

**AUDIT COMMITTEE****MINUTES****Date:** 6 November 2001**Time:** 9.00am**Venue:** Committee Room 3, National Assembly Building**Attendance****Members**

|                      |                           |
|----------------------|---------------------------|
| Janet Davies (Chair) | South Wales West          |
| Lorraine Barrett     | Cardiff South and Penarth |
| Eleanor Burnham      | North Wales               |
| Alun Cairns          | South Wales West          |
| Jocelyn Davies       | South Wales East          |
| Alison Halford       | Delyn                     |
| Janice Gregory       | Ogmore                    |
| Ann Jones            | Vale of Clwyd             |
| Dafydd Wigley        | Caernarfon                |

**Officials**

|                |                                  |
|----------------|----------------------------------|
| Sir John Bourn | Auditor General for Wales        |
| Lew Hughes     | Deputy Auditor General for Wales |
| Ian Summers    | National Audit Office            |
| Gillian Body   | National Audit Office            |

Frank Grogan

National Audit Office

Dave Powell

Assembly Compliance Officer

Russell Keith

Committee Clerk

James Owen

Deputy Committee Clerk

## **Item 1: Accommodation Arrangements for the National Assembly for Wales. Letter from the Auditor General for Wales**

**Paper:** AC-07-01(p.1)

1. The Chair welcomed everybody to the meeting. Lorraine Barrett substituted for Peter Law, Janice Gregory for Lynne Neagle and Eleanor Burnham for Kirsty Williams.

1.2 The Chair introduced the paper on the Assembly's accommodation arrangements. The Auditor General and staff at the National Audit Office Wales (NAO) were thanked for producing the paper, by request of the Chair, at short notice. A letter dated the 5 November from the Richard Rogers Partnership to the Chair of the Audit Committee was distributed to all members for information.

1.3 The Auditor General drew the Committee's attention to the escalation of forecast construction costs between November 2000 and June 2001. The Auditor General concluded that it seemed likely that the new Assembly Building would be smaller, more expensive and built later than planned when the Assembly voted to proceed with the project in June 2000.

4. Members raised the following points in discussion:

- The Auditor General agreed to report again to the Committee when the Assembly has decided upon the future of the project and relevant contracts have been put in place. The Auditor General noted that it was difficult to analyse the forecast cost escalation at present because the Assembly and the Richard Rogers Partnership disagree over the analysis of the project costs.
- Analysis of the project costs, as between unforeseen costs and the changes in the specification of the building, will be looked at in a future report by the Auditor General.
- The Auditor General found no evidence that the information provided by the Minister for Finance in her January 2001 statement to the Assembly was misleading.
- The negotiations for the fees for the Richard Rogers Partnership design team were calculated on a cost plus basis at the beginning of the process, that is as a percentage in addition to the construction cost incurred. The Auditor General noted that this was not always the best method for determining fees because there is no incentive to control costs. The subsequent capping of the fee may have helped to control the cost of professional fees.
- When asked to make a comparison, the Auditor General stated that there are not many similarities between the Millennium Dome project and the Assembly's accommodation arrangements. The capital works for the former were delivered broadly to time and cost, The operating difficulties related to low visitor numbers and not the construction. However, the project difficulties encountered in the

Assembly's accommodation arrangements are complicated but not unique.

- There is no written contract between the parties although there was an agreement which may have a contractual basis. The Auditor General commented that a written contract may have restricted rather than eliminated the problems encountered. Projects cannot be managed solely through a written contract, an accord must exist between the parties for a successful outcome. It is evident that the Assembly and the Richard Rogers Partnership have different ideas of what was expected of them in the agreement.
- The original contract arrangements pre-date the Assembly although the time delay costs can be attributed to decisions made since the establishment of the Assembly.
- Consideration will be given to calling the parties involved to a future meeting of the Committee.

## **Items 2 and 3: Draft Estimate of the Income and Expenses of the Auditor General for Wales and the Programme of Value for Money examinations**

**Papers:** AC-07-01(p.2) and AC-07-01(p.3)

1. The Committee agreed to take items 2 and 3 together.
2. The Auditor General presented the papers, outlining that the draft estimate was effectively asking for an increase of some £200,000 for the financial year 2002-2003. The increase reflects a 4% rise in existing operation costs, which can be contributed in particular to an increase in salaries. £125,000 of the requested increase would be used to employ 5 new members of staff. Some of these new staff will deal with new accounts to be audited such as the National Council for Education and Training in Wales, the Care Council for Wales and the Children's Commissioner for Wales, as well as the Objective 1 EU funding. The additional staff are also needed to assist with the Value for Money Programme to ensure a variety of studies are undertaken, some involving visits to local institutions such as hospitals or further education colleges. The additional resources will also be utilised to follow up the implementation of recommendations, and to respond to specific requests by the Committee, such as the update paper requested on the Assembly building.
3. The following points were raised in discussion:
  - It is important that the Auditor General undertakes follow-up work to identify savings and other beneficial impacts which have been realised from implementing audit recommendations. The follow-up report on Procurement in the Further Education Sector identifies savings achieved following the recommendations of an earlier NAO report.
  - The Auditor General confirmed that the money required to improve the Information Technology infrastructure of the NAO Wales was contained within the 4% increase sought for 2002-03, and in line with the NAO costs more generally.
  - The potential financial savings identified through the Auditor General's reports are accumulating and have exceeded the estimated level of 7 times the costs of the investigations. Responsibility for delivering these savings lies with the audited body, although the Auditor General will play his part to assist, and it may take some time to realise the full savings.
  - The Committee requested that the Auditor General consider investigating fraud in the NHS as part of a future Value for Money programme. The Auditor General agreed to undertake work in this area and stated that a survey of fraud issues would be contained in the forthcoming report on the NHS Summarised Accounts.
  - Members were requested to write to the Auditor General to raise potential issues for future investigation or provide information on matters under inquiry.
  - The Committee requested that the Auditor General consider whether the proposed investigation into

the Procurement of Drugs in the NHS could be brought forward from the proposed date of 2003-2004. The Auditor General agreed to explore this suggestion and to discuss with the members of the Audit Committee concerned.

1. The Committee agreed that the increase in the draft estimate was modest in light of the programme of work undertaken by the NAO Wales. The Committee agreed the contents of the draft estimate and the Value for Money Programme.

#### **Item 4: Evidence-taking Session – Procurement in the Further Education Sector in Wales**

**Paper:** AC-07-01(p.4)

1. The Committee took evidence in connection with the report of the National Audit Office on behalf of the Auditor General for Wales on Procurement in the Further Education Sector in Wales which was published on 27 September 2001.
2. A verbatim transcript of this item will be attached as an annex to these minutes.

#### **Witnesses**

|                |   |
|----------------|---|
| Steve Martin   | Chief Executive and Accounting Officer of Education and Learning Wales (ELWa)                   |
| David Richards | Chair of the Steering Group for the Assembly's review of procurement in the Welsh public sector |
| Paul Skellon   | Assembly Procurement Review Team  |
| Arwel Thomas   | Senior Compliance Manager at ELWa   |

#### **Item 5: Minutes of Previous Meeting**

**Paper:** AC-05-01(min)

5.1 The minutes of the previous meeting were agreed.

#### **Item 6 - Papers to note**

| <b>Title</b>  | <b>Paper reference</b> |
|---|------------------------|
| Correspondence from John Marek on Proposed Amendment to Standing Order 12.5 | AC-07-01(p.5)          |

Correspondence from the Permanent Secretary on Further Information  
Resulting from Assembly Audit Committee Evidence Session, 5 July 2001 –  
"Securing the Future of Cardiff Bay"

AC-07-01(p.6)

Correspondence from the Permanent Secretary on Assembly Audit  
Committee: 5 July 2001 – "Securing the Future of Cardiff Bay"

AC-07-01(p.7)

Correspondence from the Deputy Auditor General for Wales on  
Administrative costs of the Objective programme

AC-07-01(p.8)

1. The Committee noted the papers.

#### **Item 7: Draft Annual Report of the Audit Committee**

1. The Committee resolved to exclude the public from this part of the meeting in accordance with Standing Order 8.21(vi):

*A Committee may resolve to exclude the public from a meeting or any part of a meeting where:*

*(vi) the committee is deliberating on the conclusions or recommendations of a report it proposes to publish; or is preparing itself to take evidence from any person.*

7.2 Members considered the draft report and agreed its contents with some minor amendments.

#### **Item 8 - Draft Audit Committee Report on Maximising Income From Prescription Charges**

1. The Committee resolved to exclude the public from this part of the meeting in accordance with Standing Order 8.21(vi):

*A Committee may resolve to exclude the public from a meeting or any part of a meeting where:*

*(vi) the committee is deliberating on the conclusions or recommendations of a report it proposes to publish; or is preparing itself to take evidence from any person.*

2. Members considered the draft report and agreed its contents with some minor amendments.

8.3 The meeting closed at 12.05pm