



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Iau, 21 Mai 2015
Thursday, 21 May 2015

Cynnwys **Contents**

[Cyflwyniad, Ymddiheuriadau a Dirprwyon](#)
[Introductions, Apologies and Substitutions](#)

[Papurau i'w Nodi](#)
[Papers to Note](#)

[Cynllun Blynyddol Archwilydd Cyffredinol Cymru 2015-16](#)
[Auditor General for Wales Annual Plan 2015-16](#)

[Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod](#)
[Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting](#)

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol **Committee members in attendance**

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour

Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

**Eraill yn bresennol
Others in attendance**

Gillian Body	Pennaeth Archwilio Perfformiad ac Archwilydd, Swyddfa Archwilio Cymru Head of Performance Audit Practice and Assistant Auditor General, Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kevin Thomas	Cyfarwyddwr Gwasanaethau Corfforaethol, Swyddfa Archwilio Cymru Director of Corporate Services, Wales Audit Office

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance**

Bethan Davies	Clerc Clerk
Martin Jennings	Gwasanaeth Ymchwil Research Service
Tanwen Summers	Dirprwy Glerc Deputy Clerk
Joanest Varney-Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:01.
The meeting began at 09:01.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** It is nine o'clock and we are now broadcasting. Anyway, welcome, everybody, to a meeting of the Finance Committee. I haven't had any apologies, so, I think Julie Morgan will be joining us shortly. Will you just check, if you've got a mobile device, that it's on silent? You needn't switch it off, but if it's on silent we'd be very grateful. We're not expecting a fire drill, so, if we hear the alarm follow the directions of the ushers. It might be a genuine emergency.

**Papurau i'w Nodi
Papers to Note**

[2] **Jocelyn Davies:** Before we go to our first substantive item, we've got a couple of papers to note. Are Members happy to note those? We've had additional information from the Federation of Small Businesses and information from the Law Society.

09:02

**Cynllun Blynyddol Archwilydd Cyffredinol Cymru 2015-16
Auditor General for Wales Annual Plan 2015-16**

[3] **Jocelyn Davies:** Okay. We'll go to our first substantive item, which is the Auditor General for Wales's annual plan for 2015-16. Obviously, you've sent us your plan and we're very grateful for that. Do you want to introduce yourselves for the record and say a few words and then we'll go straight to questions?

[4] **Mr H. Thomas:** Yes, certainly. I'd like to introduce my officials and express Isobel's apologies for not being here. She was down, but has been ill overnight and isn't able to attend this morning. To my right is Kevin Thomas, who's director of corporate services with us and also a board member, and to my left is Gillian Body, who is the assistant auditor general responsible for performance audit work.

[5] I'd like to just sort of give this some context because it is a joint annual report. It's the audit report of the auditor general and the Wales Audit Office and it's one that is required under the Public Audit (Wales) Act 2013. I have to say that it's an interesting requirement because the information you would normally expect to see in the annual plan you'd get with estimates. As you know, our estimates are fairly full. So, it actually adds very little. We, therefore, and the board was particularly concerned about this, wanted to have a document that was additional to the information that was already out. What they have done is to prepare a three-year document, a business plan giving a rolling three-year strategic overview as well as the annual plan. So, that's a document that we can use in house, not just something that we're tabling because we are required to table it; it's there. You will notice that it contains both key performance areas and so on, so that it can be used. It is designed to be used electronically, hence the layout.

[6] The key issues that we developed in terms of the first of these business plans was to give emphasis to a few areas: first of all, ensuring that our own audit powers are kept up to date and consistent across all areas; to put greater emphasis on sector wide and cross-sector studies than we've done before; and to try and draw on both performance and financial audit expertise in delivering our work, particularly in the scrutiny and governance areas. Finally, the last two are that we're looking beyond Wales in identifying good practice and making reports more accessible to the public. The report also divides up, as you notice, the key aims between those that are appropriate for me as the auditor general and those that the Wales Audit Office, as the board, is driving on. So, with that degree of introduction, I'm happy to answer your questions.

[7] **Jocelyn Davies:** Thank you. Obviously, this is new legislation and this is the first time we've had to do this, and I think you've made one or two comments on the way that the legislation is working out. Obviously, perhaps at some point, there'd need to be recommendations to the Government about fine-tuning that legislation. We'll certainly be happy to consider that.

[8] **Mr H. Thomas:** Yes.

[9] **Jocelyn Davies:** How have you adapted your priorities to ensure that the work of the Wales Audit Office maximises added value in terms of making the Welsh public sector more efficient and effective?

[10] **Mr H. Thomas:** First of all, I make sure every year that we are looking across the whole range of the public sector. I know, sometimes, it appears that we seem to be concentrating on particular sectors, but the reality is we look to see where the spend is and we try and develop a programme that reflects the Government spend. We also have really put emphasis on doing two things: first of all, giving informal advice and support, and linking with the early developmental work that perhaps the Government or others are doing. Hence, I have staff who make sure that any observer status, where offered, is taken up, and we use that as an opportunity of feeding in from our reports.

[11] The aim of all of this is to ensure that we don't just report, move on to the next report and so on. We are trying to use the information to give an insight to those developing policy and in terms of good practice. We have done a considerable amount of work in the course of the year with good practice, and we will continue to do that. I also work very closely with the other comptrollers and auditors general in the United Kingdom. We are looking, for example, at the experience that Scotland's got in terms of its financial developments, to ensure that we are picking up lessons that are appropriate for Wales. We work with and look and see what the National Audit Office does, particularly as it follows the public pound into external organisations. So, in all of those ways, we're making sure that our priorities are ones that reflect and adapt to the needs of the public sector.

[12] **Jocelyn Davies:** Thank you. How do you ensure that your own house then is in order in terms of value for money?

[13] **Mr K. Thomas:** We've set out within the annual plan a series of priorities. A number of those, as the auditor general has explained, are facing outwards in terms of the work we do, but there are also a number of priorities about how we keep our own house in order and how we improve the way that we run ourselves, to achieve our ambition of being a well-run organisation. So, you'll see the latter two sections of the priorities cover just those sorts of areas. Of course, it's also important that we have some measures to see how successful we've been in delivering against those objectives. So, again, we've set 35 key performance measures within the annual plan, and we've divided those across seven key themes, so five indicators for each theme. A number of those focus on how well we run ourselves as an organisation in terms of our economy, in terms of our efficiency and in terms of our effectiveness. So, there's quite a wide range of measures there covering cost savings, covering the environment and sustainability, and covering our staff and how well we look after our staff so that they are able to deliver the highest-quality work.

[14] **Jocelyn Davies:** Mike shall we come to your questions?

[15] **Mike Hedges:** I've got another question first. You talk about following the spend. I think that's got to be absolutely right, but we also know, don't we—well, you know because you've done it—that some of the biggest problems can exist in some of the smallest organisations? I throw land drainage at you as an example, which, if you were just following the spend, you'd probably never get to, but, when you did an investigation, you highlighted a whole range of problems there. So, there's got to be a balance, hasn't there, between following the spend, in which case you'd do education and health and local government continually, and looking at some of the other organisations?

[16] **Mr H. Thomas:** Indeed, and it is particularly the case with the audit I have to do of the smaller bodies. I have actually increased, as a result of the lessons we've picked up, both

from the land drainage and indeed from one or two other community councils, and we've actually looked again at the requirements that we need in terms of the limited audit regime. The effect is that, yes, we're actually spending more money than we are charging on the very small audits, but it's worth it in terms of making sure that they understand the importance of governance.

[17] **Mike Hedges:** I just picked land drainage because you did a full report on that rather than the community councils, but, yes, I think there are certain problems with community councils that we, perhaps in another committee, might want to go into at some stage.

[18] The other question that I've got is this. You've got a three-year plan, you've got an annual plan, and you have talked about subsuming the annual plan within the rolling three-year plan, which I can understand, but, in your case, a lot of what you do is reactive, isn't it? Something happens. So, you're planning three years ahead, and if you'd been doing that three years ago, some of the things you're doing now you wouldn't have had on that plan because nothing had happened then. Isn't there a danger of being too prescriptive over the three-year plans? Don't you have to leave some headroom in there? And isn't it the fact that, with an annual plan, at least you're reacting to things that are happening this year? That itself will change, won't it, as things happen? Another Powys Fadog and you'd have another investigation.

[19] **Mr H. Thomas:** It is the case that what we are setting here is the direction of travel, but it's also trying to show that we're not just a reactive organisation, and that we're trying to plan. As you rightly said, Mike, you have to maintain the balance. That's why, as part of the estimates, you agreed that there could be a contingency sum, which we have made use of in order to bring forward these studies that actually are required because of circumstances. That said, there's always, even within our planned programme, the ability to bring some extra studies in. For example, if, on audit of accounts, issues are found, we move to public interest reports. We also know that we sometimes have to juggle the programme of planned audits in terms of value for money in order to accommodate something major that comes up. But the £250k that you gave us in terms of the estimates does provide that degree of flexibility.

[20] **Jocelyn Davies:** Okay. Peter.

[21] **Peter Black:** Sorry—I was concentrating there. How do you measure the added value of your audit work in local government and the NHS?

[22] **Ms Body:** In terms of doing the audit work, we're obviously bound to fulfil the auditor general's statutory duties and support scrutiny committees in terms of holding executives to account. Clearly, doing that, we are, through our audit work, not just looking to provide assurance on how money is spent but also to point to good practice and areas for improvement. I should say that our staff are completely passionate about improving public services, so that always features large in our work. As Huw has mentioned, we invest significantly in our good practice work as well. That's embedded within our core work, and our work can lead to myriad good practice outputs. So, for example, with the recent study we did on NHS waiting times, there was the main report, which went to the Public Accounts Committee to hold the accounting officer to account, but alongside it there was a range of good practice guides for practitioners in the field, and also for board members in terms of a checklist of the sorts of questions that they might ask in terms of whether waiting times is being managed effectively. It's also likely to lead to some good practice shared learning events. In fact, I think there's one this morning as we speak.

[23] **Peter Black:** Do you monitor how those good practice guides are put into effect over a period of time?

[24] **Ms Body:** We do follow up, yes. Routinely, we would follow up to see what's happened as a consequence of our recommendations and whether we need to do further work. So, sometimes that will lead to a further substantive report, because we can see the progress has not been as we and the organisation might've hoped.

[25] **Peter Black:** We're particularly interested in ensuring that public services are sustainable in the future, looking at the prevention agenda in health and also links with social care services. Have you done any work examining the interface between health and social care?

09:15

[26] **Ms Body:** You'll see that, as part of the key priorities—and I think it's under the section that is supporting the Public Accounts Committee—there is work there in terms of looking at how public bodies work together on things, so actually things like the health and social care interface doesn't slip down the cracks, and so specifically to do some work around that.

[27] **Peter Black:** Yes, because when we come to look at the budget in the autumn, we'll want to look specifically at the preventative agenda in the NHS. Will there be any work that you've done that will be able to feed into that scrutiny at that time?

[28] **Ms Body:** I'm sure there is. *[Laughter.]* We're all over it. So, yes, I think that's always been a feature of our work, as well as dealing with current pressures.

[29] **Peter Black:** I think it would be useful if you could highlight that work to us in time for that budget scrutiny, because we're very keen on this preventative agenda.

[30] **Ann Jones:** What do you see as your role in terms of commentary on the preparedness for the introduction of fiscal powers, and on the progress made throughout the planning and the implementation stages?

[31] **Mr H. Thomas:** I think, as I touched on earlier, it is important to reflect on the experience of Scotland, and we have kept very closely in touch with that. Clearly, I will be the auditor of the new revenue authority that will be created. I think it's the kind of input that we can give to you, as a committee, in examining the powers that are proposed, and the arrangements are useful. We provide commentary, obviously, to the Government in terms of the White Paper and so on. So, I see it as picking up from experience elsewhere and ensuring that people are aware of that in making decisions.

[32] **Ann Jones:** Okay. So, how are you going to separate your role in providing support to the Welsh Government on treasury functions and then doing the evaluation and preparing for accounting and the audit implications of the Welsh revenue authority?

[33] **Mr H. Thomas:** This is always a difficult line. Basically, I see my role as providing commentary and not taking part in the decision making that the Government does. It is being that of a helpful friend, because I don't think the auditor just should come at the end and say, 'Ha, you've got it wrong'. It should be providing some sensible steers in that process. That's the line that I'm trying to tread. As I said, it reflects the kind of line that Audit Scotland did with the Scottish Executive, and we're both drawing on the experience of the comptroller and auditor general and the National Audit Office. So, it's bringing in a different dimension and making sure that we are ready for that.

[34] **Ann Jones:** Okay. What plans do you have to ensure your organisation has the expertise in this subject area, for this year and in the future?

[35] **Mr H. Thomas:** Again, we're learning from other audited bodies. However, I think this is probably an appropriate point to say that one of the areas that we are struggling with is actually the recruitment of appropriately qualified auditors. We're not alone in this. For some reason, we do seem to have difficulty in recruiting accountants across accounting bodies in Wales, as well. So, I'm looking to see that the training arrangements that we provide as an organisation for newcomers to the audit world is such that we are able to be flexible and help other parts of the public sector as well. I think that, if we can develop a body of public sector accountants and auditors in Wales, they could move, perhaps, from experience with us into experience with the NAO, ultimately, or indeed, within Wales, from working with us, the Welsh Government and local government. It's trying to build up a body of expertise, because, at present, the only alternative is to buy in, and that's not a very effective long-term strategy.

[36] **Christine Chapman:** Okay. Nick?

[37] **Nick Ramsay:** Thanks, Chair. What evidence do you have of the impact of the additional £250,000 of funding you received to perform value-for-money studies in 2013-14?

[38] **Ms Body:** The value of that additional money is to help us look into the sort of ad hoc issues that Mike referred to previously that come our way, particularly through the auditor general's postbag and also from the Public Accounts Committee and Assembly Members. Our ability to handle that demand, whilst minimising the impact on our planned programme of work— I mean, previously, what would happen is these issues would come in and we'd have to deflect resources in order to look at them, because, by their nature, they're time-critical, they're high profile and they're sensitive, so they needed to be looked at quickly. I would say that, in terms of our support for the Public Accounts Committee, we delivered 15 reports for consideration by that committee last year on 14 different subjects, which is an improved position in terms of our delivery in recent years. I don't know whether the committee feels that's an improvement—[*Laughter.*]—as a recipient of it, but it means that we've been able to cover more of our planned programme of work as well as responding to this additional demand, which tends to come from left field.

[39] **Jocelyn Davies:** Mike, you wanted to come in on this point, and then I'll come back to you, Nick.

[40] **Mike Hedges:** Linking value-for-money studies with general audit, I've yet to see. I think you'd tell me if I've missed it—I have read all your reports. Do you link, 'We did a value-for-money study on this previously,' with 'It hasn't made its way through into this organisation'? On linking the two—the general audit and the value-for-money audits—am I expecting something that can't happen, or is it just something that hasn't been thought of up until now?

[41] **Mr H. Thomas:** By general audits, you mean the financial audit, I take it.

[42] **Mike Hedges:** Yes. Say you audit Swansea council and you did a value-for-money study in north Wales on the collection of council tax, and then you link the fact that Swansea has not followed the good practice you identified in the value-for-money study. I have yet to see those links, or am I missing them?

[43] **Ms Body:** I think it's fair to say that those links probably haven't been there previously, but we are now doing more at a local authority or a local health board level in terms of pulling out not just the recommendations or the good practice that immediately apply to that individual body, but also broader work that we've done elsewhere. So, some national reports that we've produced—actually setting that out for audit committees to follow up on, as well as the recommendations that are for those specific bodies. So, it's built in more to the

routine audit work that we are doing.

[44] **Mike Hedges:** I mean, you're doing one at the moment on medicine management, aren't you?

[45] **Ms Body:** Yes.

[46] **Mike Hedges:** Now, are you going to link that into your reports to health boards, because some will have good medicine management and some won't? Some will have been using invest to save to improve their medicine management—[*Laughter.*] Pardon?

[47] **Nick Ramsay:** I knew that was coming.

[48] **Jocelyn Davies:** Invest to save.

[49] **Mike Hedges:** Some have, and some haven't. So, will that be linked in?

[50] **Mr H. Thomas:** I mean, the standard, particularly on the health side, is that we produce local reports, which we then brigade nationally. Now, if you want to have a look at examples, they're on our website. They show to each local health board how they are performing in relation to the others and their take-up. We've done a piece of work, for example, this year in local government on their preparedness for austerity and the treasury functions and so on. That we did at a national level, but we're now reflecting that in the kind of discussions we're having with individual local authorities. So, I am trying to do that linkage. Particularly with local government work, our emphasis is moving in that way to report locally and report nationally as well.

[51] **Ms Body:** So, in due course, the Public Accounts Committee will see an all-Wales summary report on medicines management, but it will be underpinned by a local report to every health board.

[52] **Mike Hedges:** Thank you.

[53] **Jocelyn Davies:** Nick, did you—?

[54] **Nick Ramsay:** I was silly not to see the invest-to-save link there, which Mike Hedges is always eager to bring out.

[55] **Jocelyn Davies:** Did you notice the Swansea link as well?

[56] **Nick Ramsay:** I missed that.

[57] **Jocelyn Davies:** I thought it was a very clever use of a supplementary, there, to get invest to save and Swansea in.

[58] **Nick Ramsay:** We could all learn some lessons there, couldn't we, Mike? Just going back, actually, to an earlier point that Mike made, before that, about your capacity—. In fact, it's tied in to your capacity to respond swiftly. You said that the £250,000 would allow you to have a swift response. That links in with Mike's suggestion that you should have that extra headroom, so that if something does come along, you can respond to it very rapidly.

[59] **Mr H. Thomas:** Indeed, it links. We've had that £250,000 now for two years. In the first year, I think we spent something like £285,000—in other words, we diverted some extra funds as well. This year, it looks as if we're slightly underspending the £250,000. And, as we prepare the annual report, we'll be returning that, because it was given to us on a contingency

basis. So, it looks as if we've probably this year spent something like £230,000. It's slightly under.

[60] **Ms Body:** But it just demonstrates the unpredictable nature of the demand-led work.

[61] **Jocelyn Davies:** How do you decide which areas to do a value-for-money report on?

[62] **Ms Body:** As part of our planned programme of work?

[63] **Jocelyn Davies:** No, no, these left-field ones, as you called them earlier on. Because, obviously, this is completely at your discretion, as is all the work that you do. You've got your statutory work, but this is at your discretion. What do you take into consideration when you're going to use that discretion?

[64] **Mr H. Thomas:** One of the key ones is: 'Is there a significant failure of public finance here?' In other words, is there something that really has gone completely wrong and public funds are at risk? That would be a certain consideration that I would make. The other will be: 'Are there lessons? If you look at this particular topic in more detail, are there perhaps lessons that can be applicable to the other parts of the public sector?' I'd certainly do that. The other is whether there's an issue that can affect the future design of programmes, and I think I'd look at that as well. So, it's the scale, and the, if you like, propriety and probity issues that are there. At the same time, there are others that, perhaps, don't necessarily look at individual financial issues, but affect the governance of an organisation. There's one organisation at present where I'm considering whether to do a value-for-money study on their governance, because of the various concerns that have been raised with me. That's not part of my planned programme at present, but it will take a part of the £250,000 if I go down that route.

[65] **Jocelyn Davies:** Yes, and obviously that's the money that you spend. Do you take into consideration how much it's going to cost the organisation you're going to scrutinise, in terms of costs on the public purse, because there must be a cost on those organisations if you come in and—

[66] **Mr H. Thomas:** Yes, it varies under my various powers. There'll always be a cost to the fact that we're asking questions and they'll need to divert resources to meet that, but that's, if you like, the responsibility that any organisation has to meet the requirements of the external auditors. On the other hand, if the issue is such that it is a public interest report under local government, I charge the organisation concerned. So, Pembrokeshire and Carmarthenshire have had extra bills this year because of the public interest report. And the same applies—. I realise it makes it more difficult, but the same principle is applied to issues affecting community councils as well.

[67] **Jocelyn Davies:** And what proportion of these are triggered by the public, because you were talking about public engagement and things that are brought to your attention, and you say 'left-field'? Have you any idea what proportion is triggered by members of the public? You mentioned Assembly Members. Your postbag; I think it was your postbag—

[68] **Mr H. Thomas:** The postbag comes in under different guises. Some relate to issues that are raised as to how a local authority or a health board does certain things—that I should look into it because it is a major issue. Some of them, I have to say, are not materially significant, and some of them are simply disagreements with a decision that the authority has reached perfectly validly. As long as the authority has reached the decision perfectly validly, that's fine. The public may disagree, but it's not for me then to come in. But I do weigh up the issues that are raised. The correspondence is considered by the directors who are responsible for individual bodies, and they make a decision and recommendation to me. In fact, we're

about, Kevin, to launch a guide on correspondence to us.

09:30

[69] **Mr K. Thomas:** Yes; we've actually just launched it on our website. We've got some new guidance for stakeholders in terms of correspondence—explaining the things that we can deal with and how best to direct queries, so that we can make better use of our resource in dealing with concerns that are raised by members of the public, AMs and other stakeholders. And, also, within our annual plan, one of our priorities is around streamlining our correspondence system so that we've got a better handle on monitoring activity and how quickly we're responding to issues that are raised, so that we can, in turn, report against that—another area where we're looking to get our house in order and improve the way in which we deal with that correspondence.

[70] **Mr H. Thomas:** And because I need to do it on a very fast basis, that is why we have introduced an investigation team and sought extra assistance as part of last year's estimates.

[71] **Jocelyn Davies:** Ffred, did you have a supplementary on this point?

[72] **Alun Ffred Jones:** Yes. How many requests do you get from AMs to investigate bodies, in a year?

[73] **Mr H. Thomas:** I can't answer that off the top of my head; I'm happy to give you that information afterwards.

[74] **Jocelyn Davies:** Okay.

[75] **Alun Ffred Jones:** Could you give us the names as well?

[76] **Jocelyn Davies:** The names? [*Laughter.*] Well, freedom of information would tell you the names. Chris.

[77] **Christine Chapman:** Just following on from Ffred's question, I just wondered about the proportion of people who contact you. It could be politicians, it could be the public. Where are the proportions?

[78] **Ms Body:** I think it's fair to say that members of the public will generally contact us through their Assembly Member. So, what will happen is that they will write to their Assembly Member and then the Assembly Member will write to the auditor general and, essentially, put us in contact with the member of the public. So, I think, when you look at the figures, there's not many direct contacts from individual members of the public—there are some, but it will be through their Assembly Member, more often.

[79] **Jocelyn Davies:** But it's something that you're working on in raising awareness amongst the public. So, how do you prevent yourself becoming a part of the political landscape if politicians are urging you to investigate things? How do you make sure that you are not then being used in a political fashion? This is a difficult one.

[80] **Mr H. Thomas:** I'm sensitive to that, as you can imagine. But I do try and hold to the principle that I'm looking at the issue from the public expenditure standpoint, as opposed to the political standpoint, and also, the point I made earlier, that if a decision has been validly arrived at, particularly in terms of local government, or whatever, I do not intervene, unless there's evidence later on that there's either some malpractice or whatever in the financial arena.

[81] **Jocelyn Davies:** Okay. Julie, shall we come to your questions? Oh, sorry, Nick, had you finished with yours?

[82] **Nick Ramsay:** I was going to ask a question about public engagement, but I think you've covered just about every aspect there.

[83] **Jocelyn Davies:** Okay. Julie.

[84] **Julie Morgan:** One of your aims is to develop good practice in public services, particularly with the huge challenges facing public services at the moment. How do you decide how much of your resource is invested in the exchange of ideas, the exchange of good practice?

[85] **Mr H. Thomas:** We've built up—. Currently something around £0.5 million of expenditure takes places each year on good practice, and that was recognised in the estimate. We deliver about 20 or so shared learning events in the year, in order to deliberately pick the good practice, not just from my reports, but from what we pick up from elsewhere; it needn't necessarily be from the UK. We'll be looking to bring things in. We back it up on social media and we link with other organisations in the delivery. Also, I have to say that, sometimes—and Gillian's referred to one of those—we will take one of our reports and follow it deliberately through. Some of the issues that were raised on waiting times we felt were important for each board of the health authorities to take seriously. So, not only do we provide written good practice events; we are deliberately holding, over the next couple of months, events for board members to take them through what it is that they plan to do.

[86] I will be doing one on whistleblowing later on and working with other organisations in order to improve the level of whistleblowing. That doesn't come out of a single report, but it's a theme that we've picked up in a number of reports, and so we feel it's right to develop this as good practice. But, as I think Mike commented in another forum, the good practice is sometimes a poor traveller, and we do need to work hard, and it is unfortunate, but some authorities come regularly to our good-practice events and others do not, and we take that into account when we talk to them.

[87] **Julie Morgan:** And what about the impact? How are you able to measure what impact this has?

[88] **Mr H. Thomas:** We have very clear impact assessment. You'll notice that we've set out in the plan some of our key performance indicators. I'd be happy to circulate to you the kind of study that takes place after each good-practice event so that we can follow up how it has been received, what is going to happen as a result, and so on. So, it isn't just being held and we move on to the next one; we follow each one through, and I'm happy to send a copy of that analysis.

[89] **Jocelyn Davies:** You mentioned earlier that you've got your good-practice guides as well on the website. What sort of traffic—. You know, is it being used?

[90] **Ms Body:** We do monitor the traffic. I have to say, with something like NHS waiting times, actually, we're getting the guides out directly to the practitioners in the field. So, we're not looking for them to find them; we're—

[91] **Jocelyn Davies:** So, you send them out, but can you tell, when you send them out, if they've actually opened them?

[92] **Mr H. Thomas:** Yes.

- [93] **Jocelyn Davies:** So, you can tell.
- [94] **Ms Body:** Yes.
- [95] **Jocelyn Davies:** And you can tell if they haven't.
- [96] **Ms Body:** And it would be something that we would follow through as part of our local engagement teams in talking to them. From our stakeholder feedback, it's something that our audited bodies value, as you can imagine, because it's just helpful for them.
- [97] **Jocelyn Davies:** So, you can monitor—if you send one of those guides electronically, you can tell if somebody's opened it, read it, gone on the links, and so forth?
- [98] **Mr H. Thomas:** To the extent to which we then follow through exactly what happens, no, but we know when the thing has just disappeared.
- [99] **Jocelyn Davies:** Yes, been deleted with 'unread'.
- [100] **Mr K. Thomas:** Yes. We've got four measures in the plan that cover social media and other web-based activity. Whether or not individuals have opened or downloaded a guide, we can tell. We use a system that's quite widely used, called SurveyMonkey, which enables us to track that through. Obviously, then, how people have used it is a step too far, but, certainly, we're able to determine who's actually downloaded and opened documents.
- [101] **Jocelyn Davies:** There's a lesson for you all: download and open if you don't want to be caught. [*Laughter.*]
- [102] **Ann Jones:** It's easy to do. You don't have to read it; you can download it. It'll be downloaded and you'll think everybody's read it. There are no safeguards.
- [103] **Jocelyn Davies:** No, but at least you have some information. Julie.
- [104] **Julie Morgan:** You referred to the stakeholders that don't attend events and don't engage as if they were a known group. How do you pursue them?
- [105] **Mr H. Thomas:** We've been running these events a number of years now, and, basically, about 900 people from various organisations in Wales came to our events last year. So, we know who has attended. Sometimes, it will be, 'Well, why not?'—that kind of discussion that the local audit team will have with the—
- [106] **Julie Morgan:** They would have a face-to-face discussion about where they are. With a response?
- [107] **Mr H. Thomas:** Well, I hope so.
- [108] **Julie Morgan:** From everybody?
- [109] **Mr H. Thomas:** I hope so.
- [110] **Ms Body:** It's part of that discussion that helps drive what the future programme of good-practice events might look like. So, if people are not coming, it may be something to do with the selection of the topics, so that's something that we can factor in and perhaps invite them to be part of the design and delivery.
- [111] **Julie Morgan:** And a final question, then: we are anticipating that there'll be more

public service cuts and, obviously, you've done some work into that and the impact on Wales. You've done some work on that already. Do you see yourselves doing a lot more work in that area?

[112] **Mr H. Thomas:** It is what I see as the key role of audit in the current climate to be: helping public bodies cope. I will be producing another 'A Picture of Public Services' report in the autumn, once we have a clearer idea of what kind of budgets are likely to be allocated by the UK Government to Wales and, therefore, what the challenges are going to be to Wales. That, I hope, will set the framework under which we might do further work in order to help audited bodies.

[113] **Jocelyn Davies:** Chris?

[114] **Christine Chapman:** Could I ask how are you planning to achieve your savings target of £760,000 in 2015-16?

[115] **Mr K. Thomas:** We set out, in our estimate, a number of plans for how we were going to meet that ambitious target. The first key element of that is an exercise to look at restructuring and redesigning working practices. Probably the largest element of that is the restructuring of the corporate services team, which is a process that's currently under way. It's actually substantially completed and I'm expecting by the summer to have that finished, and then we'll be rolling out the new systems and processes for the corporate services team.

[116] On the second key element, which is the change to our contracting arrangements with the firms that provide services to the auditor general, that process has now been completed. We've awarded new contracts, which should be coming into force later on this year, with savings of around about £170,000. The third key area relates to outsourcing and we've outsourced two key services: our payroll service and our internal audit service. Both those services are now operating very effectively and that's yielding savings of around about £75,000.

[117] Probably, the final key area was a general savings and efficiency programme, which we outlined in the estimate, where we needed to make savings of around £200,000. There's quite a lot of activity going on there already. This committee will be aware, of course, of the fleet review that our external auditors carried out last year and the board is working through management's response to that review. So, we expect to see savings arising from that. But there's also a wide range of other activity that we're looking at. The key ones for me are around the use of our estate; we are continually reviewing our estate. You will see in our annual report and accounts, which will be out in the next month or so, how successful we've been in driving down costs in terms of use of utilities and the average cost per square metre. But, again, there is more that we can do and we've set out, in the annual plan, a number of targets for improving our efficiency and effectiveness going forward.

[118] **Christine Chapman:** Can I pursue the working practices? You mentioned working practices as one of the strands of the saving. What sort of things will you be doing, which you may not be doing now? Any thoughts on that?

[119] **Mr H. Thomas:** One of those I touched on earlier, in my response to Ann. The cost of an audit and, therefore, my own cost, has a relationship with the number of qualified accountants. If you compare the traditional Wales Audit Office with, say, a private sector body, such as PricewaterhouseCoopers or whatever, the ratio between trainees—that is those who are non-qualified, but getting qualification—and the qualified people is at a level where there are less qualified and there are more trainees. We need to move to something along that line. That will reduce our costs. It will also reduce the fees that we charge to the audited bodies, provided, of course, that we're able to deliver the same standard. So, that's a change

of working practice illustration that we're exploring.

[120] **Christine Chapman:** You talk about the standards—is there any risk that you're going to lose some of the quality by doing that?

[121] **Mr H. Thomas:** I think that, at present, we need to ensure that we are maintaining the standard and quality, but without gold-plating it. It has to be good enough to manage and that's a responsibility that I have to make sure that the necessary standards are maintained. But I think that we can do that shift and save. We also, in terms of internal changes and so on, can save on other bits of working practices. But that's one of the areas that we're certainly exploring.

[122] **Christine Chapman:** Okay. Moving on to the new audit IT system, I just wondered whether the investment in that system has been reflected in your annual plan in terms of more efficient working, and whether it has contributed to in-year savings.

[123] **Mr K. Thomas:** I think the focus of the new IT audit system has been very much on business continuity of a business-critical system. The focus was not on saving money; it was about ensuring that we continue to deliver high-quality audit work. Indeed, the electronic audit system is instrumental in helping us to meet the required auditing and quality standards. So, that's been very much the focus. Indeed, we outlined in the estimate last year the additional funding that we needed to make this happen. The pilot is well under way. It's working very well. We've had very positive feedback from users of the system, and we're looking to roll out across the organisation later on this year. There are some elements of functionality that we are also exploring that aren't currently used by the other UK audit bodies that use the same system, around resource management and time recording. Those could well be other benefits from the system to support our efficient and effective working. But it's very much about streamlining our processes rather than necessarily saving money.

[124] **Jocelyn Davies:** Okay. Ffred.

[125] **Alun Ffred Jones:** Diolch. A gaf i ofyn cwestiwn yn gyntaf ar eich egwyddorion archwilio? Mae yna bump ohonyn nhw, ac maen nhw'n ymwneud â'ch ffordd chi o weithio, yn benodol. O dan archwilio cynaliadwy, rydych yn cyfeirio hefyd at y cyrff sy'n cael eu harchwilio. Gan fod cynaliadwyedd bellach yn rhan mor allweddol o ddeddfwriaeth yn y lle yma, roeddwn eisiau gofyn: a ydych chi erioed, mewn adroddiad ar gorff cyhoeddus, wedi nodi gwendid neu feirniadaeth ar unrhyw gorff am fethu ag adlewyrchu cynaliadwyedd yn eu penderfyniadau?

Alun Ffred Jones: Thank you very much. Could I ask you a question first about your audit principles? There are five of them, and they are related to your way of working, specifically. Under sustainable auditing, you refer to the bodies that are audited. Given that sustainability is now such a key part of legislation in this place, I wanted to ask: have you ever, in a report on a public body, noted a deficiency or a weakness, or have you criticised any body for failing to reflect sustainability in their decisions?

[126] **Ms Body:** We did do a report on the Welsh Government's application of sustainability as a central organising principle a few years ago. On the back of that, we've been very active in discussions with the Welsh Government around the new legislation in terms of the wellbeing of future generations. In terms of our work, we're always keen to ensure that there isn't just a quick fix, and that there is a sustainable solution. Even our work on looking at finances for the NHS is about raising the debate about how to put the NHS in a more affordable and sustainable position in the longer term. So, yes, it has been a feature of our work, and we have also done a specific report on this issue.

[127] **Alun Ffred Jones:** Y rheswm yr wyf yn gofyn y cwestiwn ydy bod cynaliadwyedd bellach wedi cael ei ysgrifennu i mewn i ddeddfwriaeth sydd i fod i fod yn rhan allweddol o benderfyniadau pob corff cyhoeddus. Trio gweld ydw i a oes modd yn y byd i fesur hynny pan ydych chi'n gwneud eich archwiliadau, neu a ydych chi'n meddwl nad yw'n bosib?

Alun Ffred Jones: The reason I ask the question is that sustainability has now been written into legislation that is supposed to be a key part of the decisions of every public body. I'm trying to see whether it would be possible to measure that when you do your audits, or do you believe that it's not possible to do that?

[128] **Mr H. Thomas:** Mae'n rhywbeth yr ydym yn gorfod ei wneud o dan y ddeddfwriaeth. Ar hyn o bryd, rydym yn datblygu sut rydym yn mynd i fesur hynny, a byddwn yn mynd allan i ymgynghori ar hynny. Rydym yn trafod efo rhannau eraill o'r byd—Canada, er enghraifft—i weld sut y maen nhw'n gweithredu ar y pwnc hwn. So, mae hwn yn rhywbeth lle rydym yn derbyn ein bod yn gorfod datblygu system ar gyfer y dyfodol a fydd yn ein caniatáu ni i sicrhau bod deddfwriaeth yn cael ei harchwilio'n gywir.

Mr H. Thomas: It's something that we have to do under the legislation. At the moment, we are developing how we're going to measure that, and we'll be going out to consultation on that. We do discuss with other parts of the world—for example, Canada—to see how they work in this area. So, it is something where we accept that we have to develop a system for the future that would allow us to ensure that legislation is audited correctly.

[129] **Alun Ffred Jones:** Diolch yn fawr. Nid wyf yn nodi hwn fel beirniadaeth; rwyf jest yn nodi'r anhawster sy'n eich wynebu chi. A gaf i jest droi hefyd at eich targedau a'ch mesurau perfformiad allweddol chi? Pa fewnbwn yr ydych wedi'i gael gan gwsmeriaid a sefydliadau allanol wrth bennu eich targedau?

Alun Ffred Jones: Thank you very much. I'm not noting that as a criticism; I'm just noting the difficulty that faces you. Could I just turn now to your targets and key measures of performance? What input have you had from customers and external organisations in setting your targets?

[130] **Mr K. Thomas:** The targets themselves have been set in consultation with our board, and also our senior leadership team, drawing on what we believe is a representative sample of measures to determine how well we are delivering as an organisation. The targets also feed on from our corporate strategy and the principles set out in that strategy, which, in turn, were based on the results of consultation with a wide variety of stakeholders. So, I think that the general principles are based on consultations with that wider engagement, but, in terms of the specific targets, those are the things that we very much—as an organisation, as a board and as a senior team—own, and those are the things that we consider to be most important in terms of focusing our attention, and also being able to demonstrate our performance against those strategic objectives.

[131] **Alun Ffred Jones:** Iawn. Yn dilyn o hynny, a fydd y cyflawniadau diweddaraf sy'n ymwneud â'r targedau a'r mesurau perfformiad allweddol yma, sy'n cael eu nodi yn eich cynllun blynyddol, ar gael i'r Pwyllgor Cyllid eu gweld wrth graffu ar eich cyfrifon a'ch amcangyfrif yn ystod yr hydref?

Alun Ffred Jones: Okay. Following on from that, will the latest achievements relating to the key performance measures and targets, set out in your annual plan, be available for the Finance Committee to view when scrutinising your accounts and your estimates this autumn?

[132] **Mr H. Thomas:** Yn sicr, byddwn yn adrodd yn gyhoeddus ar y rhain.

Mr H. Thomas: Certainly, we will be reporting publicly on these.

[133] **Alun Ffred Jones:** Diolch yn fawr. **Alun Ffred Jones:** Thank you very much.

[134] **Jocelyn Davies:** Okay. Any other questions? Well, thank you very much. We've run out of questions for you. Obviously, we'll send you the transcript, as usual, and if you could check that to make sure it's accurate before we publish it, we'd be very grateful.

09:51

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu gwahardd y cyhoedd o weddill y cyfarfod hwn yn unol â Rheol Sefydlog 17.42(vi).

that the committee resolves to exclude the public from the remainder of this meeting in accordance with Standing Order 17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[135] **Jocelyn Davies:** I now move under 17.42 that we go into private session for the remainder of this meeting and for the first item of our next meeting. Everybody happy? Yes.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:51.
The public part of the meeting ended at 09:51.*