



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Principles for Regional Audit Institutions

Principle 7: A broad mandate and full discretion

Principle 8: Good access rights



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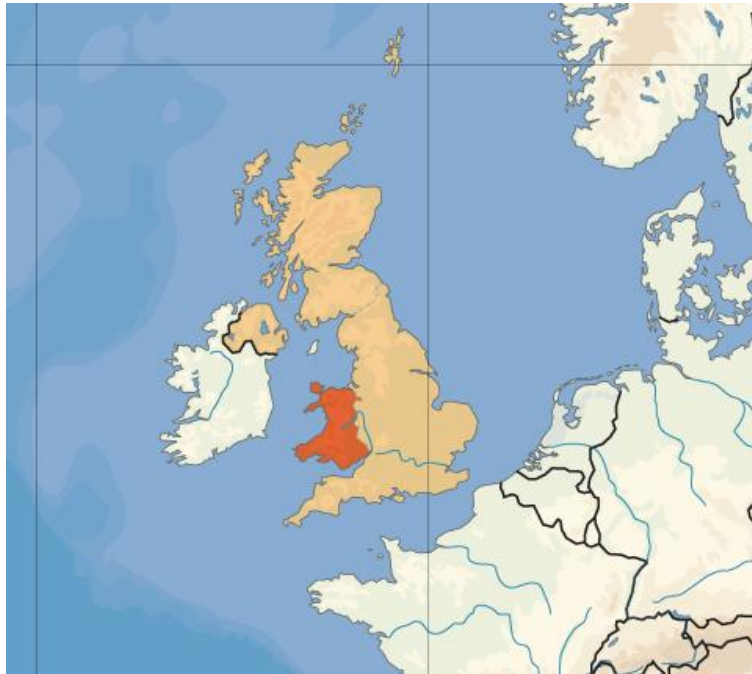


Basic facts about Wales

- Area: 20,800 km², Population: 3,074,000 (2012)
- Population Density: 148 people per km²
- Capital: Cardiff
- Currency: Pound sterling (£)
- GDP: £54.3 billion (2014), £17,600 per capita
- GDP growth: 2.4% (2014)
- Unemployment: 5.9% (of people aged 16+)
- Two official languages: English and Welsh—19% speak Welsh
- Legislature: National Assembly—certain law making powers devolved from UK Parliament
- Executive: Welsh Government—largely funded by UK Government



Wales within the UK



*From "Europe Location" map series
© David Liuzzo*

Areas of devolved functions include:

- Health
- Education
- Economic Development
- Rural affairs (including agriculture)
- Heritage (museums, sport etc)

Reserved functions:

- Taxation (but some devolution starting)
- Defence
- Justice



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The Auditor General for Wales and the Wales Audit Office

The Auditor General for Wales is the statutory auditor of:

- Welsh Government and its sponsored bodies
- Health service bodies in Wales
- Local government bodies in Wales

Total annual value of expenditure audited >€27,000 million

The Wales Audit Office provides the resources to the Auditor General to deliver his programme of audit work: some 250 staff – financial, performance and IT auditors, and support staff



Auditor General for Wales

Legal basis for Auditor General's work:

- Duty to audit accounts (provide opinion on them)
- Powers to examine and report on economy, efficiency and effectiveness (“value for money” or “vfm”) and to make recommendations for improving vfm
- Statutory **discretion** in the way powers and duties are exercised; is not directed by government—can, for example, pursue issues raised by the public



Principle 7: Broad Scope— legislation enables this

Examples of examination and study power texts:

- Section 145 of Government of Wales Act 1998—
 - *...may carry out examinations into the economy, efficiency and effectiveness with which a body ...has used its resources in discharging its functions.*
- Section 145A of 1998 Act—
 - *...may undertake or promote studies designed to enable him to make recommendations for improving economy, efficiency and effectiveness in the discharge of the functions of any relevant body....*
 - *...may also undertake or promote other studies relating to the provision of services by any relevant body...*



Principle 7: Broad Scope—the example of the Life Sciences study

An example of using the powers to address novel public-private sector interaction:

- Life Sciences is a biotech investment fund established by Welsh Government (at suggestion of its advisory panel) with £50m of public money for economic development purposes
- Welsh Government investment bank, Finance Wales PLC, contracted private sector firm “Arthurian” to manage the fund (Arthurian owned by chair of Welsh Government advisory panel)

We examined Welsh Government’s establishment and oversight of the Fund because of concerns from the public regarding possible conflict of interest.



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Broad Scope: Life Sciences—our approach

- Reviewed Welsh Government internal audit of its setting up of the Fund and procurement of the fund manager
- Interviewed Welsh Government and Finance Wales officials, and the Arthurian chief executive
- Visited Arthurian and examined records, e.g. board minutes and correspondence
- Reviewed investment-related transactions and regulatory material
- Obtained expert advice from Grant Thornton UK LLP—experts in the operation of the “Alternative Investment Market”



Principles for RAIs: (7) broad mandate, and (8) good access rights

Slide 8



Broad Scope: Life Sciences— our findings

- Conflict of interest was appropriately declared but not handled properly by Welsh Government—should have asked panel chair to stand down
- Poor documentation of option appraisal—not clear case that procuring a fund manager was good vfm
- Poor procurement process for fund manager—inconsistent application of criteria—not clear that award went to best bid
- Poor contract and oversight—Finance Wales gave up right to remove Arthurian without cause—adopted a weak position
- In particular, Finance Wales unable to control arrangement fees charged by Arthurian to investee firms



Broad Scope: Life Sciences— points for success

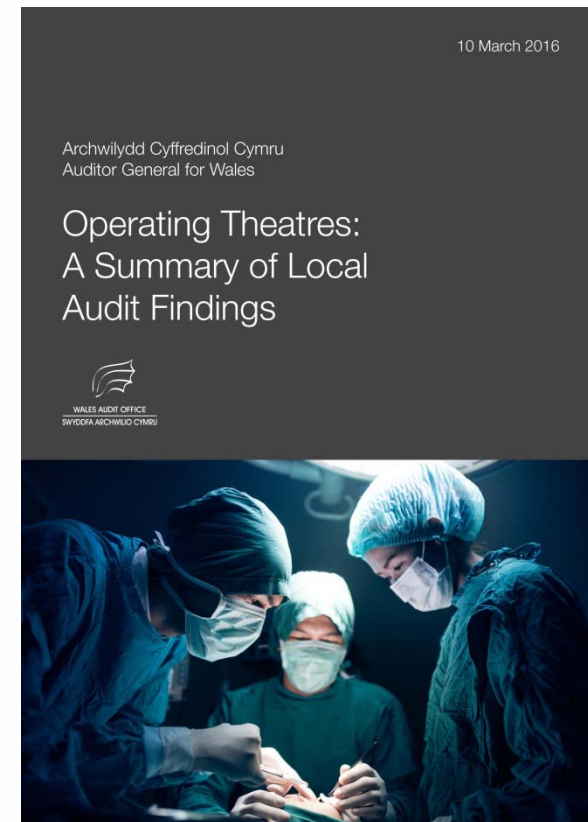
Key points for successfully completing an examination in this area:

- Being willing to tackle unfamiliar subject
- Getting external expert advice on areas where we lacked expertise
- Not shying away from using access rights in private sector
- But ensuring fair process—have to act fairly, e.g. giving realistic amount of time for relevant parties to comment on draft report
- Robustly defending our legal position—having a will and using good external lawyers



Broad Scope: other examples— Operating Theatres

- Examined utilisation data, and interviewed and surveyed staff
- Found many theatres under-utilised—up to 30% of time lost
- Main reason: lack of ward beds stopping admission (16% of cancellations)
- Poor planning—unrealistically high/low numbers of bookings
- Health boards struggled to provide the information
- No programme for theatre improvement





Broad Scope: other examples— "Delivering with less: Leisure Services"

Local authority leisure services (sports facilities and parks etc):

- Not protected from austerity, so spend reduced 10.5%, while use increasing 3.4%
- Quality and availability variable, and authorities lack of info on benefits
- Authorities exploring other ways to provide services (e.g. transfer to other operators—some 40% saving where all major leisure centres transferred), but:
 - decisions often not strategic—not clear what service to provide
 - not all options considered
 - piecemeal approach risks sustainability





Principle 8, good access to information—good law

For example, para 17 of Schedule 8 to Government of Wales Act 2006:

- Provides “a right of access to every document relating to a relevant person that appears to the Auditor General to be necessary”
- Requires any person that the Auditor General **thinks** has relevant information to give the Auditor General “any assistance, information and explanation which the Auditor General thinks is necessary”
- Also requires such persons to attend before the Auditor General and to provide any facility that he may reasonably require, such as accommodation and computer system access.

The access rights apply to, among others, suppliers and grant recipients.

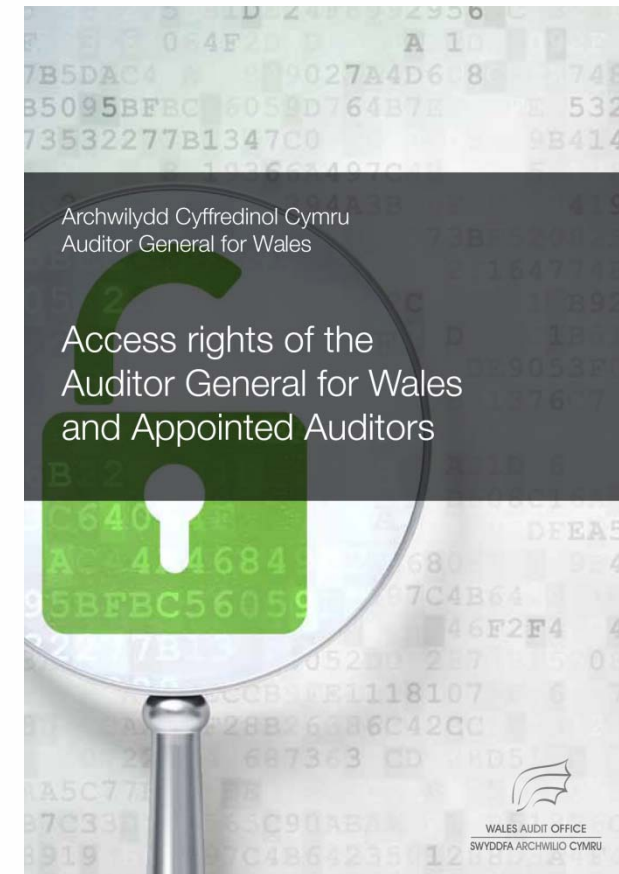
Local government access rights are supported by criminal offence



Principle 8, good access to information—how we make it work

- Don't shy away from using access rights
- Robust responses to obstruction—polite but firm letter setting out the law, explaining need for access, setting a deadline and making clear that we will go to court to enforce access and seek costs
- Publicise access rights—we have a guide on our website

See: <http://audit.wales/publication/access-rights-auditor-general-wales-and-appointed-auditors-0>





Principle 8, good access to information—examples of use

- Clydach and Mawr Community Councils
 - Council clerk destroyed payroll records
 - So we sought tax records from Her Majesty's Revenue & Customs (HMRC)
 - HMRC resisted (referring to tax-payer confidentiality law)
 - We took firm letter approach and HMRC conceded
- Mawr Community Council
 - Sought bank statements from Barclays Bank
 - Initially refused and provided no contact details for legal department
 - In absence of other contact details, sent firm letter to Chief Executive—conceded



Principle 8, good access to information—other examples of use

- Audit firms – e.g., for confirmation of income collected by a company on behalf of an audited body
- Actuaries – for pension funds
- Opticians' patient records – for examination of fraud against health service bodies



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Further Information

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