



Internal Audit Service
PRIVATE AND CONFIDENTIAL

Education Through Regional Working (ERW) Consortium

Final Report

Audit No. 18050 (2018/19)

Current Assurance Rating 2018/19	Limited
Progress To Date (↑, ↓ or →)	↑
Previous Assurance Rating 2017/18	Limited

Report issued to:	Geraint Rees, ERW Acting Managing Director Jon Haswell, ERW Section 151 Officer
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Report copied to:	Ian Eynon, ERW Deputy Section 151 Officer
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Auditor:	Justin Blewitt, Senior Auditor
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Manager/Reviewer:	Matt Holder, Audit, Risk & Counter Fraud Manager
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Fieldwork complete:	15/04/19
Draft report issued:	13/05/19
Management comments:	24/06/19
Final report issued:	24/06/19

Education Through Regional Working (ERW) 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 (ERW) Consortium has been carried out as part of the 2018/19 Internal Audit Plan, as agreed by the Joint Committee, the ERW Section 151 Officer, and the ERW Acting Managing Director.
- 1.2 The scope of the 2018/19 audit, as approved by the Joint Committee on 8 February 2019 included:
 - Follow-up of Previous Internal Audit Recommendations
 - Follow-up of Annual Governance Statement (AGS) Significant Governance Issues and Priorities for Improvement
 - Corporate Governance
 - Business Planning
 - Compliance with Estyn Action Plan
 - Invoice Processing
 - Grant Schedules & Returns from Authorities

2.0 Audit Objectives

- 2.1 To provide assurance to the Joint Committee, the Executive Board, the ERW Section 151 Officer, and the ERW Acting 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 2017/18 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 the ERW Consortium.

4.0 Audit Opinion and Assurance Statement¹

- 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 the ERW Consortium.
- 4.2 Some 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 the ERW Consortium.
- 4.3 Key areas of weakness and risk, good practice and opportunity identified during the audit review are summarised below:

Follow-up of Previous Internal Audit Recommendations & AGS

- Of the 34 recommendations from the previous internal audit review, 18 have been completed in full, 4 have been partially completed, 2 are no longer applicable, and 10 remain outstanding. However, it should be noted that the majority of the outstanding recommendations are minor non-compliance issues or a strategic decision has been taken to put them on hold until the Review & Reform programme has been implemented.
- Of the 2 Significant Governance Issues, and 7 Priorities for Improvement in the AGS, progress has been made with 6 of these. The remaining 3 (relating to the Legal Agreement, the Scheme of Delegation, and compliance with GDPR) require further work in order to fully address them.

Corporate Governance

- There have been improvements in the culture at ERW (more open and honest debate within meetings and employees providing information openly) and improved collaboration and debate between ERW and Local Authorities has resulted in outcomes starting to be agreed, and a way forward for the Consortium beginning to progress.
- The Review & Reform programme is now progressing which will give ERW a foundation of core staff to drive the Consortium forward. A budget for the structure has been agreed, though there is still some debate over the final funding model for this.
- Neath Port Talbot have not paid their contribution for 2017/18 but have received all of the benefits of being part of ERW without repercussion. During the review, Internal Audit was informed that Neath Port Talbot have now paid their contribution for 2018/19 and 2019/20 but have given notice to withdraw from the ERW Consortium from March 2020.

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

- Progress has been made with regards to a number of key governance documents (e.g. approval of the Code of Corporate Governance and Business Plan). There are still a small number of improvements required to enhance the governance arrangements further (e.g. review of the Legal Agreement & Scheme of Delegation, publishing delegated decisions, and ensuring GDPR compliance), though it is noted that a number of these have been on hold, whilst the Review & Reform programme is implemented.

Business Planning

- Assurance was given that Local Authorities have been fully involved with, and had the opportunity to contribute to, the business planning process. This has assisted in the Business Plan being approved by the Joint Committee.
- The Business Plan clearly sets out the roles and responsibilities of ERW and the Local Authorities, and the expectation of schools, with detailed delivery plans, actions and timeframes in place.
- A new process for monitoring implementation of the Business Plan is being introduced this year and will involve a dedicated team (made up of 3 Practitioners, 2 Senior Local Authority staff and 1 Director of Education) being responsible for monitoring the delivery of each stream. The addition of some key performance indicators and creation of an ERW Impact Report will help to demonstrate the success (or otherwise) of the Business Plan implementation.
- The Business Plan has not yet been fully costed, but this is planned as soon as confirmation of the grant funding offer is received from Welsh Government.

Compliance with Estyn Action Plan

- In a follow up visit, Estyn stated that satisfactory progress was being made with the exception of one recommendation where only limited progress was noted (relating to schools causing concern). A new team has been created to help address this and assurance was given that there are signs of progress.

Invoice Processing

- A high volume of journals was carried out in 2018/19 (nearly double the previous year), particularly in the latter half of the year. This was mainly due to the late receipt of grant. With a timely receipt of grant and the reduction in the number of seconded employees, it is anticipated that the number of journals should reduce during 2019/20. This should be monitored.
- Invoices are not being processed for payment on a timely basis.

Grant Schedules & Returns from Authorities

- Improvements were noted in this area with the majority of grant schedules and returns now being submitted within the agreed timeframes. For those which were not, the majority were submitted within a week of that deadline.

- 4.4 The arrangements reviewed and tested which were not deemed fully adequate and effective are shown in tabular format (Action Plan) at Appendix A. Details of the arrangements reviewed and tested which were deemed adequate and effective are available from Internal Audit if required.
- 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* ⁴	A3	B2	C1	Other
6	Follow Up of Previous Internal Audit Recommendations	✓	2	2	0	0	5	1	4
7	Follow Up of Annual Governance Statement (AGS) Significant Governance Issues & Priorities for Improvement	✓	0	0	1	0	0	0	0
8-10	Corporate Governance	✗							
8	<i>Governance Arrangements</i>	✓	0	1	1	0	2	1	0
9	<i>Structure & Service Level Agreements</i>	✓	0	1	0	0	0	0	0
10	<i>Financial Stability**</i>	✗	0	0	0	0	0	0	0
11	Business Planning**	✓	0	0	0	0	0	0	0
12	Compliance with Estyn Action Plan	✓	0	0	0	0	0	0	0
13	Invoice Processing**	✓	0	0	0	0	0	0	0
14	Grant Schedules & Returns from Authorities	✓	0	0	0	0	0	0	0
Total			2	4	2	0	7	2	4

* Recommendations graded A1, A2 and B1 may be reported to the Audit Committee

** No recommendations recorded in the table as reference is made to recommendations within other sections

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

⁴ Previous recommendations not implemented (prior to the introduction of the Recommendation Monitoring & Escalation Protocol) are graded B1. Recommendations not implemented after the introduction of the Recommendation Monitoring & Escalation Protocol will be referred to the Director of Resources and the Audit Committee.


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)
Matt Holder, Audit, Risk & Counter Fraud Manager (extension 6581)


ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6	Follow Up of Previous Internal Audit Recommendations				
6.1	Accepted "Governance" recommendations from the previous audit review have been implemented.		<p>Of the 7 "Governance" recommendations from the previous internal audit, 4 have been completed, 1 is no longer applicable, 1 has been partially completed and 1 remains outstanding as follows:</p> <ul style="list-style-type: none"> • Standing Orders must be complied with for all instances where individual or aggregate payments to suppliers exceeds £50k and that the spirit of the Standing Orders are followed for all individual or aggregate payments above the value of £5k & below £50k. <p><i>Partially Complete – testing again identified issues of non-compliance. A small number of exceptions were approved but did not cover all significant spend and have now ended (or are coming to an end). A Dynamic Purchasing System (DPS) was set up by Procurement in January 2019 but they are awaiting specification requirements from ERW.</i></p>	<p>a. 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.</p> <p>Grade: C2</p> <p>* The previous Standing Orders have now been superseded by Contract Procedure Rules.</p>	<p>a. Acceptance:</p> <p>Accepted</p> <p>Management Response: Capacity at Senior Level in ERW is largely diminished in the interim period until the new structure is fully implemented. Once appointments are made, individuals will be able to complete the specification requirements of ERW's DPS, and therefore comply with Standing Orders.</p> <p>Timescale for Action: September to December 2019</p> <p>Responsible Officer: ERW SLT + Assistant MD</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.1 (cont)			<ul style="list-style-type: none"> 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>Not Complete - this has been discussed at Joint Committee and a summary setting out what Service Level Agreements are in place and what each Authority is responsible for has been reported. However, review of the Legal Agreement is on hold as it was not thought appropriate to review it until the Review & Reform programme has been implemented.</i> 	<p>b. 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>b. Acceptance: Accepted Management Response: Once the ERW Review and Reform Programme is completed and the region's strategic leadership is resolved, the Monitoring Officer can begin engaging with the Joint Committee regarding changes to the Legal Agreement, including potential amendments to Service Level Agreements with constituent Local Authorities. Timescale for Action: September 2019 to March 2020 Responsible Officer: Monitoring Officer, ERW Assistant MD / Interim MD</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.2	Accepted "Budgetary Control" recommendations from the previous audit review have been implemented.		<p>Of the 2 "Budgetary Control" recommendations from the previous internal audit, both have been partially completed as follows:</p> <ul style="list-style-type: none"> 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><i>Partially Complete - review carried out and £1 million core funding required (budget agreed in principle by the Joint Committee in April 2019). Local Authorities have been asked to double their contributions. £500k grant funding being used (initially thought that this would be additional funding from Welsh Government but this is not now the case and will need to be taken from existing grant). The other £500k needs to be provided by Local Authorities (though also looking at the option of keeping Local Authority contributions at £250k and funding the other £250k from grants) (refer also to section 10.3).</i></p>	<p>a. A decision needs to be made on how the new core structure of the Consortium is to be funded (budget of £1 million). Ideally this should not include permanent core posts being funded by grant.</p> <p>Grade: A2</p>	<p>a. Acceptance:</p> <p>Accepted</p> <p>Management Response: The funding model for 2019-20 has been agreed by the Joint Committee with the specific details of a funding model for 2020-21 onwards still under discussion.</p> <p>Timescale for Action: July 2019</p> <p>Responsible Officer: Director of Resources (S151 Officer) and Interim Managing Director</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.2 (cont)			<ul style="list-style-type: none"> 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. <i>Partially Complete - assurance given that high level review carried out. Testing identified a high volume of journals again this year (nearly double the amount from last year). This was due to the late receipt of grant (not received till October 2018) - all expenditure was coded to the core budget and then moved to the relevant budget code when funding was received. Internal Audit was informed that employees can work across a number of different streams during different periods and salaries are therefore initially coded to the core budget and then moved to the appropriate budget code each month. The same is done for the Admin team but their coding is more fixed and could be coded direct by Payroll to help reduce the number of journals.</i> 	<p>b. 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. Grade: B2</p> <p>c. For contracted employees where the coding of salaries is generally fixed, they should be set up to be coded direct to these codes by Payroll. Grade: B2</p>	<p>b. Acceptance: Accepted Management Response: We will review the way in which we record financial information with a view to reducing the number of journals required. Timescale for Action: July 2019 Responsible Officer: Head of Finance & Business Services (Deputy S151 Officer)</p> <p>c. Acceptance: Accepted Management Response: As above Timescale for Action: As above Responsible Officer: As above</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.3	Accepted "Distribution of Grant Funding" recommendations from the previous audit review have been implemented.		<p>The 1 "Distribution of Grant Funding" recommendation from the previous internal audit has not yet been completed as follows:</p> <ul style="list-style-type: none"> The delegation arrangements for the allocation of grant funding need to be clarified and formally approved by the Joint Committee. <p><i>Not Complete – Scheme of Delegation still needs to be reviewed and formally approved by Joint Committee as conflicting versions have been presented/approved previously. Testing also identified delegated decisions are not currently recorded and published. A new process (Acting Managing Director to agree in consultation with Local Authority Directors) for distributing grant funding based on various different criteria has also been agreed by Joint Committee. The Scheme of Delegation will also need to reflect this.</i></p>	<p>a. 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>a. Acceptance:</p> <p>Accepted</p> <p>Management Response: Two Local Authority Directors are currently working on a paper relating to ERW's governance structure moving forward. Within this piece of work, there will be recommendations on various delegation arrangements.</p> <p>Timescale for Action: August 19, signoff in Autumn 19 Joint Committee</p> <p>Responsible Officer: Lead Director + 1</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.3 (cont)				<p>b. Delegated decisions (delegated to bodies or persons other than Joint Committee) should be recorded and published.</p> <p>Grade: B2</p>	<p>b. Acceptance: Accepted</p> <p>Management Response: As part of ERW's new work programme, there will be Working Groups for priority areas consisting of 3 School Practitioners, 2 LA Staff, and 1 Director of Education. These groups will monitor and agree spend, and will be incorporated into the aforementioned work regarding ERW Governance. Moving forward, Directors will also receive a monthly update on budget summaries which includes delegation of funds to schools.</p> <p>Timescale for Action: September 2019</p> <p>Responsible Officer: ERW Director Group, ERW SLT</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.4	Accepted "Business Plan Implementation & Value for Money" recommendations from the previous audit review have been implemented.		<p>Of the 3 "Business Plan Implementation & Value for Money" recommendations from the previous internal audit, 1 has been completed, and 2 remain outstanding as follows:</p> <ul style="list-style-type: none"> 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. <i>Not Complete – no impact report was completed for 2017/18.</i> 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. <i>Not Complete – no impact report was completed for 2017/18.</i> 	<p>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. Grade: C1</p>	<p>Acceptance: Accepted Management Response: While consistency of personnel over time has been an issue regarding the Impact Report, this work will be revisited in the 19-20 academic year, with a view to having a publishable impact report by September 2020. Timescale for Action: September 2020 Responsible Officer: ERW Interim MD, ERW Assistant MD, ERW SLT</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.5	Accepted "Project Management of the Review & Reform Programme" recommendations from the previous audit review have been implemented.		<p>Of the 2 "Project Management of the Review & Reform Programme" recommendations from the previous internal audit, 1 has been completed, and 1 has been partially completed as follows:</p> <ul style="list-style-type: none"> A risk register for the Review & Reform programme should be documented as soon as possible. <p><i>Partially Complete - testing confirmed that a risk register for the Review & Reform programme has started to be drafted. This now needs to be completed and finalised to ensure all risks are captured and managed appropriately.</i></p>	<p>The risk register for the Review & Reform programme should be finalised as soon as possible.</p> <p>Grade: B2</p>	<p>Acceptance: Accepted</p> <p>Management Response: While a live Risk analysis of the ERW Review and Reform programme has been difficult, work can move forward with a separate Risk Register detailing potential risks and hazards for the first 12 months of the new system.</p> <p>Timescale for Action: September 2019</p> <p>Responsible Officer: ERW Interim MD / ERW Assistant MD</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.6	Accepted "Preparation for the Introduction of the General Data Protection Regulations (GDPR)" recommendations from the previous audit review have been implemented.		<p>The 1 "Preparation for the Introduction of the General Data Protection Regulations (GDPR)" recommendation from the previous internal audit has not yet been completed as follows:</p> <ul style="list-style-type: none"> 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. <p><i>Not Complete - this is on hold until after the Review & Reform programme has been implemented, and the risk has been accepted. The risk is recorded on the risk register and in the interim, data protection training has been provided to staff.</i></p>	<p>A Joint Committee decision is required on how to ensure compliance with 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.</p> <p>Grade: A1</p>	<p>Acceptance: Accepted</p> <p>Management Response: By September, there will be a working group to support the work in Digital Learning and Systems. One key task for this group will be to write a paper on how best to ensure compliance with the General Data Protection Regulation, and make recommendations to the Joint Committee.</p> <p>Timescale for Action: Autumn Joint Committee</p> <p>Responsible Officer: ERW Lead for Digital and Systems</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.7	Accepted "Compliance with Financial Procedures" recommendations from the previous audit review have been implemented.	✓	<p>Of the 17 "Compliance with Financial Procedures" recommendations from the previous internal audit, 11 have been completed in full, 1 is no longer applicable, but issues remain with 5 as follows:</p> <ul style="list-style-type: none"> 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. Not Complete – Testing identified that there are still issues with this. Order should be placed on Commitments system at the time of ordering and not only once the invoice has been received. Not Complete – Testing identified there are still issues with this. Monthly purchase card returns should be submitted to Procurement on a timely basis. Not Complete – Procurement stated that there are still issues with these being returned in a timely manner and they require chasing each month. 	<p>a. Invoices should be paid promptly on receipt, and within 30 days at the latest. Grade: B2</p>	<p>a. Acceptance: Accepted Management Response: Arrangements will be put in place to ensure ERW staff forward VAT invoices to the Finance Team for processing in a timely manner. The Finance Team will endeavour to process the invoices promptly and within 30 days. Timescale for Action: July 2019 Responsible Officer: Interim Managing Director and Head of Finance & Business Services (Deputy S151 Officer)</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.7 (cont)			<ul style="list-style-type: none"> Where VAT is applicable, VAT invoices should be requested from suppliers in order that the VAT can be appropriately accounted for. <i>Not Complete – Testing confirmed there were still some issues with VAT not being claimed (where it could be claimed if a VAT invoice had been requested).</i> 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. <i>Not Complete – Testing confirmed still some issues with VAT being claimed when VAT invoices were not present.</i> 	b. Orders should be placed on Commitments System at time of ordering rather than when invoice received. Grade: C2	b. Acceptance: Accepted Management Response: Arrangements will be put in place to ensure that ERW staff are aware of the requirement to place orders on the commitments system at the time of ordering. Timescale for Action: July 2019 Responsible Officer: Interim Managing Director and Head of Finance & Business Services (Deputy S151 Officer)


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.7 (cont)				c. Monthly purchase card returns should be submitted to Procurement on a timely basis. Grade: C2	c. Acceptance: Accepted Management Response: Arrangements will be put in place to ensure that ERW staff are aware of the requirement to submit purchase card returns to Procurement on a timely basis. Timescale for Action: July 2019 Responsible Officer: Interim Managing Director and Head of Finance & Business Services (Deputy S151 Officer)

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
6.7 (cont)				<p>d. 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.</p> <p>Grade: C2</p>	<p>d. Acceptance: Accepted</p> <p>Management Response: Arrangements will be put in place to ensure ERW staff obtain VAT invoices and pass them to the Finance Team/ Procurement (purchase card transactions) for processing. The Finance Team/Procurement will ensure that VAT is correctly accounted for.</p> <p>Timescale for Action: July 2019</p> <p>Responsible Officer: Interim Managing Director and Head of Finance & Business Services (Deputy S151 Officer)</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7	Follow Up of Annual Governance Statement (AGS) Significant Governance Issues & Priorities for Improvement				
7.1	Annual Governance Statement (AGS) Significant Governance Issues & Priorities for Improvement have been addressed.	✓	<p>Of the 2 "Significant Governance Issues" from the Annual Governance Statement (AGS), 1 has been completed and 1 remains outstanding as follows:</p> <ul style="list-style-type: none"> The ERW Legal Agreement needs to be reviewed and updated to ensure that it is enforceable and equitable to all member authorities. Governance arrangements should be reviewed; in particular, the composition of the Joint Committee and allocation of Statutory Roles, to ensure that there is no perceived conflict of interest. <p>Of the 7 "Priorities for Improvement", 4 have been completed, 1 has been partially completed and 2 remain outstanding as follows:</p> <ul style="list-style-type: none"> The Scheme of Delegation needs to be reviewed to ensure that it is robust and operationally practical, whilst ensuring that there is clarity and transparency in decision-making. Decisions need to be recorded so that there is a clear audit trail for accountability purposes. 	Refer to recommendation 6.1b and 6.3a	Refer to recommendation 6.1b and 6.3a


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
7.1 (cont)			<ul style="list-style-type: none"> The ERW business planning timescales should be aligned to the financial planning timescale of the Consortium to enable effective planning within available resources. Measures need to be taken to ensure that ERW is compliant with changes to Data Protection legislation (General Data Protection Regulation and the Data Protection Act 2018) which came into effect on 25 May 2018. This will need to include the appointment of a designated Data Protection Officer (refer to recommendation 6.6) 	<p>As soon as funding arrangements have been received from Welsh Government, the business plan should be fully costed.</p> <p>Grade: B1</p>	<p>Acceptance: Accepted</p> <p>Management Response: This exercise has commenced and should be completed by July 2019.</p> <p>Timescale for Action: July 2019</p> <p>Responsible Officer: Interim Managing Director and Head of Finance & Business Services (Deputy S151 Officer)</p>
8	Corporate Governance - Governance Arrangements				
8.1	Core Principle A (Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law) of the Local Code of Corporate Governance is being applied.		The Legal Agreement (and associated Service Level Agreements) still require updating but these have been deferred until after the Review & Reform programme has been implemented (refer to recommendation 6.1b and 9.1). Neath Port Talbot have not yet paid their contribution (as per the Legal Agreement) but have remained part of the Consortium without repercussion.		

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.1 (cont)			<p>However, Internal Audit was informed during the Internal Audit review that they have now paid their contribution but have given notice to withdraw from the Consortium in March 2020. Declarations of interest are requested as a standing agenda item at Joint Committee meetings, though no declarations have ever been made. Declarations of interests are captured annually but testing identified that they were not present for all Joint Committee Members/Executive Board Members/Senior Officers, and those that were present were now out of date (should be updated annually).</p>	<p>Register of interest forms should be completed by all Joint Committee Members, Executive Board Members, and Senior Officers, on an annual basis.</p> <p>Grade: C1</p>	<p>Acceptance: Accepted</p> <p>Management Response: Expressions of Interest were circulated for completion in the May 2019 Joint Committee meeting, with a deadline to be completed by the end of June. As new Senior Officers begin in post in September, their declarations will be completed during their induction cycle. These will then be passed on to the ERW Monitoring Officer.</p> <p>Timescale for Action: September 2019</p> <p>Responsible Officer: ERW Executive Officer</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.2	Core Principle B (Ensuring openness and comprehensive stakeholder engagement) of the Local Code of Corporate Governance is being applied.		The Scheme of Delegation requires review and formal approval by the Joint Committee as conflicting versions have been presented previously (refer to recommendation 6.3a). The audit also identified that delegated decisions are also not currently recorded and published (refer to recommendation 6.3b).	a. Minutes of the Executive Board and ERW Scrutiny Councillor Group meetings should be published online on a timely basis. Grade: A2	a. Acceptance: Accepted Management Response: Work is currently being undertaken to ensure that the ERW Scrutiny Councillor Group meetings are published in a timely manner, including setting up a direct communication stream between the Lead Scrutiny Officer in Swansea, and the ERW Systems Officer. (continued) Timescale for Action: September 2019 Responsible Officer: Lead Director + 1, Lead Scrutiny Officer, Executive Officer
Management Response (continued): Regarding the Executive Board, the paper on ERW Governance being constructed by 2 LA Directors will make recommendations on the content of Executive Board agendas, which will allow ERW to make an informed decision on publication of minutes and agendas.					



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.2 (cont)			<p>Whilst Joint Committee meetings minutes are published online (February 2019 and April 2019 not yet published), the same process is not in place for Executive Board and the ERW Scrutiny Councillor Group. Executive Board meetings are not open to the public and minutes are not published. ERW Scrutiny Councillor Group meetings are open to the public and minutes are published online but they are within the agenda for the next meeting resulting in them not being published for a number of months (when the next agenda is due to be published) and are not immediately easily accessible. No meetings are currently webcast.</p> <p>The Consortium is a public authority in terms of the Freedom of Information Act and deals with requests as appropriate. However, it does not currently have a Publication Scheme as required by the Act.</p>	<p>b. A Freedom of Information Act Publication Scheme should be documented as soon as possible. Guidance is available on the Information Commissioner's Office (ICO) website.</p> <p>Grade: B2</p>	<p>b. Acceptance: Accepted</p> <p>Management Response: Following the Review and Reform Programme, the Monitoring Officer will work on the Legal Agreement, including provision of SLAs with Local Authorities. There is scope within this exercise to look at the potential of an SLA with a Local Authority to support Freedom of Information Act services.</p> <p>Timescale for Action: April 2020</p> <p>Responsible Officer: ERW Interim MD, ERW S151, ERW Monitoring Officer</p>


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.3	Core Principle D (Determining the interventions necessary to optimise the achievement of the intended outcomes) of the Local Code of Corporate Governance is being applied.		The Business Plan has been approved by Joint Committee and new monitoring processes are being introduced this year. However, the Business Plan (and lower level plans) do not currently include any key performance indicators. The introduction of some key performance indicators could assist with evidencing the achievement of intended outcomes. Internal Audit was informed that discussions around this have taken place.	The Business Plan should be updated to include some key performance indicators to assist with evidencing the achievement of the intended outcomes, and with the scrutiny process. Grade: B2	Acceptance: Accepted Management Response: The approach to KPI moving forward will move away from data driven judgements, in line with the national direction of travel. ERW's performance will then be judged on achieving the aims stated in the Welsh Government National Mission document, and workstreams will decide on their means of measuring progress against the National Mission. Timescale for Action: Ongoing activity, but will be able to make judgements on impact and performance by April 2020. Responsible Officer: ERW Interim MD, ERW Assistant MD, ERW SLT and Project Leads

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.4	Core Principle E (Developing ERW's capacity including the capability of its leadership and the individuals within it) of the Local Code of Corporate Governance is being applied.		<p>As stated previously, the ERW Legal Agreement and the Scheme of Delegation both require review. There have been recent issues with the Senior Leadership team, the Lead Chief Executive on long term sick leave and the Lead Director resigning. A new Lead Director (Pembrokeshire) and temporary Lead Chief Executive (Ceredigion) have now been appointed but it needs to be ensured that these appointments do not result in conflicts of interest or an imbalance of power (with Ceredigion already holding the role of Chair and Pembrokeshire already holding the role of Section 151 Officer and many of the corporate functions).</p> <p>Internal leadership of the Consortium is also turbulent currently, with staff only employed on a secondment basis and not being clear on whether they will remain part of the organisation going forward. The implementation of the proposed new structure should help address these issues.</p> <p>There may be further difficulties in the interim period until the new structure is in place.</p>	Refer to recommendation 6.1b and 6.3a	Refer to recommendation 6.1b and 6.3a




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.4 (cont)			Two of the current Senior Leadership Team are leaving ERW after Easter and one is on long term sickness absence. The ERW Acting Managing Director gave assurance that interim arrangements are being put in place to manage this risk.		
8.5	Core Principle F (Managing risks and performance through robust internal control and strong public financial management) of the Local Code of Corporate Governance is being applied.	✓	New processes are being introduced this year to monitor service delivery and to implement the Business Plan. The introduction of some key performance indicators could assist with this (refer to recommendation 8.3). Processes for managing data require additional work, as no work has yet been done (other than data protection training for staff) to ensure compliance with GDPR and the Data Protection Act 2018. This has been deferred until after the Review & Reform programme has been implemented. The risk has currently been accepted and is included on the risk register (refer to recommendation 6.6). There is also not currently any data sharing agreement between ERW and Local Authorities.	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. Grade: B1	Acceptance: Accepted Management Response: ERW is currently considering all possible avenues regarding their continued collation of data, and this has been agreed to be within the scope of the re-arrangement of ERW's business support arrangements. Once this is resolved, the ERW Data resource will work with LA counterparts to make a recommendation to Joint Committee regarding Data Sharing Agreements. Timescale for Action: Autumn Term 2019 Responsible Officer: ERW Interim MD

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
8.6	Core Principle G (Implementing good practices in transparency, reporting and audit to deliver effective accountability) of the Local Code of Corporate Governance is being applied.	✓	As noted previously, the Legal Agreement requires review, Executive Board and Joint Scrutiny Group minutes are not currently published on a timely basis, and the costs and benefits associated with webcasting should be investigated.	Refer to recommendations 6.1b, 8.2a and 8.2b	Refer to recommendations 6.1b, 8.2a and 8.2b
9	Corporate Governance - Structure & Service Level Agreements				
9.1	Service Level Agreements (SLAs) have been formalised and documented for key functions.	✓	A report setting out the arrangements currently in place for key functions, and whether a Service Level Agreement (SLA) had been formally documented was presented to Joint Committee in February 2019. This identified that a number of arrangements have changed since the Legal Agreement was agreed and that this now requires updating (refer to recommendation 6.1b). It also identified that a Service Level Agreement (SLA) has not yet been documented for a number of key functions.	The provision of key functions for the Consortium should be opened up to all Local Authorities for expressions of interest, and Service Level Agreements (SLAs) should then be documented for each. Grade: A2	Acceptance: Accepted Management Response: See below Timescale for Action: Autumn Term 2019 Responsible Officer: ERW Interim MD / ERW Monitoring Officer / ERW Lead Chief Executive
Management Response: With the Review and Reform programme restricting the ability to open for expressions of interest for 2019-2020, the Joint Committee can begin to receive expressions of interest for the 2020-2021 financial year as early as their Autumn Term meeting.					

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
9.2	Service Level Agreements (SLAs) are opened up for expressions of interest to all Local Authorities.		Service Level Agreements (SLAs) have not been opened up to all Local Authorities for expressions of interest for a number of years. The Acting Managing Director stated that this is planned after the new organisation structure has been put in place (planned for September 2019).	Refer to recommendation 9.1	Refer to recommendation 9.1
9.3	Service Level Agreements (SLAs) are distributed fairly across all Local Authorities.		<p>Currently, there are 12 key functions which Local Authorities provide for the Consortium. The current provision of these is broken down as follows:</p> <ul style="list-style-type: none"> • Pembrokeshire – 7 functions (58.5%) • Ceredigion – 2 functions (17.5%) • Carmarthenshire – 1 function (8%) • Swansea – 1 function (8%) • Vacant – 1 function (8%) <p>This shows that Pembrokeshire carry out the majority of key functions for ERW, with Ceredigion next. With the Lead Director role also now being held by Pembrokeshire, and Ceredigion holding the role of Lead Chief Executive and Chairman, it needs to be ensured that there is not an imbalance of power. Inviting SLAs for expressions of interest should assist with this.</p>	Refer to recommendation 9.1	Refer to recommendation 9.1

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
10	Corporate Governance - Financial Stability				
10.1	ERW has sufficient funding for core staff and functions.		Historically, grant funding has been used to fund core posts. A new organisation structure has now been approved and a core budget (£1 million) for this has been agreed. However, the funding of this budget is still being negotiated. Welsh Government have agreed for £500k to be funded from the Regional Consortium School Improvement Grant (it was originally thought that this would be an additional £500k but this is not now the case which means use of this funding to fund core staff will result in a reduction of funds being delegated to schools). It is proposed for the remaining £500k to be funded by increased contributions from Local Authorities but this cannot currently be agreed and attempts are being made to keep Local Authority contributions at the current level of £250k. If this proposal is successful then it will result in an additional £250k being funded from grant money taking the total to £750k.	Refer to recommendation 6.2a	Refer to recommendation 6.2a

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
10.2	All Local Authority contributions have been received.	✓	All Local Authority contributions for 2018/19 have been received with the exception of Neath Port Talbot. Whilst the audit report was being finalised, confirmation was received that Neath Port Talbot have now paid.	-	-
10.3	There are no material uncertainties that may cast significant doubt about ERW's ability to continue as a going concern.	✗	<p>Previously there would have been a number of employees funded by grant money. This creates an element of uncertainty if the funding were to cease or the grant terms and conditions were amended resulting in these funds no longer being able to be used to fund these salaries.</p> <p>The new agreed structure will result in a significant reduction in the number of seconded employees and will establish a core structure and budget (£1 million) for the Consortium.</p> <p>However, the inability to agree a funding mechanism for this core budget (and the use of grant funding to fund core salaries) is a concern and this, coupled with the diminishing level of reserves (reduced from £406k at 31/03/17 to £145k at 31/03/19), could cast doubt on ERW's ability to continue as a going concern.</p>	Refer to recommendation 6.2a	Refer to recommendation 6.2a

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
11	Business Planning				
11.1	The business planning process ensures that the Business Plan is financially costed and is aligned with the financial model.		A core structure has been put in place to help deliver the Business Plan and this structure has been costed. The Business Plan has been approved by Joint Committee but has not yet been fully costed. This is due to be done once confirmation of funding has been received from Welsh Government.	Refer to recommendation 7.1	Refer to recommendation 7.1
12	Compliance with Estyn Action Plan		No issues were identified.	-	-
13	Invoice Processing				
13.1	Invoices are processed for payment on a timely basis.		Testing confirmed that invoices were not always processed for payment on a timely basis. Of the 47 invoices reviewed (sample of 50 selected but 2 had not yet been scanned and 1 was processed by IT), 21 (45%) were not paid within 30 days - 11 of these took 50 days or more to pay, and of these 5 took over 100 days to pay (4 of these taking over 200 days).	Refer to recommendation 6.7a	Refer to recommendation 6.7a

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
13.1 (cont)			The invoices which took over 100 days to pay were investigated in more detail to establish the reasons for the delays. For 2, the supplier had not provided details to set them up to make the payment, 1 was due to the officer who ordered leaving ERW and ERW not being aware of the cost, and the remaining 2 were due to the invoice being mislaid.		
13.2	Invoices are processed correctly and posted to the correct budget code.	✓	<p>A sample of journals was tested and identified that the majority were due to the late receipt of grant funding and the decision being taken to code everything to the core budget until funding was received (when funding was received, everything was moved to the relevant code).</p> <p>The majority were also salary related, with some ERW employees working across different teams at different times and their salaries therefore being coded to the core budget and moved each month. The Administrative team are set up the same way but the coding of their salaries is generally known and could therefore be coded directly to the relevant budget by Payroll.</p>	Refer to recommendation 6.2c	Refer to recommendation 6.2c

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
14	Grant Schedules & Returns from Authorities	✓	No issues were identified.	-	-

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