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Ein Cyfeirnod/Our Reference JBB/1071/05

Eich Cyfeirnod/Your Reference

Dyddiad/Date 18 January 2005

*Dear Mr Andrews,*

### VALUE FOR MONEY AUDIT OF HIGHER EDUCATION INSTITUTIONS

Thank you for your letter of 11 November 2004 about my ability to undertake value for money work within the higher education sector. We were subsequently able to discuss this issue in the margins of the Audit Committee meeting on 2 December.

I can confirm that it is most definitely within my powers to "examine the conduct of universities in Wales in regard to value for money issues or in respect of their use of public money". Indeed, although I am not the external auditor of higher education institutions in Wales, my ability to conduct value for money investigations in this area has recently been strengthened with the passing of the Public Audit (Wales) Act. You will recall, of course, my report on procurement in the higher education sector in Wales, considered by the Committee at its meeting on 2 December. And later this year, I shall be publishing a further report on the sector, on its management of energy and water.

It may be helpful if I briefly outline the audit arrangements pertaining to higher education institutions. Each institution, as a self-governing body, is free to make its own arrangements with private sector firms for the provision of both internal and external audit. A further tier of audit is provided by the ELWa Audit Service, the internal auditors for both HEFCW and the National Council for Education and Training for Wales. As part of its work, the Audit Service undertakes monitoring visits to higher and further education institutions. I am the external auditor of HEFCW and the National Council.

In terms of the aborted merger between the University of Glamorgan and UWIC, the report by the ELWa Audit Service published by HEFCW is comprehensive and illuminating. It is, of course very disappointing to say the least, that £225,000 of HEFCW funds were spent on a project which came to nothing, to say nothing of the significant people resources invested by the two institutions and HEFCW in progressing the proposals. The HEFCW report is an excellent reference source for other institutions engaged on such ventures, particularly its very useful 14 lessons learnt (helpfully summarised at Annex E). Against this background, I do not think that there is any need to carry out further work on this particular abortive merger.

The wider topic that you specifically refer to in your letter - the merger of institutions - is one that has featured in my current value for money work programme as an option for future years. However, I did not include it as one of the three options for examination in 2005-06 in the education and training area that I presented to the Committee earlier this autumn (those options were: improving participation and completion in higher education - which is my preferred choice; school capital funding; and the financial health of further education institutions). I have not yet finalised my programme for next year and I will consider again whether the issue of university mergers merits inclusion. You will appreciate, though, that my resources are limited and inclusion of this topic in my programme will have an opportunity cost, either in the education portfolio or elsewhere.

I hope that this response is helpful. I am copying this letter to the Chair of the Audit Committee as this issue may be one of wider interest to the Committee. I am happy to receive suggestions for value for money studies from Members and discuss them at any time; and, of course, Gillian Body in the National Audit Office's Cardiff office, who leads our value for money work on my behalf, is on hand if you wish to discuss such matters in more detail.

*Yours sincerely,  
John Bourn.*

JOHN BOURN