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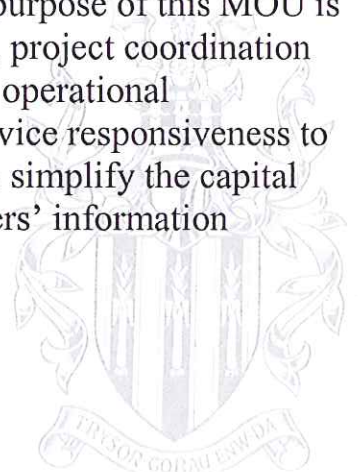
Dear Chair

AUDIT COMMITTEE REPORT ON THE ARTS COUNCIL OF WALES – SUPPORTING MAJOR CAPITAL PROJECTS

The Clerk's letter of Letter of 14 August requested my advice on the Welsh Assembly Government's response to the Audit Committee's report on *The Arts Council of Wales – Supporting Major Capital Projects*.

The Audit Committee's report contained five recommendations, the first of which asked for a response to the nine recommendations contained in my own earlier report into these matters. The Assembly Government's response is entirely positive and accepts in full all thirteen substantive recommendations.

Recommendations 1 to 4 relate to making more of funding partnerships. A significant development here will be the proposed establishment during 2008-09 of more formal partnership relationships through a Memorandum of Understanding (MOU) between the Arts Council and its key funding partners in the Assembly Government on future capital projects. The purpose of this MOU is to provide a better framework for programme management, project coordination and information sharing between partners, to improve their operational effectiveness and administrative efficiency. In terms of service responsiveness to clients, an important element of the MOU will be to seek to simplify the capital grant process and remove unnecessary duplication in partners' information requirements of grant applicants and recipients.



Recommendations 5 to 7 and 10 are concerned with improving the Arts Council's processes for managing risks related to its financial investment in major capital projects, of which recommendation 5 (on maintaining project risk registers) and recommendation 10 (on undertaking project assessments) have already been implemented. The Arts Council has undertaken to work with capital grant applicants during 2008-09 to develop and implement a standard template for analysing the sensitivity of applicants' plans and projections to uncertainties (recommendation 6); and to incorporate specific questions about the ongoing financial viability of grant recipients in its annual capital audit forms (recommendation 7). These recommendations are essentially refinements to the Arts Council's existing procedures, which have been progressively improved over recent years and which my own report noted to be basically sound and operating satisfactorily.

Recommendations 8, 9 and 13 relate to the Arts Council's capture and promotion of lessons learned for future improvement. The Assembly Government and the Arts Council accept the need for systematic evaluation of the impact of capital projects, to assist the future strategic planning of the Arts Council's capital programme and of arts provision across Wales. The Assembly Government intends to plan this requirement into the 2009-11 budgetary considerations for the funding of the Arts Council. Meanwhile, the Arts Council has undertaken to encourage its capital grant client organisations to record and share knowledge, experience and lessons learned in applying for capital grants, managing capital projects and sustaining arts activity, and it has revised its Capital Project Guidelines accordingly.

The remaining two recommendations are concerned with encouraging the Arts Council to be more proactive in supporting the development of capital projects for the arts: first, helping the local authorities in Wales to make the most of European funding opportunities (recommendation 11); and, secondly, helping its client organisations to access sources of private funding (recommendation 12). The Assembly Government and the Arts Council have undertaken to work together during 2008-09 to strengthen partnerships with local authorities, including promoting the contribution of the arts to community regeneration. The Assembly Government's 2008-09 requirement on the Arts Council to investigate alternative funding models is also involving the Arts Council examining how best to support its client organisations access sources of private funding, and is intended to result in a strategic document on the future funding model for the arts in Wales. The Committee will no doubt be interested in the outcome of this exercise and I would be happy to provide further advice on this specific matter in due course.

The Wales Audit Office will continue to monitor the progress made by the Arts Council of Wales in managing its capital programme, and the activity of the Welsh Assembly Government in its role as sponsor and partner of the Arts Council. I shall draw the Committee's attention to any areas where I consider further action is merited.

Yours sincerely

To Nara Baskford.

MP

JEREMY COLMAN
AUDITOR GENERAL FOR WALES