

## Audit Committee

### Minutes

**Date:** 30 September 2004

**Time:** 9.30 to 10.45am

**Venue:** Committee Room 3 & 4, Cardiff Bay

### Members

Janet Davies (Chair)  
Leighton Andrews  
Mick Bates  
Alun Cairns  
Jocelyn Davies  
Christine Gwyther  
Denise Idris-Jones  
Mark Isherwood  
Carl Sargeant

### Attendance

South Wales West  
Rhondda  
Montgomeryshire  
South Wales West  
South Wales East  
Carmarthen West and South Pembrokeshire  
Conwy  
North Wales  
Alyn and Deeside

### Officials

Sir John Bourn  
Gillian Body  
Ian Summers  
Mike Usher  
Dr Clive Grace  
Anthony Snow  
Dave Powell

Auditor General for Wales  
National Audit Office  
National Audit Office  
National Audit Office  
Director-General of Audit Commission in Wales  
Audit Commission in Wales  
Assembly Compliance Officer

### Secretariat

Siwan Davies  
Liz Wilkinson

Committee Clerk  
Deputy Committee Clerk

**Item 1: Introductions, apologies, substitutions and declarations of interest.**

1.1 The Chair welcomed Members, the Auditor General for Wales and officials to the meeting.

1.2 Apologies were received from Val Lloyd.

## **Item 2: Stocktake of value for money audit work since devolution**

2.1 The Committee welcomed the report and paid tribute to the Auditor General for Wales and National Audit Office in their work to date, which had helped deliver over £35 million of financial savings.

2.2 The Assembly Compliance Officer outlined the mechanisms in place to track and monitor the progress of Committee recommendations. Progress on implementation was a standing item at each of the quarterly meetings of the Assembly's Corporate Governance Committee, chaired by a non-executive director of the Assembly. In the event that an agreed recommendation had not been implemented the Corporate Governance Committee could call upon the respective Head of Division for an explanation. In addition, the matter could be referred to the Executive Board.

2.3 The Assembly Compliance Officer advised the Committee that there was no specific policy covering the use of financial savings realised as a result of the implementation of audit recommendations.

2.4 The Auditor General for Wales said that the centralised arrangements for the tracking and monitoring of audit recommendations contributed to the success of their implementation in Wales.

2.5 Concern was raised about the lack of commercial competence, particularly in the area of procurement, within both the Assembly and its sponsored public bodies. The Permanent Secretary was seeking further to develop the appropriate skills and competencies among Assembly staff. The Auditor General for Wales agreed to consider including a study on 'commercial competence' in his programme for value for money examinations 2005-06.

2.6 There was discussion on the role of the Committee in following up recommendations which had not been fully implemented. Subject Committees could play an important role in the monitoring of audit recommendations and the Chair said she would raise this at a future Panel of Chairs meeting.

2.7 The Auditor General for Wales agreed to provide a progress report to the Committee on the implementation of its recommendations on an annual basis. The Committee were particularly interested in financial savings and potential financial savings, together with the timing of when these might be realised. In addition, the Committee would receive a note on progress on implementation of recommendations in its report 'Procurement of Primary Care Medicines'.

## **Action points**

Auditor General for Wales to consider including a study on 'commercial competence' in his programme for value for money examinations 2005-06 - Auditor General for Wales.

Auditor General for Wales to provide a progress report to the Committee on the implementation of its recommendations on an annual basis – Auditor General for Wales.

Chair to raise potential role of Subject Committees in monitoring audit recommendations at a future Panel of Chairs meeting – Chair, Committee Service.

Committee to receive progress note on implementation of recommendations in its report ‘Procurement of Primary Care Medicines’ – Auditor General for Wales

### **Item 3: Programme of value for money examinations 2005-06**

3.1 Members offered the following comments on the programme:

- the proposed examination of ‘Improving participation and completion in higher education’ should include consideration of the resources available to institutions, the resources that institutions applied to improving access, and their overall management approach, which itself could be a barrier;
- the proposed alternative examination of ‘The financial health of further education institutions’ should include the extent to which further education institutions have become reliant on European funding;
- the proposed alternative examination of ‘Museum customer satisfaction’ should include the National Library of Wales;
- the programme should include an examination of ‘commercial competence’ within the Assembly and its public sponsored bodies; and
- in view of the Assembly’s statutory obligation to promote sustainable development, sufficient preference should be given to the ‘Sustainable development: decision making & performance measurement’ so as to ensure that this resulted in a report before the end of the Second Assembly.

3.2 The Auditor General for Wales said that he would bring back his final programme of value for money examinations for 2005-06 to the Committee in due course.

### **Action point**

The Auditor General for Wales to bring back his final programme of value for money examinations for 2005-06 to the Committee in due course – Auditor General for Wales.

### **Item 4: Estimate of the income and expenses of the Wales Audit Office for the year ending 31 March 2006**

4.1 The Auditor General for Wales presented the estimate. He emphasised that although the Committee was tasked with approving the budget for the Wales Audit Office, the Committee would not receive

reports relating specifically to the Wales Audit Office's audit and inspection of local government.

4.2 Members obtained clarification on the following points:

- the potential for economies of scale including cost savings and timings of when these would be realised;
- the likely timing of a decision by Customs and Excise regarding the Value Added Tax arrangements for the Wales Audit Office;
- the effect of the merging of the functions of the WDA, ELWa and WTB with the Assembly Government;
- the nature and extent of potential liabilities and assets to be transferred from the current organisations to the Wales Audit Office;
- the scope for the Wales Audit Office to facilitate sharing of best practice across the range of public services it audits and inspects.

4.3 The Wales Audit Office would continue to work with colleagues in the National Audit Office and Audit Commission., and would have access to their specialist advice. The Audit Commission would provide payroll and human resource services for the Wales Audit Office. In addition, the Wales Audit Office would be part of the Public Audit Forum, along with the other audit bodies. There was scope for economies of scale in future, for example when the leases of existing NAO and ACiW premises came up for review in 2006-07.

4.4 The future auditing of services involved in the merger of Assembly Sponsored Public Bodies (ASPBs) would largely depend on the extent of structural changes when the organisations were transferred to the Welsh Assembly Government. The Auditor General for Wales agreed to inform the Committee on changes to audit arrangements as a result of the ASPB merger in due course.

4.5 Officials from the Assembly Compliance Office had met with Customs and Excise on 8 September 2004 to discuss the Value Added Tax arrangements. The Assembly Compliance Officer had subsequently written to Customs and Excise seeking confirmation that the existing arrangements would continue until 2007 and were currently awaiting a response.

4.6 Assets and liabilities to be transferred to the Wales Audit Office included building leases, IT equipment and furniture, cash balances and corresponding reserves. There were no known unforeseen large liabilities or contingent liabilities to cause concern, such as claims from staff, but these were by their nature somewhat unpredictable.

4.7 The Committee approved the estimate of the Wales Audit Office for 2005-06.

### **Action point**

The Auditor General for Wales agreed to report back to the Committee on changes to audit

arrangements as a result of the ASPB merger in due course – Auditor General for Wales.

## **Item 5: The draft Code of Audit and Inspection Practices 2005**

5.1 The Auditor General for Wales said that the Code would cover the audit and inspection of the Wales Audit Office, but was only statutory in relation to the audit and inspection of local government. The draft Code was currently the subject of public consultation. The Code would be laid before the Assembly for approval in plenary session.

5.2 The Auditor General for Wales agreed to include a summary of consultation responses with the Code when it was laid before Plenary.

### **Action point**

Auditor General for Wales to include a summary of consultation responses with the Code when it was laid before Plenary – Auditor General for Wales.

## **Item 6: Minutes of the previous meetings**

6.1 The Committee approved the Minutes of the 15 July and 22 September 2004 meetings.

**The Committee resolved to exclude the public from the remainder of the meeting in accordance with Standing Order 8.24(vi).**

### **Private Session**

## **Item 7: To consider the draft Committee reports ‘Finances of NHS Wales 2004’ and ‘The General Report of the Auditor General for Wales 2004’**

7.1 The Committee approved its reports ‘Finances of NHS Wales 2004’ and ‘The General Report of the Auditor General for Wales 2004’.