

## **PWYLLGOR ARCHWILIO AC-07-00 (p.4)**

Dyddiad: 19 Hydref 2000

Amser: 2.00pm

Lleoliad: Ystafell Bwyllgora 1, Adeilad y Cynulliad Cenedlaethol

### **Title: ADRODDIAD DRAFFT ARCHWILIO**

**Nid yw'r cyfieithiad Cymraeg ar gael ar hyn o bryd**

### **DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE, SEPTEMBER 1999 - SEPTEMBER 2000**

#### **Purpose**

1. To provide a draft of the Committee's annual report under Standing Order 12.2(iv).

#### **Recommendation**

2. That Members agree the draft attached at Annex A.

#### **Timing**

3. The Assembly's debate on reports laid before the Assembly in the previous twelve months by the Audit Committee is scheduled to take place on 31 October. This means that the report needs to be agreed at today's meeting in order to allow time for amendment, translation and publication in good time for that date.

#### **Committee Secretariat October 2000**

**ANNEX A**

### **DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE, SEPTEMBER 1999 - SEPTEMBER 2000**

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- Further Education in Wales
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## **PREFACE BY THE CHAIR OF THE AUDIT COMMITTEE**

It gives me great pleasure to introduce the first annual report of the National Assembly's Audit Committee. The Committee plays a crucial role in assuring the people of Wales that their money has been spent properly and effectively in providing them with public services. I am proud to have been asked to lead such an important Committee in the Assembly's first year.

As the public's financial watchdogs we took an early opportunity to make a clear statement of our expectation that all public bodies in Wales, including the National Assembly itself, will operate to the highest possible standards in the management of their financial affairs. We also made it clear from the outset that we hoped our deliberations would contribute significantly to getting the best possible value for taxpayers' money.

The Committee is very grateful to the Auditor General for Wales, Sir John Bourn, and the National Audit Office Wales for their hard work which has made it possible for us to consider many important aspects of Welsh life. We are also very appreciative of the positive and constructive attitude of all of the officials who have appeared before us. In all of our work, we have been keen to acknowledge where things have been done well; and also to identify where things could be done better or differently in order to provide better value for money for the taxpayer. I am very pleased that all of our recommendations so far have been endorsed by the Assembly's Cabinet.

The Committee will continue to be vigilant and vigorous in ensuring that proper and thorough scrutiny is given to the Assembly's expenditure. The people of Wales need to be confident that their money is being spent wisely and well. I look forward to the challenges of the next year with enthusiasm.

**Janet Davies, AM**

**Chair, National Assembly Audit Committee**

## **ANNUAL REPORT OF THE AUDIT COMMITTEE, SEPTEMBER 1999 - SEPTEMBER 2000**

### **1. BACKGROUND**

1.1 This is the first annual report to the National Assembly for Wales on the work of the Audit Committee as required by Standing Order 12.2. The report sets out the Committee's responsibilities and provides information about its activities during the first year of its operation.

### **2. THE ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

#### **Role of the Audit Committee**

2.1 The role of the Audit Committee is to ensure that proper and thorough scrutiny is given to the Assembly's expenditure. Its responsibilities are set out in detail in the Government of Wales Act 1998 (Annex A) (the Act) and the Assembly's Standing Orders (Annex B). A list of the Committee's members during its first year is at Annex C.

#### **Responsibilities of the Audit Committee**

2.2 The responsibilities of the Audit Committee are set out in detail in Section 102 of the 1998 Government of Wales Act and Standing Order 12 (Annex B). In broad terms, it is the responsibility of the Audit Committee to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales (the Auditor General); and to consider reports by the Auditor General on examinations into the economy, efficiency and effectiveness (i.e. the value for money) with which the Assembly and other public bodies have used their resources in discharging their functions. The Committee's key purpose is to ensure that the Assembly and other public bodies operate to the highest possible standards in the management of their financial affairs.

2.3 The Committee operates on non-party political lines, not questioning the merits of policy objectives, but concentrating on whether the organisations concerned implemented their policies and programmes with due regard for regularity, propriety and value for money.

2.4 The Committee also has a responsibility to consider annually the Auditor General's estimate of his income and expenses for the following year and to lay that estimate before the Assembly. At the same time as considering the estimate, the Committee considers the Auditor General's proposed programme of value for money examinations for the next year. The Auditor General is required to take the Committee's views into account when finalising his programme.

2.5 The Committee's activities in each of these areas is considered in Chapter 3. An Introduction to the Audit Committee which provides more detailed information about the committee's responsibilities and procedures is available on the Assembly intranet.

### **The Auditor General for Wales**

2.6 Section 102 of the 1998 Act empowers the Audit Committee to take evidence and report to the Assembly on the basis of reports laid by the Auditor General for Wales. This means that the Committee has a very close working relationship with the Auditor General for Wales, Sir John Bourn. His work is the starting point for the Committee's own work programme and helps the Assembly and associated public bodies in Wales to secure value for money from their operations and to help ensure that their financial affairs are managed in a regular and proper manner. The Auditor General provides financial and value for money reports to the Audit Committee as a starting point for their examinations.

### **The National Audit Office Wales**

2.7 The National Audit Office (NAO) is the main public sector audit body that audits the accounts of UK Government departments and many other public bodies. It may also undertake Value for Money studies on those bodies. It provides independent advice, information and assurance to Parliament on the use of public funds. NAO Wales undertakes the financial and Value for Money audit work on behalf of the Auditor General and provides him with administrative support. NAO Wales staff work in close association with the Audit Committee, providing technical support for its evidence sessions.

### **Committee of Public Accounts**

2.8 The Audit Committee also has a close relationship with the Committee of Public Accounts (PAC) in Westminster, who perform a comparable role for the UK Parliament. The Audit Committee is very grateful to the PAC for their willingness to allow the Committee to take evidence on accounts which related to the pre-devolution period. This provided an early opportunity for the Committee to consider standards of financial management in Wales.

### **Evidence and Reports**

2.9 After considering a report from the Auditor General, the Audit Committee will normally take evidence from the Accounting Officer (i.e. the senior civil servant with personal responsibility for the relevant expenditure) of the body in question to consider areas highlighted in the report. The Audit Committee will then produce its own reports on the findings.

2.10 Audit Committee reports are laid before the Assembly and the Cabinet must respond within one month. The Committee has published five reports to date. These are detailed at Annex D.

### **3. THE COMMITTEE'S ACTIVITIES IN 1999-2000**

#### **Financial Audit**

3.1 The annual accounts prepared by the National Assembly for Wales and other bodies sponsored and funded by the Assembly are audited by the Auditor General for Wales. Once audited, the accounts for 1999-2000, the Assembly's first full year of operation, will be laid before the Assembly during 2000-2001.

3.2 The 1998-99 accounts of the Welsh Office and its non departmental public bodies were prepared in 1999-2000. As they related to the pre-devolution period, they were audited by the Comptroller and Auditor General and laid before Parliament. However, the Committee of Public Accounts agreed that the Audit Committee could take evidence on two of these reports: the NHS summarised accounts; and the accounts of the National Museums and Galleries of Wales. This provided early opportunities for the Audit Committee to consider financial audit issues. The Auditor General also produced a " General Report" summarising the findings from the NAO's 1998-1999 financial audit work.

#### **National Museums and Galleries of Wales Accounts 1998-99**

3.3 During the audit of the 1998--99 accounts of the National Museums and Galleries of Wales the NAO identified an irregular payment to a former Assistant Director. The amount involved was not of sufficient magnitude to warrant qualification of the audit opinion. However, the principle involved in the way the payment was made was considered worthy of examination by the Audit Committee. This provided an early opportunity for the Committee to set out the principles and standards which it expected from all public bodies in Wales.

3.4 In the light of evidence from the current and former Directors of the National Museum, the Committee's Report stated:

" This case was the first opportunity afforded to the Audit Committee of the National Assembly for Wales to examine an issue of financial regularity and propriety. We hope

that such hearings do not become a frequent occurrence.

We accept that this case had a number of unusual and exceptional features. We also recognise that both the current Director of the Museum and Assembly officials have taken a number of measures to help prevent a recurrence of this unfortunate situation. However, we wish to make it quite clear from the outset that we expect all public bodies in Wales, including the Assembly itself, to operate to the highest possible standards in the management of their financial affairs and to act within their statutory powers and delegated authorities. To do otherwise would bring the organisation concerned into disrepute and would also serve to undermine the credibility and reputation of the Welsh public sector. This cannot be allowed to happen."

3.5 The Assembly Cabinet accepted all ten of the recommendations made in the report and fully endorsed the Committee's expectations of public bodies. The Assembly proposed a number of measures to prevent a recurrence of such irregular payments, including a revision to the Financial Memoranda issued to Assembly sponsored public bodies, reinforcement of training for their accounting officers, production of a Code of Conduct for public body staff and a revision by the Museum of its own disciplinary procedures.

### **NHS (Wales) Summarised Accounts 1998-99**

3.6 The National Assembly is responsible for preparing summarised accounts of the NHS bodies in Wales for audit by the Auditor General for Wales (Comptroller and Auditor General for 1998-99 and earlier years). The NHS bodies themselves are audited by appointees of the Audit Commission. The Comptroller and Auditor General's report on the 1998-99 summarised Accounts covered the overall financial health of the NHS in Wales, the financial health of the five Welsh health authority areas, clinical negligence, NHS fraud and asset management and the rising costs of primary care drugs.

3.7 The Audit Committee took evidence from the Director of the NHS in Wales. The Committee's subsequent report concluded in summary that:

"The National Health Service is our most precious institution. Its reputation has suffered in recent years, and this has been due in no small part to poor financial performance. This cannot be allowed to continue.

The National Health Service must rebuild its reputation by delivering high standards of healthcare for the people of Wales within the resources made available to it by the National Assembly. We therefore urge the Assembly's NHS Directorate and health service managers, clinicians and staff to do all they can to promote good financial management, including taking more proactive steps to minimise the incidence and cost of clinical negligence, reduce the level of fraud, and secure value for money. In particular, we expect to see a swift end to the continuing spiral of financial deficits that have been

reported by health authorities and NHS trusts in recent years."

3.8 The Assembly Cabinet welcomed the report and agreed to take action on the Committee's recommendations regarding strategic management and leadership, financial management, the prompt payment of bills, resource allocation, the management of clinical negligence cases, cases of fraud, and controlling the costs of primary care drugs, as well as specific matters regarding individual health bodies. Staff of the National Audit Office Wales will be monitoring the completion of these actions closely.

### **General Report of the Auditor General for Wales: Financial Audit of 1998-99 Accounts**

3.9 This Report summarised the results of the NAO's financial audit work in Wales for 1998-99, the last full year before the National Assembly was established. The Report highlighted the main features of the financial control environment inherited by the Assembly including financial management and control, the role of internal audit, corporate governance, and progress with the implementation of resource budgeting and accounting. The Audit Committee evidence session with the Permanent Secretary focussed on resource budgeting and accounting, (the three-month account prepared for the Welsh Office up to the date of transfer of functions on 1 July 1999 was the first resource account of a UK Government department to be formally audited and published) and the monitoring of grant schemes.

3.10 The Audit Committee's report noted the Permanent Secretary's confidence in the robustness of the 1999-2000 resource accounts under the new accounting system and looked forward to the successful consolidation of the accounts of the Welsh health authorities into the Assembly's 2000-2001 accounts. It also stated that the Committee expected the Assembly to be a role model for its sponsored bodies in the adoption of best practice in information systems procurement. The Assembly Cabinet's response indicated that action had already been taken to address the recommendations. The Committee will return to this issue when it examines the Assembly's resource Account for the period ended 31 March 2000.

### **Value for money reports**

3.11 The Audit Committee published the following value for money reports in 1999-2000:

- Protecting and Conserving the Built Heritage of Wales;
- Further Education in Wales;

The detailed recommendations made in these reports can be found at Annex E. Committee Reports are being prepared on the following topics:

- Welsh Development Agency: Managing the creation of the enlarged Agency and looking for future savings;
- Welsh Development Agency: Support for Indigenous Businesses in Wales;
- Coleg Gwent (following up the Treasury minute to the Committee of Public Accounts' Report on



Financial Management and Governance at Gwent Tertiary College);

- Cardiff Bay Barrage.

## **Protecting and Conserving the Built Heritage of Wales**

3.12 This report considers the operations and responsibilities of Cadw/Welsh Historic Monuments. Following an evidence session with the Chief Executive of Cadw and the National Assembly's Permanent Secretary, the Audit Committee produced recommendations which were intended to help Cadw fulfil its responsibilities more efficiently and effectively in the areas of protecting the built heritage, grant conditions and financial support for Chirk Castle.

3.13 The Assembly Cabinet's response to the Committee's report was positive. Cadw and the Assembly Cabinet felt that, in the medium term, the implementation of the conclusions and recommendations identified in the report would involve minimal costs and would achieve a significant net increase in value for money. They will be implemented in 2000-2001. The Auditor General estimates that implementation will result in one-off savings in the nature of £58,000 and recurrent savings of £70,000.

## **Further Education in Wales**

3.14 The Committee's report covered various aspects of the performance of the further education sector in Wales: its financial health; monitoring by the Further Education Funding Council; governance of institutions; strategic planning and financial management; and the procurement of goods and services. The Audit Committee held two evidence sessions, one with the Assembly and the Funding Council; and one with representatives from two colleges, Carmarthenshire College of Technology and Art and Coleg Ceredigion.

3.15 The Committee concluded that:

" the Funding Council needs to take a tighter grip of the sector and to make sure that failings in governance and management at individual institutions are dealt with. All the institutions in the sector need to take forward the National Audit Office's recommendations on governance, strategic planning, financial management and procurement to improve their overall levels of management and control.

The Committee is particularly disappointed at the failings which were exposed in the way most institutions approach the procurement of goods and services. Significant amounts of money could be saved in this area which could be ploughed back into education ....."

3.16 The Committee requested a report from the Funding Council within six months of its report being issued on the progress that the sector has made in implementing the National Audit Office's recommendations on governance and management. The Committee also sought a report from the Auditor General for Wales in 12 months time on the progress the sector had made in improving its

procurement of goods and services and the savings that have been generated and are in prospect.

3.17 The Assembly Cabinet, in its response, advised that the Further Education Funding Council was determined to ensure that governance and management are of the highest quality and that any weaknesses are addressed. A number of steps had already been taken to strengthen control and monitoring procedures, such as the introduction of the Governance and Management Development Programme (GMDP), tightening the audit follow up process and reviewing the overall risk in every institution each term. The Funding Council is also working with the sector on value for money issues, including procurement and preparing for the next phase of GMDP. Other work proposed by the detailed recommendations would be addressed over the next year.

3.18 The sector spends in the order of £70 million a year on goods and services and a modest two per cent saving would generate £1.5 million a year for use elsewhere in the sector.

### **Welsh Development Agency: Managing the creation of the enlarged Agency and looking for future savings and Support for Indigenous Businesses in Wales**

3.19 The Committee took evidence in May 2000 from the Assembly's Permanent Secretary, Jon Shortridge, and the Chief Executive of the Agency, Brian Willott on both of these reports. The merger report included: planning and managing the merger process; controlling the cost of the merger and securing financial savings from it; and, securing additional financial savings in running the enlarged Agency. Although the Audit Committee has not yet produced its report, the Auditor General has identified areas of potential financial savings; : energy - £30,000, space management - £125,000 and storage - £27,000. These amounts are in addition to the planned £2.25 million savings in running costs which the Agency was on track to achieve as a result of the merger.

3.20 The report on Support for Indigenous Businesses considered the Agency's main approaches to and activities for supporting indigenous businesses and its processes for appraising, monitoring and evaluating the effectiveness of its support. The Audit Committee's report will be published in the autumn.

### **Coleg Gwent: (Treasury Minute to the Public Accounts Committee's Report on Financial Management and Governance at Gwent Tertiary College**

3.21 The Audit Committee was granted permission by the Committee of Public Accounts to consider this Treasury Minute which was the Government's response to the previous investigation by the PAC into this subject. The Audit Committee wished to examine the progress which had been made at the College since the PAC's highly critical report had been published in January 2000. The Permanent Secretary, the Chief Executive of the Funding Council and the Principal of the College, now renamed Coleg Gwent, gave evidence to the Committee on the problems that arose at the college; what went wrong; steps taken to put matters right; and the wider implications for the sector in Wales. The Committee's report will be published in the autumn.

## **Cardiff Bay Barrage**

3.22 This report was the subject of an evidence session in July with the Permanent Secretary and Mr Michael Boyce, the former Chief Executive of the Cardiff Bay Development Corporation as witnesses. The Auditor General's report covered the following areas: the cost of constructing the barrage and the creation of the freshwater lake; bringing the barrage into operation and the succession arrangements put in place for Cardiff Bay following the wind-up of the Development Corporation; and, the arrangements in place to identify and manage the environmental obligations and potential liabilities linked to the project. It is anticipated that the Audit Committee's report on this topic will be published in the autumn.

## **Budget and programme of the Auditor General for Wales for 2000-2001**

3.23 At its first meeting in September 1999, the Audit Committee agreed that the budget for the Auditor General's value for money examinations for 2000-2001 should be £1,000,000, within total expenses of £2,175,000. It was felt that this would ensure the widest coverage and depth of activity and would demonstrate that the Committee regarded this expenditure as an investment for the longer term. The Auditor General advised that this level of funding had the potential to deliver high savings, although they might take two or three years to feed through. Any estimates of savings would be tentative, given that the scope of Wales-only examinations had yet to be tested and the fact that 2000-2001 would be the first full year of the Auditor General's operations in Wales.

3.24 Members requested that the Auditor General consider including the following items in his programme of value for money examinations for 2000-2001:

- the effectiveness of the Welsh Development Agency in encouraging the development of indigenous industry
- the effect of the spend on the LG project on total expenditure in Wales
- the report on the Assembly's accommodation arrangements to include consideration of the new Assembly building
- consideration of housing renovation grants in the context of the proposed report on homelessness
- examination of drugs prescribed by the NHS which are not approved by the Formulary
- financial implications for the Assembly in being required to take financial responsibility for water quality in Cardiff Bay
- the financial effect of private medical care (excluding nursing homes) on the NHS
- waste management in the context of sustainable development and the Best Value programme
- the reconfiguration of the NHS and NHS trusts

Some of these items featured in the programme for 2000-2001. Others will be undertaken in future years.

## **4. FUTURE WORK OF THE AUDIT COMMITTEE**

4.1 The Audit Committee's programme of work for 2000-2001 is likely to be as varied as that for its first year. Amongst the issues which it expects to consider are:

- the Assembly's accommodation arrangements;
- arrangements for the wind up of the Cardiff Bay Development Corporation;
- the handling of clinical negligence claims;
- prescribing of drugs by General Practitioners; and
- the management of the further education estate in Wales.

In addition, the Auditor General for Wales intends to report on the 1999-2000 accounts of the National Assembly and the NHS (Wales) Summarised accounts, as well as issuing a General Report on his financial audit work for that year. He will also report if his work raises any specific issues of regularity or propriety.

4.2 The October 2000 meeting of the Audit Committee will consider the Auditor General's estimate of income and expenses for 2001-2002, together with his proposed programme of value for money examinations. The Committee will also agree its own programme for the autumn term.

## **5. SUMMARY**

5.1 The National Assembly Audit Committee has taken evidence and reported on a broad range of issues during its first year of operation. These matters have related to many areas of the National Assembly's activities and have provided lessons which are relevant for the whole of the public sector in Wales. We look forward to a busy year of helping the Assembly and other public bodies in Wales to spend their money wisely and well.

### **Audit Committee**

### **October 2000**

**ANNEX A**

**AUDIT COMMITTEE - TERMS OF REFERENCE**  
**Relevant Extracts from Government of Wales Act 1998**

**60.** - (1) The Assembly shall establish a committee to be known as the Audit Committee or Pwyllgor Archwilio.

(2) The Audit Committee shall have such number of members as the standing orders may provide.

(3) The members of the Audit Committee shall be elected by the Assembly from among the Assembly members so as to secure that, as far as is practicable, the balance of the parties in the Assembly is reflected in the membership of the Committee.

(4) Neither the Assembly First Secretary nor an Assembly Secretary may be a member of the Audit Committee.

(5) The Assembly shall elect one of the members of the Audit Committee to chair the Committee but it may not be chaired by a member who represents the largest party with an executive role.

(6) The Assembly may not delegate any function to the Audit Committee except as provided by section 94(4).

**93.** - (4) For each financial year after the first financial year of the Assembly, the Auditor General for Wales shall prepare, and submit to the Audit Committee, an estimate of the income and expenses of his office.

(5) Each such estimate shall be submitted to the Audit Committee at least five months before the beginning of the financial year to which it relates.

(6) The Audit committee shall examine each such estimate submitted to it and, after having done so, shall lay the estimate before the Assembly with any such modifications as the Committee thinks fit.

(7) Where the Audit Committee proposes to lay such an estimate before the Assembly with modifications, the Committee shall first consult the Secretary of State and have regard to any advice which he may give.

**94.** - (1) The Assembly shall appoint an auditor of the accounts of the Auditor General for Wales.

(4) The Assembly may delegate to the Audit Committee the function of approving bodies of accountants, or of withdrawing approval from such bodies, but may not otherwise delegate those functions.

**96.** - (3) The Auditor General for Wales may -

a. examine, certify or report on a person's accounts, or

- b. carry out examinations into the economy, efficiency and effectiveness with which a person has used his resources in discharging his functions,

if provision is made for the Auditor General for Wales to do so by an agreement entered into by the person with either the Assembly or a Minister of the Crown.

(4) In determining how to exercise his functions under paragraph (b) of subsection (3), the Auditor General for Wales shall take into account the views of the Audit Committee (or, before the first ordinary election, the views of the Secretary of State) as to the examinations which he should carry out under that paragraph.

**100.** - (1) The Auditor General for Wales may carry out examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions.

(2) Subsection (1) shall not be construed as entitling the Auditor General for Wales to question the merits of the policy objectives of the Assembly.

(3) In determining how to exercise his functions under this section, the Auditor General for Wales shall take into account the views of the Audit committee as to the examinations which he should carry out under this section.

(4) The Auditor General for Wales may lay before the Assembly a report of the results of any examination carried out by him under this section.

**102.** - (1) The Audit Committee may consider, and lay before the Assembly a report on, any accounts, statement of accounts or report laid before the Assembly by -

- a. the Auditor General for Wales, or
- b. the auditor appointed under section 94.

(2) If requested to do so by the House of Commons Committee of Public Accounts, the Audit Committee may -

(a) on behalf of the Committee of Public Accounts take evidence from the Assembly's principal accounting officer or any additional accounting officer designated under section 98, and

(b) report to the Committee of Public Accounts and transmit to that Committee any evidence so taken.

**103.** - (1) A document to which this subsection applies shall be published by the Assembly as soon after being laid before it as is reasonably practicable.

(2) The documents to which subsection (1) applies are -

(a) any accounts, statement of accounts or report laid before the Assembly by the Auditor General for Wales,

(b) any accounts or report laid before the Assembly by the auditor appointed under section 94, and

(c) any estimate or report laid before the Assembly under 93(6) or 102(1) by the Audit Committee.

## **ANNEX B**

### **STANDING ORDER 12 - AUDIT COMMITTEE**

#### **Membership**

12.1 The Audit Committee shall consist of at least 7 and not more than 11 Members and be chaired by a member of a political group which is not represented in the Assembly Cabinet. A member of the Assembly Cabinet may not be a member of the Audit Committee.

#### **Responsibilities**

12.2 The Committee shall;

(i) exercise the functions set out in section 93(6)-(7) of the Act relating to estimates submitted by the Auditor General for Wales;

(ii) present views to the Auditor General for Wales from time to time on the Auditor General's exercise of his or her powers to undertake examinations into the economy, efficiency and effectiveness of the use of resources;

(iii) exercise any functions relating to the approval of bodies of accountants delegated to it by the Assembly under section 94(4); and

(iv) submit an annual report to the Assembly on the work of the Committee.

12.3 The Committee may:

(i) report to the Assembly in accordance with section 102(1) of the Act on documents put before it by the Auditor General for Wales or that officer's auditor; and

(ii) take evidence and report to the House of Commons Committee of Public Accounts if requested by

that Committee to do so.

12.4 In the performance of its responsibilities under paragraph 12.3(i) the Committee shall not question the merits of the policy objectives of the Assembly, or those of any other body or person which is the subject of the Committee's report.

12.5 Whenever the Committee submits a report to the Assembly under paragraph 12.3(i), it shall send a copy to the First Secretary. Within one month of the First Secretary receiving the report an Assembly Secretary shall, on behalf of the Assembly Cabinet, lay before the Assembly a response to the Committee's report; and if that response is of an interim character, the Assembly Secretary shall lay a final response before the Assembly within a further two months.

## **Meetings**

12.6 The Committee shall determine its programme of work, in consultation with the Auditor General for Wales. The Auditor General may attend private meetings of the Committee, with the permission of or at the request of the chair.

12.7 No member of the Committee shall participate in its consideration of any issue arising in a field in which he or she is, or was at the relevant time, a member of the relevant subject committee. If the chair is so disqualified from participating in the Committee's consideration of any matter, the Committee shall elect another member to chair it when that matter is being considered. The Committee may not elect as its temporary chair a member of a political group which is represented in the Assembly Cabinet. Where a member of the Committee is so disqualified, the appropriate political group may nominate for temporary membership of the Committee another member of the group who is not, or was not at the relevant time, a member of the relevant subject committee and whose name has been notified in advance to the chair. The nominated representative shall not be a member of the Assembly Cabinet. No member may represent more than one committee member at a meeting.

## **Summoning of Witnesses and Production of Documents**

12.8 In the course of preparing any reports, the Committee shall take evidence as necessary from the Assembly's Principal Accounting Officer or from other Accounting Officers with responsibilities relevant to the matters under consideration.

12.9 In accordance with section 74 of the Act, the Committee may resolve to summon witnesses or require the production of documents. Any such motion shall identify the persons who are to be summoned or the documents which are to be produced.

12.10 When the Committee has resolved to summon witnesses or order the production of documents, the chair shall notify the Presiding Officer of the terms of the resolution, and request the Presiding Officer to give notice in writing to any relevant persons. Such a notice shall contain the information specified in



section 74(6) of the Act, and comply with the requirements of section 74(7).

12.11 A person who has been summoned to attend the Audit Committee may be required to take an oath (or make an affirmation). In the absence of any of the officers specified in section 75(1)(a) of the Act, or if the chair is disqualified from participating in the Committee's consideration of the matter under paragraph 12.7, the temporary chair of the Committee may administer the oath (or affirmation).

12.12 Where an oath is to be sworn or an affirmation made under paragraph 12.11, it shall be in the form set out in paragraph 9.17.

## **ANNEX C**

### **MEMBERSHIP OF AUDIT COMMITTEE**

The membership of the Committee as elected on 23 June 1999 was:

Janet Davies (Chair) Plaid Cymru South Wales West

Peter Black Liberal Democrat South Wales West

Alun Cairns Conservative South Wales West

Christine Chapman Labour Cynon Valley

Geraint Davies Plaid Cymru Rhondda

Brian Gibbons Labour Aberavon

Alison Halford Labour Delyn

Alun Pugh Labour Clwyd West

Dafydd Wigley Plaid Cymru Caernarfon

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Lorraine Barrett Labour Cardiff South and Penarth

Jane Davidson Labour Pontypridd

replaced Christine Chapman and Alun Pugh on 5 April 2000.

## **ANNEX D**

### **AUDIT COMMITTEE REPORTS, MARCH TO OCTOBER 2000**

<b>Report number</b>	<b>Title</b>	<b>Issue date</b>
00-01	Protecting and Conserving the Built Heritage in Wales	10 March 2000
00-02	Irregular payment made to a former Assistant Director at the National Museum of Wales	12 May 2000
00-03	Further Education in Wales	9 June 2000
00-04	NHS (Wales) Summarised Accounts 1998-99	13 July 2000
00-05	General Report of the Auditor General for Wales: Financial Audit of 1998-99 Accounts	23 August 2000

## **ANNEX E**

### **RECOMMENDATIONS OF AUDIT COMMITTEE REPORTS PUBLISHED DURING 1999/2000**

#### **Financial Audit reports**

#### **REPORT 00-02 - IRREGULAR PAYMENT MADE TO A FORMER ASSISTANT DIRECTOR OF THE NATIONAL MUSEUM OF WALES**

##### **To the National Assembly for Wales**

- i. The requirement that written approval be obtained for novel and contentious transactions should be made clear in the Financial Memoranda for all Assembly Sponsored Public Bodies.
- ii. Assembly officials should complete the review of Management Statements and Financial Memoranda of all its sponsored public bodies as quickly as possible. Every effort should be made by sponsor departments within the Assembly to ensure that these documents are kept up to date, clear and unambiguous in future.
- iii. The Assembly Compliance Officer should review the adequacy and timing of the induction and other training offered to Accounting Officers. In particular, consideration should be made of the benefits that might be derived from running regular update courses, perhaps of a practical nature and involving case studies.
- iv. Assembly officials should issue a strong reminder to all Assembly Sponsored Public Bodies that they must operate sound employment practices, including watertight disciplinary procedures, and that these should be adhered to in all respects.

## **To the National Museums and Galleries of Wales**

- v. The Museum should consider carefully whether there are grounds for legal action against its solicitors, in respect of their apparent ignorance of the compliance and regulatory framework within which their client operates.

(vi) The Museum should complete the review of its disciplinary procedures as a matter of urgency.

## **Of general application to the wider Welsh public sector**

(vii) Public monies should not be used to terminate the employment of a member of staff as a substitute for disciplinary action in cases where such action would be more appropriate.

- viii. Public sector bodies should not resort to the use of sick leave in cases where suspension, as a prelude to a thorough investigation of allegations, would be the proper course of action.

(ix) All bodies should consider how best to address the cultural stigma currently attached to the term 'suspension', so that it may be more properly viewed as a neutral act, implying neither guilt nor innocence.

(x) Where formal departure agreements commit an organisation to providing a written reference for the individual concerned, the writer should give careful consideration to its wording to ensure that it cannot be misconstrued by future prospective employers or give rise to the risk of litigation. Such departure agreements should not contain confidentiality clauses.

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## **REPORT 00-04 - REPORT ON NHS (WALES) SUMMARISED ACCOUNTS 1998/99**

### **On the overall financial health of the NHS in Wales**

- i. We encourage the NHS Directorate to work more closely with health bodies across Wales, providing genuine strategic management and leadership for the service;
- ii. We look to the NHS Directorate to take action to ensure that NHS trusts are able to achieve the forecast savings available from the reconfiguration of NHS trusts in Wales, and note our intention to review closely the success of this programme in due course;
- iii. We urge the NHS Directorate to take appropriate action to ensure that all NHS bodies comply with the CBI Supplier Payment Code of Practice, acting in accordance with Government policy

in this regard;

### **On the financial health of the five Welsh health authority areas**

- iv. In the event of NHS trusts requiring additional financial assistance from the Assembly in the future, we recommend that the NHS Directorate channel that support directly to the trusts concerned;
- v. In respect of the Carmarthenshire NHS Trust, and its current financial difficulties, we urge that the NHS Directorate work closely with both the trust and Dyfed Powys Health Authority to rectify urgently any failings in their Recovery Plan particularly in regard to the level of realism in the Plan and to ensure protection of patients' services.
- vi. The existing resource allocation mechanism has outlived its usefulness and does not adequately address the various and differing cost pressures that affect NHS bodies across Wales. We therefore urge the NHS Directorate, in close consultation with the Health and Social Services Committee, to act speedily on the results of the ongoing review of the funding formula and to put in place a system that accommodates such factors and provides for fair and equitable annual financial settlements;

### **On clinical negligence**

- vii. As regards the management of clinical negligence by the NHS in Wales, we strongly recommend that the NHS Directorate take action to identify and disseminate examples of best practice in financial management across NHS Wales;
- viii. Greater transparency in the disclosure of medical details to a complainant should become the standard. We encourage the NHS Directorate to address this issue in part through changes in the education and training of medical staff and to take a leadership role in developing a culture of openness and good communication;

### **On fraud**

- ix. The total cost of fraud in the NHS in Wales is not known, and significant improvements are needed in the detection and prevention of fraud. We urge the NHS Directorate to tackle this problem as a matter of urgency, and in particular to consider the potential use of "spend to save" incentives which would allow any savings generated to be released directly for patient care;
- x. The main focus in tackling fraud to date has been in the primary care sector. We encourage the NHS Directorate to address the risks of fraud within the secondary care sector as well, taking due account of the relative inherent risks of fraud arising;

### **On the cost of primary care drugs**

- xi. We recognise that the NHS is taking steps to control the increasing cost of primary care drugs. The Task and Finish Group is investigating this area, and we strongly recommend that the

- Group's findings are reviewed as a matter of priority and, where appropriate, implemented by the NHS Directorate at the earliest opportunity;
- xii. Other options are also available to tackle the rising costs of primary care drugs, and we urge the NHS Directorate to develop a coherent strategy, including the consideration of issues such as the greater use of generic drugs, joint formula re-developments, prescribing incentive schemes and the incidence of repeat prescribing.

## **REPORT 00-05 - GENERAL REPORT OF THE AUDITOR GENERAL FOR WALES: FINANCIAL AUDIT OF 1998-99 ACCOUNTS**

- i. We expect Assembly staff to take the necessary corrective action to ensure that the Welsh health authorities are consolidated successfully into the Assembly's 2000-2001 accounts;
- ii. We look to the Assembly's Finance staff to ensure that the Permanent Secretary's confidence in the robustness of the 1999-2000 resource accounts is not misplaced;
- iii. We expect the Assembly to be a role model for its sponsored bodies in the adoption of best practice in information systems procurement;
- iv. We look to the project team tasked with implementing the new accounting system to provide accurate timely progress reports to senior management, so that appropriate corrective action can be taken at the earliest opportunity, if needed;
- v. We urge all parties in the ongoing prescription pricing negotiations rapidly to reach a settlement that is regular, fair and equitable both to pharmacists and the taxpayer; and
- vi. We recommend that issues of corporate governance are given due prominence in the Assembly's Annual Report, and we urge the Permanent Secretary to consider providing Assembly Members with an annual summary of the work of his Corporate Governance committee.

### **Value for Money reports**

## **REPORT 00-01 - PROTECTING AND CONSERVING THE BUILT HERITAGE OF WALES**

- I. The aim to schedule most known monuments in five to seven years should become a specific target for Cadw against which its progress should be reported annually.
- II. Compiling a buildings at risk register for Wales should be given a high priority.
- III. Cadw should as quickly as possible secure its right to clawback grant on any disposal of property on which a maintenance grant has been paid. In doing this Cadw should explore as a matter of urgency the options open to it for securing stronger legal protection of its interests in these properties.
- IV. Cadw should seek to negotiate more appropriate arrangements with the National Trust for helping to fund Chirk Castle. We believe that these should include, for example, member credits being logged against the maintenance deficit.
- V. In the future, any grant applications for Chirk Castle should be subject to a detailed financial appraisal to determine whether the level of resources available to the National Trust at the property, including the accumulated revenue reserve, warrant additional financial support of this

nature.

- VI. Cadw should link funding for Chirk Castle with the funds allocated to grants to other National Trust properties in Wales to avoid adverse impacts on other owners of historic properties.

## **REPORT 00-03 - FURTHER EDUCATION IN WALES**

- I. We welcome the increase in funding in real terms which the sector is receiving but emphasise that institutions need to keep tight control over finances and use the additional funding wisely to provide extra relevant courses or to increase the numbers of students in further education. In particular, we look to colleges to increase their provision of Welsh and bilingual courses.
- II. All institutions should have a detailed human resource strategy and should ensure that staff costs do not rise faster than the increase in students and growth in Funding Council grants. The Funding Council should provide detailed guidance on what a human resource strategy should cover and should formally assess the human resource strategies of all institutions on an annual basis.
- III. The Funding Council should provide further guidance on how institutions should utilise European funding with a view to protecting core activities should such funding reduce in future years.
- IV. The Funding Council should require all institutions to have their five-year forecasts and mid-year returns externally certified.
- V. The Funding Council should make it a priority to work with institutions to overcome the current problems with producing benchmarking data to ensure that the sector receives timely and accurate data against which to review their own performance.
- VI. The Funding Council should give priority to issuing the revised guide for governors and to developing training packages for governors.
- VII. We consider that formal and regular appraisal of the Principal is a vital requirement for all institutions.
- VIII. The Committee would like to receive a report, within six months after our report is published, on the Funding Council's review of how well the sector has implemented the National Audit Office's recommendations on improving governance and management. This review should include all 28 institutions in the sector.
- IX. All institutions should ensure that their Governing Bodies contain the necessary skills, reflect the make up of the local community and provide a gender balance.
- X. The eight institutions who are not producing acceptable strategic plans should work with the Funding Council to improve their planning arrangements and should adopt the good practices used by Carmarthenshire College of Technology and Art.
- XI. We recommend that the Funding Council should work with institutions to improve their budgeting, particularly on the profiling of budgets.
- XII. All institutions should adopt the recommendations made by the National Audit Office to improve their procurement of goods and services and seek to achieve financial savings in those areas.
- XIII. All institutions should have either a purchasing officer or a senior manager with designated responsibility for procurement.
- XIV. The Auditor General for Wales should provide a further report for the Committee, 12 months

after this report is published, on the sector's programme for improvements to procurement and the savings achieved and in prospect.

- XV. Assuming it is a success, the remaining institutions should join the proposed purchasing consortium as soon as possible.
- XVI. The Funding Council should require all institutions to review all the services they use and subject them to market testing wherever possible.
- XVII. As part of the Auditor General's further report, we would also welcome information on how many institutions have market tested key services and the savings that this has generated.
- XVIII. All institutions should introduce an energy management strategy – drawing upon good practice from the institutions which already have strategies – and should extend these as appropriate to all the utilities.