

Audit Committee Annual Report to Plenary 2006-07

1. This is the fourth annual report on the work of the Audit Committee of the Second Assembly¹, as required by Standing Order 13.1(vi). It summarises the Committee's activities between June 2006 and May 2007.
2. The Audit Committee's purpose was to ensure that the National Assembly for Wales and other public bodies operate to the highest possible standards in the management of their financial affairs. The Audit Committee of the new Assembly² has similar functions in relation to the Welsh Assembly Government, National Assembly Commission and other public bodies in Wales. Then, as now, it provided an assurance to the people of Wales that public money is being spent wisely, a deterrent against waste and guidance to the Welsh public sector to improve its work.
3. The Committee operated on non-party political lines to give an impartial view on the implementation of policy, and to consider the work of the Auditor General for Wales. Details of the Committee's membership and further details of its role and responsibilities are set out in Annex 1.

Summary of the Committee's work

Audit Committee reports and related scrutiny work

4. During the reporting year, the Committee examined subjects from across the full spectrum of the Welsh public sector. These have ranged from the issue of whether the NHS in Wales was managing within its available resources to that of public access to the countryside. It has held eight meetings, including 11 evidence sessions, questioning a total of 35 witnesses. Its evidence taking on ambulance services in Wales extended over two sessions on the last sitting day of the Assembly term in 2006. Following its examinations, the Committee has published 14 reports (see Annex 2), which, together, have included a total of 98 recommendations for the improvement of public spending and service delivery.
5. Also in relation to this work, the Committee considered 13 separate responses from the Welsh Assembly Government on its reports. These responses covered a total of 81 recommendations. During the year the Committee also received update reports informing it of the Welsh Assembly Government's progress in implementing recommendations of previous reports.

¹ The Assembly established under the Government of Wales Act 1998

² The Assembly established under the Government of Wales Act 2006

Having an impact

6. One aim of the Audit Committee is to have a positive, beneficial impact on the delivery of public services. The memorandum from the Auditor General, *Impact of value for money work over the past year and proposals for examinations in 2007-08 and beyond*, which we considered in October 2006, confirmed that we are continuing to achieve this aim. As well as contributing to estimated financial savings of £117 million since devolution, and identifying the scope for a further £36 million of savings, our work has helped secure wider improvements in public services that can not be readily quantified in financial terms.
7. The Auditor General's memorandum highlighted the benefits that his new powers under the Public Audit (Wales) Act 2004 provide in terms of his ability to examine expenditure and delivery across whole systems in the Welsh public service. This enhanced level of reporting has, in turn, provided the Committee with the opportunity to consider in greater detail the role of local public sector bodies in delivering Welsh Assembly Government policy objectives – something that has featured clearly in our reports *Public Access to the Countryside*, *The National Homelessness Strategy*, and *Adult Mental Health Services in Wales – A Baseline Review of Service Provision*. The Committee has also had the opportunity to consider in greater detail the financial health of the NHS, drawing on the fact that the Auditor General is now also responsible for the annual audit of individual NHS bodies.
8. Our most high profile work during 2006-07 has undoubtedly been our review, *Ambulance Services in Wales*, which provided another example of the usefulness of co-operation and scrutiny by committees with different specialisations. The Assembly's Health and Social Services Committee undertook further scrutiny of this topic in January 2007 and took additional evidence from Healthcare Inspectorate Wales following publication of its *Special Assurance Review* of the Welsh Ambulance Services NHS Trust.
9. We concluded that failings of basic management within the Trust, and within its wider operating environment, had resulted in the unacceptably poor service that the Trust was offering the people of Wales. However, we were able to reflect optimistically on the Trust's prospects for improvement provided that key challenges, notably the successful delivery of its new modernisation plan, can be overcome. The Trust has already shared publicly some good news in respect of its performance against Assembly Government targets for emergency response times but it remains to be seen whether this improvement can be sustained over the longer term.
10. We have been pleased to have had the opportunity to take evidence following up four of our previous reports. This is an important part of the Committee's work and helps to give assurance that the recommendations we make are being adequately addressed and are having a positive impact.

11. Our *NHS Waiting Times: Follow-up Report* acknowledged the considerable progress that has been made in addressing long waits for planned NHS treatment in Wales. Although regional variations in waiting times remain a cause for concern, we reported that waits of 12 months or more had been almost eliminated by March 2006 for patients awaiting a first outpatient appointment or treatment as an inpatient/day case. This improvement followed the introduction by the Assembly Government of a clear strategic framework for reducing waiting times and tackling their underlying causes, in response to the Committee's recommendations. Nevertheless, sustaining ongoing reductions in waiting times will require careful management of known risks, some of which we reflect on later in this report. We made five further recommendations designed to help the Assembly Government manage these risks, all of which it accepted.
12. We also reported on *Progress in the Further Education Sector: Estates Management and Procurement*. On procurement, we were encouraged by the improvements in procurement practices identified by the Assembly Government's Provider Audit and Governance Service. We were also told that the Welsh Further Education Purchasing Consortium had achieved savings of £900,000 in 2004-05 (16 per cent of the value of the contracts it was managing). Information on the level of savings achieved across the sector from improved procurement practices was not available, and the Assembly Government accepted our recommendation that it should require institutions to report regularly on these savings.
13. On estates management, we focused on the need to comply with disability legislation. We were pleased to hear that, as a result of work already undertaken, the equivalent costs for institutions to be fully compliant with relevant disability legislation had fallen from £20.7 million (as reported in the Committee's 2003 report, *Management of the Further Education estate in Wales*) to £8.1 million. However, taking account of inflation, fees and VAT, the total cost to institutions is estimated at £12.7 million – a substantial sum. Since the base data on the extent to which the further education estate is compliant with disability legislation dates from 2001, we recommended that the Assembly Government commissions a new disability access audit to inform its decisions on the allocation of funds to the sector to assist with compliance.
14. We also took evidence on the Auditor General's, *Follow-Up Report on Collections Management at Amgueddfa Cymru – National Museum Wales*. We found that the Museum had made progress in implementing some of the Committee's recommendations in its previous report from 2004, *Collections Management at the National Museum and Galleries of Wales*, but there were still a number of areas in which the Museum needs to improve performance. The actions taken by the Museum include the adoption of a new corporate vision, in April 2006, which provides the Museum with a strategic framework for all its activities. The Museum is also implementing a Collections Care and Access Project,

which is substantially increasing the amount and quality of storage space across the Museum's estate. Key areas where the Museum has recognised that further work is needed include:

- rolling out its assessment of whether items should be disposed of;
- establishing a more systematic, risk-based verification system; and
- completing the process of computerisation of records, although some good progress has already been made since our earlier report.

Major Themes of our Scrutiny Work

15. The impact of the Committee's main scrutiny work during the past year has been manifest in four major themes that have run through much of our work. These themes reflect issues at the heart of the Assembly Government's *Making the Connections* policy agenda:
 - Working together as the Welsh public service;
 - Making better use of resources (improving financial and performance management);
 - Putting the citizen at the centre; and
 - Engaging and developing the public sector workforce.

Working together as the Welsh public service

16. Our work over the past year has continued to highlight ways in which public bodies need to work together more closely to improve service delivery. However, we have also been pleased to report on examples of effective partnership working which has delivered better results.
17. In our report on *Public Access to the Countryside* we concluded that effective joint working by the various public sector partners across the delivery chain, primarily the Assembly Government, the Countryside Council for Wales and local access authorities (the 22 local authorities and three National Park authorities), had been central to the successful implementation of Part One of the Countryside and Rights of Way Act (2000) in Wales.
18. Our report on the Assembly Government's *National Homelessness Strategy* also welcomed the priority placed upon partnership working within that strategy. The Assembly Government has established a national working group to support delivery of the strategy, including representation from local authorities and independent organisations. We also learnt that most local authorities had now established their own homelessness forums, although there is scope to further improve the effectiveness of these groups by engaging them in a wider range of activity, such as in evaluating particular projects.

19. Effective partnership working is, of course, not always about different organisations working together. Often within large public sector organisations there is the risk that different parts of the organisation do not recognise the ways in which their activities inter-relate and work together to deliver solutions. Homelessness is one such example and we recognised that the Assembly Government had made some good progress in embedding the key principles of its homelessness strategy into other strategic frameworks, such as those for substance misuse, young people and health. However, we found that joined up working at an operational level between Assembly Government officials was not yet comprehensive, with some officials unclear about the relationship between their work and the homelessness strategy.
20. Closely related to the problem of homelessness, effective mental health care is another area dependent on strong joint working arrangements at strategic and operational levels. In our report *Adult Mental Health Services in Wales* we found that, despite being one of the Assembly Government's key strategic health priorities, mental health did not feature prominently in the 22 Health, Social Care and Well Being strategies that had been prepared across Wales. The net result is that multi-agency visions for future mental health services had yet to be developed in many parts of Wales. Looking at operations, as distinct from planning, we were disappointed to report that very few Community Mental Health Teams had fully integrated management arrangements across health and social care. However, we took some encouragement from the positive example set by agencies in Conwy and Denbighshire, which demonstrates that real progress can be made where there is a strong commitment to work together.
21. Delivering shared strategic and operational objectives is an overt way in which public bodies can demonstrate that they are working together. However, it is also important that they work together to learn the lessons from their own experience, good or bad. Consequently, many of our reports have included recommendations designed to encourage the identification and wider promotion of good practice, ranging from activities designed to raise staff awareness of energy issues in an effort to reduce public sector energy consumption (*NHS Energy Management in Wales*) to efforts to raise standards in work-based learning provision (*Work-Based Learning*). In our report on *Ambulance Services in Wales*, we recommended that the Assembly Government disseminate, as part of its wider review of governance in the NHS, the lessons learned from the failures of governance, performance and financial management in the Welsh Ambulance Services NHS Trust.
22. We welcome the Auditor General's own commitment to identify, evaluate and help public services introduce good practice, as one of the five strategic themes for the Wales Audit Office's work over the next three years. However, we also look to the wider public sector to be more open to sharing and learning the lessons from each others' experiences.

Making better use of resources (improving financial and performance management)

23. We have continued to highlight the importance of making better use of available financial and human resources by improving the general management disciplines of financial and performance management. Our report *Financial Audit of Central Government and NHS Bodies in Wales: 2006* highlighted a number of welcome improvements in financial control and good progress on issues such as the faster closing of accounts. We are pleased to note that our continued interest in the annual accounts preparation process of the Assembly Government and its sponsored bodies has led to more structured processes, including the establishment of a Resource Accounting Project Board, and a greater recognition of the importance of management review of accounts before they are submitted for audit. We also appreciate that, responding to the Committee's concerns about grant expenditure over several years, the Assembly Government has recognised the need to tighten its controls in this area and has committed itself to delivering additional staff training, in conjunction with the Wales Audit Office, as well as establishing an internal Community of Practice to exchange ideas and disseminate good practice and guidance.
24. In the same report we were pleased to note that advances were being made across central government and NHS in procurement and that Value Wales was continuing to have a beneficial financial impact on the costs of procurement across the public sector. However, it remains important that quality, as well as cost, be a key factor in purchasing decisions to help achieve overall value for money. In our report on *Ambulance Services*, we expressed our shock at the series of procurement failures that had taken place within the Welsh Ambulance Services NHS Trust, demonstrating the need to strengthen internal and external governance arrangements. Examples included the procurement of new ambulances that were not fit for purpose and improper actions such as one of the previous Trust Chief Executives directly approaching a single supplier of chest compression devices, rather than inviting tenders from several potential suppliers. Elsewhere, our report on *Work Based Learning* recommended strengthening future procurement and contract management arrangements with training providers to secure improved safeguards over both the use of public funds and the quality of training provision offered.
25. Over the longer term, we believe that the greatest potential for savings lies in an increased engagement by the public sector in collaborative procurement exercises. We were pleased to report in our report on *NHS Energy Management* that centralised procurement of energy supplies through Welsh Health Supplies had, although having a limited impact in terms of price through economies of scale, delivered benefits in terms of providing a level of expertise in what is a specialist and high risk area which individual organisations would have been unlikely to be able to sustain. We welcomed the fact that Value Wales was committed to

assessing the scope to further pool expertise and resources to inform the wider public sector energy procurement strategy across Wales.

26. A number of our reports have also drawn attention to the risks that can arise because of a focus on short-term financial planning. *Is The NHS Managing Within Its Available Financial Resources?* stressed the need for the NHS to address the financial challenges and pressures currently being faced in a sustainable way while also continuing to deliver the improvements in performance in waiting times required by 2009. Strategic Change and Efficiency Plans (SCEPs) had been introduced in some parts of Wales over the medium term to allow bodies to return to financial balance on an annual basis initially and then to repay some £55 million of the £83 million loan support they had previously received. However, we took little confidence from the fact that where such SCEPs had been in place previously, they had not achieved their objectives.
27. The general financial health of the NHS is one of a number of areas where we have highlighted the need for the Assembly Government to strengthen its own performance management role over the service. We recommended that, given the challenging financial position, the Assembly Government should consider whether it remained appropriate for the financial performance of local NHS bodies to be measured on a principally annual basis. Within the framework of the requirements of HM Treasury reporting, the Department for Health and Social Services has now initiated a review of the financial management regime to ensure that it best supports the financial management and financial strategy needs of NHS Wales.
28. Our reports on *The National Homelessness Strategy* and the *Administration of Grants for Education Support and Training (GEST)* and the *Better Schools Fund* both highlighted the scope to introduce longer term funding arrangements. In *Homelessness*, amid concern such projects had to cease once their short term funding came to an end, we recommended that the Assembly Government work with its various partners to ensure sustainable funding of projects that represent good practice. This is one area where improved evaluation of initiatives may help support the case for continued funding. On the *Better Schools Fund* we recommended that the Assembly Government should, in consultation with Local Education Authorities, move to a three year cycle for planning, funding and managing the Fund. We saw benefits in such an approach in terms of providing greater certainty in planning, reducing the administrative burden of the existing annual planning cycle, and providing a firmer foundation for evaluating the impact of activities funded by the programme.
29. One of the basic requirements of effective financial and performance management is to have available robust and meaningful data. In our report on the National Homelessness Strategy we noted that the headline statistics collated by the Assembly Government do not tell the full story of homelessness in Wales. Not all homeless people present themselves to local authorities as homeless, meaning they are not

included in the statistics and are not getting the support they may be entitled to. Moreover, we were concerned that some homeless people may be left out of the official figures because local authorities may be 'gate-keeping': adopting too narrow an interpretation of legislation and guidance, thereby preventing access to services and housing and artificially deflating homelessness figures. We also identified scope for the Assembly Government to improve the evaluation of progress in delivering the *Homelessness Strategy* and to develop a broader range of outcome focused performance measures.

30. In health, our report on *Making Better Use of NHS Day Surgery in Wales* pointed to a lack of clarity in how day surgery is defined, resulting in inconsistencies in its measurement by individual NHS trusts. We proposed that the Assembly Government should define separately cases where patients are admitted and discharged on the same calendar day and cases where the period of admission is less than 24 hours but spans two calendar days. Data quality was also a feature of our report on *NHS Waiting Times*. We welcomed the introduction of new data definitions to measure performance across the whole of the patient pathway. However, we were concerned that these new definitions, and the greater emphasis on waiting time targets, increased the risk of inappropriate data manipulation, although the Assembly Government has made a welcome commitment to the ongoing validation of waiting list data.

Putting the citizen at the centre

31. Putting the citizen at the centre implies getting people and communities directly involved in the way in which public services are designed and delivered and ensuring that these are responsive to their needs and accessible, whatever people's individual circumstances. This theme was common to our NHS reports on *Day Surgery*, *Waiting Times*, *Ambulance Services* and *Adult Mental Health Services*.
32. We recognised that patients are often understandably wary about undergoing day surgery without staying in hospital overnight. We recommended that trusts should provide patients with timely and accurate information on the relative risks and benefits of day surgery to them to enable them to make an informed choice to undergo day surgery when clinically appropriate. This in turn may help to address the problem of the high proportion of day surgery patients – almost a quarter – who either did not attend surgery or cancelled at short notice, contributing to low levels of theatre utilisation in day surgery units. We had already raised concerns about high rates of cancellations in our *NHS Waiting Times: Follow Up Report*, recommending that the Assembly Government should conduct a comprehensive review of the reasons why patients cancel appointments and develop preventive measures accordingly.

33. Our optimism regarding the prospects for improvement in our report on *Ambulance Services* was partly based on the opportunities presented by the Assembly Government's *Delivering Emergency Care Services (DECS)* strategy. We noted that the Welsh Ambulance Service NHS Trust had, in the past, been slow to develop new models of service. But the DECS strategy provides an opportunity, supporting the Trust's own modernisation plans, to develop new models of service looking beyond the ambulance service to the whole of the unscheduled care system. At the heart of the DECS strategy is the objective of bringing together NHS Direct, out-of-hours services and other unscheduled care services to work in a more cohesive way and reduce the confusion that patients may experience about whom to call in a crisis. This action should help to address the problem that many patients end up in accident and emergency departments when they do not really need to be there.
34. However, delivering significant changes in NHS service models can inevitably give rise to public concerns. In the case of the ambulance service, we recognised that the closure of ambulance stations is always controversial and a shift from double crewed ambulances to paramedics in the community is likely to challenge public expectations about the nature and quality of ambulance services. Consequently, we emphasised the need for the Trust to engage effectively with the public and wider stakeholders, including Assembly Members, to explain the rationale for new service models.
35. The need for modernisation and redesign of models of health and social care based on a whole systems approach also featured in our report *Adult Mental Health Services*. We emphasised the need to develop services which have a greater focus on the prevention and early detection of mental health problems. We also found that, despite some encouraging progress, there are still significant variations in the extent to which community based mental health services that provide alternatives to hospital admission, including supported housing and crisis resolution teams, are available across Wales. Similarly, we were not assured that users and carers are as fully engaged in the planning and design of mental health services as they should be in all areas of Wales, despite this being a requirement recognised in the National Service Framework for adult mental health services.
36. Looking beyond the NHS, our report on the *National Homelessness Strategy* welcomed the steps that the Assembly Government was putting in place to support efforts to involve homeless people in the design of services. These measures included:
 - Commissioning and publishing research on good practice in consulting homeless people;
 - Developing a toolkit, including a CD-Rom, for involving service users in planning;
 - Making specific recommendations to local authorities based on a review of homelessness strategies; and

- Working with the Local Government Data Unit to develop a set of model questions for service users as part of future guidance to be issued to local authorities.
37. Finally, our report on *Public Access to the Countryside* emphasised the need to do more to help people to access the countryside, particularly those groups at risk of social exclusion, such as people with disabilities, members of black and minority ethnic communities and residents of Communities First areas. We recognised that this is a challenging issue but were concerned that the countryside should not be regarded as the realm of the middle class. There are a number of examples of initiatives aimed at addressing this issue, including participation by the Brecon Beacons National Park Authority in the UK-wide Mosaic project that aims to encourage black and minority ethnic people to visit national parks. But there is scope to do more, and we recommended that the Assembly Government, the Countryside Council for Wales and local access authorities, in consultation with organisations representing disadvantaged groups, should:
- identify the most appropriate communication channels through which to target disadvantaged groups;
 - identify and tackle the barriers to using the countryside that they particularly face; and
 - identify and disseminate good practice that results in increased countryside access among these groups.

Engaging and developing the public sector workforce

38. Ultimately, achieving change and improvement in our public services depends upon the skill and commitment of the staff responsible for the managing and delivering these services. This issue was clearly demonstrated in our report, *Ambulance Services in Wales*, which highlighted a lack of management and leadership capacity over several years as one of the main reasons for the difficulties experienced by the Welsh Ambulance Services NHS Trust. This problem had manifested itself in poor people management, cultural problems and a longstanding failure to translate strategies into action. We found these shortcomings completely unacceptable and hope that such a situation will not be allowed to repeat itself elsewhere in the Welsh public service. Furthermore, failure to address these problems will make it impossible to deliver the Trust's new modernisation plan. In response we recommended that the Trust needed to develop a long-term management development programme to address these deep-rooted issues at all levels, with a particular focus on immediate line managers.
39. Also in the NHS, our reports *Day Surgery*, *Waiting Times* and *Adult Mental Health Services* have together highlighted two other important workforce development issues:

- **Clinical engagement** – we reported that clinicians’ attitudes and practices, and the general management of their performance, was critical to improving rates of day surgery, with some clinicians still not acting as great advocates of day surgery. We recommended that trusts should use the new consultant appraisal system to increase the focus on individual clinicians’ day surgery performance and, using the opportunities provided under the new consultant contract, encourage clinicians to undertake training to support them in expanding the range of cases they can safely conduct as day surgery. This issue with day surgery reflects the wider importance of clinical engagement in addressing NHS waiting times and we recommended again that the Assembly Government should work with NHS organisations to agree local performance targets and indicators, rather than impose them centrally, so that they are agreed and owned by clinicians.
 - **Commissioning skills** – we highlighted the problems caused by the lack of staff with specialist skills in commissioning mental health services for their local populations. This is not a problem unique to Wales, but we were disappointed that Local Health Boards had not been working in partnership to develop more ‘collegiate’ commissioning arrangements. Similarly, we found that the commissioning of secondary care services across Wales was not yet sufficiently mature to be an effective driver of high rates of day surgery. This was due again to a deficit of appropriate commissioning skills among Local Health Board staff. In both cases, we expressed our hope that plans to deliver commissioning on a regional basis might help to resolve these problems.
40. A number of our reports raised questions about staff capacity and capability issues within the constituent parts of the National Assembly for Wales. Our report on *Administration of Grants for Education Support and Training (GEST) and the Better Schools Fund* found that the effective assessment of Local Education Authority spending plans was being undertaken inconsistently and, more generally, was hampered by a lack of evaluation experience among the policy leads responsible for assessing these plans. We therefore recommended that the Assembly Government should secure additional training and professional advice on evaluation for its policy leads.
41. In *The Merlin Contract – Enabling the National Assembly to change its business processes through ICT*, we concluded that the Assembly Government needed to develop the skills and capacity of its staff to use the Merlin contract for the provision of information and communication technology services and business change projects to transform its business processes. In particular the process of skills transfer from the Alliance staff (the group of partners servicing the contract) to Assembly Government officials needed to speed up. This would improve the ability of the Assembly Government to act as an ‘intelligent customer’, aware of the potential of ICT to deliver its needs and able to challenge in a robust

way the proposals of the Alliance, thereby delivering better value for money from the Merlin contract.

42. Our previous reports on the management of sickness absence by NHS trusts in Wales and across the Further Education sector have both emphasised the crucial role played by individual managers in the sickness absence management process. In *The Management of Sickness Absence in the National Assembly for Wales*, we were pleased to be able to highlight the substantial reduction in sickness absence rates reported between 2004 and 2006. This reduction demonstrated how clear leadership and commitment from senior management, backed by improved policies and procedures, and more effective delivery of HR and occupational health services, can have a real impact on the problem of sickness absence. We were also pleased to note the emphasis that was being placed on all aspects of the people management responsibilities of individual line managers, backed up by rollout of a new Confident Manager training programme. However, we concluded that there was still work to do to fully embed these responsibilities in the management culture across the organisation.

MEMBERSHIP, ROLES AND RESPONSIBILITIES

Membership

1.1 The Committee's membership in 2006-07 was Janet Davies (Chair), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Mark Isherwood, Irene James, Denise Idris-Jones, Carl Sargeant and Catherine Thomas.

The Role and Responsibilities of the Audit Committee

1.2 The role of the Audit Committee is to ensure that proper and thorough scrutiny is given to the Assembly's expenditure. 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. The responsibilities of the Audit Committee of the First Assembly and Second Assembly are set out in detail in Section 102 of the Government of Wales Act 1998 and in previous Standing Order 12. 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 and to consider reports by the Auditor General on examinations into the economy, efficiency and effectiveness (that is, the value for money) with which the Assembly and other public bodies have used their resources in discharging their functions.

1.3 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.

1.4 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 for Wales' proposed programme of value for money examinations for the next year. The Auditor General for Wales is required to consult the Committee in determining his programme.

The Auditor General for Wales

1.5 Section 102 of the 1998 Act empowered the Audit Committee of the first Assembly and Second Assembly to take evidence and report to the Assembly on the basis of reports laid by the Auditor General for Wales. The Committee therefore has a close working relationship with the Auditor General. 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 ensure that their financial affairs are managed in a regular and proper manner.

The Wales Audit Office

1.6 The Wales Audit Office, headed by the Auditor General for Wales, and established on 1 April 2005 is a unified audit and inspection body for the public sector in Wales and delivers a joined-up audit and inspection regime across a wide range of public services.

1.7 The Audit Committee receives reports from the Auditor General for Wales on all parts of the Welsh public sector with the exception of local government.

1.8 After considering a report from the Auditor General for Wales, the Audit Committee will normally take evidence from the Accounting Officer (that is, the senior officer 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 report on the findings.

1.9 Reports produced by the Audit Committee are laid before the Assembly, and under Standing Order 12.5 of the Second Assembly, the Welsh Assembly Government had to respond to its recommendations within 30 working days.

Annex 2

Audit Committee reports published in 2006-07

Title and reference of report	Date evidence taken	Witnesses	Report publication date
Administration of Grants for Education Support and Training (GEST) and the Better Schools Fund (2) 04-06.	16 February 2006	Richard Davies, Director, Department for Training and Education Keith Davies, Head of Standards and Performance Division, Department for Training and Education	12 July 2006
Adult Mental Health Services in Wales: A Baseline Review of Service Provision (2) 05-06.	12 January 2006	Ann Lloyd, Head of Health and Social Care Department, Welsh Assembly Government Philip Chick, Mental Health Policy Adviser, Welsh Assembly Government	19 July 2006
The Merlin Contract - Enabling the National Assembly to change its business processes through ICT (2) 06-06.	6 April 2006	Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales Michael Harrington, Director for Corporate Information and Services	13 September 2006
NHS Energy Management in Wales (2) 07-06.	16 March 2006	Ann Lloyd, Head of Health and Social Care Department, Welsh Assembly Government Neil Davies, Director, Welsh Health Estates Mark Roscrow, Director, Welsh Health Supplies	4 October 2006

Title and reference of report	Date evidence taken	Witnesses	Report publication date
Progress in the Further Education Sector- Estates Management and Procurement (2) 08-06.	15 June 2006	Steve Marshall, Director, Department of Education, Lifelong Learning and Skills, Welsh Assembly Government Richard Hart, Head of Planning and Funding Division, Lifelong Learning and Skills Group, Welsh Assembly Government Rob Rogers, Head of Standards, Quality and Governance, Lifelong Learning Skills Group, Welsh Assembly Government Arwel Thomas, Head of Executive Services, Director's Office, Welsh Assembly Government	4 October 2006
Work-Based Learning (2) 09-06.	15 June 2006	Steve Marshall, Director, Department of Education, Lifelong Learning and Skills, Welsh Assembly Government Richard Hart, Head of Planning and Funding Division, Lifelong Learning and Skills Group, Welsh Assembly Government Rob Rogers, Head of Standards, Quality and Governance, Lifelong Learning Skills Group, Welsh Assembly Government Arwel Thomas, Head of Executive Services, Director's Office, Welsh Assembly Government	1 November 2006
Is the NHS in Wales managing within its available resources? (2)	4 May 2006	Ann Lloyd, Head of Department of Health and Social Services, Welsh Assembly Government Dr Christine Daws, Director, Department of	15 November 2006

10-06		Health and Social Services Resources Directorate	
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Title and reference of report	Date evidence taken	Witnesses	Report publication date
NHS Waiting Times-Follow-up Report (2) 11-06.	6 July 2006	Ann Lloyd, Head of Department of Health and Social Services, Welsh Assembly Government John Hill-Tout, Joint Director, Directorate of Performance and Operations, Health and Social Services, Welsh Assembly Government.	13 December 2006
Financial Audit of Central Government and NHS bodies in Wales: 2006 (2) 12-06	6 July 2006	Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales Peter Ryland, Chief Accountant, National Assembly for Wales Ann Lloyd, Head of Department of Health and Social Services, Welsh Assembly Government Dr Christine Daws, Director, Department of Health and Social Services Resources Directorate	20 December 2006
The Management of Sickness Absence in the National Assembly for Wales (2) 01-07.	12 October 2006	Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales Bernard Galton, Director of Human Resources Group, National Assembly for Wales Peter Kennedy, Head of HR (Delivery) Division, National Assembly for Wales	17 January 2007

Title and reference of report	Date evidence taken	Witnesses	Report publication date
Ambulance Services in Wales (2) 02-07.	14 December 2006	Alan Murray – Chief executive, Welsh Ambulance Services Trust Philip Selwood – Ambulance Adviser, Welsh Ambulance Services Trust Ann Lloyd – Head of Department of Health and Social Services, Welsh Assembly Government Stuart Marples, Joint Director, Performance and Operations, DHSS Simon Dean - Chief Executive of Health Commission Wales Derek Griffin - Regional Director, North Wales Regional Office.	7 March 2007
Making better use of NHS day surgery in Wales (2) 03-07.	21 September 2006	Ann Lloyd, Head of Department of Health and Social Services, Welsh Assembly Government John Hill-Tout, Joint Director, Directorate of Performance and Operations, Health and Social Services, Welsh Assembly Government. Allison Williams, Chief Executive of Ceredigion and Mid Wales NHS Trust	14 March 2007
Public Access to the Countryside (2) 04-07.	23 November 2006	Gareth Jones – Head of Department of Environment, Planning and Countryside, Welsh	21 March 2007

		Assembly Government Roger Thomas – Chief Executive, Countryside Council for Wales Gerry Quarrell – Head of Countryside Access & Sponsorship, Welsh Assembly Government Angharad Huws - Countryside Access & Sponsorship, Welsh Assembly Government	
The National Homelessness Strategy (2) 05-07.	8 February 2007	Dr Emyr Roberts – Director, Department for Social Justice and Regeneration, Welsh Assembly Government. Linda Whittaker, Director of Housing, Welsh Assembly Government	4 April 2007

Recommendations contained in Audit Committee reports published between June 2006 and May 2007

Administration of Grants for Education Support and Training (GEST) and the Better Schools Fund

1. The resources required to prepare and review spending plans, and the move to a three-year horizon for funding and evaluation, suggest that there may be benefits from managing the programme over a cycle that is longer than one year. **We recommend that the Assembly Government, in consultation with LEAs, moves to a three-year cycle for planning, funding and managing the Better Schools Fund as soon as is practicable.**
2. The timing of Assembly Government grant allocations, particularly when delayed, may be discouraging local development activities during the summer term of each year. **We recommend that the Assembly Government reviews, with LEAs, the extent to which summer development activities have been hampered by the planning cycle, and, if the extent is significant, amend the cycle accordingly.**
3. Slippages against the Assembly Government's planning timetable have caused LEAs difficulties in planning activities, although there have been recent improvements as a result of a more resilient Better Schools Fund team. **We recommend that the Assembly Government, in deploying its resources, takes into account the risks to the effectiveness of the Better Schools Fund that could arise from lack of resilience in the Better Schools Fund team.**
4. Increased participation in consultation meetings with LEAs by relevant Assembly Government policy leads should improve LEA understanding of the policy decisions that result in changes to activities and priorities. **We therefore recommend that the Assembly Government encourages those policy leads that are best placed to explain changes in the programme to attend meetings with LEAs to give such explanations. Such attendance should be set out in an annual published consultation timetable.**
5. The Assembly Government's assessments of LEA spending plans are an important means of ensuring accountability and promoting the effective use of funds, but effective assessment has been hampered by a lack of comprehensive guidance. **We recommend that the Assembly Government draws up appropriate guidance for policy leads. This should include standards for the quality of evidence needed to determine whether the criteria for the assessment of spending plans have been met. The guidance should also set out how policy leads should make best use of Estyn pre-assessments and local evaluation reports.**

6. The effective assessment of LEA spending plans is also hampered by a lack of evaluation experience among policy leads. **We therefore recommend that the Assembly Government secures training and professional advice on evaluation for its policy leads.**

7. Although tracking the impact of the Better Schools Fund on educational outcomes is challenging, better measures of the effect of the programme on standards of teaching could be developed. The Assembly Government could also do more to advise LEAs on the nature and quality of evaluation expected of them. **We recommend that the Assembly Government draws on external expertise, from both LEAs and independent sources, to develop guidance for LEAs on how evaluation should be carried out. It should also make minimum standards of evaluation by LEAs a condition of grant funding.**

Adult Mental Health Services in Wales: A Baseline Review of Service Provision

1. The Auditor General's report, *Adult mental health services in Wales: a baseline review of service provision*, represents a comprehensive overview of adult mental health services in Wales and recommends action in a number of areas to bring services up to the standards identified in the NSF. We note that progress has already been made in implementing some of the report's recommendations. **We therefore recommend that the Welsh Assembly Government and local agencies take concerted action to implement the recommendations made by the Auditor General that are still outstanding.**

2. Mental health needs assessment work requires strengthening in several parts of Wales to ensure that it accurately identifies priorities and gaps in services. **We recommend that the National Public Health Service takes steps to further develop its expertise in mental health needs assessment in order to fully support the production of local health social care and well being strategies.**

3. Significant expenditure has been and will continue to be made in adult mental health services. Alongside this the Auditor General has highlighted problems with accounting systems which mean that it has not previously been possible to accurately distinguish how much is being spent on adult mental health services within local health communities. **We therefore recommend that the Welsh Assembly Government and Local Health Boards use the new Programme Budgeting arrangements to identify differential spends on mental health services and provide assurances that resources are being directed to the areas and services with greatest needs.**

4. A national, action plan is being produced as a mechanism to improve and enhance local approaches to mental health promotion, which to date have been poorly developed. **We recommend that the Welsh Assembly**

Government accompanies the roll out of the action plan with a programme of work that supports its implementation within the relevant local organisations and which helps them target mental health promotion initiatives at those groups of the population with the greatest needs.

5. Despite significant capital investments and considerable improvements in inpatient mental health facilities in some parts of Wales, the NSF target of closing all Victorian type institutions by 2008 is not going to be universally met. **We recommend that in parts of Wales where improvements are still required, the local statutory organisations take urgent action to ensure that the quickest reasonable progress is made to draw up and submit strategic outline business plans for replacing old and unsuitable inpatient accommodation.**

6. There has been mixed progress with the implementation of the new Care Programme Approach (CPA) and the target of full implementation by December 2004 was not achieved in some parts of Wales. The Welsh Assembly Government is currently reviewing progress with CPA implementation across Wales. **We recommend that this review is used to gain assurance that CPA is being fully implemented and is leading to improved services for people with a mental health problem. The review should be informed by the views of those using mental health services.**

7. At the time of the Auditor General's work, protocols to guide the transfer of patients from child and adolescent to adult mental health services had not been developed in many parts of Wales. The Welsh Assembly Government has provided each NHS Trust with £50,000 to ensure that these and other protocols are brought up to date. **We recommend that the Welsh Assembly Government requests NHS Trusts to demonstrate how this money has been spent and that the required protocols are now in place across parts of Wales.**

8. Many people with a mental health problem have a co-existing problem with drug or alcohol misuse. Treatment and management of these "dual diagnosis" patients presents many challenges and it is often not clear which specialist teams have the lead responsibility for their care. The Welsh Assembly Government has developed a framework and associated programme of work to embed better collaborative working practices between specialist services. **We recommend that the Welsh Assembly Government identifies a clear timetable to follow up this work and seeks assurance that the substance misuse framework is leading to improved services for patients with a dual diagnosis.**

The Merlin Contract – Enabling the National Assembly to change its business processes through ICT

1. The procurement was delayed because the Assembly Government identified too late the need to procure additional specialist advice to negotiate a contract of this magnitude. **The Assembly Government should consider its need for external advisors early in the procurement process to avoid delays caused by appointing advisors by open competition midway through the procurement. To minimise the costs of such advisers, the Assembly Government should deploy a range of payment methods, such as daily rather than hourly rates for advice.**

2. The procurement programme board overseeing the Merlin procurement did not see sufficient financial information to enable them to monitor expenditure in detail on a routine basis. To enable more rigorous scrutiny of future procurement costs, **procurement teams should present quarterly financial data on individual components of major procurements to the procurement programme board.**

3. Users were not sufficiently involved in identifying their ICT requirements at the contract specification stage. **In preparing to replace Merlin, the Assembly Government should actively involve users in specifying ICT and business change requirements, for example through workshops, site visits and networks with relevant organisations, both public and private sector, to identify the potential to use ICT to deliver business change.**

4. The omissions of Gateway Reviews 0 and 2 reduced the degree of independent scrutiny of the Merlin procurement. **The Assembly Government should use all five OGC Gateway Reviews to bring independent review and assurance to each key stage of future major procurements.**

5. Although the Merlin procurement team took appropriate steps to manage the risk of negotiating with an incumbent supplier, Assembly Government officials will need to secure competition in future ICT procurements as SBS may have as much as 20 years' experience working in the National Assembly by the end of the Merlin contract. **Assembly Government officials should ensure they have sufficient time towards the end of Merlin to determine the procurement strategy for its replacement in the light of what is then known about handling procurements involving an incumbent supplier and the current market for the supply of the services they need.**

6. Variable ICT performance in the first two years of the contract poses a risk to the success of the programme, exacerbated by slippage in the renewal of the ICT infrastructure. **Assembly Government officials should ensure that service improvement remains a key item on the agenda of the Merlin Partnership Board until the Alliance delivers significant, measurable improvements in the current standard of performance.**

7. The contract has not fully met the needs of Assembly Members and their staff. The separation of the Assembly Parliamentary Service from the Welsh Assembly Government in April 2007 provides an opportunity to develop new service standards which reflect those needs. **Assembly Parliamentary Service officials should involve Assembly Members and their staff in specifying their ICT requirements, service standards and measures of user satisfaction, to enable the measurement of progress.**

8. There were weaknesses in cost control at the outset of the contract. The absorption of significant numbers of staff from ASPBs will compound the risk of poor cost control arising from inaccurate records of users and their locations. **The Assembly Government's internal audit services should monitor payments made for new users and the adequacy of the controls framework after the various mergers. Similarly, Assembly Parliamentary Service officials should develop procedures for controlling ICT costs as they assume responsibility for their own ICT budget.**

9. The Merlin contract aims to improve the skills of National Assembly officials but skills transfer has taken place more slowly than anticipated. Skills transfer can mitigate the major risk of Assembly Government officials lacking the intelligent customer capacity to challenge Alliance proposals, and to manage the delivery and measurement of benefits flowing from change projects. **The Assembly Government should accelerate skills transfer through the contract by encouraging the Alliance to work with and coach a wider group of officials to develop and sustain a professional group of project and programme managers. There should be formal monitoring of progress with discussions with Alliance partners should there be no measurable improvement in the pace of skills transfer by the end of the 2006 calendar year.**

10. In partnership with the Alliance, the Assembly Government has developed a model of how its operations will look in four to five years time. **To facilitate the negotiation of projects and evaluation of their outcomes, the Assembly Government should develop a documented methodology and guidance on measuring the costs and benefits, both financial and non-financial, of change projects. This framework should be linked explicitly to medium-term financial planning, and budgets should change to reflect such financial impacts arising from business change projects.**

NHS Energy Management in Wales

1. It is too early to judge the success of the new purchasing strategy adopted by Welsh Health Supplies, on behalf of the NHS trusts, for its gas and high demand electricity contracts. **We recommend that Welsh Health Supplies conduct a full evaluation of the effectiveness of the new purchasing strategy for gas and high demand electricity supplies after the first two years of these new five year contracts. The evaluation should build on the work of the NHS energy price risk management group and, as part of the evaluation, we would expect Welsh Health Supplies to:**

- a) **compare the prices achieved by the flexible purchasing approach with those that would have been achieved under the previous annual fixed price approach;**
- b) **compare approaches and outcomes with those of other large energy buyers;**
- c) **seek feedback from trusts on the quality of service provided by suppliers under the new contracts, particularly in terms of billing accuracy, and on the basis of these findings consider whether it would be worth undertaking a more systematic bill checking exercise across the service;**
- d) **draw on the experience of the private sector contractor responsible for the energy procurement for Prince Charles Hospital (North Glamorgan NHS Trust) which appears, at least in the short term, to have secured more competitive prices than those achieved by Welsh Health Supplies; and**
- e) **report the findings from this work to senior management across the NHS trusts that it serves.**

2. Energy procurement is clearly complex and requires specialist knowledge and expertise, particularly during times of increasingly volatile market prices. **The Welsh Assembly Government, through its Value Wales team, should check that all public bodies in Wales have access to the necessary expertise to manage effectively the risks involved in energy procurement, and that the way in which public bodies are purchasing energy supplies is sufficiently flexible to provide some protection against exposure to peaks in market prices.**

3. NHS trusts have made only limited progress towards meeting the Welsh Assembly Government's energy consumption and efficiency targets, and the appropriateness of some of the targets and the way they are measured are questionable. **The Welsh Assembly Government's Health and Social Care Department and Welsh Health Estates should reconsider, in parallel with the revision of the UK-wide Energy Code for NHS buildings, the energy related targets for the NHS in Wales. In particular, they should:**

- a) **measure energy efficiency performance based on consumption by floor area, rather than by heated volume;**
- b) **not count reductions in carbon dioxide emissions from the procurement of green electricity towards the primary energy**

- consumption target, as this reduces the incentive to achieve real reductions in consumption; and
- c) **develop new targets for carbon dioxide emissions, on-site generation from combined heat and power and renewable energy sources, and procurement of green electricity from external sources.**

4. The development of an energy campaign toolkit, following a pilot campaign at North West Wales NHS Trust, is a good example of public sector organisations working together to develop and share good practice, consistent with the objectives of the Welsh Assembly Government's *Making the Connections* strategy. **Following more formal evaluation by Welsh Health Estates, the Welsh Assembly Government should identify the lessons learnt from the energy awareness campaign at North West Wales NHS Trust and communicate these to other public sector bodies to help them engage staff in their efforts to reduce energy consumption.**

5. The allocation of £3.5 million from the NHS Capital Investment Programme to fund energy saving measures, combined with other ongoing developments across the service, is expected to lead to significant improvements in energy performance. **We recommend that the Welsh Assembly Government's Health and Social Care Department, in conjunction with Welsh Health Estates, establish clear systems to monitor and evaluate the impact of the funding provided for energy saving measures as part of the NHS Capital Investment Programme. In doing so the Department should measure the extent to which the projected benefits of this investment have been realised, or even possibly exceeded, with a view to informing the business case for further funding in the future. The Department should also check that trusts can demonstrate tangible improvements in their wider energy management arrangements, in line with the commitments they were required to make in order to secure this funding and in response to the recommendations made by the Auditor General in his report.**

Progress in the Further Education Sector-Estates Management and Procurement

1. Good management requires, as a basis for decision-making, good management information. Since the base data on the extent to which the further education estate complies with disability legislation dates from 2001, **we recommend that the Assembly Government commission a new disability access audit.** The results of this audit will help inform future decisions by the Assembly Government on the allocation of funds to assist the sector to become compliant with disability legislation.

2. The need to secure financial savings from better procurement has been on the Assembly Government's agenda for a number of years, and has now become a key element of the *Making the Connections* initiative. **We recommend that the Assembly Government require information from**

each institution on a regular basis, such as annually, on the savings that it is realising through improved procurement practices.

3. External review can be a helpful spur to improvement. **We recommend that the Assembly Government assist Value Wales and fforwm in ensuring that Procurement Fitness Checks are undertaken at all further education.**

Work-Based Learning

1. Although project and risk management arrangements were in place, training and dual running had been insufficient. **The Assembly Government should require all third-party providers in receipt of funding to participate fully in essential training and implementation arrangements for any new projects or initiatives**

2. More fail-safe checks built into the LLWR, targeting of feedback and support at 'problem providers' and improved validation of data could have helped avoid the problems encountered when the LLWR went live. **The Assembly Government should incorporate the practical lessons learned from the implementation of the LLWR, and the issues brought out in this report, into its project plans for future projects of a comparable size or nature.**

3. ELWa took a decision to rely only on post-payment validation checks within the LLWR, but complete reliance these on checks can only be appropriate if discovered error rates are at reasonable levels. **The Assembly Government should amend its approach in this area if rates do not improve.**

4. Each training provider must meet at least a minimum acceptable standard of internal control, otherwise little assurance can be provided that public funds are being properly used. It is particularly unacceptable that audit results at public sector providers are often revealing poor systems of control for work-based learning. **The Assembly Government should introduce a minimum required standard of internal control to be applied to all its training providers from the new contracting phase in 2007. The standard should be rigorous, and could be graded according to the size of organisation and level of funding being received. It should include essential checks that each organisation must have in place to secure the proper application of funding received.**

5. The current method of evaluating providers separately on their systems of internal control and on whether they have properly applied funds received could potentially lead to inappropriate decisions on whether to continue funding. It is important, therefore, that an overall evaluation of the fitness of providers' systems is made to ensure that these are adequate to safeguard the funding provided. **As part of its Provider Performance Review process, the Assembly Government should grade systems of internal control at training providers explicitly as either 'acceptable' or 'unacceptable'.**

These assessments should incorporate the results of all audit work undertaken at providers, including that in relation to the use of funds provided.

6. Audit risk assessments should evaluate the amount of testing required to gain direct evidence that funds are being properly applied. Such evaluation is particularly important for smaller providers where systems are likely to be less strong. **The Assembly Government should adopt a flexible audit approach, placing reliance on systems where appropriate, but seeking more direct audit evidence where greater risk has been assessed, such as with many of the smaller providers.**

7. The requirement for providers to implement demanding remedial action plans where escalation procedures are being applied represents a powerful tool for the Assembly Government to achieve fast and necessary improvements to systems of control. **The Assembly Government should commence escalation procedures automatically with all those providers whose system of internal control is assessed as 'unacceptable', and who fail subsequently to complete their self-audits within agreed timescales. The Assembly Government should also closely monitor the results of self-audits to ensure that, where they result in a need for substantial recoveries of funding, the root causes of such problems are properly addressed through, for example, additional training or guidance.**

8. For the next contracting round in 2007, the Assembly Government now has much more experience of providers' performance to draw on, and an improved information base to inform decisions on funding arising from the development of the NPFS and LLWR. **The Assembly Government should undertake the 2007 contracting round based on a firm assessment of the standards and abilities of training providers required, and be explicit about the performance expected from the providers it appoints to deliver its work-based learning programmes. The contracts should also include firm probation arrangements to deal fairly and robustly with any early evidence of poor performance.**

9. The integrated approach to provider assessment, exemplified by Provider Performance Reviews, should provide a firm basis for driving up standards at individual providers and across work-based learning provision as a whole. **As well as requiring remedial action plans from individual providers, the Assembly Government should use the results from the PPRs to inform actions required to address areas of shortcoming as a whole, for example in learner attainment levels, and to identify and promote good practice so as to help raise standards further overall.**

Is the NHS in Wales managing within its available resources?

Whilst local NHS bodies in Wales met their statutory financial duties in 2004/05, a number were forecasting that they would not do so during 2005/06. There has been some evidence of local bodies having difficulties in forecasting their financial performance. Some local bodies, which have not historically been in deficit, face this prospect by the end of 2005/06 and will also need to prepare recovery plans to return to financial balance.

We recommend that:

- i. the emerging impact of the implementation of “Agenda for Change” is closely monitored by WAG; and**
- ii. local estimates of the resultant costs should continue to be robustly challenged by officials and work should continue with local NHS bodies to ensure that the impact is addressed in current financial plans.**

The NHS in Wales is likely to begin the 2006/07 financial year with a deficit from 2005/06 of the order of some £30 million which will need to be addressed, in addition to previously outstanding repayable debt of £83 million. For 2006/07, the situation therefore, continues to look very challenging. Continuing the implementation of “Designed for Life” whilst also meeting annual priorities as expressed in Service and Financial Frameworks (SaFFs) and compiling robust plans to return to financial balance will continue to test local NHS management in many parts of Wales.

We recommend that:

- iii. debt repayment profiles need to be agreed which both maintain financial discipline and avoid short-term compromises to patient care; and**
- iv. as much clarity as possible is provided to NHS bodies on levels of resource in the medium term, to support the reported better alignment of key planning and target mechanisms such “Designed for Life” and the SaFF approach.**

The NHS in Wales needs to address these challenges and pressures in a sustainable way which delivers further improvements in waiting times for patients which need to be achieved by 2009. The NHS in Wales is likely to receive a reduced level of growth in financial resources in future years. Flexibility of plans to meet new challenges and initiatives needs to be supported by improved identification and management of risks to future plans and a clear understanding of accountability for delivery. **We recommend that:**

- v. given the financial pressures that always have to be addressed, WAG considers whether it remains appropriate for the financial performance of local NHS bodies to continue to be measured on a principally annual basis; and**
- vi. given the evidence we have received that some deficits are held on a “community” and some on an individual local NHS body basis, SCEPs are subject to rigorous approval arrangements which make clear the accountability for delivery and aligns the financial impact.**

vii. Health Commission Wales (HCW), whilst not a local NHS body, is a significant commissioner of NHS services and continues to have difficulties in preparing commissioning plans which will enable it to return to financial balance. We are concerned at the continuing financial difficulty experienced by HCW. In the event that recent senior appointments do not bring a significant improvement in managerial capacity, **we recommend that WAG consider a fundamental review of HCW's role, accountability and funding arrangements.**

viii. During 2005/06 a number of actions have been put in place by the Health and Social Services Department to improve the rigour of financial forecasting and to enhance understanding of local NHS bodies' accountability for living within their available resources. **WAG should finalise its review of financial management arrangements in the NHS in partnership with local NHS bodies and the Wales Audit Office.**

NHS Waiting Times – Follow-up Report

1. In a dynamic situation of ongoing reductions in waiting times and targets, there is a risk that some consultants may tell patients that they will have to wait longer than the current Assembly Government waiting time targets. **We recommend that Local Health Boards and NHS Trusts provide up to date waiting times information to all clinicians so that they can accurately inform patients about the length of time they may wait for treatment.**

2. Although the number of cancelled operations has reduced overall since our last report, progress appears to have stalled in the last financial year. Mrs Lloyd told us that the Welsh Assembly Government was not fully aware of the reasons why some patients were cancelling their operations. **We recommend that the Welsh Assembly Government carry out a comprehensive review of the reasons why patients cancel and develop preventive measures based on that review.**

3. Some patients currently experience unacceptably long waiting times for diagnostic and therapy services. Mrs Lloyd told us that this is the biggest problem they currently have in delivering the 26 week patient pathway target. She told us that there were particular skills shortages in some specialist areas, most notably Welsh speaking speech and language therapists. **We recommend that the Welsh Assembly Government require local health communities to demonstrate in their Local Delivery Plans how they will reduce diagnostic and therapy waiting times; this should be linked to workforce planning to address skills shortages, such as Welsh speaking speech and language therapists.**

4. In order to deliver a new patient pathway, significant innovation and modernisation will be required but this year's Local Delivery Plans received low scores for innovation. **To deliver the Assembly Government's ambitious new 26 week target, at the same time as avoiding**

inappropriate data manipulation, NHS organisations should focus significant attention on modernisation and innovation in their Local Delivery Plans for 2007/2008.

5. Clinical engagement is absolutely crucial to the delivery of lower waiting times. In our previous report we recommended that performance targets should be set locally and agreed and owned by clinicians. However, Mrs Lloyd told us that performance indicators had been “imposed” on the service. **We recommend that the Welsh Assembly Government should work with NHS organisations to set local performance targets and indicators, rather than impose them centrally, so that they are agreed and owned by clinicians.**

Financial Audit of Central Government and NHS bodies in Wales: 2006

1. We acknowledge the positive progress achieved by all bodies in meeting the required faster deadlines for the preparation of their annual accounts. We remain concerned, however, that auditors are still finding deficiencies in the quality of those accounts and that supporting information is not always accurate or complete. **In drawing up timetables and overall project plans for the preparation of its annual accounts, the Assembly Government should make adequate provision for management to review and confirm the quality of the accounts and supporting schedules prior to their submission for audit. This should also apply to the other bodies covered by this report. Where deficiencies in the quality of accounts preparation are identified by management or auditors, they should be addressed through training or system improvements as necessary.**

2. It is essential that expenditure on grants is properly monitored and controlled to ensure that it meets the purposes intended. This applies not only to the Assembly Government itself, but also to many of its sponsored bodies who are also responsible for managing significant grant expenditure programmes. **The Assembly Government should satisfy itself that its grant control arrangements, including controls surrounding the new computerised grants system, address fully the concerns that have been raised by both the internal and external auditors. It should also seek a confirmation from Accounting Officers of relevant sponsored bodies that they have robust controls (including up-to-date written procedures) in place for the management of their grants expenditure, or are otherwise implementing the necessary improvements.**

3. The Assembly Government has now almost completed the preparation of its asset management plan, but this is an area that will need further attention in the future to ensure that value for money is obtained from the assets owned. **In developing its asset management arrangements, the Assembly Government should draw on the considerable practical experience gained by the NHS in this area. The Assembly Government should also remind both central government and NHS bodies of the**

need for each of them to review annually their fixed assets for evidence of impairment, and for changes in values and useful economic lives.

4. Payment performance figures are revealing that good practice is being shown by some bodies, but this is being offset by weaker results at others. Any deficiencies in payment performance must reflect either the quality of the internal systems in place, or the way in which those systems are being operated by management. **Where particular strengths in payment systems are being demonstrated by organisations, the Assembly Government should publicise these more widely as examples of good practice. It should also ask bodies to review what further improvements may be required to their payments systems in the light of their performance to date. Where bodies fail consistently to meet the expected standard of payment performance they should be required to prepare improvement plans identifying the weaknesses in systems or operations and how these will be addressed.**

5. The creation of sub-Accounting Officers will help in managing the Assembly's enlarged functions, and should provide clear lines of accountability for its different business areas. **To realise the full benefits of the new structure, robust financial management arrangements will be required to support the sub-Accounting Officers in carrying out their roles. These should include, for example, effective arrangements for budgetary control, the provision of timely and clear management information, and arrangements for regular reporting of financial performance against business objectives.**

6. The forthcoming implementation of an accruals-based accounting system by the Assembly Government is to be welcomed, but it will be important that the value of the considerable investment in this area is maximised. **The Assembly Government should use its clearly-defined business needs to determine the essential financial information that must be produced routinely by the system. The Assembly Government should also have contingency plans in place to ensure business continuity, in the event that any problems emerge during the early phases of operating the new system.**

7. We welcome the continuing good work by the bodies audited by the Auditor General in developing and enhancing their risk management arrangements. It is important, however, that good practice is rolled out more widely, an area to which the NHS in particular has given attention. **The Assembly Government is well placed to encourage all audited bodies to implement relevant good practice identified in this area. For example, good practice identified within the NHS should also be made available to the central government bodies, as appropriate (and vice versa). The Assembly Government should also foster sound risk management arrangements within its new, enlarged departments. The risk management standards adopted by the NHS could usefully inform this development work.**

8. All bodies examined have made good progress in meeting the requirements of the Freedom of Information (Fol) Act, but management information about Fol compliance does need to be improved in some areas. This is particularly important where a significant volume of requests is being received. **The Assembly Government should enhance its information systems to enable it to track progress on responding to Fol requests, analyse the factors leading to any delays, and monitor whether time extensions have been sought in accordance with the legislation. It should also record and monitor the costs of dealing with requests. Better management information in this area should also assist in evaluating what improvements in document management arrangements might be required, both now and in the future, to help in processing requests more efficiently.**

9. Whenever the auditors find failings in internal control at grant recipients it must increase the risk that funds are not being properly applied. We believe that the central issue here is that any organisation in receipt of EU grant funding must be able to demonstrate that it has a proper understanding of the standards of systems and audit trails required to safeguard the use of public funds. **We recognise that both WEFO and the Assembly Government have undertaken much good work in making training and guidance available to organisations. We consider it essential, however, that a precondition for making any award of EU grant to an organisation should be that it is able to confirm in its grant application that its project managers are fully aware of the technical and accounting requirements involved and have acceptable systems in place. Otherwise, training must be insisted on to ensure that this is the case. In order to maintain an 'accreditation' arrangement of this nature, a fresh confirmation should be required from an organisation whenever changes are made to the key personnel responsible for managing its EU-funded projects.**

The Management of Sickness Absence in the National Assembly for Wales

1. The renewed focus on the management of sickness absence over the past two years has clearly had an impact on overall absence rates. **In the spirit of *Making the Connections*, we recommend that the Welsh Assembly Government should seek ways to share with other public sector organisations in Wales the reasons for its success in reducing sickness absence rates, as well as wider lessons from its development of a new electronic HR IT system to support the absence management process.**

2. The new Snowdrop HR IT system promises to deliver much improved management information on sickness absence. **In addition to the measures recommended by the Auditor General, we recommend that the HR Department should use the Snowdrop HR IT system to:**

- a) **record all forms of leave, including paid and unpaid special leave, and monitor, over time, whether there is any relationship between**

changes in the levels of sickness absence, and the take-up of other types of leave;

- b) explore whether there is a relationship between the take-up of more detailed attendance management training and levels of sickness absence and, using this evidence, consider whether this training should be mandated for managers in areas with high levels of sickness absence; and
- c) separately record whether absences are in any way work related, focusing particularly on identifying work-related stress where the system should be used to trigger further management interventions.

3. Developing managers who are confident dealing with staff sickness absence is a continuing challenge, but it is also important that they feel well supported, and work closely with colleagues in the HR Department and occupational health service, particularly on more complex cases. **The HR Department should, drawing on the evidence provided by the Auditor General, conduct further work to explore ways in which the provision of HR and occupational health support could be improved to help managers feel more confident in dealing with staff sickness absence.**

4. While we welcome the increased expenditure that has been directed at corporate health services, it is important to consider the economy, efficiency and effectiveness of these services to support continuous improvement. **We recommend that the HR Department should re-assess its provision of corporate health services in light of the findings and recommendations of the independent audit it has commissioned, and the evidence presented in the Auditor General's report.**

5. We are concerned that one in four staff across the National Assembly for Wales said they could not get their work done within their contracted hours, and that two thirds of these said they worked more than five hours above their contracted hours. **We recommend that the HR Department should fully analyse the scale of long hours working across the organisation, and develop appropriate actions to ensure that staff at all grades do not regularly work unreasonably long hours, particularly where this risks contravention of wider health and safety and EU working time directive regulations.**

6. The measures already taken to improve the management of sickness absence across the National Assembly for Wales are to be commended, but this is an ongoing management challenge which requires constant vigilance. **To support further improvement, we recommend that the HR Department should develop a clear action plan to implement our recommendations, and those contained within the Auditor General's report.**

Ambulance Services in Wales

1. There has been ineffective internal governance from the Trust Board including, historically, meeting insufficiently frequently to address major concerns about performance and management. Although changes are now in train, there are clear lessons from the failures of governance that should be applied as part of the Assembly Government's review of governance in the NHS. **We recommend that the Assembly Government disseminate the lessons learned from the failures of governance, performance and financial management within the Welsh Ambulance Services NHS Trust and includes within its review clear guidance about the minimum frequency with which boards should meet.**

2. External governance has failed to address known problems sufficiently quickly. The Welsh Assembly Government appears to lack the same tools to intervene in failing organisations as exist in England. **We recommend that the Assembly Government consider the feasibility of introducing the concept of memoranda of understanding between trusts and the Assembly Government to formalise day-to-day working relationships. Such arrangements would facilitate more decisive action when an organisation is clearly failing. Whatever tools are in place, decisions to use them need to be taken promptly. We recommend that the Assembly Government should review its intervention and performance management procedures to learn from the failure to address known problems sufficiently quickly in this case.**

3. There have been basic failures of management and leadership throughout the Trust. These manifested themselves in poor people management, cultural problems and a longstanding failure to translate strategies into action. **We recommend that the Trust develops a long-term management development programme to address these deep-rooted issues at all levels, with a particular focus on immediate line managers. The programme should cover setting personal objectives, conducting personal development reviews and performance management issues. It should also include as core managerial competencies project and programme management.**

4. There has been a longstanding absence of effective leadership for the Trust both in terms of capacity and capability. There were rapid and extremely damaging changes in leadership in the period between November 2005 and August 2006. The appointment of Interim Chief Executives may not have given sufficient consideration to the suitability of individuals to take on such an interim role. **We recommend that the Assembly Government conduct a review of the lessons to be learned from the rapid turnover of leaders within the Trust, amends its own procedures in the light of this review and disseminates guidance to all Boards to avoid a recurrence of such a situation in other NHS bodies.**

5. The Trust has adopted a short-term approach to financial management which has not been sustainable. Despite achieving financial targets, this approach has now led to the Trust facing an extremely challenging financial position. There has been a protracted process of developing a Service Change and Efficiency Plan (SCEP) to address the financial position and the SCEP had still not been agreed at the beginning of February. We are concerned about the viability of Mr Murray's plan to deliver savings by selling surplus hours of paramedic cover to Local Health Boards at a time of significant financial pressure within the NHS. **In the context of the DECS strategy and changes to the commissioning of unscheduled care services, we recommend that the Assembly Government monitors extremely closely the delivery of the proposed savings, particularly the process of the Trust seeking to sell additional unscheduled care services to LHBs at a time of significant financial pressures.**

6. Poor use of available capital has led to serious problems with the Trust's infrastructure, and a series of failed procurements. We were shocked by the procurement issues that arose during 2006 under two of the Interim Chief Executives. In particular, we were appalled that one of the Interim Chief Executives approached a supplier directly. **We recommend that the Trust establish robust capital planning, management and governance arrangements to ensure that capital is used effectively but with appropriate levels of control. The Assembly Government should use the results of its review of procurement to disseminate to the wider NHS the lessons of procurement by the Welsh Ambulance Services NHS Trust.**

7. The Trust has insufficiently matched resources and demand. A key challenge will be to agree new rosters and shift patterns with the Trade Unions, as well as to move to an exclusive meal break that is consistent with the national *Agenda for Change* agreement. Emergency response time performance is lower in South East Wales than in the other regions. **We recommend that the Trust should establish as soon as possible new rosters and shift patterns, with a particular focus on achieving a more appropriate match between supply and demand in the South East Wales region.**

8. There has been a failure to focus sufficiently on routine patient care services. There are unacceptable gaps in information systems and a failure to address well known and basic problems in patient care services. This could lead to the loss of contracts if acute trusts decide to go out to tender, which would have a detrimental effect on the Trust's overheads. **The Trust should address the serious problems with patient care services over the next year in particular by developing new management systems, service standards and staff development processes that are fit for purpose and consistent throughout Wales.**

Making better use of NHS day surgery in Wales

1. There remains a lack of clarity about how day surgery should be defined, and there are inconsistencies in the way trusts measure day surgery. **In the context of the overall need to reduce length of stay, the Assembly Government should define separately, and trusts should measure separately:**

- a) **cases where patients are admitted and discharged on the same calendar day; and**
- b) **cases where the period between admission and discharge is less than 24 hours but spans two calendar days.**

In revising its definitions of day surgery, the Assembly Government should ensure that it maintains the ability to make direct comparisons between performance in Wales and other parts of the United Kingdom.

2. Some trusts have performance management systems that include the analysis and challenge by management of cases carried out on an inpatient basis that could have been done as day cases. **We recommend that all trusts should introduce systems to routinely analyse inpatient cases that could have been carried out as day cases, to establish whether this was justifiable and to encourage clinicians to maximise day case rates. In doing so, trusts should also focus their attention on the seven specialties which NLIH have assessed as offering 80 per cent of the potential for improvement.**

3. The engagement of clinicians is essential to achieve improved day surgery performance, but the extent to which day surgery performance featured in the performance management and appraisal of individual clinicians was variable. **Trusts should use the new consultant appraisal system to increase the focus on individual clinicians' day surgery performance and, using the opportunities provided under the new consultant contract, encourage clinicians to undertake training to support them in expanding the range of cases they can safely conduct as day surgery.**

4. Most of the improvements in day surgery rates have been driven by providers, and local health boards, as commissioners, have exerted little influence on performance. **The new regional commissioning units, through their increased purchasing power and the development and use of appropriate incentives and sanctions, should strongly encourage providers to increase their rates of day surgery, except where it is clinically inappropriate for them to do so.**

5. In many cases, patients are understandably wary about undergoing surgery without staying in hospital overnight, and need appropriate and timely information to enable them to make an informed and confident choice to undergo day surgery when it is clinically appropriate. **Trusts should provide patients with early and accurate information about the benefits and risks**

of day surgery to them. The Assembly Government should promote the exchange of good practice between trusts in engaging with patients.

6. There remains significant scope to make more efficient use of existing specialist day surgery facilities, especially by reducing the high rates of cancellations and improving the low utilisation of operating theatres. **Through NLIAH's modernisation assessments, the Assembly Government should identify and disseminate the good practices exercised by some trusts in making efficient use of their day surgery facilities, so that throughput can be increased within existing capacity.**

Public Access to the Countryside

1. The formula used to distribute additional resources to local access authorities, in support of the implementation of Part One of the CROW Act, led to some anomalies because the Assembly Government did not use a sufficiently wide range of relevant criteria. The Assembly Government plans to allocate funding to support the improvement of access to the coast through a demand-led bidding process. **We recommend that, in evaluating bids for funds from local access authorities, the Assembly Government should use a sufficiently wide range of criteria, and include as a criterion the adequacy of authorities' proposals to improve access by disadvantaged groups.**

2. The pilots run in preparation for implementation of Part One of the CROW Act were effective but were not seen to represent the circumstances of all local access authorities. For the improvement of access to the coast, **we recommend that CCW includes a sufficiently wide range of different types of coastal land within the pilots it plans.**

3. We commend the Welsh public service for the range of good practices exercised in encouraging more people to use the countryside. However, there is scope to disseminate local good practice more effectively across Wales, and for a more robust analysis of what constitutes good practice and whether it is transferable. **We recommend that the Assembly Government establish systems in consultation with key stakeholders, such as CCW and the Welsh Local Government Association, for the more regular and effective dissemination of good practice about countryside access to relevant public sector organisations.**

4. There is clear evidence that some people in groups at risk of social exclusion (such as disabled people, members of black and minority ethnic communities and residents of Community First areas) visit the countryside considerably less frequently than the rest of the population. To be effective in encouraging people in these groups to use the countryside more, **we recommend that the Assembly Government, CCW and local access authorities, in consultation with organisations representing disadvantaged groups, should:**

- a) identify the most appropriate communication channels through which to target disadvantaged groups;
- b) identify and tackle the barriers to using the countryside that they particularly face; and
- c) identify and disseminate good practice that results in increased countryside access among these groups.

5. Despite the Assembly Government's emphasis on its socio-economic benefits, countryside access has a low priority at local level and does not feature prominently in relevant local strategies. **We recommend that the Assembly Government should work with the Welsh Local Government Association to raise the profile of countryside access at local level, by stressing the potential socio-economic benefits of increased countryside access and including it in guidance supporting the production of relevant local strategies.**

6. The condition of the rights of way network is poor and, given the present level of expenditure on maintenance, is at risk of further deterioration. The Assembly Government has required local access authorities to produce strategic rights of way improvement plans in 2007, but it is not clear how these will deliver actual improvements to the network. **We recommend that the Assembly Government reviews local access authorities' Rights of Way Improvement Plans, which should become available at the end of 2007, and puts in place robust arrangements to monitor their implementation.**

7. Although there are a number of good examples of imaginative rural public transport services, these are mostly in, or are linked to, the National Parks or Areas of Outstanding Natural Beauty. **We recommend that the Assembly Government, in developing or considering proposals for integrated transport schemes, takes full account of the potential for such schemes to improve people's ability to visit and move around the countryside.**

8. The Assembly Government is planning a conference on countryside access in early 2007. **We recommend that the Assembly Government and CCW take the opportunity provided by the conference to share, with local access authorities and other stakeholders, the recommendations set out in this report and how it intends to respond to them.**

The National Homelessness Strategy

1. The Strategy's focus on prevention is welcome, but creates the risk that local authorities "gate-keep" access to services and housing by narrowly interpreting legislation and guidance, thereby reducing the overall homelessness figures. **We recommend that the Assembly Government's forthcoming guidance should clearly set out:**

- a) how local authorities should interpret homelessness legislation and definitions in practice, with practical examples to assist local authorities in their decision making; and**
- b) the difference between "gate-keeping" and prevention.**

2. The National Homelessness Strategy has been incorporated into a number of other Welsh Assembly Government strategies, but some officials working in areas relevant to homelessness are still not clear as to how their work relates to the Strategy. **We recommend that the Assembly Government's homelessness team should raise awareness of the Strategy amongst other teams and departments, for example through seminars and sitting on working groups.**

3. We are very concerned that the services provided to homeless people may not be in line with statutory requirements, in particular the standards of temporary accommodation and local authorities' allocation policies. **We recommend that the Welsh Assembly Government should commission or carry out:**

- a) inspections of temporary accommodation, with risk-based follow-up spot checks; and**
- b) a full assessment of whether local authority's housing allocation and homelessness policies and practices are in line with statutory requirements.**

4. The Assembly Government has not examined in detail the relationship between access to housing and homelessness, and is awaiting local authorities' local housing needs assessments to build a clearer picture of the gap between supply and demand of social and affordable housing. **We recommend that the Assembly Government should:**

- a) use the housing needs assessment to develop a national baseline of housing need and supply; and**
- b) assess the capacity of the private sector to continue accommodating people with a general housing need while increasing access for homeless people.**

5. We are concerned that short term funding arrangements mean that some projects which clearly demonstrate good practice in preventing homelessness are unable to continue once their period of funding is over. **Allied to recommendation vi, below, on evaluation, we recommend that the Welsh Assembly Government should work with local authorities, the**

independent sector and other Government agencies to develop a clear and consistent strategy to secure sustainable funding for projects that can demonstrate good practice.

6. The Welsh Assembly Government recognises that further progress is needed to monitor and evaluate the implementation of the Strategy. **We recommend that the Welsh Assembly Government should develop a clear plan to monitor and evaluate:**

- a) progress against each of the Strategy's 10 objectives;**
- b) progress against actions delivered by other organisations;**
- c) the impact and quality of homelessness services it funds directly;**
- d) the impact of prevention services provided by local authorities, housing associations and other independent organisations; and**
- e) the adequacy of services from the users' perspective.**

Consideration of the Estimate of the Income and Expenses of the Auditor General for Wales for the year ending 31 March 2008 and programme of value for money examinations 2007/2008

At its 12 October 2006 meeting the Committee approved the Auditor General for Wales' estimate of income and expenses of the Wales Audit Office for the year ending 31 March 2008. The estimate balanced known cost pressures with increased efficiency at least equal to the 1 per cent improvement expected of public bodies under *Making the Connections*. The estimate represented a £0.5 million increase over the estimate for 2006/2007. The figure took into account the cost pressures that would arise from delivering additional audit work in 2007/2008.

At the same meeting, Members discussed the Auditor General's proposals for value for money examinations 2007/2008. Taking into account views expressed by Members' and following consultation with officials from the Department for Education, Lifelong Learning and Skills, an examination of education of looked after children has been brought forward. As a result the Auditor General deferred the proposed examination of the Teacher Workload Agreement. The Auditor General will also carry out an examination of arrangements for the provision of home oxygen supplies, which arose out of correspondence.

The final programme of value for money examinations for 2007/2008 was presented to the Committee at its meeting on 8 February 2007. The programme includes examinations of:

- increasing physical activity and its benefits;
- arrangements for the provision of home oxygen supplies;
- RAF St Athan and the Red Dragon project (in collaboration with the National Audit Office);
- Arts Council of Wales: Capital projects;
- the Tir Gofal agri-environment scheme;
- procurement of the new building for the National Assembly for Wales;
- higher education institution mergers and collaboration;
- education of looked after children.