



Memorandum by the Auditor General for Wales

Review of Value for Money Examinations

Submitted to the Audit Committee of the National Assembly for Wales

October 2000

Contents

Introduction [*](#)

Original work programme [*](#)

Progress against original work programme [*](#)

Additional work [*](#)

Financial impact [*](#)

Review of Value for Money Examinations

Introduction

1. This memorandum sets out the value for money work that I have carried out to date on behalf of the Audit Committee and the Assembly. The context is the paper that I made available to members last October on my Final Programme of Value for Money Work for 1999-2000 and 2000-01. This memorandum considers what has been achieved against that programme in terms of reports delivered and work in progress, as well as reflecting the additional work that I have carried out for the Committee which did not feature in original programme. It also looks at the financial impact of my work to date.
2. This paper should be considered alongside the separate memorandum that I have submitted on my forward work programme for 2001-02 and beyond, which sets out for the Committee how I propose to build on the good start we have made together and take it forward into the future.

Original work programme

3. My final programme for 2000-01 benefited from the comments and suggestions that members had made on my initial proposals at the Committee's first meeting in September last year. I was pleased to be able to accommodate the views of members in this way. The final programme showed a number of alterations from the earlier version, with studies added to the programme (such as drug prescribing), amended in scope (examination of Further Education sector to focus on estate management rather than procurement) and brought forward (Assembly's accommodation arrangements) or pushed back (clinical negligence). The resulting programme was well balanced, with a good mix of subject areas and types of examination.
4. Members will recall that at that September meeting, when they considered my estimate for 2000-01, the Committee decided to allocate £1 million to my value for money programme - the highest value of the three options that I had presented them with. This was a substantial increase on the pump-priming budget of £245,000 that had been agreed by Welsh Office officials for the previous year, 1999-2000, before the Assembly was in a position to determine its own priorities. (I was grateful for an additional £50,000 subsequently made available by the Assembly's Finance Group). Naturally I was delighted by the Committee's decision; as I explained at the time, provision at this level allows me to carry out my investigations in significant depth and scope.
5. This £1 million funding became available to me from 1 April 2000 (for the National Audit Office to have devoted additional resources to Auditor General for Wales work before then would have meant subsidisation from the Westminster Parliament, and was thus not allowable). Thus it was only at that date that the National Audit Office in a position to start to deploy additional staff, and

to undertake the detailed preliminary work needed to scope studies in the areas for examination selected – to plan exactly how they were to be carried out and to discuss the examinations with those responsible for the expenditure. The first of the reports funded by this increased allocation of resources will start to come through later this autumn. Other, larger reports will be undertaken in 2000-01 but completed and published in the following financial year.

Progress against original work programme

6. With the support of the National Audit Office, I can report on a significant body of work, both published and in progress. I have been able to provide the Audit Committee with a varied diet of material; this has helped the Committee for its part to conduct constructive meetings from the very start of its existence.
7. The table below shows the state of play at 1 October 2000 for each of the subjects set out in last October's memorandum.

Topic	Progress
1999-2000	
Cadw: Protecting and conserving the built heritage in Wales	Report published 29 October 1999, and considered by the Audit Committee 18 November 1999
Managing the creation of the enlarged Welsh Development Agency	Report published 4 May 2000, and considered by the Audit Committee 11 May 2000
Welsh Development Agency support for indigenous businesses	Report published 9 May 2000, and considered by the Audit Committee 11 May 2000
Cardiff Bay Barrage	Report published 5 July 2000, and considered by the Audit Committee 13 July 2000
Best value	Report completed
Police disciplinary matters	Report completed
Assembly's accommodation arrangements	Report being finalised now that final decision on location has been made
Welsh Development Agency support for LG	Report completed
2000-01	

Handling of clinical negligence claims	Report being drafted
Prescribed drugs	Report being drafted
Management of NHS estate in Wales	Fieldwork under way
Management of Further Education estate in Wales	Fieldwork underway
Initiatives to alleviate homeless and rooflessness	Preliminary work started
Wind up of the Cardiff Bay Development Corporation	Fieldwork underway
Administration of European Union structural funds	Examination about to start
Overview of Audit Commission reports	To commence Jan/Feb 2001

8. Subjects to the National Assembly. All the studies on which I said I would carry out work in 1999-2000 have been completed with the exception of that concerning the Assembly's accommodation arrangements where for practical reasons the report was delayed until a decision had been taken on the final location.

9. No reports have yet been published on work that I had earmarked to carry out in 2000-01. As outlined above, this is due partly to the lead time necessarily involved before the additional resources made available for that year could be applied. The increase in funding for value for money work in 2000-01 over the previous year was considerable, reflecting the Assembly's move into its first full year of life. My Estimate for 2001-02, in contrast, proposes a constant level of funding, in real terms, for value for money work. But even within a more stable funding environment, there will always be some time between the start of work on a particular topic and the delivery of the final product. I would therefore expect a good number of studies which I begin in any one year not to be completed until the following year.

1. **Additional work**

10. I have carried out some work which was not in my forward programme: a full-scale report on Millennium threat to electronic systems; and support to the Audit Committee on unforeseen evidence sessions.

11. My report on The Millennium Threat: is Wales ready? published in December 1999, grew out of

the considerable body of work that the National Audit Office had carried out on the topic for the United Kingdom as a whole. It is a good example of the benefits that can accrue from being able to draw on the resources of the National Audit Office to deliver "joined-up" audit, at relatively low cost. My memorandum on my proposed forward work programme for 2001-02 contains further details on areas of joint interest with the Comptroller and Auditor General.

12. The Committee, with the agreement of the House of Commons Committee of Public Accounts, decided to devote three sessions to examinations of subjects that began their life as Comptroller and Auditor General reports:

- two sessions (16 December and 27 January) considered the Comptroller and Auditor General's report on Further Education in Wales (this report was published in May 1999, shortly before the Assembly assumed its powers). The first session took evidence from the relevant Accounting Officers, from the Assembly and Funding Council. The second set a helpful precedent for the Committee to penetrate a subject further by taking evidence from others at the sharp end of service delivery - in this case College Principals and Chairs of Boards of Governors; and
- the 15 June session took evidence on the Treasury Minute on Gwent Tertiary College (this arose out of a Comptroller and Auditor General's report, evidence on which was taken by the Committee of Public Accounts; the Treasury Minute is the Government's official response to the Committee of Public Accounts report).

13. One of my responsibilities as Auditor General is to provide support for the Audit Committee in the conduct and discharge of its functions. This is an important element of my role and involves updating and briefing the Committee before the hearing, advising the Committee on its report following the hearing and, in due course, providing further advice where necessary on the Cabinet's response to the Audit Committee report. All the work I have carried out in support of the Committee for the sessions above was therefore not planned for in my original programme.

14. I am happy to respond to the Committee's wishes in this way. But within a fixed budget, additional, unplanned work means that resources needed to be diverted from the planned programme.

Financial impact

15. When considering my programme at this time last year, the Committee emphasised the importance it attached to developing the potential of my work to identify financial savings and my programme for 2000-01 specifically included a range of topics focused on prospects for securing savings. This is particularly the case for both studies on estate management and the study on drug prescribing.

16. Members will appreciate that my role is to identify the scope for savings and recommend how they might be achieved when endorsed and enhanced by the Committee's reports and the

Assembly's responses. Responsibility for delivering those savings lies with the audited body and the full savings may take some time to build up.

**Examples of Quantifiable Potential Savings
(Details provided in paragraphs 17 and 18 below)**

	One-Off Savings	Potential Recurrent Annual Savings
	£	£
Cadw	58,000	70,000
Further Education - Procurement	–	1,500,000
Welsh Development Agency:		
Energy Costs		30,000
Space Management		125,000
Storage Costs		27,000
Qualifications, Curriculum and Assessment Authority for Wales ¹	23,000	–
TOTALS	81,000	1,752,000

¹ saving arose from financial audit work

17. I set out below some examples which show how my work has already led to quantifiable savings, or should deliver savings in the future:

- following the Audit Committee hearing on my report on Protecting and conserving the built heritage in Wales, the Chief Executive of Cadw wrote to the Committee on the impact of the changes likely to arise from my recommendations. Based on this letter I assess the overall impact to be a one-off gain of some £58,000, plus further recurring benefits valued at around £70,000 a year. In its response to the Committee report, the Assembly Cabinet endorsed Cadw's view and

confirmed that my recommendations would be implemented in 2000-01;

- in considering the work by the National Audit Office on Further Education in Wales, the Audit Committee supported the National Audit Office conclusion that there was scope for significant financial savings from improvements to the further education sector's procurement practices. The sector accepted that even a modest saving of two per cent on the procurement bill would generate savings of £1.5 million a year and my judgement is that savings of that order should be achievable. I will report back to the Committee on the achievements of the sector in securing these savings;
- my report on the creation of the enlarged Welsh Development Agency contained a section that focused on the scope for the Agency to secure further savings and to generate additional income. Broad-brush estimates of the potential gross annual running cost savings were: £30,000 in energy costs; £125,000 from better space management; £27,000 in storage costs; and an unquantified sum from developing desk sharing arrangements. I will ascertain from the Agency in due course the extent of the savings they achieve as a result; and
- my report on the Cardiff Bay Barrage concluded by recommending that, following the wind up of the Development Corporation, the Assembly ensure that due regard is paid to recovering any money that would have fallen due to the Corporation, and that there is scope for maximising the revenue which the new Bay environment will generate. I shall return to these topics in future work I intend to carry out in this area.

18. The work the National Audit Office do for me on certifying and reporting on accounts can also lead to financial impacts (although it is very much a by-product of this work, the main aim of which is to put an opinion to the accounts). For example:

- my audit of the 1999-2000 accounts of the Qualifications, Curriculum and Assessment Authority for Wales led to the recovery of £23,000 that it had been overcharged by another institution; and
- audit of the 1999-2000 accounts of National Museums and Galleries of Wales identified a number of lapses in the operation of controls over travel and subsistence payments to staff. The amounts were not significant enough to merit a report on the accounts but, following my audit, the Museum's internal audit carried out a further, more detailed review to ascertain the extent of the problem; reimbursement has been sought, where appropriate, from members of staff.

19. It is also worth noting that both value for money and financial audit can often have significant positive impact of the sort that does not lend itself to quantification in financial terms. Improvements in quality, effectiveness or customer satisfaction - doing more for a given level of resourcing - can be at least as important as achieving savings through economy - doing the same for less. Also, wider dissemination of the reasons for the waste - to the client management or publicly through the Audit Committee - serves to reinforce the deterrent effect that audit has. For example:

- the Audit Committee's evidence sessions on Further Education in Wales and on Gwent Tertiary College resulted in confirmation from relevant bodies right across the sector that a number of qualitative managerial recommendations had been or would be implemented. For example, the

Further Education Funding Council for Wales now undertake periodic formal assessments of each institution's overall performance, including financial performance. And the Assembly, in consultation with the Funding Council, have now set the framework for the assurance they need on the quality of governance at the sector's institutions; the Funding Council have established how they will do their part to meet the requirements;

- my report on Protecting and conserving the built heritage in Wales found that it was difficult for members of the public to identify those grant-aided properties to which they have a right of access. Cadw agreed to implement my recommendations to improve the information available to the public - including the use of the Internet - on grant-aided properties they have a right to visit; and
- in February 2000 the Audit Committee took evidence on the Comptroller and Auditor General's report on the 1998-99 accounts of the National Museums and Galleries of Wales in which he highlighted an irregular payment of over £30,000 to a departing member of staff. The Committee's subsequent report drew out the lessons to be learnt from the incident, and made a number of recommendations to the Assembly, the Museum and the wider Welsh public sector.

20. The evidence above points to the good start that I have made in securing financial savings and other beneficial impact. I reiterate my determination to develop this aspect of my work further in the future.

21. I am grateful for the support of the Committee and other members of the Assembly. Members have raised many ideas and points which I have been glad to follow through in my work, and I look forward to continuing to receive their contributions.