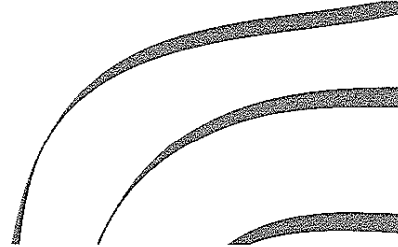




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Mrs Janet Davies AM
Chair of the Audit Committee
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Cardiff Bay
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Date 2nd February 2006
Our reference JC/0180/fgb
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Pages 1 of 3

Dear Chair,

Audit Committee report on the General Report of the Auditor General for Wales 2005: Welsh Assembly Government's response

The Clerk's letter of 20 January 2006 requested my advice on the Welsh Assembly Government's response to the recommendations made by the Audit Committee in its report, *The General Report of the Auditor General for Wales 2005*.

The Assembly Government has responded positively in agreeing to all eight of the Committee's recommendations and has provided detailed explanations to support each of its responses.

On **recommendations 1 and 4**, the establishment of the 'Resource Accounts Project Board' in January 2005 has undoubtedly assisted the Assembly Government in acting on the Committee's concerns over the management of the annual accounts preparation process. This has already been demonstrated by an improved delivery of the 2004-05 accounts. I am pleased to note the Government's commitment to ensuring appropriate priority is given to the preparation of the 2005-06 closing accounts of the bodies being merged with the Welsh Assembly Government on 1 April, as this is a key risk to delivery.

More generally, it will be important that progress is maintained to improve the quality and timeliness of accounts preparation, given the additional challenges being presented by the Treasury's faster closing and Whole of Government Accounts projects. In this respect, I also welcome the Government's proposals to improve the availability and use of resource-based financial information within its management procedures and decision-making (**recommendation 3**).

Turing to **recommendation 2**, on payment performance, I will follow-up during my ongoing financial audit work the extent to which the overall levels of prompt payment are being improved during 2006-07 by the specific measures spelt out in the response. I will also wish to review how well the Assembly Government's financial systems cope with the expanded volume of payments that will need to be processed after the ASPB mergers.

On **recommendation 5**, the response outlines the arrangements now introduced to ensure that effective governance and financial management structures will support its new Sub-Accounting Officers. The recent so-called fitness check by the Assembly's Internal Audit Service on these new structures has also provided additional assurance in this area. My staff will be discussing with relevant Assembly Government officials the detailed mechanisms by which the future visibility of expenditure relating to the functions of the former sponsored bodies will be maintained, and I shall consider the need to update the Committee on the operation of those arrangements as appropriate.

Encouraging progress is being made in strengthening asset management arrangements (**recommendation 6**), including the issue of updated detailed guidance to Assembly sponsored public bodies, the holding of workshops and the planned preparation for the first time of an overall Assembly Asset Management Plan for 2006-07. I also welcome the role of Value Wales in bringing a strategic direction to the management of capital investment.

The Government's response to **recommendation 7** highlights the continuing positive achievements across public sector procurement being led by the Welsh Procurement Initiative team within Value Wales. These include the Procurement Fitness Checks, of which 26 have now been completed, dissemination of good practice and provision of procurement training. I consider that very good progress is being made in this regard.

Finally, in respect of the management of projects within the European Structural Funds (**recommendation 8**), the Assembly's Permanent Secretary has written to all Accounting Officers and Chief Executives of relevant public bodies to stress the need to ensure compliance with EC funding regulations. The Chief Executive of the Welsh European Funding Office (WEFO) is similarly writing to all other project sponsors. WEFO is also continuing its efforts to improve compliance with funding requirements at the project level, in particular through issuing further guidance and by its monitoring visits to project sponsors. I intend to gauge the impact of these various actions through my ongoing audits of European-funded projects.

Our reference: JC/0180/fgb

Page 3 of 3

Your reference:

Date: 2nd February 2006

The Wales Audit Office will regularly review progress by the Welsh Assembly Government in implementing the report's various recommendations, and I will also continue to report developments to the Committee in the above areas through my annual General Report on financial audit matters.

Yours sincerely,



Jeremy Colman
Auditor General for Wales