



Internal Audit Service
PRIVATE AND CONFIDENTIAL

Education through Regional Working Consortium

Final Report

Audit No. 17117 (2017-18)

Current Assurance Rating 2017-18	Limited
Previous Assurance Rating 2016-17	Substantial

Report issued to:	Geraint Rees, ERW Jon Haswell, ERW Section 151 Officer
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Manager/Reviewer:	Charlotte Hodges, Audit Team Leader
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Fieldwork complete:	07-06-18
Draft report issued:	14-06-18
Management comments:	03-10-18
Final report issued:	03-10-18

Education through Regional Working Consortium

This report may contain data as defined by the General Data Protection Regulation 2016 and the Data Protection Act 2018, which must be treated as strictly private and confidential.

1.0 Introduction

- 1.1 An audit review of the Education through Regional Working Consortium (ERW) has been carried out as part of the 2017-18 Internal Audit Plan, as agreed by the Joint Committee, the ERW Section 151 Officer, and the Managing Director.
- 1.2 The scope of the 2017-18 audit, as approved by the Joint Committee on 1 December 2017 included:
 - Governance (follow up of previous audit recommendations and Annual Governance Statement Priorities for Improvement)
 - Financial Management
 - Business Plan Implementation & Value for Money
 - Project Management of the Review & Reform Programme
 - Preparation for the Introduction of the General Data Protection Regulations (GDPR)

2.0 Audit Objectives

- 2.1 To provide assurance to the Joint Committee, the Executive Board, the ERW Section 151 Officer, and the Managing Director that ERW has adequate governance, internal control, risk management and financial management arrangements in place, which are operating effectively and assisting it to achieve its objectives.
- 2.2 To provide assurance that the 2016-17 recommendations have been implemented.
- 2.3 To identify areas of weakness and risk, good practice and opportunity.

3.0 Audit Methodology

- 3.1 We took an evidence based approach to our audit review using interviews with staff, review of supporting documentation and sample testing to arrive at our opinion.
- 3.2 Compilation of a formal internal audit report making recommendations for improvement and adding value to ERW.

4.0 **Audit Opinion and Assurance Statement**¹

4.1 We have identified a number of opportunities for improvement to the adequacy and effectiveness of existing arrangements, which if implemented, would both improve and add value to ERW.

4.2 Weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements in place for ERW were identified and these could have an impact on the ability of the Consortium to achieve its objectives. Therefore, **Limited Assurance** is given on the adequacy and effectiveness of the arrangements in place for ERW.

4.3 Key areas of weakness and risk, good practice and opportunity identified during the audit review are summarised below:

Governance

- The Review & Reform Programme has not progressed as a result of Authorities being unable to agree a way forward. This has impacted on governance arrangements, with the updated Code of Corporate Governance and an updated Legal Agreement not yet being agreed by Joint Committee, one Authority not having paid its contribution, and Welsh Government withholding funding.
- A number of recommendations agreed during the previous audit review, and priorities for improvement identified within the 2016-17 Annual Governance Statement relate to the areas detailed above, and therefore remain outstanding. Recommendations with regards to these have been reiterated within this review.

Financial Management

- The level of Authority contributions and ERW reserves requires review to determine if they are sufficient going forward.
- Whilst improvements have been made, there is still non-compliance with standing orders and procurement rules.
- For EIG and PDG, where funds are delegated to schools/Local Authorities, assurance is sought that all funds have been spent as intended and in accordance with the grant terms and conditions. However, for other grants, this assurance is not currently obtained.
- A number of financial compliance issues were noted where controls are in place but these were not always being adhered to.

¹ A definition of the Assurance Ratings are shown at Appendix B

Business Plan Implementation & Value for Money

- The 2018-19 Business Plan has yet to be formally approved by the Joint Committee which represents a significant risk. There is a clear process for implementation and links between the objectives/priorities and the plans/actions in place to help achieve these. Processes are in place to monitor progress against actions.
- Annual Impact Reports for ERW are produced to help demonstrate improvements in outcomes achieved and value added. There is an opportunity to improve these further by reverting to the previous format of demonstrating key headline achievements and the use of quantitative data to evidence improvements. There is also an opportunity to publicise these reports in the wider public domain to raise awareness of the work carried out and the achievements made.

Project Management of the Review & Reform Programme

- The Review & Reform programme was agreed by the Joint Committee in September 2017 and project plans have been documented. However, the programme has not progressed as Local Authorities are unable to unanimously agree a way forward.

Preparation for the Introduction of the General Data Protection Regulations (GDPR)

- ERW has received advice on this and have begun some initial work. The next agreed step is for a Service Level Agreement to be offered to Authorities to assist with this work. With the implementation date of 25 May 2018 now passed this is a significant risk area.

- 4.4 The arrangements reviewed and tested and an opinion as to their adequacy and effectiveness are shown in tabular format (Action Plan) at Appendix A, along with the weaknesses and risks, good practice and opportunities identified during the audit review, comments and consequences, and recommendations for improvement.
- 4.5 Prompt action to implement these recommendations will improve the adequacy and effectiveness of the existing governance, internal control, risk management and financial management arrangements for ERW and assist it to achieve its objectives.

4.6 A summary of the Action Plan is shown in the table below:

Expected Arrangements (Controls)		Adequate & Effective ²	Recommendations ³						
			A1	A2	B1	A3	B2	C1	Other
6	Governance	x	1	1	1	0	1	0	3
7	Financial Management	x							
7.1-7.7	<i>Budgetary Control</i>	✓	1	0	0	0	1	0	0
7.8	<i>Compliance with Grant Funding Terms & Conditions</i>	x	0	0	1	0	0	0	0
7.9	<i>Distribution of Grant Funding</i>	x	0	1	0	0	0	0	0
7.10	<i>Compliance with Financial Procedures</i>	x	0	0	0	0	4	2	11
8	Business Plan Implementation & Value for Money	✓	1	1	0	0	1	0	0
9	Project Management of the Review & Reform Programme	x	1	0	0	0	1	0	0
10	Preparation for the Introduction of the General Data Protection Regulations (GDPR)	x	1	0	0	0	0	0	0
Total			5	3	2	0	8	2	14

5.0 Acknowledgement

5.1 It should be noted that all testing undertaken as part of this audit review was on a sample basis and therefore the results should be considered in this context.

5.2 We would like to thank all staff involved for their co-operation during the audit review. If the Internal Audit Service can be of any further assistance, please contact:
Justin Blewitt, Senior Auditor (extension 5641)
Jo Hendy, Governance, Assurance & Information Manager (extension 6213)

² A definition of the Adequate & Effective ratings are shown at Appendix B

³ A definition of the Recommendation Gradings are shown at Appendix B

ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6	Governance				
6.1	Accepted recommendations from the previous audit review have been implemented.	✓	<p>Of the 15 recommendations from the previous internal audit, 10 have been completed as far as possible, 3 have been partially completed, and 2 remain outstanding as follows:</p> <ul style="list-style-type: none"> Risks within the ERW risk register should be articulated clearly to allow the event, consequence and impact to be defined. <i>Not Complete - assurance was given that training has been provided, but testing identified that risks still do not clearly articulate event, consequence and impact.</i> 	<p>a. Risks within the ERW risk register should be articulated clearly to allow the event, consequence and impact to be defined.</p> <p>Grade: C2</p>	<p>a. Acceptance: Agreed</p> <p>Management Response: Following July 2018 Joint Committee, ERW Central Team have sought advice from the Section 151 Officer, and liaised with him in the most recent cycle of meetings to ensure improved articulation of risks for Executive Board and subsequently, the Joint Committee. The Risk Register now better articulates risk according to Event, Consequence, and Impact.</p> <p>Timescale for Action: Process initiated in September 2018, report submitted to Exec 21.9.18, going to Joint Committee 12.10.18, work will continue with the aim of completing action by February Joint Committee</p> <p>Responsible Officer: ERW SLT, ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.1 (cont)			<ul style="list-style-type: none"> The scoring methodology should be consistently applied for all risks recorded within the ERW risk registers. <i>Partially Complete - testing identified that scores following mitigation were included for the Central and Financial registers, however, this was not consistent within each of the Local Authority registers.</i> 	<p>b. The risks where the scores following mitigation are not completed should be followed up with the relevant Authorities to ensure a fully complete risk register is in place for reporting to Joint Committee.</p> <p>Grade: C2</p>	<p>b. Acceptance: Agreed</p> <p>Management Response: Executive Board 21.9.18 has been used as a forum to facilitate discussion among Directors, who then scored their LA registers in due course for 12.10.18 Joint Committee. As of 12.10.18 Joint Committee, all LAs have scored their risks, and have agreed a common “impact” score surrounding Estyn follow-up.</p> <p>Timescale for Action: Completed by October 2018</p> <p>Responsible Officer: ERW Managing Director, LA Directors</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.1 (cont)			<ul style="list-style-type: none"> Schools should be required to sign a declaration confirming Capacity Building Grant funding has been used as intended. <i>Partially Complete – for the sample of 5 schools who received Capacity Building Funding in 2016-17 there was no declaration confirming it had been used as intended for 4 of them. However, process has been updated for 2017-18 as a consequence. This is currently being actioned for 2017-18 grant funding.</i> 	<p>c. Schools should be required to sign a declaration confirming Capacity Building Grant funding has been used as intended.</p> <p>Grade: B2</p>	<p>c. Acceptance: Agreed</p> <p>Management Response:</p> <p>There has been an improvement in accountability for schools in receipt of grant money. A new format to clarify in year spend, Head teacher authorisation and a clear delivery plan in line with the aims of the grant as part of National Mission is signed electronically on receipt on grant funding. A follow up process to assess impact and confirm that resources are spent as planned. The scheduled follow up on these is June 2018.</p> <p>All forms have been updated to include a clause on compliance with agreed spend.</p> <p>Timescale for Action: July 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.1 (cont)			<ul style="list-style-type: none"> The Code of Corporate Governance should be updated to ensure it reflects the principles contained within CIPFA's Delivering Good Governance in Local Government: Framework (2016 Edition). <i>Partially Complete - this has been updated but was not accepted at Joint Committee and further work was requested.</i> 	<p>d. The Code of Corporate Governance should be approved by the Joint Committee. Grade: A2</p>	<p>d. Acceptance: Agreed Management Response: The Code of Corporate Governance was amended in light of feedback at Joint Committee with regard to the performance management of Challenge Advisers. It was agreed that the Code be amended to cover central team staff only, and that the individual codes of each LA cover the work of locally employed staff. The revised document with the codes of respective employing LAs attached is scheduled for approval at the next Joint Committee July 16 2018. Timescale for Action: Complete Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.1 (cont)			<ul style="list-style-type: none"> It is imperative that Standing Orders are complied with for all instances where individual or aggregate payments to suppliers exceeds £50,000 and that the spirit of the Standing Orders are followed for all individual or aggregate payments above the value of £5,000 and below £50,000. <i>Partially Complete – improvements made through strengthening tender arrangements but issues remain with high levels of expenditure with suppliers with no contract/exception.</i> 	<p>e. Standing Orders must be complied with for all instances where individual or aggregate payments to suppliers exceeds £50,000 and that the spirit of the Standing Orders are followed for all individual or aggregate payments above the value of £5,000 and below £50,000.</p> <p>Grade: C2</p>	<p>e. Acceptance: Agreed</p> <p>Management Response:</p> <p>To create a Procurement SLA with Pembrokeshire in order to assist with compliance to Standing Orders and Procurement Rules. Creating a framework for School Improvement support services. The framework will be the vehicle used for all procurement requirements of the Review and Reform Programme. Provide awareness training to ERW staff of Standing Orders and Procurement rules. Establish a process for ERW procurement and implement.</p> <p>Timescale for Action: October 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.2	Annual Governance Statement Priorities for Improvement have been addressed.	✘	<p>Of the 5 Annual Governance Statement Priorities for Improvement, 2 have been completed as far as possible, 2 have been partially completed, and 1 remains outstanding as follows:</p> <ul style="list-style-type: none"> • The Local Code of Corporate Governance for ERW needs to be re-written in line with the requirements of CIPFA's Delivering Good Governance in Local Government Framework 2016 (refer to recommendation 6.1d). • The ERW Legal Agreement, which would include details of the Service Level Agreements between ERW and respective authorities, needs to be reviewed and updated in consultation with the Monitoring Officer, Section 151 Officer and Lead Director. <i>Internal Audit was informed that initial work was undertaken but this is on hold pending the Review & Reform Programme.</i> 	<p>a. The ERW Legal Agreement, which would include details of the Service Level Agreements between ERW and respective authorities, needs to be reviewed and updated in consultation with the Monitoring Officer, Section 151 Officer and Lead Director.</p> <p>Grade: A1</p>	<p>a. Acceptance: Agreed</p> <p>Management Response: Joint Committee in July 2018 agreed that the Legal Agreement be updated. This has been initiated by the Monitoring Officer, for consultation with the Lead Director and Section 151 Officer prior to discussion at a future Joint Committee.</p> <p>Service Level Agreements between ERW and respective LAs to be reviewed and updated in consultation with the Monitoring Officer, Section 151 Officer and Lead Director.</p> <p>Once agreed all SLAs to be offered to the LAs for expressions of interest.</p> <p>Decisions to be made as determined by proposed governance structures on which LA is to be responsible for each SLA.</p> <p>New SLAs are implemented.</p> <p>Timescale for Action: To be agreed</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.2 (cont)			<ul style="list-style-type: none"> Support delivered to schools by Challenge Advisers needs to be applied consistently in line with identified need and recorded so that the impact of support can be effectively measured. 	<p>b. Support delivered to schools by Challenge Advisers needs to be applied consistently in line with identified need and recorded so that the impact of support can be effectively measured.</p> <p>Grade: B1</p>	<p>b. Acceptance: Agreed</p> <p>Management Response: Termly School Performance Team meetings, which include Principal Challenge Advisers and team Challenge Advisers are scheduled for the 18-19 academic year. These meetings will facilitate honest challenge and discussion between ERW SLT and LA colleagues in order to address activity of LA staff, and to ensure that schools are receiving support in accordance with identified need.</p> <p>Timescale for Action: Ongoing</p> <p>Responsible Officer: All LA Education Directors, ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7	Financial Management				
BUDGETARY CONTROL					
7.1	There is a clear budget setting process in place.	✓	ERW has a £250k core budget made up of contributions from each Authority. Internal Audit was informed that the Managing Director, Deputy Section 151 Officer and Senior Accountant set the budget for this funding based on the previous year spend plus inflation and any expected additional expenditure. Use of an element of reserves is also budgeted for at the start of the year. Grant allocations make up the remainder of the funding received by ERW. Internal Audit were advised that a draft budget/spend plan is completed for each grant though this is difficult (particularly at the start of the year) due to late notification of funding from Welsh Government. There is therefore an element for most grants that is recorded as unallocated. The Managing Director stated that there should be improvements to this in 2018-19 as Welsh Government will be awarding just one main grant rather than a number of grants.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.2	The ERW budget is formally approved on an annual basis.	✓	The central ERW budget for 2017-18 was approved by the Joint Committee in February 2017. This included a total contribution of £250k from the 6 Local Authorities, an additional £194k from the local authority reserve, and indicative grant figures (no formal grant offer letters had been received at this time). The 2018-19 budget was approved by the Joint Committee on 21/03/18.	-	-
7.3	Budgets are monitored on a regular basis.	✓	The Managing Director confirmed that the budget is monitored in conjunction with the Deputy Section 151 Officer. The Managing Director also stated that 6 weekly business plan and budget monitoring meetings are held, where the budget is reviewed by the Senior Leadership Team and Senior Accountant. The Joint Committee meets on a quarterly basis and budget monitoring reports are taken to each meeting.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.4	Financial performance is in line with budgets.	✓	<p>The majority of ERW spend is grant funded and expenditure therefore has to reconcile to the grant awarded. Any underspends have to be paid back to the awarding body, and Internal Audit was informed that this was the case for some Authority expenditure in 2016-17. To avoid this happening in 2017-18, Authorities were provided with funds based on actual expenditure (rather than being given the funds in advance) and verbal updates were requested each quarter to determine if funds had been spent (Internal Audit was informed that for 2017-18 Authorities gave assurance that the funds were spent). Any ERW overspends (central budget or grants) would need to be funded from reserves. Central spend is consistently more than the £250k contributions received from Authorities and an element of reserves is used each year. Reserves are therefore reducing each year and there will come a point where there will not be sufficient funds available. The level of reserves as at 31/03/19 is estimated to be £386k (based on 2017-18 usage, this would only be sufficient to fund a further 2 years).</p>	<p>The level of Local Authority contributions and the level of reserves should be reviewed to determine if they are sufficient or if additional contributions are required from Authorities going forward.</p> <p>Grade: A1</p>	<p>Acceptance: Agreed Management Response:</p> <ol style="list-style-type: none"> 1. A forecasting exercise is to be undertaken to establish the amount of funding required over the next few years. 2. Explore opportunities to reduce costs within ERW. 3. Offset realised cost savings to calculated financial spend. <p>Timescale for Action: December 2018</p> <p>Responsible Officer: ERW Managing Director</p>



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.4 (cont)			<p>A "Review of ERW Financial Arrangements" report was taken to Joint Committee in September 2017 and this reflected the fact that the current level of Local Authority contributions would not be sufficient going forward. The outcome of this was that a Programme Team would report back to Joint Committee with a set of proposals which could be considered and agreed. Internal Audit was informed that this is currently on hold as it is linked with the Review & Reform programme.</p>		

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.5	The use of journals is minimal.	✘	<p>Wales Audit Office, as part of their audit for 2016-17, identified the high number of adjustments on the ledger (2179). The Managing Director stated that controls were put in place to help reduce the number of journals in 2017-18. Written guidance (indicating the type of project for each code) was provided to staff and codes are checked by middle managers when authorising transactions.</p> <p>However, the number of adjustments in 2017-18 almost doubled (4329), with just under half of these (48%) being carried out in Period 14. Internal Audit was informed that changes were made to the budget (grouping related budget codes and increasing the number of subjective codes) but this was not implemented until July 2017 (due to closure of accounts) and this would account for the volume of adjustments. Internal Audit was also informed that a number of journals would relate to salaries, and as ERW is mainly grant funded, there is therefore an option to move salaries between grants depending on work being undertaken by employees.</p>	<p>A review of journals needs to be carried out to determine the reasons for the high volume in order that processes can be put in place to reduce the number of journals going forward.</p> <p>Grade: B2</p>	<p>Acceptance: Agreed</p> <p>Management Response:</p> <p>Undertake a review of all adjustments to establish reasons for the high volume.</p> <p>Analyse the data to establish cause</p> <p>Design processes to reduce the number of journals.</p> <p>Implement these processes.</p> <p>Timescale for Action:</p> <p>March 2019</p> <p>Responsible Officer:</p> <p>ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.6	All journals have to be authorised on the ledger.	✓	There is a separation of duties between preparation and authorisation of adjustments and this is evidenced on the ledger.	-	-
7.7	The accounts closure process has been reviewed to ensure that high quality financial statements and working papers can be produced on a timely basis, and that only transactions relating to work completed before the financial year end are included as expenditure in the financial statements.	✓	The Managing Director stated that there were issues with the accounts closure in 2016-17 due to capacity (ERW were without a dedicated Accountant for 6 of the 12 months). Posts have now been filled and a Senior Accountant has been in post for the full year and confirmation was obtained that 2017-18 accounts have been published in a timely manner.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
COMPLIANCE WITH GRANT FUNDING TERMS & CONDITIONS					
7.8	Prescribed grant conditions are complied with.	✘	<p>With the exception of the Education Improvement Grant and the Pupil Development Grant, assurance is not currently obtained that all funds have been spent as intended and in accordance with the grant terms and conditions when funds are delegated to schools/Local Authorities.</p> <p>Testing also identified that claims for funding are not always being submitted within the specified timeframes (sometimes, but not always, due to Authority claims not being submitted to ERW by specified timeframes).</p> <p>Internal Audit was also made aware of issues with the LAC element of the PDG in 2017-18. The terms and conditions of the grant state that this element should be retained and managed centrally by ERW, but this has not happened and these funds have been delegated to Authorities. Welsh Government are currently carrying out a review of the use of the EIG and PDG in ERW.</p> <p>For detailed testing refer to Appendix C.</p>	<p>For all funds delegated to schools/Local Authorities, assurance (signed by the school/Local Authority) should be obtained confirming that all funds have been spent as intended and in accordance with the grant terms and conditions. A possible option would be to add this to the existing evaluation process.</p> <p>Grade: B1</p>	<p>Acceptance: Agreed</p> <p>Management Response:</p> <p>The recommendations suggested has been implemented as follows. Grant funding forms for schools and Local Authorities have been revised to address this recommendation – they now include a line where it is explicitly asked to state/agree that the funding has been spent as intended and in accordance with the grant terms and conditions. ERW managers will be responsible for ensuring that the evaluations are returned promptly and the quality of the evaluation is sufficient to demonstrate value for money.</p> <p>Timescale for Action: December 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
DISTRIBUTION OF GRANT FUNDING					
7.9	There is a clear methodology for the allocation of grant funding (including a rationale for selecting schools), and this has been approved by Joint Committee.	X	<p>There was a clear methodology for the allocation of grant funding and a rationale for selecting schools (e.g. directed by Welsh Government, based on performance data and discussions with Challenge Advisers, expressions of interest, posts advertised) for the sample of grants and projects reviewed.</p> <p>However, the delegation arrangements for making these decisions was not clear. A report went to Joint Committee in June 2016 stating that decisions on additional ad hoc Welsh Government grants be delegated to the Managing Director and it was agreed that this arrangement be approved and the Legal Agreement be amended accordingly.</p> <p>However, when this came back to the November 2016 meeting for formal approval, the delegation arrangements which were then formally approved by the Joint Committee stated that decisions on additional ad hoc Welsh Government grants be delegated to the Executive Board. This has not been happening.</p>	<p>The delegation arrangements for the allocation of grant funding need to be clarified and formally approved by the Joint Committee.</p> <p>Grade: A2</p>	<p>Acceptance: Agreed</p> <p>Management Response: Delegation of EIG to be agreed by Directors and Chief Executives. Joint Committee on July 2018 agreed for Legal Agreement to be updated to provide clarity on grant delegation arrangements.</p> <p>Timescale for Action: Ongoing</p> <p>Responsible Officer: ERW Managing Director, Lead Director, Section 151 Officer, Monitoring Officer</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
COMPLIANCE WITH FINANCIAL PROCEDURES					
7.10	Financial procedures are complied with.		Testing identified a number of instances of non-compliance with financial procedures.	Refer to Appendix D for detail.	Refer to Appendix D for detail.
8	Business Plan Implementation & Value for Money				
8.1	All aspects of the Business Plan are being implemented.		<p>The ERW Business Plan 2017-20 actions are recorded and monitored on the ERW Intranet site. This includes 402 actions, and at the start of March 2018, 36 were recorded as completed, with a further 304 recorded as on track (84% on track or completed). A further 3 were no longer relevant (1%), with 19 behind schedule (5%) and 40 with an early risk identified (10%).</p> <p>Internal Audit were advised that some actions were outside of ERW's control and sat with the Local Authorities. For the 2018-21 Business Plan, the actions are all areas that ERW have control of.</p>	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.2	Arrangements are in place to monitor the implementation of the Business Plan.	✓	<p>The Business Plan sets out the Level 1 Priorities and Plan, which are underpinned by Level 2 Business Plans and Level 3 Business Plans. Each Level 3 Business Plan has a Lead Officer and working group (where appropriate) made up of central staff and Local Authority representatives. Monitoring meetings have previously taken place every half term with any issues escalated to the relevant board. Evidence of this was viewed by Internal Audit.</p> <p>However, this process has changed for 2018-19 and a new quality assurance calendar has been documented.</p> <p>This includes a Business Plan Monitoring meeting each term which will involve all the Level 3 Business Plan Lead Officers and the 3 Heads of Service, with any issues escalated to the Executive Board. However, these will not commence as planned as the Business Plan is yet to be formally approved by Joint Committee.</p>	<p>The 2018-19 Business Plan needs to be formally approved by Joint Committee as soon as possible.</p> <p>Grade: A1</p>	<p>Acceptance: Agreed</p> <p>Management Response:</p> <p>The Business Plan has to be re-written and presented back to the Joint Committee for approval.</p> <ol style="list-style-type: none"> a. The Directors of Education are to consider the contents of the Business Plan and to amend it taking into consideration the concerns of the Joint Committee. b. Submit to Welsh Government for approval. c. Assist Welsh Government with additional supporting information. d. Re-present for sign-off. <p>Timescale for Action: October 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.3	The Business Plan is aligned with financial planning.	✓	<p>Internal Audit was informed that the business plan is produced based on Local Authority priorities, national priorities, and local needs. From this a business plan with Level 1 Priorities/Objectives is developed, with operational Level 2 and Level 3 plans feeding into this. As information has been more readily available from Welsh Government this year, ERW have been able to identify relevant funding streams for each of the plans, but the plan could not be fully aligned to the budget.</p> <p>The Business Plan has yet to be formally approved by Joint Committee which represents a significant risk.</p>	Refer to recommendation 8.2	Refer to recommendation 8.2




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.4	A Value for Money framework is in place, is effective, and the achievement of value for money is clearly demonstrated, measured and monitored.	✓	<p>A Value for Money framework is in place and requires plans/projects to be assessed against 7 criteria. ERW Impact Reports are completed each year and these are circulated within the ERW region (e.g. to Headteachers and Local Authorities) but there is an opportunity to publicise these reports further in the public domain to raise awareness of the work carried out by ERW and the impact and value being achieved.</p> <p>It was noted that previous impact reports included headline figures and more qualitative data to evidence the improvement in outcomes. This was less so in the 2016-17 Impact Report which was much more narrative with no key headline figures. Internal Audit was informed that a new report style was trialled but it is likely that they will return to the previous reporting format.</p> <p>Various data analysis is carried out which indicates some key positive messages which could also be used within these Impact Reports to evidence the impact on outcomes since the inception of ERW.</p>	<p>a. Annual ERW Impact Reports should be publicised in the public domain (potentially via a press release) to raise awareness of the work carried out by ERW and the impact and value being achieved, and increase public perception. Value added should also be aligned to funding where possible.</p> <p>Grade: A2</p>	<p>a. Acceptance: Agreed</p> <p>Management Response: The format of the Annual Impact Reports are to be re-instated and published to raise awareness of the achievements made.</p> <ul style="list-style-type: none"> a. Annual Impact Reports are to include key headline achievements using quantitative data to evidence improvements. b. The quality of the qualitative data needs to be improved. c. All project officers are to be held responsible to ensure the quality is there. d. Training is to be provided to ensure the reports are received to a certain standard. e. The reports are to be publicised on the website and intranet site. f. Specific improvements are to be selected from the reports and used to promote the ERW brand through individual newsfeeds/articles to highlight the achievements to direct stakeholders and other interested parties.

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.4 (cont)			Internal Audit was informed that previously grant funding was allocated to schools and evaluations were not always being completed to evidence how this money had been used, but now money is not given until a spending plan is in place and they will then be required to evaluate against those plans. Where evaluations have been completed, there is an opportunity to improve how value for money is evidenced by using qualitative data wherever possible.	b. Overall ERW Impact Reports, and impact reports for individual grants/projects should include qualitative data, and should be aligned to funding, wherever possible to help evidence the impact on outcomes and value added. Grade: B2	<p>Timescale for Action: April 2019</p> <p>Responsible Officer: ERW Managing Director</p> <p>b. Acceptance: Agreed</p> <p>Management Response: Refer to 8.4a.</p> <p>Timescale for Action: Refer to 8.4a</p> <p>Responsible Officer: Refer to 8.4a</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
9	Project Management of the Review & Reform Programme				
9.1	There is a clear business case setting out the need, aims and benefits of the project.	✓	A decision was made to progress the Review & Reform programme at the September 2017 Joint Committee. A business case overview has been produced and individual business cases for each of the 6 project streams (set out below) have also been documented: <ul style="list-style-type: none"> • Governance • HR • Finance • Improved Premises for Regional working • Communication & Engagement • Digital Infrastructure. 	-	-
9.2	Project objectives (with clear links to ERW's objectives and vision) have been clearly identified.	✓	Anticipated outcomes are included within each business case.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
9.3	A clear project plan has been established and is progressing well.		Project plans are set out within the overview business case and each of the individual business cases. However, Internal Audit was informed that work has not progressed any further as all Authorities are unable to reach agreement on the proposed way forward.	Agreement on a way forward for the Review & Reform programme needs to be reached as soon as possible in order that the project can be progressed. Grade: A1	Acceptance: Agreed Management Response: Geraint Rees has been appointed to work with ERW SLT to agree a way forward with Chief Executives and Directors. This work will include: a. Review the current governance arrangements. b. Prepare and agree a mandate for the Review and Reform. c. Prepare and agree a programme plan aligned to the mandate. d. Governance structure to be implemented to facilitate the Review and Reform. Timescale for Action: October 2018 Responsible Officer: ERW Managing Director
9.4	Governance arrangements for the project have been clearly defined.		Governance arrangements have been defined with a Project Manager appointed who reports to a Programme Board. However, the project has not progressed as all Local Authorities are unable to agree a way forward.	Refer to recommendation 9.3	Refer to recommendation 9.3

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
9.5	Risks throughout the project are monitored and mitigated against.	✓	Internal Audit was informed that a risk register for the programme has not yet been drawn up as the programme has not yet officially started. However, assurance was given that all of the risks have been recorded in the main risk register for ERW.	A risk register for the Review & Reform programme should be documented as soon as possible. Grade: B2	Acceptance: Agreed Management Response: A risk register will need to be created specifically for the Review and Reform once a mandate has been created. a. All risks associated to the programme is to be identified and recorded in a risk register. b. An owner is to be assigned to each risk to manage and report on the risk. c. A dependency and benefits map is to be created to show links. Timescale for Action: Following receipt of mandate Responsible Officer: ERW Managing Director
9.6	A Project Manager has been appointed to work on the Review & Reform programme, and is undertaking duties in line with this role.	✗	A Project Manager has been appointed on a temporary contract. However, the programme has not progressed, and the Managing Director stated that the Project Manager is undertaking tasks commensurate with the pay grade.	Refer to recommendation 9.3	Refer to recommendation 9.3

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
9.7	Key milestones and progress targets have been set and are on track.		Key milestones have been documented within each business case but these have not progressed and are behind target as a way forward for the Review & Reform programme has not yet been agreed.	Refer to recommendation 9.3	Refer to recommendation 9.3
9.8	Sufficient processes for monitoring the progress of the project are in place.		A Programme Board has been established and includes all Directors of Education from the region, the Lead Chief Executive, the Managing Director, the Project Manager, Human Resources, and the Section 151 Officer. The board has met three times to date, however Internal Audit was informed that all Local Authorities were unable to agree a way forward for the Review & Reform programme.	Refer to recommendation 9.3	Refer to recommendation 9.3
9.9	Issues that have impeded project delivery are communicated.		Internal Audit was informed that project delivery has not progressed as a way forward has not yet been fully agreed by all Authorities and that all relevant persons are aware of this. An update on the Review & Reform programme was taken to Joint Committee in March 2018 but the minutes do not show that these issues were communicated.	Refer to recommendation 9.3	Refer to recommendation 9.3

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
10	Preparation for the Introduction of the General Data Protection Regulations (GDPR)				
10.1	Plans have been put in place to prepare for the introduction of the General Data Protection Regulation (GDPR).	X	The Managing Director stated that initial advice on this has been obtained from Pembrokeshire County Council and some initial work on completing an Information Asset Template has begun. Training has also been provided to employees via an external provider (South West Grid for Learning). Internal Audit was informed that the next agreed step is to refer this to Joint Committee for a Service Level Agreement to be offered to Authorities to assist with this work. It should be noted that work on this has been left late and the implementation date of 25 May 2018 has now passed.	A Joint Committee decision is required on how to progress preparations for the introduction of the General Data Protection Regulation (GDPR) urgently. The ICO's "Preparing for the General Data Protection Regulation (GDPR) - 12 steps to take now" would be a useful starting point. Grade: A1	Acceptance: Agreed Management Response: The SLA is to be opened up to the LAs to allow them to bid for this work and is covered under the Governance section of this Plan. It has been agreed that this will not place until 2019 which presents a non-compliance risk for ERW. This risk has been captured within the main Risk Register. Timescale for Action: April 2019 Responsible Officer: ERW Managing Director

Assurance Ratings

Level of Assurance	Description
Full	There are either no weaknesses or only low impact weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which if addressed would further improve the ability of the Consortium to achieve its objectives. These weaknesses do not affect key elements of the arrangements in place and are unlikely to impair the ability of the Consortium to achieve its objectives. Therefore, we can conclude that the arrangements are adequate and are operating effectively, assisting the Consortium to achieve its objectives.
Substantial	There are some 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 be less than high.
Limited	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.
None	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.

Recommendation Gradings

Action	Requires strategic management action or a corporate policy or procedural decision.	A	A1*	A2*	A3
	Requires operational management action or a directorate/service policy or procedural decision.	B	B1*	B2	B3
	Continued compliance with an existing policy or procedure.	C	C1	C2	C3
			1	2	3
			Critical	Important	Desirable
Seriousness					

*May be reported to the Audit Committee

Adequate & Effective Ratings

- ✓ Adequate and effective
- ✓ or ✗ Partially adequate and effective
- ✗ Not adequate and effective

Compliance with Grant Funding Terms & Conditions


Grant Reviewed	Findings
Schools Causing Concern	<ul style="list-style-type: none"> • Whilst progress update forms were evident for the sample selected there is no detail received on actual expenditure, or assurance sought from schools/Local Authorities that expenditure was in accordance with the spending plan, and the grant terms and conditions. • Due to the late award of the grant, claims were only made in quarter 3 and 4. Both were submitted late. The Managing Director stated that it is common practice to have a verbal extension, and that Welsh Government are supportive of these as they are aware that ERW has been, and continues to be, under capacity.
EIG & PDG	<ul style="list-style-type: none"> • Testing identified that all claims for the EIG & PDG in 2017-18 were submitted after the deadline dates recorded in the grant terms and conditions, though Internal Audit was informed that ERW would have had agreement for all of these from Welsh Government.
Pioneers	<ul style="list-style-type: none"> • The final grant claim was submitted late. The Managing Director stated that this was a significant issue at the end of the year, as there was a significant change in reporting expectations from Welsh Government.
Raising Standards	<ul style="list-style-type: none"> • Testing confirmed that all claims were submitted late (though for the first claim it is noted that the award of funding was not received until September 2017 {claim was due 13/10/17}).
GCSE 17-18 Allocation	<ul style="list-style-type: none"> • Grant claims were submitted late.
Additional Learning Needs (ALN) Fund 2017-18	<ul style="list-style-type: none"> • Whilst an interim progress evaluation was completed for each project, there is no monitoring of actual expenditure during the year or assurance sought from Authorities to confirm what the funds have actually been spent on and/or to provide assurance that it has been spent as intended and in accordance with the grant terms and conditions. • The final claim (due by the 31st March 2018) was submitted half way through April. The Managing Director stated that getting the information from all Local Authorities was a challenge, and that Welsh Government understand that all the timescales are established for regions as single entities (and the fact that ERW is not set up in the same way is understood).

Compliance with Financial Procedures

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
PAYMENT OF EMPLOYEES					
7.10a	All salaries and related expense payments to individuals are paid through the official Payroll System.	✓	<p>All salaries are paid via the official Payroll System (iTrent) with the exception of seconded employees who are paid via their own Local Authority payroll and reimbursement is then sought in the form of an invoice sent to ERW.</p> <p>Examples were identified of expenses being paid using the purchase card. On some occasions this had resulted in the Managing Director effectively authorising her own expenses. Payroll and Procurement both confirmed that accommodation costs should be paid for via the purchase card but any expenses should be paid by the employee and reimbursed via Payroll.</p> <p>The Managing Director raised some concerns with regards to employee's being out of pocket and that some are only seconded. Payroll confirmed the process was the same for all employees whereby the individuals would pay and then be reimbursed a month in arrears.</p>	<p>Expenses other than accommodation costs (e.g. meals) should be paid for by the employee and reimbursement sought via Payroll using the Travel & Expenses Claim Form (seconded employees should seek reimbursement from their originating Authority who can then seek reimbursement from ERW). These should not be paid for using the purchase card and should not exceed the limits set out within the Travel & Expenses policy.</p> <p>Grade: C1</p>	<p>Acceptance: Agreed</p> <p>Management Response:</p> <p>There is an opportunity to reduce expenses through better planning and more stringent rules on team training days.</p> <ol style="list-style-type: none"> a. Overview of Travel and Expenses Policy provided to all staff in the form of a summary. b. All trainers to ensure the names of candidates are circulated prior to the training to encourage car sharing. c. All residential team training days/meetings to be approved by MD. d. All training courses are to be reviewed to ensure contents make best use of time. e. All budget holders to be measured on budget management as part of their performance appraisal.


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10a (cont)			Seconded employees would need to seek reimbursement from their originating Authority (who would then seek reimbursement from ERW).		f. Finance staff to ensure all claims/bookings/orders comply with the Financial Regulations and ERW policies and return these to line managers where this is not the case. Timescale for Action: November 2018 Responsible Officer: ERW Managing Director

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10b	Supporting records are maintained and arrangements are in place to verify and monitor payments for seconded employees.	✓	<p>Seconded employees continue to be paid by their employer, who invoice ERW for reimbursement. A spreadsheet of expected payments and invoices received for seconded Leaders of Learning is maintained. Testing identified reimbursements for seconded employees dating back to November 2017 and January 2018 which had not been reimbursed at the start of March 2018. Delays were mainly due to schools not yet having submitted invoices. Internal Audit was informed that the reimbursements for Pembrokeshire would now be processed via journal, and invoices requested from other Authorities.</p>	<p>Schools should be reminded of the need to submit invoices for reimbursement of secondments promptly or alternative reimbursement arrangements should be investigated (e.g. if salary is fixed, a periodic reimbursement could be set up without the need for an invoice to be submitted). Prompt reimbursement of salaries should then be made.</p> <p>Grade: B2</p>	<p>Acceptance: Agreed</p> <p>Management Response: A new process is to be introduced to ensure as follows: Salary payments for seconded members of staff</p> <ol style="list-style-type: none"> The monthly salary costs are to be included within the original secondment agreement. A spreadsheet is to be created for secondments using the staff number only thus ensuring compliance to GDPR. All monthly costs (salary & expenses) recorded against each member of staff. Statements are prepared to identify the amount to be sent to each LA and payments made electronically. <p>Timescale for Action: Implementation scheduled for beginning of the 2018-19 academic year</p> <p>Responsible Officer: ERW Managing Director</p>



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10c	<p>Authorised signatory lists are up to date and ERW staff are aware of who the authorised officers are.</p>		<p>Authorised signatory details have been provided to the Payroll section. Testing identified a small number of submissions for payment which had been submitted by an Officer⁴ (who is not an authorised signatory) with no evidence of authorisation.</p>	<p>All payment requests submitted to Payroll should be submitted by (or show evidence of approval by) authorised officers. If necessary, the authorised signatory list held by Payroll should be updated.</p> <p>Grade: C2</p>	<p>Acceptance: Agreed Management Response: The list of authorised signatories within Pembrokeshire Finance need to reflect the number of staff allowed to authorise payments within ERW.</p> <ol style="list-style-type: none"> Review the list of authorised signatories within ERW and the limit permissible for each. Ensure a process is in place to update this list when a change in staff occurs. Pembrokeshire Finance to return any unauthorised requests for payment to ERW. Senior Accountant to address any breaches of process. <p>Timescale for Action: September 2018</p> <p>Responsible Officer: ERW Managing Director</p>

⁴ Specific details have been made available to the Managing Director and Section 151 Officer.


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10d	Timesheets are completed accurately and promptly.	✓	Testing identified some delays in the submission and payment of timesheets. Examples of employees submitting claims at the start of December and not being paid until February, and an example of an employee submitting a claim in October 2017 for work/meetings completed in early 2017 were noted.	External mentors should be reminded of the requirement to submit claims promptly, and these should be forwarded to Payroll in a timely manner. Grade: C2	<p>Acceptance: Agreed</p> <p>Management Response: The following actions are needed in order to improve this situation:</p> <ol style="list-style-type: none"> Terms and conditions of service need to be signed by all mentors. Terms and conditions to stipulate when the claim forms are to be submitted. Timeframe to be enforced. If mentor continues to submit claim form in an untimely manner then consideration should be taken to remove mentor from the list of approved mentors. <p>Timescale for Action: September 2018</p> <p>Responsible Officer: ERW Managing Director</p>
7.10e	Timesheets are signed off by the employee and an authorised officer.	✓	A sample of timesheets was tested and confirmed that all were signed by the employee (with the exception of one). All had been signed by an authorised officer (though not always dated).	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10f	Employees do not work continuously for more than 6 hours without taking an unpaid break (unless there is prior approval).		Review of admin staff flexi records identified that employees are at times working full days without taking an unpaid break. This contravenes the Working Time Directive and Flexible Working Scheme which states that a minimum 30 minute break must be taken after working 6 hours. Internal Audit was informed that ERW will now be moving to electronic recording via Pembrokeshire County Council's HFX system.	Employees should not work continuously for more than 6 hours without taking an unpaid break (unless this has been formally approved and documented). Grade: C1	<p>Acceptance: Agreed</p> <p>Management Response: Line Managers to periodically check staff HFX entries to check anomalies – any issues around recording breaks to be raised on a 1:1 basis.</p> <p>Timescale for Action: September 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10g	Employee absence is recorded accurately and promptly, and is monitored and reported on a regular basis.	✓	<p>Sickness absence is reported to Human Resources and recorded on iTrent via monthly returns. Testing did not identify any issues.</p> <p>Testing of flexi records identified some anomalies resulting in employees being credited with more hours than they are entitled to. Examples included:</p> <ul style="list-style-type: none"> • employees claiming 7 hours 30 minutes per day for annual leave (equating to 37 hours 30minutes for a week when they are contracted for 37 hours) - some were recording 7 hours for leave on a Friday to compensate for this but others were not. • employees working less than 37hrs per week were credited with 7 hours 30 minutes for leave rather than their standard working hours. <p>These should be resolved by ERW moving to electronic records via Pembrokeshire County Council's HFX system.</p>	<p>Correct working patterns should be entered onto the HFX system to ensure that any employees working reduced hours are only credited with their contracted hours for periods of absence.</p> <p>Grade: C2</p>	<p>Acceptance: Agreed</p> <p>Management Response: Line Managers and HR Officers to liaise in order to ensure accuracy of records pertaining to staff working hours. Line Managers to periodically check HFX in order to secure accuracy of recorded absences.</p> <p>Timescale for Action: September 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
PURCHASE OF SUPPLIES & SERVICES					
7.10h	Relevant staff are aware of the Financial Regulations which have to be followed.		ERW have adopted Pembrokeshire's Financial Regulations and this is referenced in their Code of Corporate Governance, but relevant employees were not clear on this until it was clarified during the audit.	Relevant employees should be reminded of the Financial Regulations, Procurement Rules, and Standing Orders which ERW have adopted. Grade: C2	Acceptance: Agreed Management Response: In order for staff to comply with the Financial regulations training to be delivered to relevant staff on the contents of the Financial Regulations, Procurement Rules and Standing Orders. Timescale for Action: September 2018 Responsible Officer: ERW Managing Director
7.10i	Relevant staff are aware of the procurement and tendering requirements/procedures which have to be followed.		Relevant staff were aware that ERW have recently adopted Pembrokeshire County Council's Procurement Procedures and Standing Orders Relating to Contracts (from January 2018). However, officers were not fully aware of the detail within the Procurement Rules and Standing Orders.	Refer to recommendation 7.10h	Refer to recommendation 7.10h

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10j	A robust process (including separation of duties, authorisation, VAT checks) is in place for the purchase of supplies and services.	✘	<p>A sample of 20 orders and invoices was tested. Only 4 of these had been paid within 30 days. An additional £3k (10% late payment charge) had been added to the invoice for one late payment, although this was not actually paid by ERW. Internal Audit was informed that where late payment charges have been incurred recently, ERW has just paid the original debt and on the majority of occasions the supplier does not query this. A number of contributing factors for late payments were relayed to Internal Audit, including capacity, setting up new suppliers, and the Managing Director being the only authorising officer for transactions over £5k (and she can have issues accessing Commitments when away from the office). The potential for the 3 Heads of Service to be made authorising officers may assist with this.</p> <p>For 13 of the sample of 20, the orders had also not been raised on the Commitments system until after the invoice had been received.</p>	<p>a. Invoices should be paid promptly on receipt, and within 30 days at the latest, to avoid claims under the Late Payment of Commercial Debts (Interest) Act 1998.</p> <p>Grade: B2</p>	<p>a. Acceptance: Agreed</p> <p>Management Response: To improve the payment of invoices, the following actions are required:</p> <ol style="list-style-type: none"> a. Review of the Ordering Process to ensure it is as efficient as possible (to support the payment process and compliance to Financial Regulations). b. The Section 151 Officer is to authorise all expense claims for the MD. c. All financial anomalies are to be reviewed and resolved by the Senior Accountant/ Trainee Accountant on a regular basis. d. Review authorisation levels and access to the Commitments system so authorisation is no longer a barrier to payment. (Senior Accountant should have equivalent level as MD). <p>Timescale for Action: March 2019</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10j (cont)			An Officer stated that an electronic authorisation form was set up to try and help combat this but this is not yet being used effectively.	<p>b. The number of officers authorised to approve expenditure over £5k on the Commitments system should be increased. A possible option for this would be for the 3 Heads of Service to be given authorisation. Grade: B2</p> <p>c. Order should be placed on Commitments system at the time of ordering and not only once the invoice has been received. Grade: C2</p>	<p>b. Acceptance: Agreed Management Response: Refer to Management Response 7.10j – a. Timescale for Action: March 2019 Responsible Officer: ERW Managing Director</p> <p>c. Acceptance: Agreed Management Response: Refer to Management Response 7.10j – a. Timescale for Action: March 2019 Responsible Officer: ERW Managing Director</p>
7.10k	Outstanding orders are reviewed and followed up on a regular basis.		A review of outstanding orders on the Commitments system identified a number of orders which remain open dating back to the end of 2016/start of 2017. Internal Audit was informed that a review would be carried out at year end. It was acknowledged that this should be done more regularly.	A review of outstanding orders should be completed as soon as possible. These should then be reviewed on a regular basis going forward. Grade: C2	Acceptance: Agreed Management Response: All outstanding orders were reviewed as part of the end of year closure process and there are none outstanding. Timescale for Action: Already undertaken Responsible Officer: ERW Managing Director

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10I	The purchase card is operated in accordance with the approved purchase card scheme and guidelines.	✘	<p>Only one purchase card had been used at the time of the audit. Testing was carried out for a sample of transactions and identified the following:</p> <ul style="list-style-type: none"> • Personal expenses being paid for via the purchase card (refer to recommendation 7.10a), and instances of these exceeding the maximum allowance set out in the Travel & Expenses Policy. • Accommodation expenditure regularly exceeding the limits set out in the Travel & Expenses Policy. A separate authorisation document in in place for the Managing Director to authorise these. • Purchases which did not represent good use of public funds (e.g. room service, refreshments for the office, no show at accommodation). 	<p>a. Whilst it is appreciated that there is management discretion to exceed the accommodation cost limits in the Travel & Expenses Policy, this should be the exception rather than the norm and where possible accommodation within these limits should be sourced. Grade: C2</p> <p>b. All purchases should be considered as to whether they represent good use of public funds. Additional extras (e.g. room service, refreshments for office) should be at the employee's own expense rather than from public money. Grade: B2</p>	<p>a. Acceptance: Agreed Management Response: Refer to 7.10a Timescale for Action: Refer to 7.10a Responsible Officer: Refer to 7.10a</p> <p>b. Acceptance: Agreed Management Response: Refer to 7.10a Timescale for Action: Refer to 7.10a Responsible Officer: Refer to 7.10a</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10l (cont)			Testing identified that monthly purchase card returns are not being submitted on a timely basis.	c. Monthly purchase card returns should be submitted to Procurement on a timely basis. Grade: C2	c. Acceptance: Agreed Management Response: Deputy S151 Officer added as a signatory in case of emergency / unavailability of MD to approve card returns. Timescale for Action: Implemented September 2018 Responsible Officer: ERW Managing Director
7.10m	VAT is taken into account and appropriately deducted for purchase card transactions where relevant.	✓	Testing identified that VAT had not been calculated correctly on 2 out of the 20 transactions tested (10%). For a further 2, VAT was applicable but had not been accounted for as VAT invoices had not been received.	a. Where VAT is applicable, VAT invoices should be requested from suppliers in order that the VAT can be appropriately accounted for. Grade: C2	a. Acceptance: Agreed Management Response: All accounting staff have received training in identifying the difference between proforma invoices and VATable invoices. Any proforma invoices are directed to the Senior Accountant who will ensure a VATable invoice is obtained prior to payment, thus ensuring where VAT is applicable, it is appropriately accounted for. Timescale for Action: Completed by September 2018 Responsible Officer: ERW Managing Director

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
				<p>b. Care should be taken to ensure VAT is recorded correctly for purchase card transactions. This should also be checked as part of the supervisor review.</p> <p>Grade: C2</p>	<p>b. Acceptance: Agreed</p> <p>Management Response: All accounting staff have received training in identifying the difference between proforma invoices and VATable invoices. Any proforma invoices are directed to the Senior Accountant who will ensure a VATable invoice is obtained prior to payment, thus ensuring where VAT is applicable, it is appropriately accounted for.</p> <p>Timescale for Action: Completed by September 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.10n	Card supervisors review and authorise all purchase card transactions.	✓	<p>The card supervisor is the Managing Director who is the budget holder and has management responsibility. Testing identified that all transactions had been authorised on the system.</p> <p>Testing also identified a small number of IT purchases which had been purchased on the IT purchase card. This had been approved by the IT card supervisor. The request for these purchases was made by an ERW Officer, though some were over their authorisation limit, with no evidence of authorisation by the Managing Director. Internal Audit was informed that an electronic authorisation form (to be used for all purchases) was set up to try and help combat this but this is not yet being used effectively.</p>	<p>All purchases outside of the ERW purchasing systems (Commitments and purchase card), such as IT purchases procured through the IT department, should be approved by an authorising officer within ERW.</p> <p>Grade: C2</p>	<p>Acceptance: Agreed</p> <p>Management Response: The current purchase ordering system captures all external procurement. This system has now been applied to IT purchases procured through the IT department, thus ensuring that orders for IT is approved by an authorising officer.</p> <p>Timescale for Action: Implemented by September 2018</p> <p>Responsible Officer: ERW Managing Director</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
COMPLIANCE WITH STANDING ORDERS					
7.10o	The Procurement Procedures and Standing Orders Relating to Contracts which ERW are to follow have been clearly set out.	✓	ERW have recently agreed to follow Pembrokeshire County Council's Procurement Procedures and Standing Orders Relating to Contracts. However, officers were not fully aware of the Procurement Rules and Standing Orders. A Service Level Agreement has now been documented which should strengthen arrangements.	Refer to recommendation 7.10h	Refer to recommendation 7.10h
7.10p	Spend with suppliers is reviewed periodically to ensure it is compliant with the Standing Orders Relating to Contracts.	✗	Internal Audit was informed that this is done on an ad hoc basis, with reviews undertaken when staff identify expenditure with a supplier is increasing. Testing identified that whilst tenders, quotes or exceptions were in place for some companies where spend was over £25k, formal signed contracts had not been documented, as officers were unaware that this was required under Procurement rules. ERW have recently met with Pembrokeshire's Procurement team (with whom they now have an SLA) to resolve these issues.	Refer to recommendation 6.1e	Refer to recommendation 6.1e