



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

June 2005  
[www.wao.gov.uk](http://www.wao.gov.uk)

# The General Report of the Auditor General for Wales 2005: Financial Audit of Central Government Bodies in Wales



# The General Report of the Auditor General for Wales 2005: Financial Audit of Central Government Bodies in Wales

I have prepared this report for presentation to the National Assembly under the Government of Wales Act 1998.

The Wales Audit Office study team that assisted me in preparing this report comprised Geraint Morgan, Kay Palmer, Jo Peddle, Jeannette Sweet and Mike Usher.

**Jeremy Colman**  
**Auditor General for Wales**  
**Wales Audit Office**  
**2-4 Park Grove**  
**Cardiff**  
**CF10 3PA**

The Auditor General is totally independent of the National Assembly and Government. He examines and certifies the accounts of the Assembly and its sponsored and related public bodies, including NHS bodies in Wales. He also has the statutory power to report to the Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also appoints auditors to local government bodies in Wales, conducts and promotes value for money studies in the local government sector and inspects for compliance with best value requirements under the Wales Programme for Improvement. However, in order to protect the constitutional position of local government, he does not report to the Assembly specifically on such local government work.

The Auditor General and his staff together comprise the Wales Audit Office. For further information about the Wales Audit Office please write to the Auditor General at the address above, telephone 029 2026 0260, email: [wales@wao.gov.uk](mailto:wales@wao.gov.uk), or see web site <http://www.wao.gov.uk>

**Report presented by the Auditor General for Wales to the  
National Assembly on 30 June 2005**



# Contents

	<b>Summary</b>	<b>6</b>
<hr/>		
<b>1</b>	<b>Introduction</b>	
	My role as AGW	7
	How my work is conducted	8
	How I report the conclusions of my audit work	8
	Results of the 2003/2004 audit examinations	8
<hr/>		
<b>2</b>	<b>My observations</b>	
	Matters arising from 2003/2004 Audit Work	10
	Action taken by management in respect of previous years' recommendations	12
	Corporate governance	13
	Payment performance	14
	Resource-based financial management	15
	Whole of government of Wales accounts	16

### 3 Adding value

Asset management planning	18
Working with other auditors	19
Advice to other stakeholders	20
Investigation into the collapse of an enterprise agency	21
Sharing expertise and knowledge	22

---

### 4 Developments since the last General Report

Welsh Procurement Initiative	23
European Structural Funds	26

---

### 5 Looking forward

The Wales Audit Office	28
Public sector reform in Wales	28
The future	29

### Appendices

Appendix 1: List of value for money reports published in 2003/2004	30
Appendix 2: Accounts covered by this report	31

Notes	33
-------	----



## Summary

I am delighted to present my first General Report since becoming Auditor General for Wales (AGW) on 1 April 2005. This report builds on the work of my distinguished predecessor Sir John Bourn. It summarises the results of financial audit work relating to the 2003/2004 accounts of the National Assembly for Wales and its related public bodies and of other work undertaken in the period to 31 March 2005 including correspondence with Assembly Members and the public, and the audit of European funded projects.

That financial audit work enables me to provide independent assurance that the annual financial statements are properly prepared and that income and expenditure has been applied for the purposes intended by the relevant United Kingdom statutes.

Overall, it is my view that standards of financial management and probity in the central government sector in Wales are high. For the second year, all accounts audited received unqualified opinions. There has been good progress by audited bodies in improving how they manage risk to support effective governance and the proper conduct of public business. The Report also highlights the positive developments in public sector procurement in Wales that the Welsh Assembly Government has led.

There remains, however, no room for complacency. The Welsh Assembly Government's consultation document, 'Making the Connections: Delivering Better Services for Wales' emphasises the importance of achieving value for money through the innovative provision of efficient public services<sup>1</sup>. As the Welsh block budget, currently around £12.7 billion, continues to grow, so, therefore, does the importance of effective financial management by the National Assembly for Wales and its related bodies. In the months ahead the programme of structural reform across several Assembly sponsored public bodies and the Treasury's 'Faster Closing' project to improve the timeliness of publication of public sector accounts, will also place extra demands on staff in the Welsh central government sector.

In this context, the central government sector in Wales can make better use of accounting information to help in managing its affairs and in preparing year-end accounts promptly and accurately. Audited bodies also need to do more to strengthen their financial management of European funded projects.

Since the publication of the last General Report, the Public Audit (Wales) Act 2004 has placed the AGW at the head of the newly-created Wales Audit Office. A single body now audits public sector expenditure in Wales and my powers to follow the public pound have been considerably enhanced.

Wales is in an ideal position to develop a first rate public audit system. I look forward to working with public bodies across Wales to secure improvements in the delivery of public services and to providing independent assurance on public spending to the National Assembly and the people of Wales.

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

**30 June 2005**



## Part 1: Introduction

- 1.1** This report summarises the results of my predecessor's examination and certification of the 2003/2004 accounts, the last of which he certified on 11 March 2005. The report also summarises the results of other financial audit work undertaken by staff of the National Audit Office Wales on behalf of the AGW during the 2004/2005 financial year.
- 1.2** This report does not deal in detail with the Value For Money (VFM) audit work of the National Audit Office Wales, which supported the production of published VFM reports by the Auditor General. During 2003/2004 Sir John Bourn published six VFM reports, which are listed at Appendix A to this report and which are available on the internet at [www.wao.gov.uk](http://www.wao.gov.uk). These reports are considered separately by the Assembly's Audit Committee and records of the Committee's meetings are available on the Assembly's website at [www.wales.gov.uk](http://www.wales.gov.uk).
- 1.3** I am required by statute to examine and certify the annual accounts of the National Assembly for Wales, its sponsored public bodies and certain other public bodies, and to report my audit opinions to the Assembly.
- 1.4** In common with private sector auditors, I conduct my financial audits in accordance with Auditing Standards issued, or adopted, by the Auditing Practices Board.
- 1.5** I design my audit examinations to satisfy myself that, in all material respects, money provided to and by the National Assembly for Wales has been used only for the purposes intended – 'regularity'. I also have regard for the propriety with which public funds have been handled and the manner in which public business has been conducted.
- 1.6** Auditors give advice to client staff at all stages of the audit. However, significant financial control issues are raised formally at the end of the audit in the form of a management letter addressed to the client's Accounting Officer. Financial control means the array of management and procedural controls which promote proper accounting and stewardship of public money and which prevent or detect breaches of propriety or regularity. My staff aim to produce practical recommendations to assist Accounting Officers in discharging their responsibilities without creating unnecessary bureaucracy.
- 1.7** At the request of the Assembly's Accounting Officer, I also undertake additional reviews at Assembly sponsored public bodies. These reviews provide the management of audited bodies and Welsh Assembly Government officials with assurance over and above that obtained from the standard external audit of the annual accounts. In many cases, this work adds value by

### My role as AGW

*As AGW, and head of the new Wales Audit Office, I have responsibility for audit across the whole of the Welsh public sector.*

recommending improvements to systems, controls and operating procedures.

## How my work is conducted

*For the period covered by this report, the National Audit Office Wales, under the direction of the AGW, conducted the detailed financial audit work necessary to support his duties and statutory responsibilities.*

- 1.8** For the 2003/2004 year of account, the National Audit Office Wales audited 32 accounts prepared by the Assembly and its sponsored bodies which reported the spending programmes financed by the Welsh block budget of some £11.3 billion. **Figure 1** illustrates the variety and numbers of accounts audited for 2003/2004 (a full listing is set out in Appendix B to this Report).

## How I report the conclusions of my audit work

- 1.9** I report the results of my financial audit work through:
- audit certificates on the financial statements;
  - published reports on accounts; and
  - unpublished reports to client management.

## Results of the 2003/2004 audit examinations

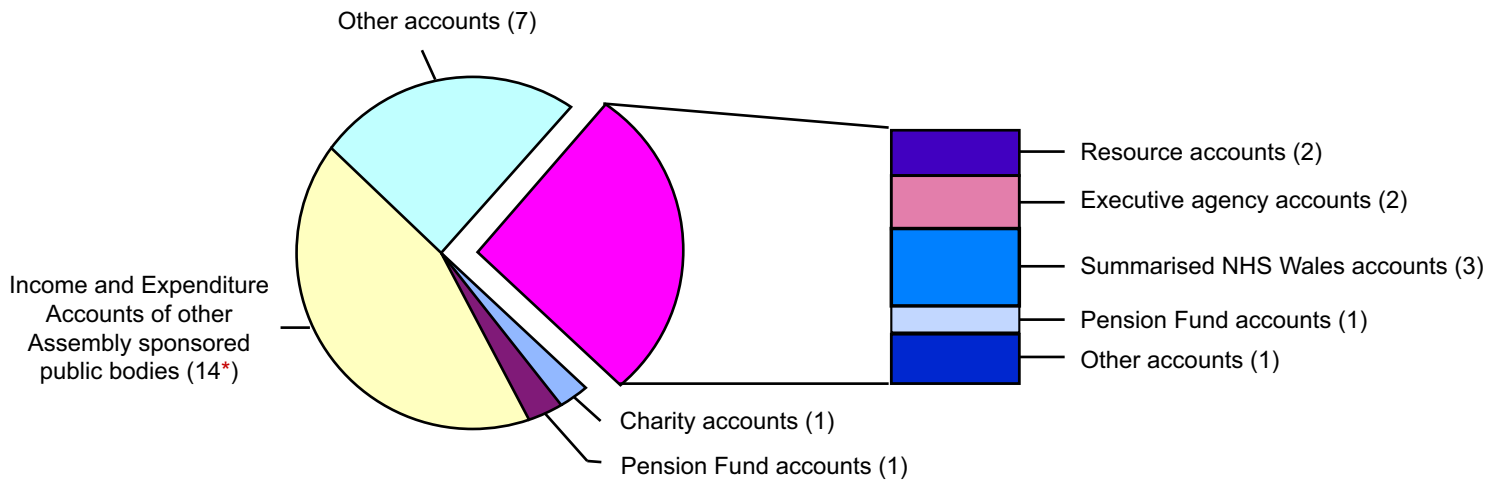
*All of the 2003/2004 accounts certified by the AGW received unqualified opinions.*

- 1.10** Sir John Bourn gave an unqualified opinion on all of the Welsh accounts that he certified in respect of the 2003/2004 financial year. He also published a substantive report on the Financial Health of the NHS in Wales, on 31 March 2005<sup>2</sup>.
- 1.11** Under the provisions of the Public Audit (Wales) Act 2004, the work previously undertaken by the National Audit Office Wales and the Audit Commission in Wales is now being undertaken by the Wales Audit Office. I report further on the creation of a unified audit office for Wales in Part 5 of this report.





**Figure 1: The 32 accounts audited by the AGW, 2003/2004**



\* Four of these bodies also have charitable status

Source: Wales Audit Office



## Part 2: My observations

***In this part of my report, I describe the main issues that have arisen from the work on the 2003/2004 accounts.***

### **Matters arising from 2003/2004 Audit Work**

**2.1** In general, standards of financial control in central government client bodies throughout Wales remain good. I have already referred to my predecessor's unqualified audit opinions on all of the Welsh accounts he certified in respect of the 2003/2004 financial year. I also welcome the progress made by audited bodies in taking forward the Treasury's initiative on risk management and the improvements in a number of areas of financial management reported below, for example in addressing audit recommendations and in standards of payment performance achieved.

**2.2** The requirements for earlier preparation of accounts described in paragraphs 2.40 and 2.41 will, however, present additional challenges to audited bodies. It will be important that adequate training is given to all relevant staff and that full use is made by bodies of their computerised financial systems to assist in a further strengthening of financial management where required.

#### **Recommendations made to management**

**2.3** My staff were able to raise a wide range of observations with audited bodies in its management letters and additional assurance reports.

**2.4** **Figure 2** provides an analysis by the main categories of recommendations made.

**2.5** I provide more detail on advice given during 2004/2005 by the National Audit Office Wales regarding financial management and procurement practices in paragraphs 2.26 - 2.32 and Part 4 of this report respectively. In the following paragraphs I report on one other theme - the preparation and presentation of accounts for audit - and provide an update regarding the extent to which action has been taken by management in respect of recommendations the AGW has made in previous years.

#### **Preparation and presentation of accounts for audit**

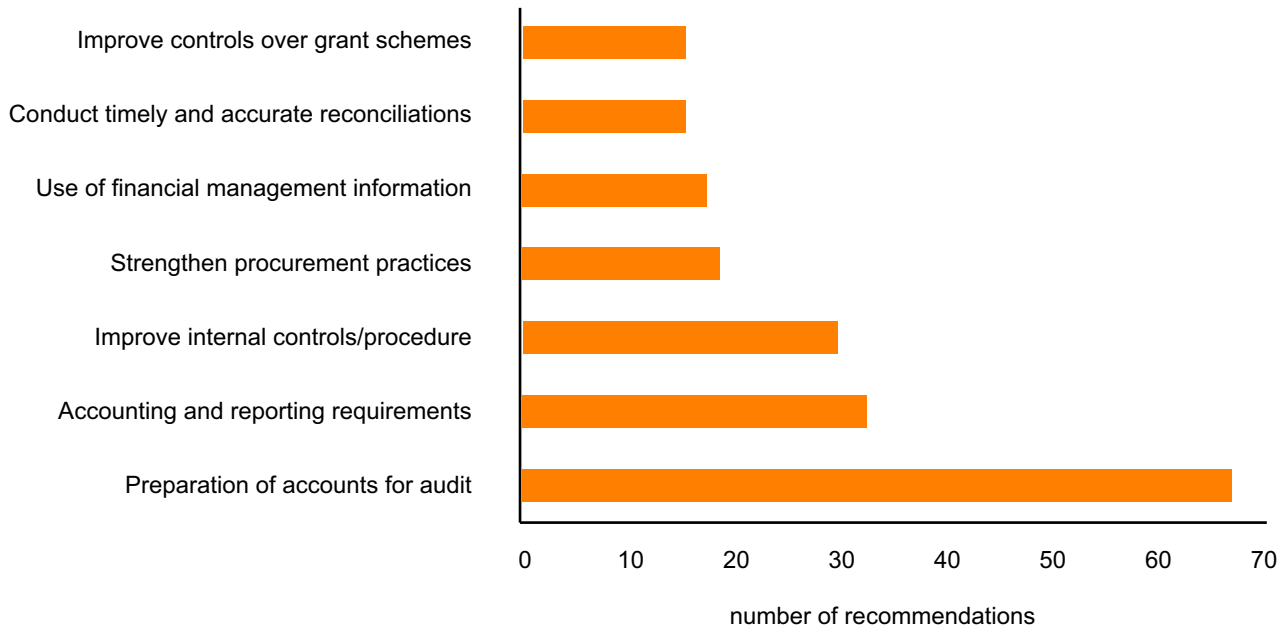
**2.6** As part of its planning process, my staff agree with each of my client bodies a schedule of key dates for accounts preparation and audit. This discipline not only ensures that the accounts are prepared, audited and certified within statutory deadlines but also assists both parties to the audit process in their resource planning.

***There was an improvement in the delivery of accounts for audit on a timely basis, although problems still remain.***

**2.7** Of the 32 accounts for 2003/2004, three were not submitted for audit by the date



**Figure 2: Improvements need to be made in respect of the quality of accounts presented for audit**



Source: National Audit Office Wales' analysis of recommendations to client bodies, 2003/2004

agreed between the client management and my staff. This is an improvement on the performance achieved in 2002/2003, when six client bodies failed to submit accounts by the agreed dates.

**2.8** All accounts have to be signed by the relevant Accounting Officer and submitted formally to the AGW, and this submission normally occurs once all of the detailed audit work has been completed. One of the three accounts submitted late for audit - the consolidated resource account prepared by the National Assembly for Wales also failed, as in 2002/2003, to meet its statutory deadline for signature by the Accounting Officer. I report further in paragraphs 2.38 and 2.39 on the reason for the delay in submission of this account.

**2.9** There were a further two accounts in 2003/2004 that missed their statutory deadline for signature, despite initially being submitted for audit in line with the agreed timetable: the accounts of the Welsh

Administration Ombudsman and the accounts of the Health Service Commissioner for Wales. These bodies are required to submit their signed accounts to the AGW within eight months of the end of the financial year. The accounts for 2003/2004 were submitted on 24 December 2004, 24 days after the statutory deadline.

**2.10** The Auditor General is required to certify the accounts of the Welsh Administration Ombudsman and the Health Service Commissioner for Wales and lay them before the Assembly within four months of receipt. The Auditor General certified the 2003/2004 accounts on 27 January 2005 but could not lay them until 31 March 2005 as the Ombudsman's office, which administers both accounts, had been unable to supply accurate copies of the accounts in electronic format as required by the Assembly's Table Office.

**2.11** The Ombudsman's office told me that the accounts were prepared by the Office of the Parliamentary and Health Ombudsman (OPHSO) under a service level agreement. The delay in finalising the two accounts for signature had arisen because their preparation had been prioritised behind that of OPHSO's own accounts. This was because the significance of the 30 November deadline had not initially been realised. The delay in laying the accounts arose because of technical difficulties in converting the electronic format in which the accounts were supplied by OPHSO to the different electronic format required by the Assembly's Table Office.

**2.12** The National Audit Office Wales found that not all accounts initially presented for audit in 2003/2004 were complete and/or complied fully with reporting requirements. Based on their findings, I have identified three broad areas in which action can be taken by client bodies to improve further the quality of accounts submitted for audit:

- improve the quality of documentation presented in support of account figures to ensure completeness and consistency of reporting;
- strengthen processes for the derivation of balance sheet account figures, such as creditors, debtors and fixed assets; and
- strengthen the controls and procedures over the preparation of the accounts, ensuring, for example, that all required internal returns and declarations are received on a timely basis, and that checks are in place to ensure compliance with accounting standards and Treasury guidance.

**2.13** The above findings will become even more relevant with the requirement for audited bodies to bring forward the preparation of their annual accounts (paragraph 2.40). It will be important that the pressures involved in preparing accounts more quickly do not result in a reduction in the quality of those accounts.

## Action taken by management in respect of previous years' recommendations

*There has been a significant reduction in the number of unresolved recommendations from previous Management Letters.*

**2.14** In his 2003 Report, Sir John Bourn undertook to review how far management were implementing recommendations that he had made in previous years. The 2004 General Report showed that thirteen bodies had actions outstanding on recommendations raised in relation to their 2001/2002 accounts.

**2.15** In its Committee Report, The General Report of the Auditor General for Wales 2004<sup>3</sup>, the National Assembly for Wales Audit Committee examined those findings. The Audit Committee recommended that action be taken by the Welsh Assembly Government to reinforce to its sponsored bodies the importance of prompt implementation of agreed audit recommendations. The Auditor General also instructed the staff of the National Audit Office Wales to continue to monitor the status of prior management letter recommendations in 2003/2004.



- 2.16** I am pleased to acknowledge the action taken by the Assembly's Accounting Officer in this area and can report a significant improvement: two thirds of bodies have since implemented the recommendations made in relation to their 2001/2002 accounts. I also note that in most of the remaining cases of unresolved recommendations, some action has been taken to address them. In respect of recommendations raised on 2002/2003 accounts I found that three audited bodies still had outstanding actions to be completed.
- 2.17** I look to senior management of audited client bodies to build on the progress being made to ensure that my recommendations are implemented in a timely manner. I also welcome the action being taken by the bodies' audit committees to monitor progress being made in this area.

## Corporate governance

***All bodies have made significant progress in developing their risk management systems.***

- 2.18** In previous reports, the Auditor General for Wales has reported how his staff have worked with audited bodies to ensure that the requirements of Treasury Guidelines in respect of Corporate Governance are met. One of the main requirements has been for each organisation to develop a coherent system for the identification and assessment of its key corporate and strategic risks, and to embed robust risk management procedures within its day-to-day operations.
- 2.19** The results of the work of the National Audit Office Wales in reviewing the risk management processes of audited bodies for the 2003/2004 year of account indicate that all have made good progress in this area. However, the auditors found that four bodies were unable, at the time of the audit, to report
- full compliance with the Treasury's stated requirements. For two of these bodies, 2003/2004 was their first year of operation and it was therefore understandable that risk management procedures and processes had been established during the financial year. For the other two bodies, whilst their accounting officers were able to report that systems were fully in place by the year-end, these had not all been in operation for the whole financial year.
- 2.20** The National Audit Office Wales found that risk registers were being updated on a regular basis by audited bodies and were being reviewed by their audit committees. Further work is, however, required to ensure that the arrangements for risk management can be firmly embedded in the bodies' day-to-day operations. This will include, for example, ensuring that all staff are aware of their responsibility to manage risks; linking the management of risks to the organisations' operational and business plans; and establishing robust mechanisms for managing risks in relation to individual key projects.
- 2.21** Successful implementation of the proposed reforms to the Welsh public sector, which I comment upon more fully in Part 5 of this report, will also depend upon the bodies concerned being able to manage successfully the risks as well as opportunities that the significant structural changes will bring. In the immediate future this will include the need to ensure continuity of service during the transitional period prior to the reforms being fully in place.

## Payment performance

*The number of bodies achieving the performance standard has increased over the last three years.*

**2.22** The regulatory framework for a number of the accounts that I audit requires disclosure, within the Foreword to the annual accounts, of the percentage of all creditor payments that are made within the specified 30-day period. This requirement stems from the Late Payment of Commercial Debts (Interest) Act 1998, which reinforces the terms of the UK Government's Better Payment Practice Code. The Act also enables suppliers to claim statutory interest from the public sector if valid invoices are paid late.

**2.23** Of the 32 Welsh accounts for 2003/2004 that my predecessor certified, 26 were required to disclose the client body's payment performance. The 26 accounts include the summarised accounts of Local Health Boards (LHBs) in Wales and Welsh NHS Trusts which disclose the average payment performance achieved by those bodies. An analysis of the audited bodies' performance confirms a continuing improvement in respect of those making at least 95 per cent of payments within the 30 day period, as shown at **Figure 3**.

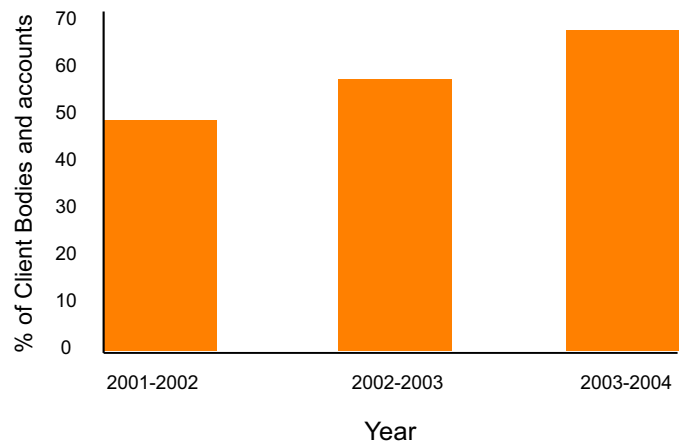
**2.24** A detailed review of the 2002/2003 and 2003/2004 accounts showed that:

- 17 (or 65 per cent) met the 95 per cent performance level in 2003/2004. This compares with 14 (or 56 per cent) in 2002/2003;

- 9, including the 2 summarised health accounts, did not meet the 95 per cent performance level in 2003/2004. Of these, 7 disclosed comparative payment performance which showed that they had also failed to meet the required standard in 2002/2003; and
- 15 of the 26 improved their performance over the two years. However, 4 of these did not improve sufficiently to meet the 95 per cent performance level.

**2.25** I am pleased to report that improvements have been made but I look to the management of those organisations still failing to achieve the target to take action to address the underlying causes. This is particularly important given the potential impact of payment delays upon the cash-flows of small businesses.

**Figure 3: Client bodies' payment performance improves over the three year period, 2001/2002 – 2003/2004**



*NB: The table shows the percentage of client bodies and accounts making 95 per cent or more of their creditor payments within 30 days of receipt of a valid invoice.*

*Source: National Audit Office Wales' analysis of client bodies' reported payment performance, 2003/2004*



## Resource-based financial management

- 2.26** Resource-based financial management is designed to bring the reporting and budgeting process together on an accruals rather than a cash basis. This means that transactions and other events are to be reflected, as far as is possible, in the financial statements for the accounting period in which they occur, and not in the period in which cash is received or paid. Financial statements prepared on an accruals basis therefore provide a more comprehensive record of resources expended.
- 2.27** The Public Audit Forum's publication, "The Whole Truth: Or Why Accruals Accounting Means Better Management", sets out the benefits derived by senior managers, when management information is prepared on a resource basis, including:
- accruals-based information provides a more complete picture than cash-based information. All of the costs and liabilities incurred by an organisation can be compared with all of the income and assets earned by the organisation;
  - the production of complete and accurate financial and management information can help assist in the planning and allocation of resources;
  - accruals accounting is an essential component of an effective system of performance management as it enables performance measures or indicators to be calculated on the basis of comprehensive and consistent financial and operational data; and
  - the preparation of the annual accounts is much simplified if they are linked to quarterly or monthly management accounts prepared on a resource basis.
- 2.28** During the audits of Assembly sponsored public bodies this year, staff of the National Audit Office Wales have assessed the extent to which bodies are using resource based information within their routine financial management procedures.
- 2.29** The findings indicated a mixed picture. Over a half of the bodies examined relied on cash-based budgets and management information in 2003/2004. This meant that they needed to use a separate process to draw-up their annual accounts, which must be prepared on an accruals basis. A number of other bodies were, however, found to be using information prepared on an accruals basis throughout the year. This information was being prepared on a monthly or quarterly basis and, to varying degrees, the annual financial statements and monthly management accounts were being prepared on a common basis, and by the same process.
- 2.30** Where information used is prepared largely on a cash basis it can substantially restrict the value of financial management information available to managers. It can also make the year-end accounts preparation process more time-consuming and mean that bodies do not become aware of their annual out-turn position in income and expenditure terms until they prepare their annual accounts. This makes it more difficult, for example, to adequately anticipate, and take prompt action to address, potential year-end deficits.
- 2.31** Whilst the type and extent of financial management information in use needs to be proportionate to organisations' business requirements, it is essential that all public bodies ensure that potential benefits are not being missed in this area. Financial systems therefore need to better reflect the future demands for earlier preparation of annual accounts (paragraphs 2.40 and 2.41) and the key role that financial management should play in the efficient delivery of programmes.

**2.32** The forthcoming reform of a number of the Assembly sponsored public bodies will provide a useful opportunity for these particular organisations, working in conjunction with the Welsh Assembly Government, to take stock of their business system requirements. My staff will continue to advise those bodies wishing to extend or implement good practice in their use of accruals-based information.

## Whole of Government of Wales Accounts

**2.33** The Treasury's Whole of Government Accounts project has the aim of producing a set of commercial style consolidated accounts for the whole of the public sector in the United Kingdom. The Treasury is introducing Whole of Government Accounts in two phases:

- (i) Preparation of a Central Government Account (CGA), including the financial results of government departments, central funds, the devolved administrations, and non-departmental public bodies (in Wales, Assembly sponsored public bodies); and
- (ii) Preparation of a Whole of Government Account (WGA), including additionally the financial results of trading funds, public corporations, local authorities and NHS Trusts.

**2.34** **Figure 4** summarises the Treasury's proposals for the preparation of Central Government and Whole of Government Accounts. The 2003/2004 Central Government Account will be the first to be prepared on a published as opposed to dry run basis. The Whole of Government Account will be introduced on a dry run basis for the 2004/2005 financial year and will not be prepared on a published basis until 2006/2007.

**Figure 4: HM Treasury proposals for preparation of Central Government and Whole of Government Accounts**

	Financial Year	Status
Central Government Account	2003/2004	To be published
	2004/2005	To be published
	2005/2006	To be published
Whole of Government	2004/2005	Dry run and unpublished
	2005/2006	Dry run and unpublished
	2006/2007	To be published

Source: HM Treasury

**2.35** In Wales, the Welsh Assembly Government is also preparing a Whole of Government of Wales Account within a development timescale running parallel to that for Central Government Accounts and Whole of Government Accounts. The Welsh Assembly Government prepared a Whole of Government of Wales Account for 2003/2004 in February 2005 which included the financial results of the Assembly, its executive agencies, Assembly sponsored public bodies, Local Health Boards, Estyn and the two Welsh Forestry accounts. The Account requires an accounts direction from HM Treasury and will then be audited and published. The number of public bodies included within the Account will increase in future in line with the Treasury's timetable for Whole of Government Accounts.

**2.36** The Finance Department of the Welsh Assembly Government is co-ordinating the CGA and WGA accounts preparation process





in Wales. This includes preparation of a sub-consolidation of the Assembly's own financial results together with those of the other involved bodies in Wales, such as Assembly sponsored public bodies, for onward transmission to the Treasury.

- 2.37** For the 2003/2004 dry run Central Governments Account preparation exercise the Welsh Assembly Government's Finance Department was required to submit its sub consolidation return to the Treasury by a deadline of 3 December 2004. The Welsh Assembly Government actually submitted its information on 25 January 2005.
- 2.38** The result of the delay was that the Assembly was, for the second year running, the last UK body to submit its Central Government Accounts return to the Treasury. The delay in submission was caused, as in the previous year, by slippage in the preparation of the Assembly's own consolidated resource account. This was, in turn, a result of a delay in finalising the sub-consolidation of the financial results of the 22 LHBs, which were preparing accounts in respect of their first year of operation, and in a new resource accounting format.
- 2.39** Twenty one of the LHBs were able to submit their accounts on time, but there were significant delays in producing one of the accounts. The Welsh Assembly Government has told me that action has been initiated to ensure that a similar problem is avoided in respect of the 2004/2005 accounts.

***The Treasury timetable for 2004/2005 is being brought forward significantly.***

- 2.40** The Welsh Assembly Government will be required to submit its Central Government Accounts returns for 2004/2005 to the Treasury by 21 October 2005 and these will need to be audited by 25 November 2005. In parallel with this, the Treasury's 'faster closing' initiative will require government departments from 2005/2006 to have their accounts audited and laid before Parliament by the time of its summer recess. The Welsh Assembly Government has agreed its own faster closing timetable for 2005/2006 with the Treasury that ensures its accounts preparation is in line with the Central Government Accounts timetable.
- 2.41** The above developments will place increasing pressure on the Assembly and other public bodies in Wales to prepare their accounts to more rigorous timetables than in the past. I welcome the work being carried out by the Welsh Assembly Government in drawing up a project plan covering its accounts preparation process for the financial years 2004/2005 and 2005/2006, including key milestone dates. My staff will also work closely with officials of the Assembly and other bodies to help ensure that target dates for accounts preparation and audit can be achieved. It will be essential, however, as part of this process that system improvements are put in place to help in the preparation of the Assembly's accounts.



## Part 3: Adding value

### ***The Wales Audit Office provides a wide range of advice to client management and other stakeholders***

- 3.1** It is a crucial part of my role as AGW to help public bodies meet their objectives. I do this in a wide range of ways, including helping them to identify and learn from best practice. Through my work, I will continue to promote improvements in the standards of financial management across the public services in Wales.
- 3.2** The advice of my staff is sought by client management at all stages of the audit cycle. In addition, I am often asked to undertake work over and above my statutory duties. The following paragraphs provide examples of the advice provided to client management during 2004/2005 and how staff of the National Audit Office Wales responded positively to their requests for assistance.
- 3.3** During the year all clients have been kept informed of developments in accounting requirements and more specific advice has been provided where requested. My staff have also responded to requests from several audit bodies for advice on terms of reference for audit committee members and senior National Audit Office Wales staff have made presentations to many clients on, for example, corporate governance, risk management and developments in public audit and accountability.
- 3.4** Guidance documents produced corporately by the National Audit Office have been disseminated to all client bodies within Wales. Guidance specific to 2004/2005 included: practical guidance on the Treasury's requirement for Faster Closing; changes to the range of Treasury Accounting Guidance applicable to the preparation of the year-end account; and early notification of the likely impacts of the harmonised International Accounting Standards that will apply to public sector accounts in the coming years.
- 3.5** A further aid to the preparation of accounts is the disclosure checklist that the National Audit Office makes available to all clients on its website. The purpose of the checklist and the rationale for making it freely available is to aid account preparers, and those senior client staff charged with the management review of draft accounts to be presented for audit, in ensuring that these meet all relevant accounting and disclosure requirements. My staff encourage clients to make extensive use of this tool, to help reduce the number of amendments required to the draft account which are identified by the audit teams during the audit process (paragraph 2.12).

### **Asset management planning**

- 3.6** As part of the Welsh Assembly Government's initiative to improve asset management planning in the Welsh public sector, it asked the National Audit Office Wales to undertake a review of asset management arrangements within the Assembly Government and seven of its sponsored bodies. The review excluded the management of the road network and the NHS estate as they had either been, or were, the subject of separate value for money studies. For each of the eight bodies



examined, the National Audit Office Wales considered:

- the extent to which asset management planning formed part of the overall governance arrangements; and
- the nature and overall quality of the information contained within existing asset management plans.

**3.7** The National Audit Office Wales concluded in its report to the eight bodies that:

- the overall management of assets held was broadly sound but there was some room for improvement; and
- the existing asset management plans were limited in scope and content, with considerable room for improvement.

**3.8** The auditors found that there was also scope for:

- comprehensive and integrated asset management systems to be introduced, as appropriate to each body, and for asset information to be better used;
- strengthening the guidance available to Assembly sponsored bodies on asset management planning matters, in the context of wider public management responsibilities and initiatives; and
- improvements in communication between the Welsh Assembly Government and its sponsor bodies on asset planning and asset management.

**3.9** To help address these areas the National Audit Office Wales also reported key actions that the Welsh Assembly Government and its sponsor bodies could introduce to strengthen their governance arrangements, management procedures and systems. I was pleased to

note that all eight bodies accepted the reported findings and recommendations and were keen to enhance, where appropriate, their asset management practices.

## Working with other auditors

### Internal Audit

**3.10** Close co-operation between the internal and external auditors of public bodies has many benefits. These include the sharing of knowledge to facilitate the effective focusing of audit resources, minimising the risks of duplication of effort and reducing the overall audit burden on audited bodies. My staff liaise closely with the internal auditors of all the bodies which I audit, and on several occasions during 2004/2005 have also conducted joint audit assessments of client bodies' systems of control in respect of significant areas of their business activity. Such instances of practical collaboration can pay real dividends in respect of the 'added value' contribution of the audit function to client operations.

### Other auditors

**3.11** I am required by Section 98(4) of the National Health Service (NHS) Act 1977 to examine, certify and report on the NHS summarised accounts. These accounts are prepared by the National Assembly for Wales from the underlying primary accounts of the 22 LHBs, the Dental Practices Board and the 14 NHS trusts. The primary auditors of these accounts were previously appointed by the Audit Commission. In order to fulfil my responsibilities under the Act, and consistent with the principles of Statement of Auditing Standard 510 (The Relationship between Principal Auditors and Other Auditors), my staff have reviewed the work of the primary auditors, scrutinised their reports and discussed their findings with them.

**3.12** Since the creation of the Wales Audit Office, which I comment upon in Part 5 of this Report, I have become the statutory external auditor of all NHS bodies in Wales and the 2004/2005 accounts of those bodies will be laid before the National Assembly for Wales.

## Advice to other stakeholders

### *Dealing with correspondence from stakeholders continues to be an important aspect of my work.*

**3.13** Widespread awareness of my work as the independent watchdog of public expenditure in Wales leads me to receive enquiries and expressions of concern regarding financial management, value for money and the proper conduct of public business. Such correspondence comes from a variety of sources, including Assembly members, the public, businesses and officials.

**3.14** I consider dealing with such correspondence is an important aspect of my work, and I believe that it is important for the people of Wales to know that all concerns raised with me are examined fully and objectively, and responded to promptly. I particularly welcome correspondence that relates to the use of public resources or the conduct of business operations as it provides additional sources of information for my work and indicates topics of concern outside official channels. Even where a correspondent has misconceptions regarding a particular item of public business, I think it is useful to address these by providing a thorough explanation of the situation.

**3.15** During 2003/2004, Sir John Bourn received some 60 letters from Assembly Members, Members of Parliament and the general public. The matters raised by correspondents included concerns relating to:

- the value for money secured in the provision of support to businesses in Wales, and in the disposal of public assets;
- the regularity and propriety of expenditure by the Assembly and Assembly sponsored public bodies; and
- the management or application of public funds resulting in delays or deficiencies in the provision of public services.

Many of the letters received required an examination by the National Audit Office Wales in addition to the Auditor General's planned audit work, and most required a substantive response.

**3.16** In addition to my general approach to correspondence, I have a specific statutory role as a 'prescribed person' under the Public Interest Disclosure Act 1998 to receive disclosures that relate to the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services. The Act provides protection for employees making disclosures in the public interest regarding malpractice in the workplace - commonly known as whistleblowers. While the proportion of correspondence addressed to me that appears to be of this nature is fairly small, as I investigate such disclosures thoroughly it represents a significant source of work.



**3.17** A new source of calls for information and advice is the Freedom of Information Act 2000. While the main “general right of access” provision of the Act did not commence until after 2003/2004, in February 2004, the Auditor General published his publication scheme, as required under the Act. This led to a small but growing number of enquiries regarding the work of the Auditor General for Wales and internal administration, with most of these originating from academics and businesses providing professional and support services. My predecessor endeavoured to be helpful in responding to these enquiries in much the same way as he would in dealing with other correspondence. And during the year, staff of the National Audit Office Wales have worked on preparing for the full commencement of the Act.

***Contact from stakeholders may result in detailed examinations being undertaken.***

**3.18** Most of the correspondence work mentioned above generally results in a written response to the correspondent, but on occasion, such as the case described below, my staff’s detailed examination may suggest that the matter in question is of significance that merits my laying a report before the National Assembly for Wales.

## **Investigation into the collapse of an enterprise agency**

**3.19** In response to written requests from two Assembly Members, my staff undertook an examination of the public sector funding advanced to a local enterprise agency in the period prior to it becoming insolvent; and the actions and monitoring activities of the relevant funding bodies. The majority of this particular enterprise agency’s work was funded through contracts with two of the Assembly’s sponsored public bodies in respect of European Structural Fund Projects.

### **Lessons that can be learned by other public sector bodies**

**3.20** The findings of the examination have been published in full in a report<sup>4</sup>. Whilst the collapse of the local enterprise agency was in large measure due to its own poor financial management, the main findings of wider application are that applicants for European Structural Fund projects should ensure:

- that adequate match funding, from private or public sources, has been secured before making contractual commitments which could put their own financial viability in jeopardy; and
- that they have the financial capacity and appropriate monitoring and accounting systems and skills necessary to establish the projects, deliver contracts, and maintain their operational and financial viability.

**3.21** It is also important that public sector bodies involved in funding and overseeing grant projects ensure proper communication. (In this instance, due to an internal lapse of communication, Assembly Government officials responsible for processing the local enterprise agency's Pathway to Prosperity application were unaware for a brief period that it had withdrawn its application.)

**3.22** The Assembly Government's consultation document Making the Connections: Delivering Better Services for Wales<sup>5</sup> notes that the drivers for the public sector reform announced so far, includes reducing the length of decision making; removing the dual decision making by the Assembly and its sponsored bodies and the adoption of a 'one-stop shop' approach wherever this is appropriate. These proposals should help address the issues identified above. I fully support the Assembly's intentions in this area and look forward to assisting the change process that the Welsh public sector faces.

## Sharing expertise and knowledge

*I am keen for my staff to attend relevant seminars to share our expertise and knowledge of best practice with the Welsh public sector.*

**3.23** The Chartered Institute of Public Finance and Accountancy (CIPFA) held its fourth Welsh annual conference in November 2004, the theme for which was 'Striving for Excellence'. The Project Manager overseeing the work to create the new Wales Audit Office addressed the conference and gave delegates an insight into the internal and external benefits expected from the unified audit institution; an outline of how the new Wales Audit Office will strive for success; and illustrated how the ethos of a unified audit office complements the Assembly's vision for improvement set out in Making the Connections: Delivering Better Services for Wales.



## Part 4: Developments since the last General Report

***In this part of my report, I provide an update on two areas mentioned in the previous General Report.***

**4.1** In his 2004 report, Sir John Bourn set out his intention to report on developments in two topical areas:

- further progress and achievements of the Welsh Procurement Initiative (the Initiative) and the level of take-up by the Welsh public sector of the initiatives and programmes that have become available to them; and
- progress made in respect of the closure of the 1994-1999 European Structural Fund programmes and the observations of the National Audit Office Wales arising from its audits of European grant expenditure claims.

### Welsh Procurement Initiative

**4.2** The work of the Welsh Procurement Initiative is showing that there remains scope for the Welsh public sector to obtain further efficiencies in its spending on procurement. I am encouraged that participation by Assembly sponsored public bodies in procurement initiatives has increased and I look to all bodies that I audit to undergo a Procurement Fitness Check if they have not yet done so. I also welcome the significant reduction in the number of audit recommendations it has been necessary to make on procurement and look to audit bodies to maintain the good progress being achieved in this area.

***The Welsh Procurement Initiative (the Initiative) has continued to have a beneficial financial impact on the costs of public sector procurement.***

**4.3** The Initiative has reported actual savings of £5.5 million across the whole of the Welsh public sector for 2004. It has also identified further savings of £24.7 million as being deliverable in 2005, against a target of £24 million. These savings have, in the main, arisen from the collaborative purchasing of goods and services including telecommunications, stationery and car hire. I comment on the use of collaborative contracts in paragraph 4.6.

**4.4** During 2004, the Initiative's work included:

- hosting the inaugural all-Wales conference on procurement;
- facilitating the first e-auctions, where potential suppliers competed against each other to win collaborative contracts to supply the Welsh public sector with stationery and office sundries and computer and associated equipment; and
- increasing the number of all-Wales collaborative contracts.

## All-Wales procurement conference

**4.5** The first all-Wales conference dedicated to procurement was held in December 2004. The conference had the theme of 'Transforming Procurement' and was attended by purchasing professionals who heard keynote speakers' views on topics including: the legal and audit perspective of procurement; how economic development in Wales can be better supported by closer working with the private sector, and how public sector procurement can support sustainable development more effectively. A member of my staff also gave a presentation at the conference on the 'audit perspective' of public procurement.

## All-Wales collaborative contracts

### *The number of all-Wales collaborative contracts has increased.*

**4.6** Collaborative contracts enable organisations to act in consortium to maximise the potential to achieve value for money in their purchasing. Such contracts now include:

- Vehicle Hire - this new agreement involves five suppliers: two serving North Wales, two serving South Wales and an all-Wales back-up supplier. The Initiative estimates that savings in the region of 30 to 50 per cent can be achieved by bodies making use of this contract.
- Stationery and other office sundries - this arrangement came into effect in December 2004 and involves three suppliers who won their position through competitive bidding via the internet. Those bodies already making use of this contract have achieved a reported 57 per cent saving on their annual expenditure on stationery.

- Other products and services - framework agreements have recently been set up for the collaborative purchase of personal computers, laptops and printers; and digital photocopier and printing facilities and voice communications.

### *Participation by Assembly sponsored public bodies in the Initiative's activities has increased.*

**4.7** From his audit work in 2003/2004 my predecessor found that more than half of the audit clients were participating in the Initiative's activities. As well as participating in collaborative procurement arrangements, involvement by the bodies varied from attending specialist training courses or seminars to making use of best practice guidelines.

**4.8** Procurement Fitness Checks, which are designed to help organisations recognise their procurement strengths as well as identify areas for improvement, have been completed on six Assembly sponsored public bodies. Checks are also currently in progress at the Welsh Assembly Government and one other sponsored body. The Initiative are seeking further volunteers to undergo checks during 2005.

### **The potential of rationalising 'shared services'**

**4.9** A scoping study is being worked on by the Initiative to examine the best way to rationalise central services such as payroll within Welsh Local Government. This pilot study will establish a model that may be used across the broader Welsh public sector and for other 'shared services'.





**Building on the work of the Initiative and implementing the Assembly's vision for improved public services**

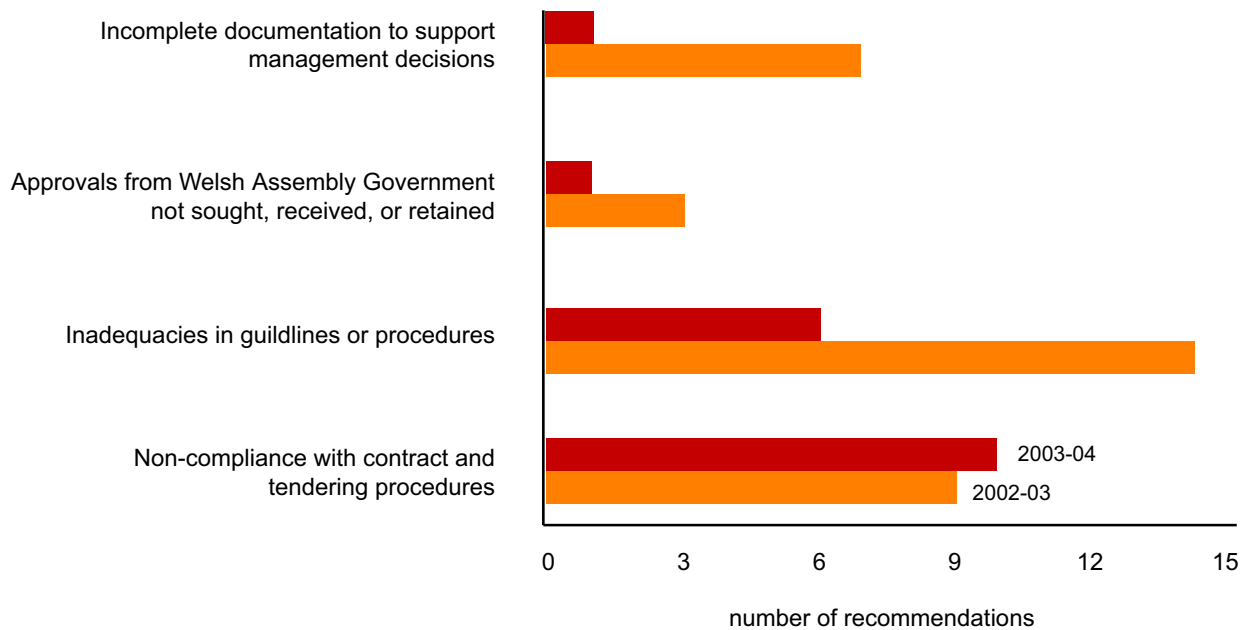
**4.10** The success of what was originally a pilot initiative and the potential to achieve even more has been recognised by the Welsh Assembly Government. In 'Making the Connections: Delivering Better Services for Wales'<sup>5</sup> the Assembly Government sets out its intention of "helping the public service to secure better value for money from procurement, support services and management of projects through 'Value Wales', a Welsh procurement and support service office". It is under this latter name that an evolved Initiative will operate in the future. There will also be other changes such as setting an actual (as opposed to identified) savings target to monitor success.

**My audit findings on procurement**

***Audit recommendations relating to procurement have reduced by more than a half, compared to last year.***

- Of the recommendations made to client management from the audit work on the 2003/2004 financial statements, fewer than one in ten related to procurement. This represents a significant reduction from last year, when one in five of the total recommendations made related to procurement. I would, however, highlight the number of findings under 'non-compliance with contract and tendering procedures' as an important area requiring particular attention by audited bodies. **Figure 5** shows an analysis of the recommendations made in this area.

**Figure 5: Compared to last year, there has been a reduction in all but one of the four categories of observations on procurement**



Source: National Audit Office Wales' analysis of recommendations to client bodies, 2003/2004

## European Structural Funds

- 4.11** The aggregate value of funding to Wales which has had to be repaid to date to the European Commission represents less than 0.2 per cent of the EU funds received for the 1994/1999 programming period. It is important, however, that both the Welsh Assembly Government and project sponsors learn the lessons from the 1994/1999 closure process to minimise any financial loss in respect of the current programmes, which are much larger in value.
- 4.12** Assembly Government officials informed me that the Welsh European Funding Office (WEFO) is taking action to ensure project sponsors are aware of their responsibilities and that the Assembly's Internal Audit Service and WEFO are leading work designed to ensure that the UK's procedures for closure of programmes are robust. My staff will also continue to work closely with project sponsors and the Assembly Government, to provide support and guidance to the bodies for which I am the appointed auditor.

## Closure of the 1994/1999 Programmes

***The European Commission has now approved the closure of half of the Programmes, but the remainder are still under consideration.***

- 4.13** In his last General Report, my predecessor reported on progress made in respect of the closure of the 1994-1999 European Programmes. He stated that the Assembly's Head of Internal Audit had produced closure reports in respect of the 18 programmes that operated in Wales and that all but one of the accompanying audit opinions had been qualified. As the closure process had not yet been completed, he advised that he would review closely the developments in this area and would report, if necessary, in this year's General Report.
- 4.14** As the European Commission's nominated independent audit body for Wales, the Head of Internal Audit has subsequently undertaken additional work in co-operation with Assembly Government staff within WEFO. As a result, he has been able to

**Figure 6: The 9 of the 18 Programmes closed to date have resulted in recovery by the European Commission of some £476,000 (0.175 per cent) of funding received**

1994/1999 Programme	Structural Funding to Wales (£)	Closure Position	Aggregate Financial Adjustment To Date (£)
Lead responsibility held by the National Assembly for Wales (and predecessor bodies): 10 programmes including ISW 1997/1999, Interreg II, Rechar, Resider II, SME and Urban (funded by European Regional Development Fund), Rural Wales II (funded by EAGGF and ERDF).	£226,159,475	6 of the 10 programmes closed	£354,440
Projects supported as part of UK-wide initiatives: 8 programmes including Konver II, Retex II and Pesca (in conjunction with the Department for Trade and Industry) and Pesca (in conjunction with Department for Environment, Food and Rural Affairs).	£45,067,059	3 of the 8 programmes closed	£121,670*
<b>Totals</b>	<b>£271,226,534</b>		<b>£476,110</b>

\* This cost is to be borne by the Department for Environment, Food and Rural Affairs (DEFRA)

Source: The National Assembly for Wales



quantify specific problems with incurred expenditure totalling £476,110 and has recommended that the Commission should accept the closure of the programmes, after deducting this amount. The Commission has accepted this recommendation in respect of nine of the programmes, but has yet to complete its deliberations on the remaining programmes. These are principally those relating to European Agriculture Guidance and Guarantee Fund and Financial Instrument for Fisheries Guidance funding, and to the Industrial South Wales Programme where the Commission is undertaking an audit as part of its Europe-wide closure exercise. The financial adjustments are being made during the 2005/2006 financial year. A summary of the programme closures and financial adjustments is shown at **Figure 6**.

**4.15** I will continue to monitor developments regarding final closure of the 1994/1999 Programmes and will report again, as necessary, in my next General Report.

#### **Audit of claims issued in respect of the current European Programmes**

***Actions taken to date by management have not yet had time to result in improvements to audit findings.***

**4.16** The National Audit Office Wales audited claims for European funding by seven of the client bodies to which I refer in Part 1 of this General Report.

**4.17** During the year to 31 December 2004, the National Audit Office Wales issued a total of 42 audit certificates. All but one of these audit certificates were qualified, with an average of five separate audit observations made on each. This represents the same level of activity as noted in the last General Report (31 audit certificates in the nine months to 31 December 2003) and no change in the

average number of separate audit observations made on each claim.

**4.18** The auditors noted that there has been no significant change in the nature of their reported findings. The majority of observations continue to be made in respect of compliance with Commission Regulations, guidance issued by the Welsh Assembly Government and/or procedures adopted by client bodies. As in previous years, examples of such findings include:

- expenditure incurred before the commencement date for the project;
- costs derived from incorrect, or out of date information;
- financial details on claim forms not being consistent with project agreements; and
- failures to conduct monitoring visits to providers during the period of the claim.

**4.19** Where ineligible expenditure was identified by audit, WEFO reduced the amount paid to the project sponsors.

**4.20** In its Committee Report, The General Report of the Auditor General for Wales 2004<sup>6</sup>, the National Assembly for Wales' Audit Committee recommended that the Welsh Assembly Government "must be more proactive in making absolutely clear to project sponsors at the outset the standards of financial management that will be expected of them". I acknowledge the work being undertaken by the Welsh Assembly Government to comply with this recommendation and I would expect this to result in improvements in future.



## Part 5: Looking forward

***In this part of my report, I look beyond the 2004/2005 financial year and consider potential changes to the scope of my work in 2005/2006 and after.***

### **The Wales Audit Office**

- 5.1** The legislative process to establish a single public audit body for Wales was completed during 2004/2005 with the enactment of the Public Audit (Wales) Act 2004 and associated secondary legislation. The Act created the Wales Audit Office which came into being from 1 April 2005. This new body, headed by me as the AGW, performs the functions previously undertaken in Wales by the Audit Commission and, on my behalf, by the National Audit Office Wales.
- 5.2** As AGW, I will act as the statutory external auditor of the financial statements prepared by local NHS Wales bodies, the National Assembly for Wales, (including the summarised accounts of NHS Wales), and a wide range of other public bodies that are either sponsored by, or related to, the Welsh Assembly Government. Under the Act I enjoy stronger powers of audit access, and I have also been given responsibility for appointing the external auditors of local government bodies in Wales.
- 5.3** To help in discharging my responsibilities I have developed a Code of Audit and Inspection Practice which sets out how the duties and powers set out in the Act will be carried out by my staff and other auditors working under my authority. The Code was approved by the National Assembly for Wales on 4 May 2005 and laid before Parliament,

and will apply to all audit and inspection work undertaken with effect from the 2005/2006 financial year.

### **Public Sector Reform in Wales**

- 5.4** During 2004/2005, the Welsh Assembly Government made two announcements concerning its proposed reform of its executive sponsored public bodies, as follows:
- The first announcement concerned three of the largest Assembly sponsored public bodies: the Welsh Development Agency; Wales Tourist Board and the National Council for Education and Training Wales. These bodies will be merged with the National Assembly of Wales on 1 April 2006.
  - The second announcement involved the merger of a further three bodies: the Qualifications, Curriculum and Assessment Authority for Wales; and Health Professions Wales (both bodies by April 2006); and the Welsh Language Board (date to be confirmed). The Sports and Arts Councils are also to be relieved of their strategy, policy and planning responsibilities; and the Countryside Council for Wales will pass to the Assembly Government the responsibility for the Tir Gofal agri-environment scheme.



**5.5** My staff are playing an active role in assisting client bodies during the transition phase of the merger process. For example, they are providing advice on risk management issues, attending project meetings, and participating in working groups looking at a number of specialised areas, including how best to merge the different accounting systems currently operated by the relevant bodies. I welcome this involvement and will look to offer client bodies involved in the merger with the Welsh Assembly Government as much further help and assistance as possible over the coming year.

## The Future

**5.6** The National Audit Office Wales continued throughout 2004 to provide advice to client organisations, informally and formally, on a range of finance related matters. I, together with the staff of the new audit body will continue to be committed to ensuring that the Welsh Assembly Government and its sponsored bodies maintain a high level of regularity and propriety in their day to day activities and in serving the people of Wales. This will be especially important during a period of significant structural change for many of the larger audited bodies in the central government sector.

## Appendix 1: List of Value for Money reports published in 2003/2004

- The management and delivery of hospital cleaning services in Wales
- Renewal of private sector housing in Wales
- Compensating farmers for bovine tuberculosis in Wales
- ELWa - National Council for Education and Training for Wales: Financial management of partnership and innovation & development projects
- Late payments to farmers in Wales
- The management of sickness absence by NHS trusts in Wales



## Appendix 2: Accounts covered by this report

This Report covers the results of the examination of all of the 2003/2004 accounts prepared by the National Assembly for Wales and the other public bodies that I audit. A complete listing is given below:

### Accounts prepared by the National Assembly for Wales

- Assembly Core Resource account
- Assembly Consolidated Resource account
- Cadw: Welsh Historic Monuments
- Health Commission Wales (Specialist Services)
- Welsh non-Domestic Rating
- Summarised Account of LHBs in Wales
- Summarised Account of NHS Trusts in Wales
- Summarised Account of the Funds Held on Trust by the LHBs and NHS Trusts in Wales
- Assembly Members' Pension Scheme Account

### Accounts prepared by other bodies categorised by subject area

#### Agriculture and Rural Development

- Countryside Council for Wales
- Forestry Commission Wales
- Forest Enterprise Wales

#### Economic Development

- Wales Tourist Board
- Welsh Development Agency

#### Health and Social Services

- Care Council for Wales
- Health Service Commissioner for Wales
- Health Professions Wales

#### Local Government and Environment

- Local Government Boundary Commission for Wales

## Education and Lifelong Learning, Sport, Culture and Heritage

- Arts Council of Wales
- National Council for Education and Training for Wales
- Higher Education Funding Council for Wales
- National Library of Wales
- National Library of Wales - Staff Superannuation Scheme Account
- National Museum and Galleries of Wales
- Qualifications, Curriculum and Assessment Authority for Wales
- Sports Council for Wales
- Sports Council for Wales Trust Account
- Welsh Language Board
- Estyn
- General Teaching Council for Wales

## Other

- Welsh Administration Ombudsman
- Children's Commissioner for Wales

## Welsh accounts audited by the Comptroller and Auditor General and laid before the National Assembly for Wales

The Comptroller and Auditor General was responsible for the audit of the following Welsh accounts for 2003/2004:

### Sports Council and Arts Council Lottery Distribution Accounts

The Sports Council for Wales and the Arts Council of Wales are Lottery distributors. Each prepares a separate annual statement of account for the discharge of their Lottery functions. These activities are not devolved responsibilities and are instead performed under delegated authority from the Department of Culture, Media and Sport;

### The European Agriculture Guidance and Guarantee Fund

This European fund pays subsidies to Welsh farmers, which are routed through the National Assembly for Wales and the Countryside Council for Wales. This is not a devolved function, and an annual account is prepared by each body in the form prescribed by the European Commission.





## Notes

- 1 Making the Connections: Delivering Better Services for Wales, published by the Welsh Assembly Government October 2004
- 2 The Finances of NHS Wales 2005
- 3 Committee Report (2) 08-04 presented to the National Assembly for Wales on 4 November 2004
- 4 The Collapse of Antur Dwyryd-Llyn Ltd. published by the Wales Audit Office June 2005
- 5 Making the Connections: Delivering Better Services for Wales published by the Welsh Assembly Government October 2004
- 6 Committee Report (2) 08-04 presented to the National Assembly for Wales on 4 November 2004