within the Legal Agreement. The Education Directors group is not constituted within the Legal Agreement. The governance arrangements are under review, and all current governance failings will need to be addressed within the new governance model.
- Arrangements for compliance with Data Protection legislation require enhancement.

RECOMMENDATION 3

ERW must ensure it operates within the governance structure of the Legal Agreement, with the Executive Board being responsible for recommending action on matters to the Joint Committee and undertaking the operational decision making, as opposed to the Education Directors group (section 9 of the Legal Agreement refers).

Grade: Critical

MANAGEMENT RESPONSE

- Arrangements are in place to ensure enhanced adherence to governance arrangements outlined within the Legal Agreement (Executive Board meeting scheduled for June 2020 prior to Joint-Committee on 21.7.20)
- Pending agreement with the Joint-Committee, such arrangements will then be further enhanced via the adoption of the revised Governance Structure as outlined in within the report commentary
- Compliance with Data Protection will continue to be developed via the exploration of securing specific SLA support arrangements (forming part of the wider SLA review process integral to the Footprint agenda)

Responsible Officer

Lead CEO, Lead Director, Interim MD + Monitoring Officer

Timescale for Action

July 2020 – March 2021

FINANCIAL MANAGEMENT

Currently less than 25% of the ERW core budget is supported by Local Authority contributions. It has been identified that the current level of contributions is not sustainable for the future provision of services, and resulted in the Joint Committee approving an increased contribution level for 2020-21. This increase would enable approximately 75% of the core budget to be met through Local Authority contributions for 2020-21, with the remaining 25% being met through other funding sources. However, as referred to in the 'Emerging Governance Matters' section above, one Local Authority has indicated they may not pay the increased rate. To ensure a self-sustaining organisation, the Joint Committee would need to agree further increases to contributions going forward as sufficient balances are not held by ERW to continue to support the core budget beyond 2020-21.

The Interim Managing Director advised that a concerted effort has been made to reduce core costs, and this has been supported by a Joint Committee decision in December 2019 to reduce costs arising from booking meeting rooms by making use of Local Authority premises rather than external venues. Savings have been identified by the Principal Accountant. Further efficiencies could be realised by reviewing ancillary costs in more detail (e.g. refreshments provided etc.).

There has been a reduction in both accommodation and mileage costs incurred by ERW, with reductions of 20% and 12% respectively when compared to the same period in 2018-19. Further efficiencies could be realised by ensuring the criteria for overnight accommodation is strictly adhered to, and values incurred are in line with the maximum limits set out with the Travel & Expense Policy. Instances were also identified where mileage was claimed which was not in accordance with the Travel & Expense Policy, with start and end locations not always recorded, home to work mileage not always deducted and minor variations noted between the journey claimed for and the actual mileage of the journey. Full details were passed to the Principal Accountant for review, and the Principal Accountant stated that a monthly monitoring process would be instigated going forward.

RECOMMENDATION 4

Following confirmation of the future Footprint of ERW, discussions should be held with partner Authorities regarding the level of core contributions required to fund the agreed Central team over the medium term, to ensure the level of funding provided is suitable in order to provide sustainability and stability for the Consortium moving forward.

Grade: Critical

MANAGEMENT RESPONSE

- Specific measures previously implemented to ensure reductions in costs will be maintained and enhanced where possible and practical
- The Joint-Committee will continue to address the Footprint agenda as noted within Rec. 2 (programme of 'milestones' for activity and implementation)
- Levels of 'Core contributions' will be central to the agreed footprint model's financial mechanism, thus ensuring a sustainable service for effective school improvement
- Creation of a MTFP for ERW for 2021-22 Onwards

Responsible Officer

Lead CEO, Lead Director, Interim MD,
S151 Officer + Principal Accountant

Timescale for Action

July 2020 – March 2021

ERW BUSINESS PLAN

The ERW Business Plan for 2019-20 is aligned to the Priorities identified within Welsh Government's "Education in Wales: Our National Mission" document. The Business Plan was approved by the Joint Committee in April 2019, although the costed version of the Business Plan has not been submitted to the Joint Committee for approval.

The 2019-20 Business Plan did not detail the value for money framework within which it will operate, as previous years plans have done, nor did it include any milestones, performance metrics or key success criteria against which it should be measured. There was no evidence that this was raised or challenged by the Joint Committee when the Business Plan was approved.

The Joint Committee have not monitored the implementation of the Business Plan during 2019-20. The Interim Managing Director update to Joint Committee does not contain sufficient detail to enable oversight of the progress made in implementing the Business Plan, nor a direct link to the Activity of the Team which is contained within, or financial reports when they are presented. The Joint Committee have not requested further information on the progress of the 2019-20 Business Plan.

Level 2 of the Business Plan provides detail on how the Regional actions will be implemented, along with detailing the Responsible Officer and the associated budget. It is not possible to directly monitor expenditure for each line of activity within the Level 2 Business Plan, due to instances where one budget code spans a number of actions. The Principal Accountant provided assurance that overall the activity undertaken will not exceed the total budget set for the delivery of the Business Plan, and that the coding structure is being revised for the 2020-21 financial year to provide the required level of clarity.

The Interim Managing Director advised that, in the main, work to implement the actions contained within the Business Plan commenced in September 2019, following implementation of the revised staffing structure. This has resulted in a condensed period within which activity to deliver the Business Plan can take place.

(continued)

RECOMMENDATION 5

An Integrated Report, evidencing how the objectives of ERW are being achieved, should be standing agenda item to each meeting of the Joint Committee. The Integrated Report would provide a holistic overview of the effectiveness and added value of the Consortium by providing clear and concise management information, enabling effective scrutiny, openness and transparency over the activity of the Consortium. The Integrated Report should include progress against the delivery of the Business Plan, performance measures and outcomes, updates on the risks to the achievement of the objectives, financial information and any outstanding governance actions.

Grade: Critical

MANAGEMENT RESPONSE

- Development of a revised and funded Business Plan for 2020-21 focusing on six key strategic areas (ERW Strategy Groups) commenced during the Spring Term 2020
- Officers have worked in close collaboration with members of ERW Strategy Groups thus ensuring a well-informed and transparent approach to securing the appropriate priorities for each strategic element
- The impact of Covid-19 on the nature and content of provision within our school communities will now be articulated across the plan (thus providing an appropriate revision in readiness for school repurposing)
- An effective monitoring and review structure has been initiated which will continue to be developed in line with the final BP revision and readiness for Joint-Committee reporting during the Autumn Term 2020

Responsible Officer

Lead Director + Interim MD

Timescale for Action

September 2020 onwards

ERW BUSINESS PLAN (continued)

A Business Plan Action Log has been developed for monitoring the implementation of the Regional actions, however, this is not maintained up to date, with the majority of lines only completed up to the first Autumn Half Term.

The Action Log has not been subject to ongoing detailed scrutiny by the Interim Managing Director or Assistant Managing Director. The Interim Managing Director advised that verbal feedback on delivery is received at ERW Senior Leadership Team Meetings, and the focus has been on delivering the actions rather than keeping the Action Log up to date. A sample of actions recorded within the Regional Business Plan were selected for further scrutiny, with Responsible Officers providing detail of activity which had been undertaken to implement the specific strand along with the expected evidence base, if applicable. This confirmed activity has been undertaken beyond the detail recorded in the Action Log.

The Interim Managing Director advised that they are at an early stage of considering how to undertake an assessment of whether the actions recorded within the Business Plan have been completed, what evidence base there is to support judgements made, and what the impact of the action is using qualitative and quantitative data. The Senior Leadership team advised that data is available to support activity, such as survey results, training evaluations, categorisation outcomes etc., but it is too early to determine what actions this data would cover and how the intelligence could be used to evaluate delivery, due to key performance indicators not being developed for the current Business Plan.

It is not evident how it was intended to ensure the 'Sub-Region' and 'School' elements of the Business Plan had been implemented. Monitoring arrangements for the 'Sub-Region' and 'Schools' have not been developed.

The Interim Managing Director advised that lessons have been learned from development, implementation and monitoring of the 2019-20 Business Plan, and these will be resolved within the Business Plan for 2020-21 to enable effective monitoring to be undertaken. The Assistant Managing Director is in the process of developing a monitoring tool to support the delivery of the 2020-21 Business Plan.

RECOMMENDATION 6

A methodology must be devised for monitoring and evaluating the implementation of the Business Plan, utilising a combination of qualitative and quantitative evidence, showing how the implementation of the Business Plan has impacted upon the Region and provided Value for Money. An end of year report on the effectiveness of the 2019-20 should be presented to the Joint Committee, to enable effective oversight, monitoring and scrutiny of activities undertaken.

Grade: Critical

MANAGEMENT RESPONSE

- An effective and revised methodology for monitoring and evaluating progress of the revised Business Plan will be developed in partnership with the content of Rec. 5
- The methodology will enable a streamlined and consistent process for reporting to a range of key governance partners including the Joint-Committee, HTRB and Executive Board
- As a result of Covid-19, a revised end of year report will be devised and shared with Joint-Committee during the Autumn Term, 2020 meeting

Responsible Officer

Interim MD + ERW SLT

Timescale for Action

July – September 2020

GRANT FUNDING SCHEDULES AND RETURNS FROM LOCAL AUTHORITIES

Local Authorities are provided with timetables for returning the Regional Consortia School Improvement Grant (RCSIG) and Pupil Development Grant (PDG) claim forms and audit checklists promptly after the funding award is confirmed by Welsh Government. However, testing identified that Local Authorities are not always returning their completed in-year claim forms and audit checklists in line with the required timeframes.

Whilst claims are generally submitted within a day or two of the deadline for RCSIG, the Q3 2019-20 audit checklists from two Authorities remain outstanding. For PDG, two Local Authorities submitted their Claim 2 returns late, and no returns (claim forms or audit checklists) have been received from a further two Local Authorities. An escalation process should be established for highlighting non-receipt of claims and audit checklists, to allow this to be addressed accordingly.

The end of year (2018-19) audit reviews of both PDG and RCSIG received 'Moderate' assurance ratings, most specifically due to Local Authorities not returning grant claim forms and audit checklists within the required timeframes.

RECOMMENDATION 7

An escalation process should be established to highlight non-receipt of Local Authority in-year grant claim forms and audit checklists, to allow appropriate action to be taken.

Grade: Important

MANAGEMENT RESPONSE

- An 'escalation process' will be devised as part of the revised ERW Footprint arrangements, thus ensuring its appropriateness and effectiveness for partner members.

Responsible Officer

Interim MD, S151 Officer +
Principal Accountant

Timescale for Action

July – September 2020

Outstanding Internal Audit Recommendations, Significant Governance Issues and Priorities for Improvement

Reference	Recommendation	Progress
AGS SGI IAR 6.2a	Following extensive engagement across the region during 2018-19, the ERW Review & Reform Programme was approved by the Joint Committee in February 2019 as a working model, subject to further budget discussions. Discussions have been held with Section 151 Officers, Leaders and Chief Executives to discuss the revised funding model for 2019-20 and beyond. This is a key piece of work for ERW which will be prioritised for delivery in 2019-20.	In Progress. The funding model for 2019-20 was agreed upon. Central posts continue to be funded by grant. Work is ongoing to agree the funding model for 2020-21. The Joint Committee have agreed the level of Local Authority contributions, but at the time of the audit the Education Directors were still in discussion over this. <i>(Refer to Recommendation 4)</i>
AGS SGI IAR 6.1b	The ERW Legal Agreement needs to be reviewed and updated following conclusion of the Review & Reform Programme. Governance arrangements should be reviewed; in particular, the distribution of roles and responsibilities, to ensure there is an equitable balance of power and responsibility.	Outstanding. A Revised Governance Paper was submitted to the ERW Joint Committee in November 2019. A decision on the paper was deferred to a future Joint Committee meeting. This has not yet been addressed. <i>(Refer to Recommendation 2 and Recommendation 3)</i>
AGS Pfl IAR 8.2a	There needs to be greater transparency of meetings of the Executive Board through publishing minutes of meetings. This should also provide evidence to the Joint Committee that robust challenge is undertaken by the Executive Board, including delivery of outcomes, financial challenge and value for money scrutiny.	Outstanding. The Executive Board has only met once during 2019-20 to date. Minutes of the Executive Board meeting, or decisions arising from the meeting, have not been published upon the ERW Website. <i>(Refer to Recommendation 3)</i>
AGS Pfl LOL R3	There needs to be greater transparency over grant funding arrangements. The Joint Committee should approve utilisation of grant funding and ratify decisions delegated to the Executive Board, this should include any centrally retained funding.	Outstanding. Reports directly linking grant funding to the Business Plan at an operational level have not been provided to the Joint Committee to allow approval of how grant funding is to be utilised. <i>(Refer to Recommendation 5)</i>
AGS Pfl IAR 6.3a IAR 6.3b LOL R2	Delegation arrangements should be clarified and formally approved by the Joint Committee. Records should be published of delegated decisions to improve transparency and accountability.	Outstanding. Revised Governance Arrangements were submitted to the Joint Committee in November 2019, but a decision on the paper was deferred to a future Committee meeting. A revised Schedule of Delegation has not been prepared or submitted to the Joint Committee for approval. A Delegated Decision Register is maintained, however this has not been updated since June 2018. Delegated Decisions are not published on the ERW Website. <i>(Refer to Recommendation 2)</i>

Reference	Recommendation	Progress
AGS Pfl LOL R6	The Business Plan should be fully costed to ensure priorities deliverable and performance measures identified which demonstrate value for money. Performance should be monitored by the Joint Committee throughout the year to ensure that outcomes are delivered in accordance with National Priorities and value for money is being achieved.	Partially Addressed. The 2019-20 Business Plan has been fully costed, but the costed Business Plan was not submitted to the Joint Committee for approval. Financial performance has not been monitored by the Joint Committee since July 2019. Operational performance and delivery of the Business Plan is not monitored by the Joint Committee. <i>(Refer to Recommendation 5)</i>
AGS Pfl IAR 6.6	Arrangements to ensure compliance with Data Protection legislation need to be put in place.	Outstanding. Arrangements have not been put in place to ensure ERW is compliant with Data Protection legislation. <i>(Refer to Recommendation 1)</i>
AGS Pfl IAR 8.1	Register of Interest forms should be completed annually, continuously considered for potential conflicts and should be available for review by the Joint Committee.	In Progress. Register of interest forms are due to be completed during the next meeting of the Joint Committee by Joint Committee Members and Statutory Officers. <i>(Refer to Recommendation 1)</i>
IAR 6.1a	Contract Procedure Rules must be complied with for all instances where individual or aggregate payments to suppliers exceeds £25k and that the spirit of the Contract Procedure Rules are followed for all individual or aggregate payments above the value of £5k and below £25k.	In Progress. Expenditure in excess of CPR levels was identified, with no contracts being in place. Details of expenditure were shared with the Principal Accountant. The Principal Accountant is liaising with the Procurement team to resolve the matter and ensure compliance going forward. <i>(Refer to Recommendation 1)</i>
IAR 6.2b	The number of journals carried out should be monitored to ensure they decrease as expected. If numbers do not decrease, the reasons why they continue to be high should be established.	In Progress. There has been a 26% reduction in the number of journals processed in periods 1-9 2019-20 when compared to the same period in 2018-19. However, there is still a significant number of journals being processed. Permanent changes were made to payroll coding in P10 2019-20 which should assist in reducing the number of journals going forward, and the Principal Accountant is undertaking a further review to enable income and expenditure to be coded correctly in the first instance. <i>(Refer to Recommendation 1)</i>

Reference	Recommendation	Progress
IAR 6.4	An ERW Impact Report should be produced annually to help evidence the impact of the Consortium's work and the value for money achieved. This should include quantitative data, be aligned to funding, and should be publicised to raise awareness and increase public perception.	Outstanding. An Impact Report for 2018-19 was not produced. The management response to the recommendation stated that this work will be revisited in the 2019-20 academic year, a publishable Impact Report will be available by September 2020. There has been no progress towards developing an Impact Report at this stage. <i>(Refer to Recommendation 1)</i>
IAR 6.7b	Orders should be placed on the Commitments System at the time of ordering rather than when the invoice is received.	In Progress. Orders continue to be placed on the Commitment System when invoices are received. The Principal Accountant advised that this should be resolved when the new Financial Information Management System is implemented in April 2020. <i>(Refer to Recommendation 1)</i>
IAR 6.7c	Monthly purchase card returns should be submitted to Procurement on a timely basis.	Outstanding. Testing identified that purchase card returns are still not submitted to Procurement within the required timescales. <i>(Refer to Recommendation 1)</i>
IAR 6.7d	Care should be taken to ensure VAT is recorded correctly for purchase card transactions. Where VAT is applicable, VAT invoices should be requested from suppliers in order that the VAT can be appropriately accounted for. This should also be checked as part of the supervisor review.	Outstanding. Training has been provided to Officers, however testing identified a number of VAT errors during 2019-20 with the coding of transactions on the purchase card system. <i>(Refer to Recommendation 1)</i>
IAR 8.2b	A Freedom of Information Act Publication Scheme should be documented as soon as possible. Guidance is available on the Information Commissioner's Office website.	Outstanding. A Freedom of Information Act Publication Scheme has not been documented. <i>(Refer to Recommendation 1)</i>
IAR 8.3	The Business Plan should be updated to include some key performance indicators to assist with evidencing achievement of the intended outcomes, and with the scrutiny process.	Outstanding. The Business Plan was not updated to include key performance indicators. <i>(Refer to Recommendation 6)</i>
IAR 8.5	The type of data shared between the Consortium and Local Authorities should be investigated to determine if a data sharing agreement is required. If necessary, a Data Sharing Agreement should then be documented and signed by all parties.	Outstanding. Data Sharing Agreements between ERW and the partner Local Authorities, and ERW and Welsh Government (if applicable) have not been documented. <i>(Refer to Recommendation 1)</i>
IARGrant	A review should be undertaken to identify the reasons for grant claims and audit checklists consistently being submitted late to try and minimise the risk of this happening going forward.	Partially Addressed. The majority of Local Authorities complete and return their grant claims and audit checklists as required. However, a small number are consistently late at submitting their returns. <i>(Refer to Recommendation 7)</i>

Reference	Recommendation	Progress
LOL R1	Scrutiny arrangements for both the Joint Committee and Executive Board should be strengthened to ensure evidence oversight of how grant funding (including in-year variations) are to be used and the expected outcomes.	Outstanding. A Schedule of Delegation has not been prepared. Business Plan updates do not provide detail of activity undertaken or links to the Financial Reports. <i>(Refer to Recommendation 5)</i>
LOL R5	The Joint Committee should be presented with quarterly reports on the progress against the objectives within the Business Plan, with more explicit focus on how the individual projects are aligned to the National Priorities. A Forward Work Programme for the Joint Committee should help achieve this recommendation.	Partially Addressed. Updates on progress against the Business Plan are not provided to the Joint Committee. A forward work programme has been developed, and is due to be presented to the next meeting of the Joint Committee for approval. The forward work programme does require further enhancement to ensure it is an effective document for the Joint Committee. <i>(Refer to Recommendation 5)</i>
LOL R8	The accounting structure of ERW should be reviewed so that each grant is allocated a specific main code, with each Business Plan priority having a separate cost centre so that financial reporting is both strengthened and easier to analyse. The introduction of the new Financial Information Management System within Pembrokeshire should provide an opportunity to do this.	In Progress. The new Financial Information Management System (FIMS) is due to be implemented on 1 April 2020. The Principal Accountant is in the process of reviewing and simplifying the accounting structure which will be implemented in line with the new FIMS. <i>(Refer to Recommendation 1)</i>
LOL R9	A formal process to vire expenditure from one grant to another should be adopted, to ensure that there is scrutiny, clarity and transparency in the transfer.	In Progress. Pembrokeshire County Council's Financial Regulations were adopted by ERW Joint Committee, but there has been a misunderstanding over who is responsible for the 'Director' decisions. The Revised Governance Arrangements paper to Joint Committee also refers to revised delegation arrangements – this is yet to be approved by Joint Committee. <i>(Refer to Recommendation 1)</i>
LOL R10	The Joint Committee should be informed where all secondments are funded from and the National Priorities which are being worked on to ensure improved accountability and greater scrutiny on working arrangements.	In Progress. The number of secondments engaged by ERW has significantly reduced during 2019-20. A financial report to Joint Committee has not been presented since July 2019. <i>(Refer to Recommendation 1)</i>



Reference Key:

AGS SGI- Annual Governance Statement 2018-19 Significant Governance Issue

AGS Pfi – Annual Governance Statement 2018-19 Priority for Improvement

IAR – Internal Audit Report, 2018-19 (IAR recommendations starting with a 6. are outstanding from the 2017-18 Internal Audit Report)

IARGrant – Internal Audit Grant Certification Report, 2018-19

LOLR – Internal Audit Investigation into the Leader of Learning Programme 2019-20

ASSURANCE RATINGS

Level of Assurance	Description
Substantial	There are no or few weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which could impair the ability of the Consortium to achieve its objectives. However, they would either be unlikely to occur or their impact would not affect the achievement of the Consortium's Business Plan.
Moderate	There are weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which could have a significant impact on the ability of the Consortium to achieve its objectives but is unlikely to have a significant effect on the achievement of the Consortium's Business Plan.
Limited	There are weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which, in aggregate, have a significant impact on the ability of the Consortium to achieve its objectives and could have a significant effect on the achievement of the Consortium's Business Plan.

RECOMMENDATION GRADING

Seriousness	Action Required
Critical	High risk that requires prompt strategic or operational action.
Important	Medium risk that requires strategic or operational action.
Opportunistic	Potential to strengthen the service by taking advantage of a situation

Low level findings will be reported to the Interim Managing Director during the exit interview.

LIMITATIONS IN ASSURANCE

It should be noted that full testing was not undertaken as part of this audit review, therefore the results should be considered in this context.

ACKNOWLEDGEMENT

We would like to take this opportunity to thank all staff involved for their co-operation during the audit review.

CONTACT DETAILS

If the Internal Audit Service can be of any further assistance please contact:

- Matthew Holder, Audit, Risk & Counter Fraud Manager
- Jo Hendy, ERW Head of Internal Audit