

DP 443/03-07

CYNULLIAD CENEDLAETHOL CYMRU
SWYDDFA'R LLYWYDD
LLYFEN YR AELODAU
NATIONAL ASSEMBLY FOR WALES
PRESIDING OFFICE
MEMBERS' LIBRARY



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

**WRITTEN ASSEMBLY QUESTION
TABLED ON 6 NOVEMBER 2003
FOR ANSWER BY THE MINISTER FOR SOCIAL JUSTICE AND
REGENERATION
ON 13 NOVEMBER 2003**

David Davies (Monmouth): To ask the Minister if she will let me have a copy of the internal management and audit report on AWEMA which was written earlier this year (WAQ29781)

Edwina Hart: Yes, I am sending a copy direct to you and placing a copy in the Library.

Drafted By: Owain Lloyd

Cleared By:

All Statistical information included above has been cleared with [name of official] in the Statistical Directorate

Legal/Other:

NB. This section must be completed. Draft answer must be cleared by Head of Division or equivalent.

ALL WALES ETHNIC MINORITY ASSOCIATION – AWEMA

Following allegations made by a former member of AWEMA about the way in which the Association conducts its business, an audit review was undertaken at AWEMA's premises on 10th and 11th December 2002. A small sample test was carried out on various aspects of the working procedures and the financial systems in operation.

The following report details the structure of the organisation, the audit work carried out, and the findings of the review. Recommendations designed to strengthen the current working practices are listed at the end of the report.

1. INTRODUCTION

AWEMA is a company limited by guarantee. A corporate lawyer from Edwards Geldard PLC was appointed in December 2002 to review the company's constitution with the intention of pursuing charitable status for the Association. It is hoped that this will be achieved some time during 2003/04.

The Association is currently in receipt of 3 grants from the National Assembly:

- Economic Policy Agreement;
- Social Housing Management; and
- Promoting Equality in Wales.

The monitoring responsibilities for these rest with the sponsoring divisions within the Assembly.

The first audited accounts for the Association were due to be filed at Companies House on 24 September 2002 but as yet have not been submitted. A draft copy of the accounts has been submitted to the Assembly but the auditors are waiting upon the receipt of a cash flow statement from AWEMA before filing the signed accounts with Companies House. This action should be complete by the end of March.

2. ORGANISATIONAL STRUCTURE

i. Management Board

All the decision-making powers for AWEMA, including the ratification of all financial and strategic decisions, rest with the Management Board. The Board is made up of the Chairs of each of AWEMA's Subject Committees. If for any reason the chairs are unable to attend Management Board meetings the vice-chairs deputise to ensure that all subject committees are represented when any decisions are reached.

Management Board meetings have in the past been dictated by the Subject Committees and meetings convened as and when matters for discussion have arisen. This usually resulted in a meeting being held every other month. For 2003 the Administrative Secretariat have arranged a schedule for the year which will ensure that meetings take place on a more structured and regular basis.

Election of Officials - The election of the chair and vice-chair of the Management Board occurs annually and forms part of the AGM process.

Documentation of Decisions - All decisions reached by the Management Board are documented in the minutes of the meetings. Action points for the subject committees are discussed with members at subject committee meetings and are documented in their respective minutes.

Terms of Reference - There are currently no formal Terms of Reference in existence for the Management Board, these are in the development stage and need to be addressed and formalised.

ii. Subject Committees

The Subject Committees are project driven and not strategically focused. They are responsible for identifying specific areas for development, which are then considered by the Management Board when funding becomes available.

The committees currently in operation are detailed as follows:

Subject Committees:	Culture & The Arts Education & Training Housing Health Social Services Economic Development
Project Committee:	Right to Vote
Constitutional Sub-Committee:	Finance & General Purpose Committee Personnel Committee Membership Panel Committee

All members serving on the committees are volunteers and although anyone expressing an interest is eligible to sit on a subject committee, most generally have direct experience in, or an understanding of, ethnic minority issues.

The committees meet at regular intervals, usually every other month, or as and when specific issues arise. It is a requirement that each of the subject committees submit a progress report at each Management Board meeting. These reports form part of the minutes and are circulated to the Management Board members prior to their meeting.

Each committee is responsible for determining its own 'Mission Statement', 'Aims and Objectives' and 'Work Programme'. These documents feed directly into the 'Strategic Plan' of the Association and once drawn up have to be ratified by the Management Board. To date only a couple of the Committees have finalised their statements but work is progressing on the remaining drafts.

The Chair and Vice-chair of each committee are elected annually and the newly elected Chairs together form the Management Board of AWEMA.

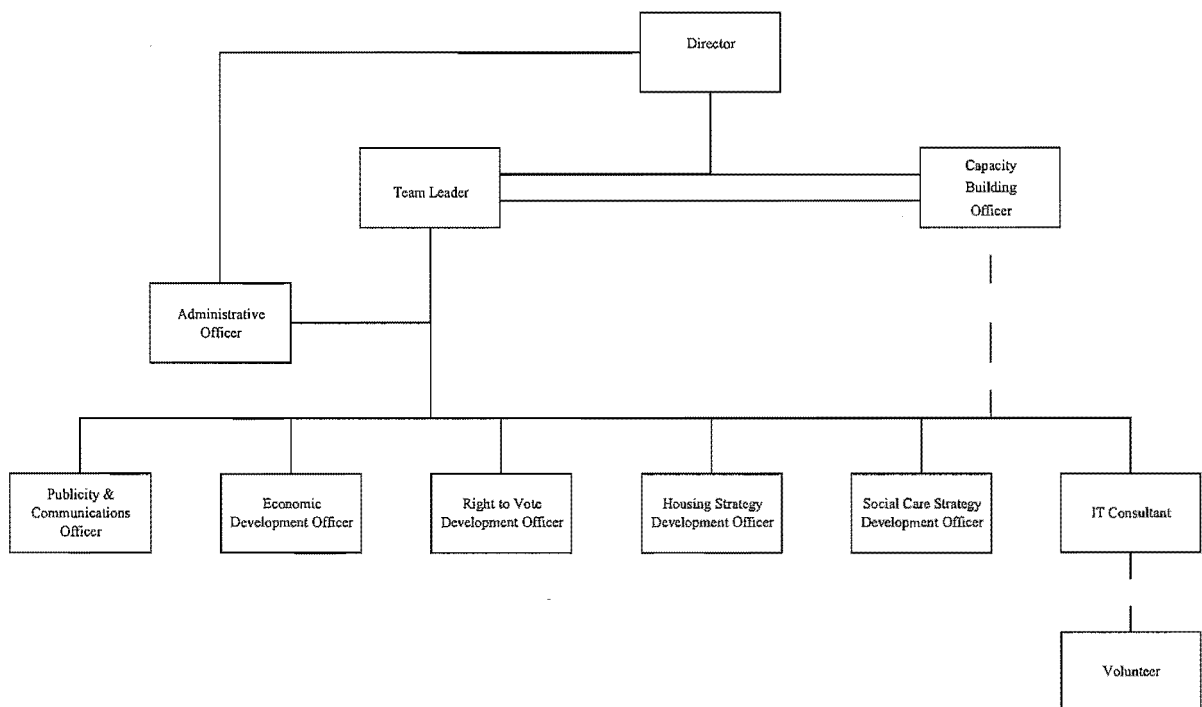
iii. Secretariat

The Secretariat for AWEMA is headed by the Director. Appointed by 3 members of the Board (including the Chair and vice Chair) Naz Malik currently occupies this post and is supported by the 'Team Leader', Sheila Hendrickson.

Neither officer has any voting powers but both provide administrative support to the Management Board. Their responsibilities are outlined in their individual job descriptions, with their objectives and action plans being comprehensively detailed in their respective 'Work Programmes'. Every member of the Secretariat has a work programme which links to that of his or her immediate manager. Ultimately, these are linked to AWEMA's 'Strategic Document' and its overall aims and objectives.

The Director's delegated responsibilities for the day-to-day running of AWEMA are detailed in his work programme. Any subsequent amendments to these responsibilities have to be ratified by the Management Board and such changes would be documented in the minutes of the meeting. The Director's job description would then be amended to reflect these changes.

In addition to the Director and Team Leader, the Secretariat consists of a further nine officers. The complete organisational structure is as follows:



3. RECRUITMENT, SELECTION & APPOINTMENT PROCEDURES FOR THE SECRETARIAT

The procedures for the recruitment and selection of staff are detailed in the AWEMA 'Staff Handbook' and appear to be fair and open. The following is a summary of the procedures as relayed by the AWEMA Team Leader.

- The need for staff is identified by means of the funding received. A subject committee is set up for the particular project then the support staff are appointed following receipt of the funding. The Management Board ratifies the need for staff before the recruitment process is begun.
- The entire procedure to the point at which an officer is appointed normally take 4-6 weeks and is as follows:
 - An advertisement is placed for the post – local and national press (eg Western Mail, Guardian), web sites, employment agencies etc;
 - A list is maintained of all those who request application packs;
 - A list is maintained of all the responses received;
 - All application packs returned are received by one person who removes the monitoring form and any personal data. This is to ensure that all applications are viewed 'blind';
 - After the closing deadline, all applications are passed to the selection panel for the initial sift. (The panel usually consists of three members, the Director, the Team Leader, and a member of the appropriate subject committee);
 - A standard format is used for the sift. A scoring system is applied and the highest scoring applicants are invited to attend interviews;
 - A standard letter is issued to the successful applicants inviting them to attend interviews. A letter is also issued to the remaining applicants informing them that they were unsuccessful in the initial sift;
 - The interviews conducted are also assessed on the basis of a scoring system. The three panellists assess the interviewees individually and the scores are aggregated. Any noticeable disparities in the assessments are discussed and once resolved the post is offered to the interviewee with the highest score;
 - The Chair of the selection panel contacts all the interviewees on the same day to notify them of the decision. Written confirmation follows;
 - Upon verbal acceptance from the successful candidate, written acceptance is requested and references sought.
- Upon appointment, the application is retained as the basis of the personnel file for the new recruit.

4. BANKING ARRANGEMENTS

AWEMA operate one account which is held at Lloyds Bank. During the meeting of the Management Board held on 30 May 2002 it was agreed that, due to preferential terms offered, the account would be switched to Barclays Bank.

During the Management Board meeting held on 4 July 2002 it was confirmed that the new forms had been completed. However, the transfer has been delayed to take into account more recent changes in personnel and the composition of the Management Board. This delay has meant however that officers no longer connected with the Association are still signatories for the bank account.

Under the existing arrangements the Director, has the authority to solely authorise cheques to the value of £500.00. Cheques above this amount must be signed by two of the signatories authorised on the bank mandate.

Changes to the list of signatories were ratified by the Board during the meeting held on 26 April 2002. It was also agreed at this meeting that, for convenience sake, the mandate would be altered to allow the Director and another member of the AWEMA Secretariat to co-sign all cheques issued, irrespective of the amount.

5. FINANCIAL SYSTEMS AND CONTROLS

The financial systems and controls in place at AWEMA were those expected of a small organisation. Although consideration had obviously been given to the procedures, weaknesses were identified during the review and these need to be addressed.

i. Purchasing and Payment Processing

The systems for the procurement and payment of supplies were assessed and the following points highlight the main control weaknesses:

- The Association does not have any formal tendering or procurement procedures in place for the purchase of larger goods or services. The largest expense incurred (excluding salaries and rent) is printing. No tender was sought before deciding to use the current supplier, 'West Country Publication', they were approached solely upon the recommendation of Cardiff University.
- Purchase request forms are not numbered and no separate record is maintained of the requests issued.
- Due to the small number of support staff it is not always possible to ensure a segregation of duties between the officers ordering, receiving and authorising the payment of goods.

- Under the current arrangements cheques over £500.00 must be authorised by two signatories, only one of which is located on the AWEMA premises. Therefore, in order to have a cheque countersigned, it, and all the supporting documentation has to be removed from the office.
- Some of the cheques prepared are not despatched immediately. The Director may take the decision to delay their issued if, for instance, the account is short of funds or there are other, more pressing issues pending.
- There are no formal desk instructions in existence detailing the procedures for purchasing and payment processing.

A review of a sample of 6 payments issued during September and October 2002 identified more specific payment related problems.

- A staff claim for the reimbursement of expenses was paid but not signed by either the claimant or the authorising officer.
- The mileage rate detailed on one travel and subsistence claim did not agree with the rate quoted in the AWEMA 'Staff Handbook'.
- Receipts supporting the reimbursement of expenses were missing from one claim.
- One staff expenses claim had been amended and reduced by £0.40 but the cheque issued did not take account of this amendment. This resulted in an overpayment.
- A purchase request form had not been completed for some computer consumables detailed on an invoice received.

ii. Petty Cash

The systems for the operation and management of the petty cash account were assessed and a check made of all the vouchers issued between the two most recent requests for the top up of the float. The transaction details were then matched to those recorded on the computer database.

In the main the Petty cash account is effectively maintained, but as with the purchasing processes, several weaknesses were identified which need to be addressed.

- Neither a separate record nor carbonated copies of the petty cash vouchers issued are retained, creating problems in identifying any mislaid vouchers.
- Dates had not been entered alongside the signature of either the officer completing the reconciliation or the authorising officer.
- One item of expenditure detailed on the reconciliation sheet for November was omitted when the transactions were entered onto the computer database. This was not identified due to the absence of any data processing checks.

- No formal desk instructions exist detailing the procedures for the operation of the petty cash account.

6. PAYROLL & BANK RECONCILIATIONS

Both the payroll and bank account reconciliation are carried out by the officer responsible for entering the transactions onto the computer database. The Association's volunteer worker currently undertakes this task.

i. Payroll

Cardiff County Council provides the payroll service for AWEMA and the procedures relating to the payment of the staff salaries are as follows:

- The Team Leader notifies the Council of any movements which will affect the monthly payroll. For example,
 - New starters;
 - Leavers;
 - Changes in salary.
- Cardiff County Council calculates the monthly payroll and submits an invoice to AWEMA.
- The invoice is reconciled to reports held by AWEMA and checks made to ensure that all the changes identified by the Team Leader have been taken into consideration.
- If the reconciliation is completed satisfactorily the invoice is passed for payment in the usual manner. If any errors are identified, these are investigated and referred to the Council.

ii. Bank Account

Statements from Lloyds bank are received on the 14th day of each month and the reconciliation carried out as follows:

- All transactions detailed on the statement are checked against the transactions entered onto the computer database.
- The clearance date for the cheques detailed on the statement are entered onto the computer.
- All receipts received electronically are entered onto the computer.
- The balance on the statement is compared to the balance on the database and a reconciliation carried out, taking account of the payments issued but not cleared.

7. COMPUTER DATABASE

The computer database used by AWEMA was developed in house by the IT Consultant, John Lawrence and is currently used to record all income and expenditure transactions posted against the bank account.

All information relating to a transaction is entered manually onto an initial input screen. This information can then be used to extract data relating to individual suppliers, specific projects, account centres, account names etc.

Reports are available in many formats, the majority of which can be 'drilled down' to transaction level. Examples of the reports available include:

- Cash Book;
- Income and Expenditure Statement;
- Trial Balance;
- Project Analysis;
- Account Analysis;
- Payee History;
- Transaction Details.

The system is continually being developed and in the future will be used to incorporate elements of budgeting, allowing comparisons between budgeted and actual expenditure.

The only officers who have access to record transactions on the database are the IT Consultant and the volunteer worker who provides the Association with administrative support.

8. MISCELLANEOUS ISSUES:

i. Fixed Assets

No record or register of the fixed assets held by AWEMA was available. The Director was confident that a list of the computer equipment had been compiled but this could not be located.

ii. Receipts

The majority of receipts are received direct into the Association's bank account, however there are no formal procedures in place for dealing with cash or cheques submitted to the office.

iii. Debtors & Creditors

AWEMA do not maintain a debtor or creditor listing. This is not currently a concern due to the volume of transactions processed by the Association. However with more funding being provided and the range of projects widening, development on this aspect of the financial database would be advisable.

9. CONCLUSION:

Overall the systems and control procedures in place at AWEMA were those expected of a small organisation.

Thought has been given to the procedures currently in place and the 'Staff Handbook' has extensive instructions on the following areas of work:

- Health & Safety;
- Conduct & Practices;
- Recruitment & Selection;
- Supervision & Appraisal;
- Subsistence and Travel Expenses;
- Volunteers.

However, weaknesses were identified during the review and these need to be addressed.

10. RECOMMENDATIONS:

i. Management Board

The Terms of Reference for the Management Board should be completed and formalised.

ii. Subject Committees

The remaining Mission Statements, Aims and Objectives and Work Programmes should be completed and ratified by the Board.

iii. Banking

The bank mandate for authorised signatories should be amended without further delay to ensure that the cheques do not need to be removed from the premises to be authorised and that all the signatories are existing AWEMA members.

iv. Financial Systems and Controls

Purchasing and Payment Processing:

- The purchase request forms should be numbered and a separate record maintained of those issued.
- The requisitioning officer should date the purchase request forms.
- A limit should be placed on the amount a counter signing officer can authorise on a purchase request. Authorisations above this specified amount should be supported by documentation from the Management Board confirming their authorisation of the expenditure.

- Formal tendering procedures should be introduced for the procurement of goods or services above a specific threshold.
- Steps should be put in place to ensure that an officer independent of those involved in the purchase signs the goods received notes.
- Wherever possible, steps should be put in place to ensure that the officer(s) authorising the cheque were not involved in the purchase or receipt of the goods.
- All transactions entered onto the computer database should be checked with reference to the payment documentation.
- All staff claim forms should be signed and dated by both the claimant and the authorising officer.
- Detailed desk instructions should be written to cover the procedures for purchasing and payment processing.

Petty Cash:

- A record of all vouchers issued should be maintained, eg:
 - a) A pre-printed carbonated book in which the vouchers are consecutively numbered, or
 - b) A manual register.
- All action signed by an officers should be dated.
- All transactions entered onto the computer database should be checked with reference to either the original documentation or the reconciliation sheets.
- Desk instructions should be written to cover the procedures for operating the petty cash account.

v. Miscellaneous:

Desk Instructions:

Desk instructions should be written for all general procedures undertaken by the Secretariat to ensure that these procedures can be carried out even in the event of unexpected absences.

These instructions should include procedures for dealing with the receipt of income, ie cash or cheques, which are sent to the AWEMA premises. Although this is a rare occurrence the procedures need to be documented.

Fixed Assets:

A register should be compiled of all the fixed assets held by the Association. A threshold should be agreed and all items valued above this threshold should be recorded.

The register should include items such as:

- Computer equipment and consumables;
- Office furniture;
- Fixtures and fittings;
- Office equipment, eg photocopying and fax machines,

The details in the register should include:

- Item description;
- Serial number;
- Supplier;
- Date of purchase;
- Cost;
- Location;
- Date of disposal (if applicable)

Debtor & Creditor Listings:

In view of the fact that the range of projects dealt with by AWEMA is continually growing, to ensure their effective management, it would be advisable for the development of the financial database to include the ability to produce debtor and creditor listings.