



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

# The role of the Wales Audit Office and our programme of value for money studies

## Briefing paper for the Public Accounts Committee

# The role of the Wales Audit Office and our programme of value for money studies

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## About the Auditor General and the Wales Audit Office

- 1 The Auditor General is appointed by the Sovereign, on the nomination of the National Assembly. The Auditor General and his staff make up the Wales Audit Office.
- 2 The Wales Audit Office summarises its mission as 'Making Public Money Count' or, in more detail, 'to promote improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money.
- 3 My statutory powers and responsibilities, as the main external auditor of public services in Wales, include:
  - Examining and certifying the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies in Wales.
  - Examining and reporting to the National Assembly on the economy, efficiency and effectiveness with which the Welsh Government and its sponsored and related public bodies have used, and may improve the use of, their resources in discharging their functions.
  - Appointing auditors to local government bodies in Wales. The appointed auditors for local government bodies may be a suitably qualified and eligible person, which may be a private sector firm of accountants, or a Wales Audit Office employee (or both).
- Conducting and promoting value for money studies in the local government sector. In addition to auditing their financial statements, appointed auditors of local government bodies also have a statutory responsibility to satisfy themselves that audited bodies have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.
- Assessing and inspecting local government bodies' compliance with the improvement requirements of the Local Government (Wales) Measure 2009. This work involves not only auditing the bodies' performance against their Improvement Plan but also an assessment of their corporate capability for delivering improvement in the future.
- 4 As Interim Auditor General, Gillian Body presented to the previous Committee in March 2010 a draft code of audit practice. That document - which the National Assembly approved and which the Wales Audit Office then published in April 2010<sup>1</sup> - defines the framework for audit and inspection, within which auditors and inspectors in Wales will approach their work. In particular, it sets out how the regime will develop in terms of reviews of whole systems and integrated ways of working across boundaries, to ensure that audit and inspection work addresses the cross-cutting and holistic challenges that public services have to confront.

<sup>1</sup> The Code of Audit Practice of the Auditor General for Wales, Wales Audit Office, April 2010, [http://www.wao.gov.uk/assets/englishdocuments/Code\\_of\\_Audit\\_and\\_Inspection.pdf](http://www.wao.gov.uk/assets/englishdocuments/Code_of_Audit_and_Inspection.pdf)

- 5 At a time when public bodies are having to respond to the significant financial pressures that they face over the next few years, I believe it essential that we demonstrate that the costs of running the Wales Audit Office are justified and provide value for money for our audited bodies and for the public purse. However, in times of financial restraint our work is particularly important in supporting public bodies in the development and delivery of public services that provide the best possible value for money for the taxpayer. Our role is to provide the independent assurance that the people of Wales deserve, to challenge the way their money is used and to encourage public bodies to provide them with quality, leading edge services.

## Our relationship with other audit, inspection and regulatory bodies

- 6** Our role, as the external auditors of the whole of Wales' public spending, makes us a natural focal point for messages from all audit, inspection and regulatory bodies. With our partners in Estyn, the Care and Social Services Inspectorate Wales and Healthcare Inspectorate Wales, we are finding new ways to realise the benefits of collaborative and co-ordinated external scrutiny and to provide an increasingly coherent voice for our collective work. We recently published together a strategic agreement to demonstrate our shared commitment to working collaboratively to support improvement<sup>2</sup>.
- 7** The agreement is part of a framework of joint working activities that the four organisations are developing. The aims of this work are to support better co-ordination of external review activity and to develop further the existing arrangements for sharing knowledge and information with each other. The appointment of joint project staff to support the development of joint working between the four organisations will undoubtedly strengthen information and data-sharing processes. It will also improve the co-ordination of activity.
- 8** There are also exciting developments in relation to linking up our good practice work with that of other scrutiny and improvement agencies. For example, we expect the inspectorates to join us shortly as participants in the Good Practice Wales online portal<sup>3</sup>. This resource has been developed on a collaborative basis and with the aim of being the single point of access to a wide range of examples of good practice available across Welsh public services. Visitors to the site are able to search for examples of good practice located both on the Wales Audit Office and other partners' own websites.

<sup>2</sup> Working Collaboratively to Support Improvement, Care and Social Services Inspectorate Wales, Estyn, Healthcare Inspectorate Wales, Wales Audit Office, March 2011, [http://www.wao.gov.uk/assets/englishdocuments/Strategic\\_Agreement\\_E.pdf](http://www.wao.gov.uk/assets/englishdocuments/Strategic_Agreement_E.pdf)

<sup>3</sup> <http://www.goodpracticewales.com>

## Our relationship with the Public Accounts Committee

- 9** The Committee provides the primary focus for the National Assembly's consideration of the value for money study reports I produce. These reports examine the economy, efficiency and effectiveness with which the Welsh Government and its sponsored and related public bodies have used and may improve the use of their resources in discharging their functions.
- 10** Wales Audit Office staff provide briefings on the content of these reports, which help the Committee determine its subsequent course of action. We also provide advice and support to the Committee, as required, for instance: in supporting the development of members' briefings for evidence sessions with witnesses from the Welsh Government and other organisations; providing advice to support the development of the Committee's own reports; and in advising on the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports.
- 11** I must also submit to the Committee each year my estimate of income and additional expenses required for the following financial year. The Committee is tasked with considering the estimate and laying it before the National Assembly.
- 12** Events of the past year and a half have brought into sharp focus aspects of our relationship with the Committee as it has turned its attention to matters of accounting, governance and propriety at the Wales Audit Office. Looking to the future, the new legislative powers of the National Assembly make this an appropriate time to discuss the framework for scrutiny of the Auditor General and the Wales Audit Office. I look forward to working with the new Committee to consider the future development of those arrangements.
- 13** Uniquely, in the UK, the Public Accounts Committee currently performs a dual role as the recipient of our reports and as our 'parent' committee in considering my estimate. Were the National Assembly to follow practice elsewhere and establish a separate committee to oversee us, possibly also covering the other corporations sole in Wales such as the Ombudsman and the Standards Commissioner, then this would, in my view, make for much clearer relationships with the Public Accounts Committee itself.
- 14** In the meantime, I have already acted to strengthen the Wales Audit Office's own internal governance arrangements. I have now completed the recruitment process for membership of two new governance committees (focusing individually on matters of remuneration and resources) as well as redefining the terms of reference of the Audit and Risk Management Committee. I shall be inviting input from the Public Accounts Committee to support the selection of chairpersons for these governance committees.

## The Wales Audit Office's programme of value for money studies

### Work in progress or planned

- 15** The rest of this paper provides information for the Committee about those value for money studies that are currently underway or planned, following on from a similar update to the previous Committee in November 2010<sup>4</sup>. The substantial body of work described in **Figure 1** will provide the basis of much of the Committee's own activity over the next 12 months and, in some cases, beyond. We have also already published, on 24 March 2011, a report on Hospital Catering and Patient Nutrition. One of the first actions for the Committee will be to decide whether, and in what form, it wishes to take further evidence on the report's findings.
- 16** There are also opportunities for the Committee to revisit a range of issues carried forward from the work of the previous Committee, for example on sustainable development business decision making in the Welsh Government, coastal erosion and tidal flooding, child and adolescent mental health services and the Forestry Commission Wales. We will support the Committee in this work, whether by undertaking further follow-up work or by bringing to the Committee's attention relevant evidence from our experience and wider audit work across public services.
- 17** My work programme has previously included a planned study on nutrition in schools. The Welsh Government has introduced the Health Eating in Schools (Wales) Measure 2009 and has received the findings and recommendations from research commissioned to evaluate its *Appetite for Life Action Plan (2007)* which sets out the strategic direction and actions required to improve nutritional standards of food and drink in schools in Wales. The Welsh Government has also accepted the recommendation in the Children and Young People Committee's February 2011 follow up report on child poverty that guidance be issued to schools on the implementation of a stigma free school meals system. Taking account of these developments, I have decided not to continue with plans for work in this area at the present time.

<sup>4</sup> Wales Audit Office Work Programme Update – briefing paper for the Public Accounts Committee, Wales Audit Office, November 2010, [http://www.wao.gov.uk/assets/englishdocuments/forward\\_prog\\_English.pdf](http://www.wao.gov.uk/assets/englishdocuments/forward_prog_English.pdf)

**Figure 1 – Work in progress or planned**

<b>Published reports available to the Committee</b>
Hospital catering and patient nutrition
<b>Planned publications between July and December 2011</b>
Adult mental health services - follow-up
The Merlin ICT contract
Innovation and efficiency: Picture of public services II
Public participation in recycling and composting
Informing healthcare
Welsh Housing Quality Standard
NHS finances
Grants management
2007-2013 European Union convergence funding for West Wales and the Valleys
Consultant contract benefits realisation
<b>Other work underway or planned</b>
Review of the Care and Social Services Inspectorate Wales
Emergency planning – civil contingencies
Education of looked after children
Continuing healthcare
Public sector procurement of consultancy services
Medicines management
Young people not in education, employment or training
Welsh Government relocation strategy
National Fraud Initiative 2010-11

## Bringing forward proposals for new work

**18** The Wales Audit Office's 2009-2012 strategy<sup>5</sup> sets out six strategic themes for our work during this period. In addition to two themes focused on our role in support of the NHS reforms programme and the implementation of the Local Government Measure, the strategy identified that our work would:

- help Welsh bodies to improve their use of resources within the growing constraints of the economy and the environment;
- promote improved comparisons, clear performance data, and accessible reporting to decision makers and citizens;
- promote better outcomes for citizens by working across boundaries to improve the way public services are planned, delivered and reviewed; and
- support the translation of Welsh Government strategy into action, both directly and through others.

**19** As I indicated to the previous Committee in November 2010, my concern is also that the Wales Audit Office's programme of studies should:

- be balanced towards the more immediate issues of the day, for example challenging the public sector to greater efficiency while also identifying ways to improve services to the public;
- seek, where possible, to provide a view of how Wales compares with other parts of the United Kingdom, or countries further afield;

- include a focus on policy interventions and service provision targeted at vulnerable people;
- have an eye to the future, and the social, economic and environmental needs of future generations – in doing so we will be looking at ways to embed sustainable development considerations within the scope of all of our audit work, reflecting also the Welsh Government's commitment to sustainable development as its central organising principle; and
- help public services to learn the lessons of the past to inform future policy development and delivery.

**20** I also set out for the previous Committee my desire to see the Wales Audit Office make increasing and better use of external expertise to support the delivery of its studies. This could include looking for opportunities to bring practitioners and experts into the organisation on short-term secondments. I am also particularly keen to see us work more closely with the other UK audit bodies in the planning and, where appropriate, delivery of our work. For example, discussions are underway about the possibility of working together to produce an analysis of healthcare trends across the United Kingdom.

**21** To inform medium to longer term planning, and in the light of the new Welsh Government's emerging policy agenda, Wales Audit Office staff will be undertaking a fresh analysis of potential study areas in the summer of 2011, supported by further consultation with key stakeholders. As part of that planning work, as I indicated to the previous Committee, I will be exploring in more detail the scope for a study on public sector support for and engagement with the third sector. I also intend to confirm plans for

<sup>5</sup> *Sustained Impact in a Time of Change – Wales Audit Office strategy 2009-2012*, Wales Audit Office, May 2009, [http://www.wao.gov.uk/assets/englishdocuments/WalesAuditOffice\\_strategy\\_eng.pdf](http://www.wao.gov.uk/assets/englishdocuments/WalesAuditOffice_strategy_eng.pdf)

further work looking at aspects of the delivery of the Wales Transport Strategy (following on from my January 2011 report on Major Transport Projects).

- 22** In my November 2010 update to the previous Committee, I also expressed my expectation that the Wales Audit Office would use its reach across Welsh public services to support the identification and dissemination of good practice in relation to citizen and community engagement. Work on that topic is currently underway in local government through an all-Wales study that should identify opportunities for shared learning and possible future work across other sectors. The work is also highlighting the role that local service boards can play in bringing together public engagement arrangements across their local areas. Auditors have been discussing with individual local authorities the specific service areas that will be examined as part of this work.
- 23** The breadth of my responsibilities also presents opportunities to bring forward reports or other outputs that stem from local financial or performance audit work. For example, my recent report on Hospital Catering and Patient Nutrition followed reports produced for each of the local health boards in Wales and Velindre NHS Trust. That local audit work was part of the performance audit programme that I agree each year with individual NHS organisations. And the report that I plan to publish on Grants Management will bring together information and lessons learned from various aspects of the Wales Audit Office's work in this area since 2005. That work includes our role in the certification of grant claims across central and local government and previous value for money study reports on matters that relate to particular grant schemes.
- 24** During the rest of this financial year, Wales Audit Office staff will be completing local audit work in the NHS on a range of themes including: operating theatres and day surgery; maternity services; clinical engagement; unscheduled care; chronic conditions management; data quality; information governance; and the delivery of cost saving plans. Similarly, as part of the delivery of our Improvement Assessment work in local government, auditors are taking forward local examinations on a selection of common themes including medium term financial planning, HR and workforce planning, partnerships and collaboration and the management of information and communication technology. I will be considering opportunities to build on this local audit work in order to bring forward additional reports and/or other outputs that support improvement.
- 25** In adding to the Wales Audit Office's work programme I will be seeking to maintain a balanced and flexible approach, taking into account:
- the core principles described in paragraphs 18 and 19;
  - a mix of pan-public sector work - exploiting the unique position of the Wales Audit Office - and sector-specific studies across different areas of public expenditure;
  - focusing some of our resources on follow-up work to ensure that appropriate action is taken in response to our previous audit reports, and reports by the Public Accounts Committee;
  - opportunities to report, as appropriate, the findings of our local audit work across the public sector;

- the need to retain the capacity to respond at short notice to issues of public concern; and
- pieces of work whose prime purpose is the identification and dissemination of good practice and shared learning.

## Seeking the views of the Committee

- 26** I intend to bring back to the Committee in October 2011 a paper setting out in more detail proposed priorities for new work to start in 2012. However, I want to take full account of the views of the Committee in the development of my work programme, and I would welcome an early indication of any topics that may be of particular concern for members. The scope for work in these areas could then be assessed as part of the analysis and consultation exercise taking place over the next few months.