

ANNUAL REPORT OF THE AUDIT COMMITTEE

SEPTEMBER 2000 - SEPTEMBER 2001

CONTENTS

PREFACE BY THE CHAIR

1. BACKGROUND

2. THE ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- The Auditor General for Wales
- The National Audit Office
- Evidence and Reports
- Consequential Savings

3. SUMMARY OF THE COMMITTEE'S REPORTS PUBLISHED IN 2000-2001

Financial Audit

- National Assembly for Wales Resource Account for 1999-2000 and General Report of the Auditor General for Wales: Financial Audit of 1999-2000 Accounts
- NHS (Wales) Summarised Accounts 1999-2000

Value for Money

- Welsh Development Agency: the Creation of the Enlarged Agency and the Agency's Support for Indigenous Businesses in Wales.
- Coleg Gwent.
- Accommodation Arrangements for the National Assembly for Wales.
- The Cardiff Bay Barrage.
- Access to Records and Information by the Auditor General for Wales.
- Clinical Negligence in the NHS in Wales

Estimate of the Income and Expenses of the Auditor General for Wales and Programme of Value for Money examinations 2001-2002

4. FUTURE WORK OF THE AUDIT COMMITTEE

5. SUMMARY

Annexes

Annex A: The Audit Committee: Terms of Reference

Annex B: Standing Order 12: The Audit Committee

Annex C: Membership of the Audit Committee

Annex D: Audit Committee Reports

Annex E: Recommendations of Audit Committee reports published during 2000-2001

PREFACE BY THE CHAIR OF THE AUDIT COMMITTEE

It gives me great pleasure to introduce the second annual report of the National Assembly's Audit Committee. The Committee plays a crucial role in assuring the people of Wales that their money has been spent properly and effectively in providing them with public services.

As the public's financial watchdogs we aim to make a clear statement of our expectation that all public bodies in Wales, including the National Assembly itself, will operate to the highest possible standards in the management of their financial affairs. We hope our deliberations will contribute significantly to getting the best possible value for taxpayers' money.

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

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

Janet Davies, AM
Chair, The National Assembly for Wales Audit Committee

ANNUAL REPORT OF THE AUDIT COMMITTEE

SEPTEMBER 2000 - SEPTEMBER 2001

1. BACKGROUND

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

2. THE ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

- 2.1 The role of the Audit Committee is to ensure that proper and thorough scrutiny is given to the Assembly's expenditure. The responsibilities of the Audit Committee are set out in detail in Section 102 of the 1998 Government of Wales Act (Annex A) and Standing Order 12 (Annex B). In broad terms, it is the responsibility of the Audit Committee to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales (the Auditor General); and to consider reports by the Auditor General on examinations into the economy, efficiency and effectiveness (i.e. the value for money) with which the Assembly and other public bodies have used their resources in discharging their functions. The Committee's key purpose is to ensure that the Assembly and other public bodies operate to the highest possible standards in the management of their financial affairs.
- 2.2 The Committee operates on non-party political lines, not questioning the merits of policy objectives, but concentrating on whether the organisations concerned implemented their policies and programmes with due regard for regularity, propriety and value for money.
- 2.3 The Committee also has a responsibility to consider annually the Auditor General's estimate of his income and expenses for the following year and to lay that estimate before the Assembly. At the same time as considering the estimate, the Committee considers the Auditor General's proposed programme of value for money examinations for the next year. The Auditor General is required to take the Committee's views into account when finalising his programme.
- 2.4 The Committee's activities in each of these areas are considered in Chapter 3. *"An Introduction to the Audit Committee"* which provides more detailed information about the committee's responsibilities and procedures is available on the Assembly Intranet.
(<http://assembly/committees/Audit%20Committee/Main.htm>)

The Auditor General for Wales

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

The National Audit Office Wales

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

Evidence and Reports

- 2.7 After considering a report from the Auditor General, the Audit Committee will normally take evidence from the Accounting Officer (i.e. the senior civil servant with personal responsibility for the relevant expenditure) of the body in question to consider areas highlighted in the report. The Audit Committee will then produce its own reports on the findings.
- 2.8 Reports produced by the Audit Committee are laid before the Assembly and the Cabinet must respond within one month. The Committee has published seven reports from September 2000 to September 2001 (Annex D).

Consequential Savings

- 2.7 The Auditor General for Wales has indicated that the potential financial savings identified through his reports and pursued by the Committee are accumulating and have exceeded the estimated level of 7 times the costs of the investigations. Responsibility for delivering these savings lies with the audited bodies and make take time to be realised in full. The Committee, with the assistance of the Auditor General, will work to ensure the realisation of these savings.
- 2.8 The following table identifies potential savings from the Auditor General's reports over the last year. Further details of saving are provided in the Auditor General's *Programme of Value for Money Examinations*.

	One-Off Savings	Potential Recurrent Annual Savings
	£000	£000
Accommodation arrangements for the National Assembly	350	
Maximising income from prescription charges		15,000
Clinical negligence		1,400
Procurement in the further education sector		2,500
TOTALS	350	18,900

(Source: Memorandum by the Auditor General for Wales: Programme of Value for Money Examinations, October 2001)

3. SUMMARY OF THE COMMITTEE'S REPORTS PUBLISHED IN 2000-2001

FINANCIAL AUDIT

- 3.1 The annual accounts prepared by the National Assembly for Wales and other bodies sponsored and funded by the Assembly are audited by the Auditor General for Wales.
- 3.2 During the reporting period, the Committee has published a report titled, "The National Assembly for Wales Resource Accounts, 1999-2000 and The General Report of the Auditor General for Wales: Financial Audit of 1999-2000 Accounts". In addition the Committee has commenced consideration of "The NHS (Wales) Summarised Accounts, 1999-2000".

National Assembly for Wales Resource Account, 1999-2000 and The General Report of the Auditor General for Wales: Financial Audit of 1999-2000 Accounts

- 3.3 Under Section 97 of the Government of Wales Act 1998, the National Assembly for Wales is required to produce annual accounts in a form directed by the Treasury. The Permanent Secretary, in his capacity as the Assembly's Principal Accounting Officer, is required to render the signed account to the Auditor General. The Auditor General is required to examine and certify the account, and report to the Assembly on the results of his examination. The first such accounts covered the period 7 May 1999 (the date on which the Assembly came into existence) to 31 March 2000. The Auditor General's report on those accounts was published in January 2001.
- 3.4 The Committee took evidence on the Resource Accounts from Mr Jon Shortridge, the Assembly's Permanent Secretary, and from Mr David Richards and Mr Laurie Pavelin of the Assembly's Finance Group on the 29 March 2001. The subsequent Committee report concluded that:

"We view the unqualified audit opinion on the 1999-2000 resource accounts as a considerable achievement by the Assembly's staff who had to cope with the introduction of resource accounting alongside the transition to devolution. We consider, however, that the Finance Group could have anticipated and managed better some of the problems that it faced in putting together the 1999-2000 accounts.

We welcome the assurance given to us by the Permanent Secretary that arrangements have now been put in place, including the provision of sufficient qualified and experienced staff to enable the 2000-01 accounts to be produced to a good standard and in line with the agreed audit timetable.

We are deeply concerned that the Finance Group failed to keep the monthly bank reconciliations up to date and that it also reduced its

checks on suspense account reconciliations. We note that the Finance Group has now brought the monthly bank reconciliations up to date and has put procedures in place to ensure that they will, in future, be completed on a timely basis."

3.5 The report also summarised the results of the National Audit Office's financial audit and investigation work in Wales for 1999-2000, the first financial period of the Assembly. The report highlighted the main features of the financial control environment for which the Assembly is responsible. These include the transitional arrangements of the devolution process, the accounting arrangements of the Assembly and its sponsored bodies and challenges for the future.

3.6 The Committee's report in summarising stated that:
"In general, and given the recent major structural changes and accounting developments, we are satisfied that the financial control environment in the Assembly and its related public bodies is good.

The Assembly is the leading public sector body in Wales and must be seen to set an example to the others in the management of its financial affairs and corporate governance. In this context, the difficulties encountered with the preparation of the 1999-2000 accounts and the failure to operate certain basic financial procedures and controls for a sustained period are therefore not acceptable and must not be allowed to recur."

3.7 The Assembly Cabinet was grateful for the Committee's appreciation of the achievement on the 1999-2000 accounts. The Committee was informed that the Permanent Secretary has brought in an additional qualified accountant to the Finance Group and that the core 2000-01 Assembly accounts have been produced to the timetable agreed with the Auditor General for Wales. Both the suspense account and the bank reconciliations remain up to date and a number of procedures and checks, and the audit trail, have been enhanced. The Cabinet and the Permanent Secretary place considerable importance on having in place robust arrangements for providing the necessary professional skills and advice as the new building project proceeds to its next stage. The Committee was also informed that all public sector bodies in Wales will have arrangements in place for the preparation of Asset Management Plans by April 2002, but completion of the plans in some instances will take a little longer.

NHS (Wales) Summarised Accounts 1999-2000

3.8 On 1 July 1999, responsibility for the administration of the NHS within Wales (NHS Wales) was transferred to the Assembly in accordance with the Government of Wales Act, 1998. The Assembly is responsible for preparing summarised accounts of the NHS bodies in Wales for audit by the Auditor General. In 1999-2000, the summarised accounts of NHS Wales were prepared by the Assembly from individual annual accounts submitted by the five Welsh Health Authorities and 16 NHS Trusts. The Auditor General's

report covered the overall financial performance of NHS Wales and a range of management and internal control issues in addition to summarising the results of the audit.

- 3.9 The Audit Committee has heard evidence from Ann Lloyd, the Director of the NHS in Wales, Sara Beaver, the Principal Finance Officer of the NHS in Wales and Jan Williams, the Chief Executive of Bro Taf Health Authority and will be publishing a report in the coming year.

VALUE FOR MONEY REPORTS

3.10 The Audit Committee published the following value for money reports in 2000-2001:

- Welsh Development Agency: the Creation of the Enlarged Agency and the Agency's Support for Indigenous Businesses in Wales.
- Coleg Gwent.
- Accommodation Arrangements for the National Assembly for Wales.
- The Cardiff Bay Barrage.
- Access to Records and Information by the Auditor General for Wales.
- Clinical Negligence in the NHS in Wales.

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

- Maximising Income from Prescription Charges
- Securing the Future of Cardiff Bay
- Educating and Training the Future Health Professional Workforce for Wales

Welsh Development Agency: the Creation of the Enlarged Agency and the Agency's Support for Indigenous Businesses in Wales.

3.11 On 1 October 1998, the Welsh Development Agency took on expanded powers and functions when it merged with the Development Board for Rural Wales and the Land Authority for Wales. The objective of this merger was to achieve a more effective and efficient delivery of economic development services by creating a single, enhanced and streamlined organisation. The Auditor General reported on the merger, examining the following issues:

- planning and managing the merger process;
- controlling the cost of the merger and securing financial savings from it;
- securing additional financial savings in running the enlarged Agency.

The Auditor General examined how this merger took place within the parameters of the Government of Wales Act, 1998.

3.12 In a separate report the Auditor General examined the Agency's approach for supporting indigenous business, outlining the Agency's processes for appraising, monitoring and evaluating the effectiveness of its support systems.

3.13 The Committee took evidence on the issues arising from the Auditor General's reports on the Agency in May 2000 from the Assembly's Permanent Secretary, Jon Shortridge, and the Chief Executive of the Agency, Brian Willott. The Committee's report produced the following findings:

Overall we consider the merger to have had a high level of success and to have been well done. The merger created an enlarged Agency that is making identical economic development services available across the whole of Wales and providing a single

organisation within which to develop these services to be sensitive to the needs of different areas such as the Valleys and rural Wales. In our view the merger provides the Agency with great opportunities to consolidate its strategic relationship with the Assembly and to improve its operational relationships with its business partners for delivering economic development services. The merger process also gave the Agency the opportunity to explore the scope for one-off efficiencies in running costs while giving increased momentum to the Agency's ongoing business improvement initiatives. We intend to return to examine the extent to which the enlarged Agency is achieving more effective delivery of services and more efficient administration of its operations after the full impact of the merger has bedded in.

We are very disappointed about the delays in designing and commissioning research into the small and medium-sized enterprise sector in Wales, given the importance of the research for developing policy on support for indigenous businesses, developing appropriate business support programmes and targeting the Agency's resources effectively at the needs of indigenous enterprises.

- 3.14 The Assembly Cabinet welcomed the report and the recommendations made. In light of the difficulties encountered by the Agency, the Cabinet agreed that the development of key principles to be observed on future mergers would be considered alongside advice from the Audit Commission and from private industry. The Agency has begun to pilot flexible working schemes and has commissioned a report into potential energy savings at their offices following the report's recommendations. The Agency has also undertaken to develop benchmarking into its processes for monitoring and reviewing its running costs. The Assembly Cabinet stated that they would work closely with the Agency to ensure that research into the small and medium sized enterprises sector in Wales achieves the maximum possible effectiveness. The Cabinet also recognised that the Agency must strike an appropriate balance between attracting new inward investment and supporting indigenous businesses.

Coleg Gwent

- 3.15 The Audit Committee was granted permission by the Public Accounts Committee (PAC) to consider the Government's Treasury Minute response to the report by the PAC into financial management and governance at Coleg Gwent (formally known as Gwent Tertiary College). The Permanent Secretary, Steve Martin, the Chief Executive of the Further Education Funding Council for Wales, David Mason, the Principal of Coleg Gwent and Derek Adams, the Head of the Assembly's Further and Higher Education Division gave evidence to the Committee on the problems that arose at the college; what went wrong; steps taken to put matters right; and the wider implications for the sector in Wales.

- 3.16 The Audit Committee subsequently reported on the concerns raised by the PAC, providing an update on the current state of play at the College. The report looked at the following issues:
- the financial health of the College and European funding issues;
 - the governance and management of the College;
 - the financial management of the College;
 - external monitoring of the College and accountability issues; and
 - some of the wider implications for the further education sector in Wales.
- 3.17 In summary the Committee's report concluded that:

"We are pleased that Coleg Gwent can now begin to plan with more certainty for the future now that it has finally settled the repayment which it will have to make to the European Union of the funds which it received from the European Social Fund. The events at Gwent should be a stark warning to all institutions of the immense price that has to be paid for a failure to manage an institution in the appropriate manner and the consequential impact on students present and future.

Like the Committee of Public Accounts before us we, are immensely frustrated that no individual has been held to account for the events at Gwent. We consider that this sends out the wrong message to all those who work in the public sector in Wales and to the taxpayers who expect the best use to be made of their money.

In the light of events at Gwent this Committee considers that it is time that a more consistent and strengthened approach is adopted for the external audit of the further education sector in Wales. We therefore encourage the Assembly to reconsider the audit arrangements for the further education institutions in Wales."

- 3.18 The Assembly Cabinet was grateful for the work of the Audit Committee in highlighting an important area of the Assembly's education and training agenda. The Cabinet stated that the Further Education Funding Council for Wales (the Council) is pleased to report on the continuing recovery of Coleg Gwent. It was accepted that the recovery is not complete and the Council continues to support Coleg Gwent in tackling its identified shortcomings and closely monitoring aspects of the College's activity and performance. The Assembly Cabinet and the Council agree that the College should be playing a prominent role in European funded projects and looks to a well-managed re-entry into such activity. The National Assembly and the Council are ensuring that the lessons of Coleg Gwent are shared with the whole sector.

Accommodation Arrangements for the National Assembly for Wales

- 3.19 The Auditor General reported on the work undertaken by the Assembly to acquire and equip a building suitable to house the National Assembly. The

Audit Committee produced a report that focused on four main areas of the accommodation arrangements:

- the decision to locate in Cardiff Bay;
- project management and procurement;
- the adaptation of Crickhowell House and the Pierhead Building; and
- the new building.

The report is intended to ensure that the lessons highlighted from this project are disseminated for the benefit of all of those using Assembly resources for capital projects in the future.

- 3.20 The Committee took evidence in November 2000 from Jon Shortridge, David Richards, the Principal Finance Officer, Gerry Thomas, Head of Management Services Division and Eric McDonald, Head of the Accommodation Section. The Committee's report concluded that:

"The provision of the Assembly's accommodation is a politically sensitive and high profile project and we recognise that officials have faced unique problems in managing the project. These include heavy political intervention, uncertainty about the operational needs of the Assembly and the absence of end-users who could be consulted on their requirements. This has meant that officials had to make assumptions without a clear idea of what would be needed, against a tight deadline. This was a difficult task and we congratulate the officials and contractors involved on their success in providing a good standard of accommodation for Members in time for the opening of the Assembly in May 1999.

In this context, it is perhaps not surprising that problems would arise in the adaptation of Crickhowell House and the Pierhead Building from the inability to plan with any degree of certainty. However, there were things that could have been done to manage these risks more effectively. The absence of a proper budget and project steering group meant that rising costs as a whole were not monitored, and difficulties with the broadcasting arrangements could have been avoided by setting out the basic terms in a written framework agreement. We recognise the efforts made by the Assembly to improve project management for the new building, and we expect this to be an exemplar of good practice.

A number of themes have emerged from the evidence:

- *We are highly concerned about the consistent underestimate of likely costs. It is vital that reasonable estimates are made at the outset and that firm, comprehensive budgets are established at an early stage.*
- *Good risk management is essential to successful project delivery. This should start right at the beginning when various options are*

being appraised, and we are concerned that formal sensitivity analysis did not form part of the economic appraisals.

- *We are also concerned about weakness in procurement, on the contract with ICL for specialised software applications and for the office furniture contract.*
- *This project was characterised by a high degree of political intervention, not all of which appeared to us to be constructive or necessary. The decision, somewhat late in the day, to undertake a consultation exercise to invite proposals from across Wales, the subsequent decision that the Assembly must be located in Cardiff, and also the decision to use the Pierhead building, were all decisions that seemed to us to have weak justifications."*

3.21 The Assembly Cabinet responded favourably to the report by agreeing with recommendations for future projects such as sensitivity analysis for economic appraisal work, the setting of firm budgets for capital projects and the monitoring of costs. The Cabinet agreed with the report's conclusions on project costs reflecting the entire cost to the Assembly and not just the cash cost and it was agreed that Officials would review and update the procurement practice to ensure that weaknesses identified by the Auditor General will not be repeated. The Cabinet undertook to review the cost and benefits of purchasing the long leasehold on the Pierhead building and the future use of Crickhowell House. The Cabinet also stated that an Assembly Construction Forum would be established to look at future design competitions, incentives to contain costs, the inclusion of fee bids, whole life costing and value engineering.

The Cardiff Bay Barrage

3.22 The Auditor General's report covered the following areas:

- the cost of constructing the barrage and the creation of the freshwater lake;
- bringing the barrage into operation and the succession arrangements put in place for Cardiff Bay following the wind-up of the Development Corporation; and
- the arrangements in place to identify and manage the environmental obligations and potential liabilities linked to the project.

3.23 The Auditor General's report was the subject of an evidence session in July 2000 with the Permanent Secretary and Mr Michael Boyce, the former Chief Executive of the Cardiff Bay Development Corporation as witnesses. The Committee's report into the Barrage concluded that:

"The construction of the Cardiff Bay Barrage has been a major project achieved against a background of significant political and public pressure. Whilst we acknowledge that its completion has been a memorable achievement, there are still a number of issues whose impact has yet to be assessed or indeed felt. The Barrage has brought a high volume of inward investment and other development

to the South Cardiff area, but we should not lose sight of the fact that there may still be further impacts on the area which are far less predictable and which may be much less welcome to residents in the immediate vicinity of Cardiff Bay and wildlife in the South Wales area. The impoundment of the freshwater lake, the effect on housing in the area, the role and performance of the Harbour Authority, the completion of the Gwent Wetlands Reserve and the management controls exercised by the National Assembly for Wales on similar projects in the future are all areas in which the Audit Committee will take a great deal of interest in the future."

- 3.24 The Assembly Cabinet welcomed the report and accepted the Committee's recommendations to secure maximum benefit from the existence of the freshwater lake and to learn the lessons of the development management arrangements for other projects that involve the investment of significant amounts of public money. The Cabinet believed that it was doubtful whether a new economic appraisal of the Barrage and the Bay could be justified although it proposes to consult the EDC and Cardiff County Council on the issue of appraisal.
- 3.25 At the time of reporting, the Auditor General for Wales was finalising a subsequent report into the operation of the successor arrangements for Cardiff Bay which it is anticipated the Committee will consider in 2002.

Access to Records and Information by the Auditor General for Wales

- 3.26 At the Audit Committee meeting on 19 October 2000, the Auditor General undertook to produce a paper detailing the access rights that he has to documents and information for the purposes of auditing accounts and undertaking value for money investigations. The extent to which the Auditor General is able to follow public money has a direct bearing on the effectiveness of the work of the Audit Committee in the exercise of its statutory functions. The Auditor General's paper proposed that current restrictions on his ability to audit limited companies should be removed. The paper also informed the Committee that the UK Government asked Lord Sharman to undertake a review of central government audit and accountability. Although the review does not consider specifically the adequacy of the powers of the Auditor General for Wales, it is fair to say that the issues raised about the powers of the Comptroller and Auditor General are also applicable in the Welsh context.
- 3.27 The Committee's report concluded that:

"We welcome Lord Sharman's report as a major step forward in enhancing the audit and accountability arrangements for the public sector. We urge Assembly officials to consider carefully the applicability of its recommendations to Welsh public bodies.

Lord Sharman makes the case for increased rights of access to books and records for the Comptroller and Auditor General. The current rights of access for the Auditor General for Wales as laid down in the Government of Wales Act 1998 were based on those available to the Comptroller and Auditor General at the time. There is thus a strong case for increasing the Auditor General for Wales' rights in line with any changes made to those of the Comptroller and Auditor General."

- 3.28 The Assembly Cabinet welcomed the report and endorsed the recommendations made in it. The Cabinet accepted that the Auditor General should be appointed as the auditor of the accounts of any new Assembly sponsored bodies and that the Auditor General should be empowered to audit limited companies. The recommendation that the Auditor General for Wales be given the access afforded to the Comptroller and Auditor General was also accepted. Their response also stated that Assembly officials are considering the applicability of the recommendations in the Sharman report to Welsh public bodies and maintaining liaison with officials in Whitehall who are preparing the Government's response to the Sharman report.

Clinical Negligence in the NHS

- 3.29 In 1999-2000, over 700 patients or relatives of patients made claims against Welsh Trusts or Health Authorities for alleged clinical negligence. The compensation payable in respect of successful claims varies considerably from £1,000 to over £3 million. The cost of these claims comes out of the NHS' budget, reducing the amount of money available for health care. The National Audit Office for Wales on behalf of the Auditor General produced a report which examined the following issues:

- the costs of clinical negligence to NHS Wales;
- the management processes in place to handle claims promptly and cost effectively;
- whether Trusts are pro-active in taking steps to reduce the incidents that give rise to clinical negligence claims and the scope for alternative ways of resolving potential claims.

The report also stated that the cost of clinical negligence was rising, reducing funds available for patient care, and that until recently there has been no co-ordinated effort to tackle the problem.

- 3.30 In March 2001, the Audit Committee took evidence from Ann Lloyd, the Director of NHS Wales, Gren Kershaw, Chief Executive of Conwy & Denbighshire NHS Trust, Alison Walcot from the Welsh Health Legal Service, Sarah Beaver, the Principal Finance Officer for the NHS in Wales and Ian Biggs from the Welsh Risk Pool. In May 2001, the Committee took evidence from David Edwards, the Chief Executive of Cardiff and Vale NHS Trust, Susan Hobbs, Chief Nurse of Cardiff and Vale NHS Trust, Hilary Peplar, Chief Executive of North East Wales NHS Trust and Julie Parry, Head of Risk Management, North East Wales NHS Trust. The Committee report concluded that:

"Clinical negligence within the NHS in Wales is a serious problem. It is not acceptable that citizens of Wales using our health service should be faced with the risk of unnecessary pain and suffering, often with very serious long term consequences. The costs of clinical negligence are spiralling, reducing the resources available for making people better. Only relatively recently has significant energy been directed at tackling the incidence of clinical negligence in Wales. The NHS has started to move in the right direction but at the moment is severely hampered by the lack of good management information and the closed culture that continues to persist in some areas. While some positive steps have been taken, such as the development of risk management standards, and some good practices have been introduced at individual trusts, we retain some concerns at whether even now the NHS is displaying sufficient urgency in tackling the problem. In particular, systems to gather relevant information on claims from across Wales and share it in a structured manner seem some way off and adherence to risk management standards remains unacceptably low. The time taken for claims to reach maturity means that any improvements made now will not feed through the system in the form of fewer settlement payments for years to come.

One final point is the need to recognise that the interests of patients are paramount. Making mistakes on occasions is unavoidable and clinical negligence will never be totally eradicated. Whilst recognising the financial burden that the settlement of clinical negligence claims places on NHS resources, we welcome and support the unambiguous commitment given by the Director of the NHS that it was not part of her strategy to deprive patients of their legal rights if the duty of care owed to them is breached."

- 3.31 In response the Assembly Cabinet stated that the Assembly is currently developing an all-Wales register of clinical negligence claims to ensure that NHS bodies and the Assembly are better able to monitor clinical negligence claims. A Claims Managers' Group will be developed to look at best practice in the management of clinical negligence claims. The Committee was informed that the Assembly is working closely with the Department of Health with regard to the establishment of the new National Patient Safety Agency. The Assembly and NHS bodies have agreed the minimum level of information to be held on the new all-Wales Losses and Special Payments Register. All NHS bodies have been required to collect and record this information for all clinical negligence claims in existence on or after 1 April 2001 and the system will hold a full record of live cases by the end of 2001-02. The Welsh Risk Pool is aware that a number of areas where non-clinical errors contributed to adverse outcomes were identified in the NAO report. In conjunction with the Assembly, it is reviewing the Welsh Risk Management Standards, particularly

on communication and records management, to try to improve performance in trusts in those particular areas. As part of the implementation of the NHS Plan for Wales, one of the key areas being developed is electronic patient records. As clinical networks develop, the need to transfer patient information becomes paramount. In order for this to be achieved, common standards and systems compatibility are to be developed.

Estimate of the Income and Expenses of the Auditor General for Wales and Programme of Value for Money examinations 2001-2002

3.32 At its first meeting in October 2000, the Audit Committee agreed that the budget for the Auditor General's value for money examinations should be £2,145,000 to cover both financial audit and value for money work in 2001-2002. This represented an increase of £220,000 net on 2000-2001. Apart from the 2.7% of the amount which covered cost increases compared to the current year, the main reasons for the increase were the additional accounts to be audited, particularly in the education sector, and more complicated accounts, such as the Assembly's resource account.

3.33 Members requested that the Auditor General consider the following items in future programmes of value for money examinations:

- the review of drug and alcohol misuse could be given high priority in order to inform Assembly policy in various areas including social inclusion
- the reviews of hospital catering and cleaning services concerned 'value for life' as well as value for money. These should take place as soon as possible so that possible sources of MRSA could be eradicated and more nutritious meals could be provided to aid the speedier recovery of patients
- the influence of private practice on the length of hospital waiting lists
- the effectiveness of housing renovation grants in connection with the report on homelessness and rooflessness
- sickness levels in the police service would be examined if the Auditor General had powers in this area.
- the proposed report on the effectiveness of Regional Selective Assistance grants could inform the deliberations of the Economic Development Committee

4. FUTURE WORK OF THE AUDIT COMMITTEE

4.1 The Audit Committee expects to consider the following issues in its programme of work for 2001-2002:

- Closure of the Centre for Visual Arts
- Management of NHS estate
- NHS Estate renewal and disposals
- Operation of the successor arrangements for Cardiff Bay
- Management of the further education estate
- A review of publicly-funded support for the LG project
- Administration of EU structural funding
- Hospital cleaning services
- Hospital catering services
- Procurement of the Assembly's IT systems
- Management of the collections of the National Museums and Galleries for Wales
- Trunk road maintenance

In addition, the Auditor General for Wales intends to report on the 2000-2001 accounts of the National Assembly and the NHS Wales Summarised accounts, as well as issuing a General Report on his financial audit work for that year. He will also report if his work raises any specific issues of regularity or propriety.

4.2 The first meeting of the Audit Committee in November 2001 will consider the Auditor General's estimate of income and expenses for the year ending March 2003, together with his proposed value for money examinations. The Committee will also agree its own programme for the autumn term.

5. SUMMARY

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

AUDIT COMMITTEE - TERMS OF REFERENCE

Relevant Extracts from Government of Wales Act 1998

- 60.** - (1) The Assembly shall establish a committee to be known as the Audit Committee or Pwyllgor Archwilio.
- (2) The Audit Committee shall have such number of members as the standing orders may provide.
- (3) The members of the Audit Committee shall be elected by the Assembly from among the Assembly members so as to secure that, as far as is practicable, the balance of the parties in the Assembly is reflected in the membership of the Committee.
- (4) Neither the Assembly First Secretary nor an Assembly Secretary may be a member of the Audit Committee.
- (5) The Assembly shall elect one of the members of the Audit Committee to chair the Committee but it may not be chaired by a member who represents the largest party with an executive role.
- (6) The Assembly may not delegate any function to the Audit Committee except as provided by section 94(4).
- 93.** - (4) For each financial year after the first financial year of the Assembly, the Auditor General for Wales shall prepare, and submit to the Audit Committee, an estimate of the income and expenses of his office.
- (5) Each such estimate shall be submitted to the Audit Committee at least five months before the beginning of the financial year to which it relates.
- (6) The Audit committee shall examine each such estimate submitted to it and, after having done so, shall lay the estimate before the Assembly with any such modifications as the Committee thinks fit.
- (7) Where the Audit Committee proposes to lay such an estimate before the Assembly with modifications, the Committee shall first consult the Secretary of State and have regard to any advice which he may give.
- 94.** - (1) The Assembly shall appoint an auditor of the accounts of the Auditor General for Wales.
- (4) The Assembly may delegate to the Audit Committee the function of approving bodies of accountants, or of withdrawing approval from such bodies, but may not otherwise delegate those functions.
- 96.** - (3) The Auditor General for Wales may -
- (a) examine, certify or report on a person's accounts, or
- (b) carry out examinations into the economy, efficiency and effectiveness with which a person has used his resources in discharging his functions,
- if provision is made for the Auditor General for Wales to do so by an agreement entered into by the person with either the Assembly or a Minister of the Crown.
- (4) In determining how to exercise his functions under paragraph (b) of subsection (3), the Auditor General for Wales shall take into account the views of the Audit Committee (or, before the first ordinary election, the views of the Secretary of State) as to the examinations which he should carry out under that paragraph.

100. - (1) The Auditor General for Wales may carry out examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions.
(2) Subsection (1) shall not be construed as entitling the Auditor General for Wales to question the merits of the policy objectives of the Assembly.
(3) In determining how to exercise his functions under this section, the Auditor General for Wales shall take into account the views of the Audit committee as to the examinations which he should carry out under this section.
(4) The Auditor General for Wales may lay before the Assembly a report of the results of any examination carried out by him under this section.

102. - (1) The Audit Committee may consider, and lay before the Assembly a report on, any accounts, statement of accounts or report laid before the Assembly by -
(a) the Auditor General for Wales, or
(b) the auditor appointed under section 94.
(2) If requested to do so by the House of Commons Committee of Public Accounts, the Audit Committee may -
(a) on behalf of the Committee of Public Accounts take evidence from the Assembly's principal accounting officer or any additional accounting officer designated under section 98, and
(b) report to the Committee of Public Accounts and transmit to that Committee any evidence so taken.

103. - (1) A document to which this subsection applies shall be published by the Assembly as soon after being laid before it as is reasonably practicable.
(2) The documents to which subsection (1) applies are -
(a) any accounts, statement of accounts or report laid before the Assembly by the Auditor General for Wales,
(b) any accounts or report laid before the Assembly by the auditor appointed under section 94, and
(c) any estimate or report laid before the Assembly under 93(6) or 102(1) by the Audit Committee.

ANNEX B

STANDING ORDER 12 - AUDIT COMMITTEE

Membership

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

Responsibilities

12.2 The Committee shall:

- (i) exercise the functions set out in section 93(6)-(7) of the Act relating to estimates submitted by the Auditor General for Wales;
- (ii) present views to the Auditor General for Wales from time to time on the Auditor General's exercise of his or her powers to undertake examinations into the economy, efficiency and effectiveness of the use of resources;
- (iii) exercise any functions relating to the approval of bodies of accountants delegated to it by the Assembly under section 94(4); and
- (iv) submit an annual report to the Assembly on the work of the Committee.

12.3 The Committee may:

- (i) report to the Assembly in accordance with section 102(1) of the Act on documents put before it by the Auditor General for Wales or that officer's auditor; and
- (ii) take evidence and report to the House of Commons Committee of Public Accounts if requested by that Committee to do so.

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

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

Meetings

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

12.7 No member of the Committee shall participate in its consideration of any matter if he or she was at the relevant time a member of the Assembly Cabinet.

12.8 The Presiding Officer may issue guidelines for members on avoiding conflicts of interest when participating in the activities of the Audit Committee.

12.9 If the chair is disqualified from participating in the Committee's consideration of any matter under the standing orders or voluntarily withdraws from such participation, the Committee shall elect another member to chair it whenever that matter is being considered. The Committee may not elect as its temporary chair a member of the largest political group which is represented in the Assembly Cabinet.

12.10 A member of the Committee who has given advance notice to the Chair may be represented at a meeting, or a part of a meeting, of the Committee by another member of the same political group. The appropriate political group shall nominate for temporary membership of the Committee another member of the group whose name has been notified in advance to the Chair. The nominated representative shall not be a member of the Assembly Cabinet. No member may represent more than one committee member at a meeting.

Summoning of Witnesses and Production of Documents

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

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

12.13 When the Committee has resolved to summon witnesses or order the production of documents, the chair shall notify the Presiding Officer of the terms of the resolution, and request the Presiding Officer to give notice in writing to any relevant persons. Such a notice shall contain the information specified in section 74(6) of the Act, and comply with the requirements of section 74(7).

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

12.15 Where an oath is to be sworn or an affirmation made under paragraph 12.14, it shall be in the form set out in paragraph 9.17.

MEMBERSHIP OF AUDIT COMMITTEE

Current Membership:

Janet Davies (Chair)	Plaid Cymru	South Wales West
Alun Cairns	Conservative	South Wales West
Jocelyn Davies (replaced Geraint Davies - 9/11/2000)	Plaid Cymru	South Wales East
Alison Halford	Labour	Delyn
Ann Jones (replaced Brian Gibbons - 9/11/2000)	Labour	Vale of Clywd
Peter Law (replaced Jane Davidson)	Labour	Blaenau Gwent
Lynne Neagle (replaced Lorraine Barrett - 9/11/2000)	Labour	Torfaen
Dafydd Wigley	Plaid Cymru	Caernarfon
Kirsty Williams (replaced Peter Black - 9/11/2000)	Liberal Democrat	Brecon and Radnorshire

ANNEX D**AUDIT COMMITTEE REPORTS, OCTOBER 2000 - SEPTEMBER 2001**

Report number	Title	Issue date
00-06	Welsh Development Agency: the Creation of the Enlarged Agency and the Agency's Support for Indigenous Businesses in Wales.	24 November 2000
00-07	Coleg Gwent	1 December 2000
01-01	The Cardiff Bay Barrage	15 February 2001
01-02	Accommodation Arrangements for the National Assembly for Wales.	3 May 2001
01-03	Access to Records and Information by the Auditor General for Wales.	29 May 2001
01-04	Clinical Negligence in the NHS in Wales	16 August 2001
01-05	National Assembly for Wales Resource Account for 1999-2000 and General Report of the Auditor General for Wales: Financial Audit of 1999-2000 Accounts	6 September 2001

**RECOMMENDATIONS OF AUDIT COMMITTEE REPORTS PUBLISHED
OCTOBER 2000 - SEPTEMBER 2001****FINANCIAL AUDIT****National Assembly for Wales Resource Account, 1999-2000 and The General
Report of the Auditor General for Wales: Financial Audit of 1999-2000 Accounts***On the Assembly's 1999-2000 resource account*

- (i) We view the unqualified audit opinion on the 1999-2000 resource accounts as a considerable achievement by the Assembly's staff who had to cope with the introduction of resource accounting alongside the transition to devolution. We consider, however, that the Finance Group could have anticipated and managed better some of the problems that it faced in putting together the 1999-2000 accounts.
- (ii) We welcome the assurance given to us by the Permanent Secretary that arrangements have now been put in place, including the provision of sufficient qualified and experienced staff to enable the 2000-01 accounts to be produced to a good standard and in line with the agreed audit timetable.
- (iii) We are deeply concerned that the Finance Group failed to keep the monthly bank reconciliations up to date and that it also reduced its checks on suspense account reconciliations. We note that the Finance Group has now brought the monthly bank reconciliations up to date and has put procedures in place to ensure that they will, in future, be completed on a timely basis.

On future developments with resource accounting and budgeting

- (iv) We note that the Assembly's Cabinet decided not to introduce resource based budgeting for 2001-02 but has agreed to its introduction in principle from 2002-03. We fully endorse the decision to introduce resource budgeting and welcome the Permanent Secretary's assurance that all the necessary arrangements are in place to deliver it successfully by the planned date.
- (v) We consider the integration of local authority accounts into those of the Assembly to be of vital importance in order to obtain a complete overview of how Assembly money is being used. We recognise that there are some major accounting issues to be addressed before the accounts of local authorities can be consolidated successfully into the Whole of Government of Wales Account. Notwithstanding these difficulties, we urge the Finance Group to take all reasonable and practical measures necessary to bring forward the time when this can take place.
- (vi) We view the new computerised accounting system as being of paramount importance to the Assembly's operations and we therefore look to the Finance Group to ensure that it is implemented successfully. We also seek an assurance that the existing accounting system will not be decommissioned until the new one is working as intended.

On matters arising from the Auditor General's 1999-2000 financial audit work

- (vii) We look to the Assembly to exert what influence it can to ensure that the difficulties encountered with the accounts of the Welsh Administration Ombudsman, NHS Commissioner for Wales and the two Welsh Forestry Commission Accounts during 1999-2000 are not repeated.
- (viii) We note the Permanent Secretary's assurance that the Assembly has comprehensive compliance arrangements in place based around the use of skilled staff for consideration of grant applications that could be affected by State Aid rules. The Assembly's senior management must remain vigilant in this area as non-compliance with State Aid rules could result in serious penalties being levied by the European Commission and acute embarrassment to the Assembly.

On corporate governance in the bodies audited by the Auditor General

- (ix) We agree with the Permanent Secretary that the Assembly must ensure that its landmark new building is completed successfully to time and cost. We trust that the assurance given to us that the necessary arrangements and required skills are in place to ensure that the project is managed effectively and to a necessary standard is not misplaced.
- (x) We look to the Assembly's senior management to ensure that appropriate measures are taken to implement the Turnbull Committee's recommendations so that, as the leading public sector organisation in Wales, its own corporate governance arrangements can be regarded by the others as a model of best practice. We see it as important that the Assembly's senior management continue to advise its related public bodies and to maintain a close interest in their work in this area.
- (xi) We agree that effective asset management is key to the achievement of good value for money. We therefore look to the Assembly to maintain the momentum to ensure that the April 2002 target for public bodies to have asset management plans in place can be achieved.
- (xii) We look to the Assembly's senior management, working closely with ELWa, to ensure that the assets and liabilities of the TECs and the Further Education Funding Council transferred on 1 April to the Education and Training Council and elsewhere were properly identified and dealt with and to ensure that ELWa has the required systems in place to operate effectively. We also look to the Assembly's senior management and to ELWa to ensure that the TECs are wound-up in a proper and orderly manner and for a proper disposition of any remaining assets and liabilities.

VALUE FOR MONEY

Welsh Development Agency: the Creation of the Enlarged Agency and the Agency's Support for Indigenous Businesses in Wales

- (i) We recommend that, when the Assembly sets financial savings targets relating to the reorganisation of public bodies in Wales in future, such targets should be determined with reference to an objectively based template or model, informed by relevant public and private sector comparisons.

- (ii) We recommend that the Agency moves forward as a matter of priority with piloting desk sharing arrangements that would be relatively inexpensive to set up, separate from its initiatives to explore other flexible working practices such as teleworking that would be likely to require substantial investment in new technology.
- (iii) We recommend that the Agency should act as an exemplar to other public bodies in Wales by actively promoting good energy management practices in its own premises and by enthusiastically adopting the Assembly's sustainable development agenda.
- (iv) We recommend that the Agency should take immediate action to develop and incorporate appropriate benchmarking into its processes for monitoring and reviewing its management running costs, to include benchmarking of energy and space utilisation as set out in Part 3 of the report by the Auditor General for Wales.
- (v) We recommend that the Agency gives high priority to the completion of its commissioned research into the characteristics, constraints and needs of small and medium-sized enterprises in Wales.
- (vi) We recommend that the Assembly should establish guidelines, in consultation with the Agency, on the appropriate emphasis between supporting indigenous businesses and supporting inward investors within the framework of its strategic targets and performance criteria, and that the Agency should develop appropriate arrangements for assessing the effectiveness of its performance in both these key areas.

Coleg Gwent

Financial Health of Coleg Gwent and European Funding Issues

- (i) We look to the College to maintain its financial position by continuing to be vigilant in its financial management.
- (ii) We look to the College to improve the fabric of its estate as quickly as possible and to keep a close eye on health and safety issues while backlog maintenance is being addressed.
- (iii) Given its position as the largest further education institution in Wales, Coleg Gwent must take immediate action to ensure that it is able to maximise its use of the funding available under Objective 1.
- (iv) We look to that the Assembly to put proper procedures in place for the oversight of European Social Funds received in Wales and to discharge this new responsibility with regard to the need for regularity and propriety.

Governance and Management

- (v) We recommend that the Governing Body of every institution in the sector should undertake a detailed skills audit of its requirements and look to amend its membership in accordance with the findings.
- (vi) We recommend that other institutions in the sector take note of the way Coleg Gwent has managed its latest restructuring.
- (vii) It concerns us that the College still faces difficulties in producing management information on the number of students that it enrolls. The Committee looks for confirmation of an early resolution to this problem.

- (viii) We seek confirmation that the Principal underwent a full appraisal process at the end of his second year in post.
- (ix) Coleg Gwent needs to formalise its appraisal process for its four senior post holders as quickly as possible and extend it to the remainder of the staff when this is practicable.
- (x) We recommend that the whole sector should adopt formal appraisal processes for senior post-holders as quickly as possible.

Financial Management

- (xi) We consider that it is vital that all institutions have the appropriate level of qualified finance staff.
- (xii) We recommend that the Audit Committees of all institutions across the sector adopt the approach Coleg Gwent has employed for monitoring the implementation of recommendations made by all auditors.

External Monitoring and Accounting Issues

- (xiii) In light of the work that the College still has to undertake in a number of key areas such as strategic planning, we are surprised at the Funding Council's decision to recategorise the College's financial health. We urge the Funding Council to continue to monitor the College particularly closely.
- (xiv) We recommend that all Governing Bodies take note of the powers which are now available to them to hold to account individuals who have been negligent, and use them when necessary.
- (xv) We urge the College vigorously to pursue the issue of taking cost effective legal action for redress against Deloitte & Touche.
- (xvi) We consider it timely to review and strengthen the audit arrangements for further education institutions in Wales. We see considerable merit in appointing the Auditor General for Wales as the external auditor of each further education institution in Wales or, alternatively, making him responsible for such external audit appointments and thereby enable him to oversee the consistency of audit standards across the sector.

Wider Implications for the FE Sector

- (xvii) We recommend that the Assembly Minister for Education and Life Long Learning, in consultation with the corresponding Subject Committee, should examine whether the model established for the further education sector of colleges as independent self-governing bodies remains appropriate.
- (xviii) We would welcome information from the National Assembly in due course on the outcomes achieved from part one of the Governance and Management Development Programme and the main aims, objectives and targets which have been set for the next part of this programme.
- (xix) We recommend that the Funding Council should establish a register of all units with an entrepreneurial remit and companies at all institutions and should monitor their activities using internal audit.
- (xx) We recommend that all institutions should ensure they have a users' guide to assist staff in understanding how their whistleblowing policy operates.

- (xxi) Because of the wider relevance of the events at Coleg Gwent, we recommend that the Funding Council should arrange for this report to be considered by every FE College in Wales.

The Cardiff Bay Barrage

- (i) We recommend that the Assembly gives priority to commissioning an economic appraisal of developments in Cardiff Bay, including the impact of the Barrage and the freshwater lake, making use as appropriate of the earlier work undertaken by the Cardiff Bay Development Corporation.
- (ii) We endorse the lessons that have been drawn so far from the project to construct the Barrage and create the freshwater lake and we recommend that the Assembly takes full account of them as it puts in place management arrangements for other projects that involve the investment of significant amounts of public money.
- (iii) As, in the light of experience, the Assembly develops its thinking on the overall nature of the management arrangements which it has put in place for the Barrage and the Bay, we recommend that this area should remain a focus of attention within the Assembly's management structure. We also recommend that the Assembly should not rule out the possibility of opting at some point in the future for an alternative management model such as the possibility of managing the Bay as a Private Finance Initiative project.
- (iv) We recommend that the Assembly actively encourages Cardiff County Council to develop soundly based initiatives for generating additional revenue from Cardiff Bay.
- (v) In view of the scale and nature of the environmental obligations and potential liabilities associated with the construction of the Barrage and the creation of the freshwater lake, we recommend that Assembly officials to continue to develop and operate effective risk management to keep to a minimum any unplanned or unforeseen demands on the public purse.

Accommodation Arrangements for the National Assembly for Wales

In the light of these findings and conclusions we make the following recommendations:

- i) that the Assembly issue guidance to ensure that sensitivity analyses are undertaken as part of all future economic appraisal work;
- ii) that, as far as is practicable, announcements of project costs reflect the whole cost to the Assembly and not only the cash cost, particularly when other costs are known to be significant;
- iii) that, given the uncertainty about the long-term need for the Pierhead Building, the Assembly review the use of the building and develop detailed proposals in due course;
- iv) that officials consider purchasing the long leasehold of the Pierhead Building as soon as a clear long-term need for the building is established, in order to minimise the ongoing cost of the rental payments;
- v) that firm budgets are set for all capital projects and that the total cost is very closely monitored, on a regular basis throughout the life of the project;

- vi) that the Assembly monitor total capital costs, whole life costs and the results of value engineering studies as part of the reporting arrangements for the new building;
- vii) that the Assembly undertake a review, in 12 months time, of procurement practices for the new building to ensure that the weaknesses identified by the Auditor General for Wales have not been repeated;
- viii) That when the value of goods supplied under a call-off contract rises substantially from the value expected at the time the contract was let, officials either tender separately for any major order or, if there are compelling reasons for not doing this, press the existing contractor to negotiate a better price. However, should the supplier be unwilling to renegotiate, officials should review the decision not to retender;
- ix) that, given the cost implications of any variations to the design as well as the potential for disruption to the construction work, the Assembly pay particularly close attention to any requests for specification variations and ensure that these are kept to a minimum;
- x) that when there is shared responsibility for part of any project, basic arrangements are confirmed in a written framework agreement before work begins, pending agreement of a detailed contract;
- xi) that the Assembly note the cost of floor space for staff and minimise its space requirements as much as practicable;
- xii) that fee bids are included in the assessment of entries to any design competitions, or similar exercises, held in the future;
- xiii) that any future design competitions include a comprehensive consideration of practical issues of cost, size and extent;
- xiv) that project budgets contain realistic provisions for all likely costs, including fixtures and fittings, external landscaping and fees;
- xv) that design changes for the new building that result in additional cost be avoided unless they are absolutely necessary and are approved by the Policy Steering Group. We expect the contingency fund to be reduced as the project proceeds and amounts are either transferred to the base cost (if risks do materialise) or eliminated from the reserve (if they do not);
- xvi) that whole life costing and value engineering techniques are used routinely on all major capital projects undertaken by the Assembly;
- xvii) that fee structures for professional services in future capital projects funded by the Assembly contain strong incentives to contain costs, and that the basic structure should be settled at an early stage in the design process;
- xviii) that, now the construction cost at the scheme design stage has been approved, the Assembly inform the Committee of the final cost of the architects' base fee; and confirm that the contract with the architects has been signed; and
- xix) that the Assembly appoints its own Quantity Surveyor in any future capital projects.

Access to Records and Information by the Auditor General for Wales

We accept the arguments made by the Auditor General in paragraph 17 of his memorandum. Specifically we recommend that:

- (i) The Auditor General should be appointed as the auditor of the accounts of any new Assembly sponsored public bodies that may be established in future;
- (ii) The Auditor General should be empowered to audit limited companies established in the public sector and we urge the Department of Trade and Industry to resolve any legal barriers that prevent this at the earliest opportunity; and Any new rights given to the Comptroller and Auditor General to access the books and records of bodies sending public money should be extended to the Auditor General for Wales. The Counsel General should explore with the Wales Office and the Treasury as to whether this can be done by using the Secretary of State for Wales' Order making powers under the Government of Wales Act 1998. If this proves not to be possible, we would urge the Cabinet to request primary legislation to resolve the matter at the earliest opportunity. In the meantime we would look to Assembly officials to continue to make access agreements for the Auditor General on request with the bodies concerned.

Clinical Negligence in the NHS in Wales

In the light of these findings and conclusions we recommend that:

- (i) management at all levels monitor the incidence and costs of clinical negligence closely and make every effort to prevent such claims placing more of a drain on available resources than is avoidable;
- (ii) the NHS Directorate and trust community determine as a matter of priority the management information on clinical negligence that they want to be recorded in a national, standardised system, and specify the best way of meeting this need;
- (iii) the Welsh Risk Pool look to extend their detailed analysis of claims to more than the planned 20 cases a year to ensure that their sample is fully representative of claims received and covers as wide as possible a range of medical procedures and disciplines;
- (iv) the NHS take practical steps to reduce the incidence of non-clinical errors; track the extent to which it succeeds in reducing such errors and thus secure financial savings; and take as a target a reduction of a third in the incidence of such errors within two years. We further recommend that the NHS Directorate monitor the achievement of this target;
- (v) the Welsh Risk Pool consider how to give individual trusts greater incentive for improving compliance with the Welsh risk management standards;
- (vi) given the expected beneficial impact, the NHS Directorate show greater urgency in developing electronic patient records;

- (vii) the NHS Directorate determine the extent to which compliance with the Welsh risk management standards affects the incidence of clinical negligence;
- (viii) all trusts take action on the advice of the Welsh Risk Pool to close dormant claims where no further action is likely; and
- (ix) the NHS Directorate and trusts continue to explore ways of maximising the use of alternative remedies for resolving claims where, taking administrative and legal costs into account, this represents better value for money to the tax payer.