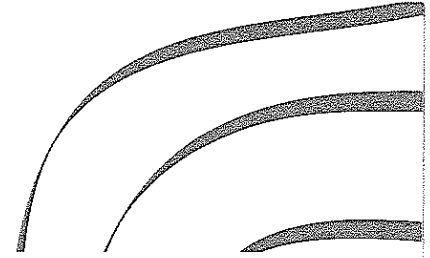




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Mrs Janet Davies AM  
Chair of the Audit Committee  
National Assembly for Wales  
Cardiff Bay  
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**Date** 28<sup>th</sup> June 2006  
**Our reference** JC/0311/fgb  
**Your reference**  
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**Pages** 1 of 2

*Dec Chair,*

**FURTHER UPDATE ON THE AUDIT COMMITTEE REPORT (2) 02-05:  
*PROCUREMENT IN THE HIGHER EDUCATION SECTOR IN WALES***

The Clerk's letter of 5 June requested my advice on the update provided by the Minister for Education, Lifelong Learning and Skills on the progress made in implementing the Audit Committee's recommendations in its report *Procurement in the Higher Education Sector in Wales*. This update was itself a recommendation (recommendation 2) of the Audit Committee, as the Committee was concerned about the scale and depth of the changes it considered necessary when it took evidence on the Auditor General's report in December 2004.

The update is very comprehensive and indicates that the Higher Education Funding Council for Wales (the Council) is addressing the recommendations in a thorough, appropriate and wide ranging way. In particular, the Council has appointed its own procurement manager, developed a procurement policy and strategy and action plan, and implemented monitoring and reporting arrangements for the fitness checks that are being undertaken under the aegis of Value Wales. There are also a variety of other initiatives to strengthen collaborative procurement and specific aspects of procurement.

The update report is self-explanatory, but there are a couple of points that the Committee might wish to note.

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- a) Many of the recommendations are being taken forward mainly as part of the Value Wales fitness checks that have been undertaken by consultants appointed by the Council. The fitness checks have been completed at all twelve institutions, ten have received draft action plans and four have agreed them. Much will depend on the quality of these action plans, their implementation and the monitoring carried out by the Council.
- b) The Committee was particularly concerned that the Council should be able to withdraw funding from an institution as a last resort if it persistently failed to cooperate with the Council's reasonable requirements in respect of procurement (recommendation 5). The Council has stated to the sector that it would do this by attaching terms and conditions of funding, and that it would initiate the necessary consultation process when it judged that the last resort had been reached. The funding to which the conditions will be applied would be proportionate to the amount of expenditure involved in regard to the savings target.

As part of our on-going monitoring of the Council's implementation of the Committee's recommendations, the Wales Audit Office will confirm that such terms and conditions of funding have been attached in the next funding round.

The update also includes a helpful annex showing progress against the recommendations in the Auditor General's report, as opposed to the Committee's report, and I am satisfied that appropriate action is being taken in response to these recommendations. But again, much depends on the fitness checks, as well as the success of some initiatives in securing competitive funding, and the nature and extent of collaborative work with the further education sector.

The sector is still at an early stage in its far-reaching efforts to improve procurement, and the Wales Audit Office will regularly review progress by the Welsh Assembly Government, the Council and institutions in implementing the Committee's recommendations. We will draw to the Committee's attention any areas where we consider that further action by the Committee is merited.

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I hope that you find this helpful.

Yours sincerely,  
Jeremy Colman

**Jeremy Colman**  
**Auditor General for Wales**