

Agenda – Finance Committee

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: 7 November 2019

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

SeneddFinance@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

(09.00)

2 Paper(s) to note

(09:00)

2.1 Letter from the Minister for Finance and Trefnydd to the Chair of the Finance Committee – Report on Outturn 2018–19

(Pages 1 – 14)

3 Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales: Evidence session

(09:00–10:30)

(Pages 15 – 317)

Adrian Crompton, Auditor General for Wales

Isobel Everett, Chair of the Wales Audit Office

Steve O'Donoghue, Director of Finance and HR, Wales Audit Office

Kevin Thomas, Director of Corporate Resources, Wales Audit Office

Paper 1 – Auditor General for Wales and Wales Audit Office – Annual Report and Accounts 2018–19

Paper 2 – Wales Audit Office – Final Audit Findings Report – Year Ended 31 March 2019

Paper 3 – Auditor General for Wales and Wales Audit Office – Annual Plan 2019–20



Paper 4 – Auditor General for Wales and Wales Audit Office – Interim report 1
April to 30 September 2019

Paper 5 – Estimate of Income and Expenses of the Wales Audit Office for the
Year Ended 31 March 2021

Research brief

- 4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting, the whole of the next meeting on 13 November 2019 and the start of the meeting on 21 November 2019**

(10:30)

- 5 Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales: Consideration of evidence**

(10:30–10:45)

- 6 Financial implications of the National Health Service (Indemnities) (Wales) Bill: Consideration of draft report**

(10:45–11:00)

(Pages 318 – 330)

Paper 6 – Draft report

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Eich cyf/Your ref
Ein cyf/Our ref RE/22/2019

Llyr Gruffydd AM
Chair, Finance Committee
The National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA



Llywodraeth Cymru
Welsh Government

29 October 2019

Dear Llyr,

The Welsh Government's audited Consolidated Annual Accounts for 2018-19 were published on 27 August 2019. In line with my commitment to good practice and transparency I am now able to provide the Finance Committee with a written report on the 2018-19 final outturn for the Welsh Government set against spending plans approved in the Second Supplementary Budget 2018-19.

The final Ambit outturn for 2018-19 is £16.8 billion against the Welsh Government Budget of £17.1 billion. This represents a 1.1% variance against the approved budget.

The report and supporting annexes provide a summary of expenditure by portfolio within Treasury control totals, variations compared to the budget, an explanation of significant variances and details of amounts to be carried forward in the Wales Reserve.

I am happy to make the Finance Director and his staff available for discussion of the detail of the report if that would be helpful.

Yours sincerely,

Rebecca Evans AC/AM
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

Welsh Government

Report on Outturn 2018-19

A report from the Minister for Finance and Trefnydd to the Finance Committee on the audited outturn of the Welsh Government 2018-19 set against the planned expenditure contained in the Second Supplementary Budget 2018-19.

1. Introduction

1.1 This report has been produced in accordance with the protocol endorsed by the National Assembly for Wales on 21 March 2012 regarding changes to the Budget motion and their impact on the in-year Budget cycle.

1.2 As part of the protocol the Welsh Government agreed:

In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government will provide a written report to the [Finance] Committee on final outturn. The report would include a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations.

1.3 This commitment was reaffirmed in the revised protocol approved by the National Assembly for Wales on 21st June 2017.

1.4 This report addresses that commitment for the financial year 2018-19.

1.5 The Second Supplementary Budget for 2018-19, was approved by the National Assembly on 6 March 2019. The final outturn follows publication of the Welsh Government's Consolidated Annual Accounts on 27 August 2019. See the attached internet link:

<https://gov.wales/welsh-government-consolidated-annual-accounts>

1.6 The outturn is reported on the basis of the Welsh Government budget structure in force at the year end and reported in the accounts.

2. Main Expenditure Group¹ Outturn 2018-19

- 2.1** The Consolidated Accounts of the Welsh Government were laid before the Assembly on 27 August 2019. The audited accounts contain a Summary of Resource Outturn against the control totals approved in the Second Supplementary Budget motion of 2018-19.
- 2.2** This report provides details of final outturn against the lower level controls operated and enforced by HM Treasury. These administrative budgets are reported in the documentation and tables which supported the Second Supplementary Budget.
- 2.3** The report also provides explanations for all overspends plus any underspends of greater than 1% of MEG level budgets in each of the control totals (subject to a de-minimis level of £0.5m). A breakdown of the outturn by MEG is provided in Annex 1.

Departmental Expenditure Limit (DEL)² Outturn

- 2.4** The Welsh Government's audited DEL outturn for 2018-19 was £16,318m. This is an underspend against the budget, as agreed in the Second Supplementary Budget, of £86.8m.
- 2.5** This outturn includes an underspend of £11.7m against the Fiscal Resource budget (revenue) and an underspend of £20.7m on the Capital budget. This represents an underspend of less than 0.1% against Fiscal Resource and 1% Capital.

¹ Main Expenditure Group or MEG is a high level budget representing a ministerial portfolio or central administration.

² Departmental Expenditure Limit: a control total set by HM Treasury in a spending review which is further split into Fiscal Resource (revenue), Non Fiscal Resource (ring-fenced revenue) and Capital (split between General Capital and Capital Financial Transactions) control totals.

Fiscal Resource (Revenue) DEL Outturn

- 2.6** Expenditure in this budget classification at MEG level was again extremely close to budget. Very small underspends were reported in five of the six MEGs with only one budget exceeding a 1% variance when measured against the Second Supplementary Budget, which is explained below.
- 2.7** The Central Services and Administration MEG revenue underspend was £8.8m. There are three main elements to this underspend: a £3.7m underspend on Welsh Government staff costs which was mainly due to lower than anticipated applications for the voluntary exit scheme; a £4.3m underspend on EU transition due to recruitment delays; and £1m on Invest to Save due to fewer suitable investment opportunities.

Capital DEL Outturn

- 2.8** The Capital DEL underspend for 2018-19 was £20.7m. Within the underspend, four MEGs underspent by more than 1% with one MEG overspending, albeit by £0.5m (or less than 0.1%). The variances are explained below.
- 2.9** The small overspend (£0.5m) was within the Housing and Local Government MEG. Within this figure there were overspends reported against the National Parks budget of £1m, Waste Management and Improvement of £0.6m and Independent Living budget of £0.2m. These were offset by an underspend of £1.2m against the Community Facilities budget.
- 2.10** The largest capital underspend was £5.3m in the Education portfolio. The underspend is on science and innovation budgets which transferred in from the Economy and Transport MEG where the expenditure remained. As a result there is a corresponding overspend reported within the Economy and Transport reported position.

2.11 The Economy and Transport MEG reported an underspend of £4.8m. The position includes expenditure where the budgets were moved, following the transfer of ministerial responsibilities, to the Education and International Relations and Welsh Language MEGs where corresponding underspends are reported. The main elements of the underspend are against business support budgets (£11.7m), sustainable travel (£4.9m) and road safety (£2.9m). These are offset by a £14.3m overspend on motorway and trunk roads related budgets.

2.12 The International Relations and Welsh Language MEG reported a capital underspend of £4.1m which primarily relates to funding for creative industries (£4.6m) which has slipped. This is offset by an overspend on the National Museum for Wales capital budget.

2.13 The main variances within the Environment, Energy and Rural Affairs underspend of £2.1m are reported against the Rural Development Plan, where there was a £2.8m underspend, and on Climate Change and Sustainability programmes where spend was £1.2m more than anticipated. This overspend was driven by higher demand for the Green Growth Wales programme.

2.14 The main reason for the £3.7m capital underspend reported against the Central Services and Administration MEG is a fall in demand for Gypsy and Traveller communities' refurbishment grants (£4m).

Non Fiscal Resource (ring-fenced revenue) DEL Outturn

2.15 The Non Fiscal Resource budget was underspent by £54.4m. It is important to note that the Non Fiscal Resource budget is ring-fenced and cannot be re-directed to Welsh Government spending programmes. These budgets cover accounting adjustments such as depreciation, adjustment to provisions and provision for write-off of student loans.

2.16 Of this underspend 99% relates to the provision for write off of student loans within the Education MEG. The underspend on student loans arose because the budget included sufficient contingency to safeguard against the potential impact of IFRS 9³ and continued impact of the increase in repayment threshold.

Annually Managed Expenditure (AME) Outturn

2.17 A large proportion of the variance reported in the annual accounts relates to underspends against AME budgets.

2.18 HM Treasury recognise the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result these programme budgets are managed on an annual basis and funding cover is generally provided by HM Treasury. The majority of our AME budgets cover non cash charges and examples include asset impairments, increases in provisions, student loans issued and repaid and pension valuations of sponsored bodies. The Welsh Government is unable to recycle underspends against AME programmes. The main variances are explained below.

2.19 The Health and Social Services AME budget was £83.2m underspent which represents 46% of the total AME underspend. The main explanation for the surplus on the AME budget relates to the change in the Welsh Risk Pool provision for medical negligence and personal injury claims in NHS Wales. The provision required at year end was lower than initially expected. This was because of a decrease in case numbers during the year and also as a result of the change to the accounting treatment for discounting expected future lump sum elements within the provision. The change was implemented by HM Treasury in December 2018.

³ IFRS 9 is an International Financial Reporting Standard (IFRS) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments which covers student loans.

- 2.20** The Housing and Local Government MEG AME budget underspent by £28.2m. The variance was due to fair value accounting adjustments made in respect of Help to Buy scheme properties following the adoption of IFRS 9.
- 2.21** The AME variance of £16.4m within the Economy and Transport MEG resulted from lower impairment levels than anticipated on investment properties and a reduced requirement for provisions against future liabilities, specifically provisions against future pensions liabilities of sponsored bodies.
- 2.22** An underspend of £42m was reported against the Education AME budget which relates to the student loans issues and repayments budgets. Student loans are demand led and difficult to forecast. Loan issues and repayments in the year were less than anticipated.
- 2.23** There was a £3m AME underspend against the International Relations and Welsh Language MEG. This relates to the underspends on the budgets covering pension liabilities of the National Library of Wales and the National Museum & Galleries of Wales.
- 2.24** The underspend of £2.4m reported against the Energy, Planning & Rural Affairs MEG relates to potential pension liabilities arising from the transfer of staff from the Environment Agency Wales to Natural Resources Wales on 1 April 2013. Whilst the budget has been included in each year since the transfer it has not been utilised.
- 2.25** The Central Services and Administration MEG reported an underspend of £5.7m. As in previous years this variance is in relation to provisions for early retirements and other pension charges of Welsh Government staff. The pension charge represents the difference between benefits accrued

during the year and financial contributions made into the fund, the latter being very difficult to forecast.

2.26 Annex 2 to this report provides a summary of outturn against Annually Managed Expenditure (AME) Budgets.

3. Carry Forward within the Wales Reserve

- 3.1** A separate Wales Reserve exists to help manage fluctuations in tax revenue and also provides limited ability to carry underspends between years. The Wales Reserve is restricted to a total value of £350m. The amount that can be drawn down each year from the Wales Reserve is limited to £125m Fiscal Resource and £50m Capital. We were permitted by HM Treasury to carry £90m of Capital Financial Transactions into 2019-20 in addition to the normal limits.
- 3.2** In the Second Supplementary Budget 2018-19, the Welsh Government reported unallocated Fiscal Resource DEL of £35.4m and Capital DEL of £11m. These amounts were unused and so have been added to the Wales Reserve.
- 3.3** The Welsh Government received a late budget transfer from the Department for Environment Food and Rural Affairs of £0.6m fiscal resource budget and £0.4m general capital that was too late to be included in the Second Supplementary Budget which has been added to the Wales Reserve.
- 3.4** A borrowing requirement of £76m was also set in the Second Supplementary Budget. The borrowing was further reduced by £11m in the last quarter of the year. The reduction to borrowing is reflected as a movement within the Wales Reserve.
- 3.5** Capital funding of £50m was drawn from the Wales reserve into unallocated capital DEL in the Second Supplementary Budget. The drawdown is also reflected as a movement within the Wales Reserve.
- 3.6** The Fiscal Resource and Capital DEL underspends documented in this report above have been added to the Wales Reserve.

- 3.7** As well as underspends reported by the Welsh Government, the outturns of the other bodies funded from the Wales DEL must be included. These relate to the National Assembly for Wales Commission, the Public Services Ombudsman for Wales and the Wales Audit Office.
- 3.8** Devolved taxes were anticipated in the Second Supplementary Budget of £286m. The actual taxes collected amounted to £272.3m. The Wales Reserve has absorbed the shortfall of £13.7m.
- 3.9** Repayable capital financial transactions DEL is returned to HM Treasury by a reduction of the Wales reserve balance in accordance with the repayment profile agreed with HM Treasury. We effectively repaid £2.9m in 2018-19.
- 3.10** Unallocated and unspent Non Fiscal Resource DEL lapses and cannot be carried forward within the Wales Reserve.
- 3.11** Table 1 illustrates the balance of the Wales Reserve going into the 2019-20 financial year.
- 3.12** The balances to be carried forward for the Wales DEL will be £305.5m Fiscal Resource, £8.8m General Capital and £104.3m Capital Financial Transactions. The total balance to be carried within the Wales Reserve at 1 April 2019 is £418.6m. We were effectively granted permission to carry forward up to £440m and so the balance is within the revised limit.
- 3.13** Plans to utilise funds from the Wales Reserve in 2019-20 will feature in future Welsh Government's supplementary budgets.

Table 1 Wales Reserve balance including carry forward resulting from Wales DEL outturn 2018-19

Wales Reserve	Fiscal Resource £m	Capital £m	Capital FTs £m	Total £m
Balance at 1 April 2018	271.0	53.6	91.0	415.6
Unallocated DEL in Second Supplementary Budget 2018-19	35.4	0.7	10.3	46.4
Late transfer from DEFRA	0.6	0.4	-	1.0
Reduction in borrowing requirement	-	-11.0	-	-11.0
Capital drawn from the reserve	-	-50.0	-	-50.0
Welsh Government underspends	11.7	14.8	5.9	32.4
Other bodies underspends	0.5	0.3	-	0.8
Devolved taxes outturn	-13.7	-	-	-13.7
Repayment of repayable capital to HM Treasury	-	-	-2.9	-2.9
Balance at 1 April 2019	305.5	8.8	104.3	418.6

3.14 Allocations to Welsh Government portfolios in the First Supplementary Budget of 2019-20 totalled £265.9m Fiscal Resource and £90.1m Capital.

Annex 1 – Departmental Expenditure Limit (DEL) Outturn 2018-19

Main Expenditure Group	Supplementary Budget			Outturn			Underspends / Overspends (-)		
	Fiscal Resource £m	Non Fiscal Resource £m	Capital £m	Fiscal Resource £m	Non Fiscal Resource £m	Capital £m	Fiscal Resource £m	Non Fiscal Resource £m	Capital £m
Health & Social Services	7,194.6	191.5	434.0	7,193.3	192.0	432.8	1.3	-0.5	1.2
Housing & Local Government	3,748.6	0.2	739.3	3,748.6	0.2	739.8	0	0	-0.5
Economy & Transport	538.3	150.0	588.9	538.0	149.3	584.1	0.3	0.7	4.8
Education	1,399.3	371.1	214.4	1,399.1	317.2	209.1	0.2	53.9	5.3
Environment, Energy & Rural Affairs	181.4	16.0	95.7	181.3	16.1	93.6	0.1	-0.1	2.1
International Relations & Welsh Language	137.1	6.7	26.8	136.1	6.7	22.7	1.0	0	4.1
Central Services & Administration	328.6	19.9	22.3	319.8	19.5	18.6	8.8	0.4	3.7
TOTAL	13,527.9	755.4	2,121.4	13,516.2	701.0	2,100.7	11.7	54.4	20.7

Annex 2 – Annually Managed Expenditure Outturn 2018-19

Main Expenditure Group	Supp Budget £m	Outturn £m	Under/ Over(-) Spend £m
Health & Social Services	170.0	86.8	83.2
Housing & Local Government	1,074.4	1,046.2	28.2
Economy & Transport	32.5	16.1	16.4
Education	564.9	522.9	42.0
Environment, Energy & Rural Affairs	2.4	0	2.4
International Relations & Welsh Language	3.0	0	3.0
Central Services & Administration	2.9	-2.8	5.7
TOTAL	1,850.1	1,669.2	180.9

Archwilydd Cyffredinol Cymru
Auditor General for Wales

ANNUAL REPORT AND ACCOUNTS

2018-19



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

The Annual Report for the year ended 31 March 2019 has been jointly prepared, and is laid before the National Assembly for Wales, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and containing matters as directed by the Treasury.

The Annual Report demonstrates that, during 2018-19:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the [Annual Plan](#) prepared for the year under section 25 of the Public Audit (Wales) Act 2013, with no significant changes made to planned work; and
- the priorities set out in the Plan for 2018-19 have been substantively achieved.

The Accounts for the year ended 31 March 2019 have been prepared by the Auditor General for Wales, as the Accounting Officer for the Wales Audit Office, in accordance with Schedule 1 of the Public Audit (Wales) Act 2013 and in a form directed by the Treasury.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below. We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

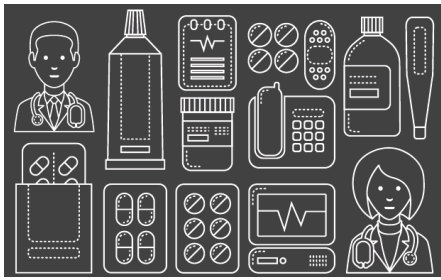
WALES AUDIT OFFICE
24 CATHEDRAL ROAD
CARDIFF
CF11 9LJ

Telephone 02920 320 500

Email info@audit.wales

This document is also available in Welsh.

SNAPSHOT OF THE YEAR



APRIL 2018

Brought together numerous sources of data to provide a snapshot of the current state of primary care in Wales.

Concluded that public bodies in Wales vary in the degree to which they ensure their services are accessible to people needing interpretation and translation services.

MAY

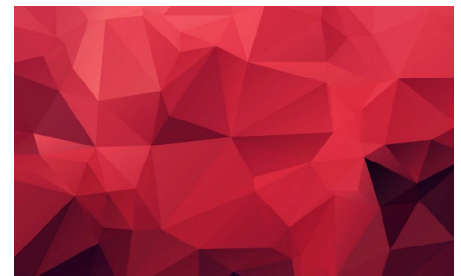
Reported that public bodies are yet to systematically apply the sustainable development principle introduced by the Well-being of Future Generations (Wales) Act 2015 to the way they work.

Recommended that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence.

JUNE

Examined the Welsh Government's relationship with Pinewood and set out the facts leading to the termination of a collaborative agreement to promote TV and film production in Wales.

Hosted a webinar discussing how those involved in planning and delivering services can better protect and engage with users who have suffered adverse childhood experiences.



JULY

Produced a guide to how public finances in Wales work, aimed at supporting the effective scrutiny of decisions about public spending.

New Auditor General for Wales, Adrian Crompton, took up post.

AUGUST

Published a memorandum about timber sales contracts awarded by Natural Resources Wales setting out the reasons for providing a qualified audit opinion.

Concluded that, despite WEFO's positive efforts to commit all EU funding before Brexit, Wales faces a significant risk of losing some funding in a no-deal scenario.

SEPTEMBER

Issued four public interest reports highlighting failures in governance arrangements and inadequacies in financial management at town and community councils.

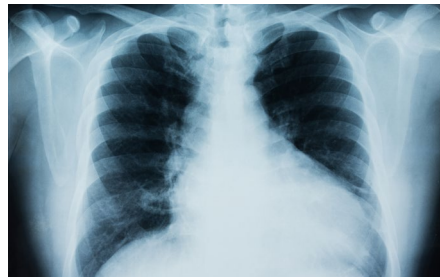
Held a shared learning seminar entitled 'holding up the mirror' about designing and delivering services through focusing on the needs of service users.



OCTOBER

Published the results of the latest National Fraud Initiative exercise in Wales, which has detected and prevented £5.4 million in fraud and overpayments.

Concluded that the Welsh Government has set up a well-managed programme to help councils procure capacity for food and residual waste treatment.



NOVEMBER

Called on local authorities in Wales to think and act differently to sustain services in rural communities and help those communities overcome the challenges they face.

Reported that waiting time targets for radiology examinations are currently being met and radiology services are well managed, but that clear and targeted action is needed to ensure they can cope with future demand.



DECEMBER

Concluded that only a few local authorities have focused on building an environment to get the most from the data they hold to help improve services and outcomes.

Showed that the Welsh Revenue Authority has operated effectively to date to administer newly devolved taxes in Wales.



JANUARY 2019

Found that overall take-up of the MyTravelPass youth discounted bus fare scheme has been significantly lower than suggested by early Welsh Government estimates.

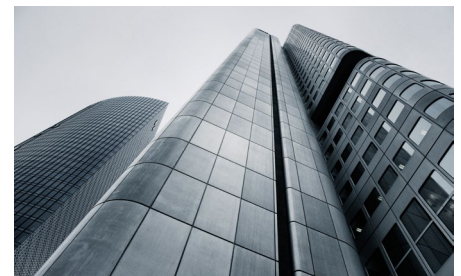
Reported that expenditure on agency staff by NHS Wales has increased markedly in recent years, with around 80% of that expenditure providing cover for vacant positions.



FEBRUARY

Produced a discussion paper and six-point checklist for councils in Wales to help improve overview and scrutiny functions.

Set out our views on the Welsh public sector's approach to managing the implications of a 'no-deal' Brexit.



MARCH

Established some lessons to be learned for future investment decisions by the Cardiff Capital Region City Deal and other similar partnerships.

Held an interactive webinar aimed at equipping board and non-executive members with the necessary tools and knowledge to seek assurance that their organisation has the necessary cyber security arrangements in place.

CONTENTS AND READERS' GUIDE

PERFORMANCE REPORT

A review of the work of the Auditor General and Wales Audit Office in 2018-19, including an analysis of our delivery and performance, and our position at the end of the year.

Overview	9
A summary of who we are, what we do, the key risks we face and how we have performed during the last year.	
Statements from the Auditor General and Chair of the Board	9
Who we are and what we do	11
Key issues and risks that we face	13
Performance indicators	14
Performance analysis	18
An assessment of the extent to which the programmes of work and priorities set out in our 2018-19 Annual Plan have been achieved.	
Audit projects	19
Good practice work	21
Supporting effective scrutiny and accountability	23
Engagement and joint working activity	25
Our governance and leadership	27
Our use of resources	28

ACCOUNTABILITY REPORT

Key statements and reports that enable us to meet accountability requirements and demonstrate compliance with good corporate governance.

Corporate governance report	48
An explanation of the composition and organisation of our governance structures and how they support the achievement of our aim and objectives.	
Directors' report	48
Statement of Accounting Officer's responsibilities	50
Governance statement	52

Remuneration and staff report 71

Our remuneration policy, details of the remuneration and pension interests of members of the Board, its committees and the Management Committee, our fair pay disclosure and a report on our staffing.

Remuneration report 71

Staff report 81

Resource outturn and auditor's report 88

Our summary of resource outturn, an overview of trends in our long-term expenditure, and the independent auditor's report, including their opinion on the financial statements, regularity and on other matters.

Summary of resource outturn and associated notes 88

Independent auditor's report to the National Assembly for Wales 93

FINANCIAL STATEMENTS

The financial statements for the Wales Audit Office, alongside supporting and explanatory notes

Statement of Comprehensive Net Expenditure 99

Statement of Financial Position 100

Statement of Cash Flows 101

Statement of Changes in Taxpayers' Equity 102

Notes to the Financial Statements 103

Glossary of terms 121

APPENDICES

Appendix 1 – Programmes of work delivered in 2018-19 124

Appendix 2 – Commentary on progress made towards achieving our priorities 129

PERFORMANCE REPORT

A REVIEW OF THE WORK OF THE AUDITOR GENERAL AND WALES AUDIT OFFICE IN 2018-19, INCLUDING AN ANALYSIS OF OUR DELIVERY AND PERFORMANCE, AND OUR POSITION AT THE END OF THE YEAR.



Adrian Crompton
Auditor General for Wales and Accounting Officer

6 June 2019

OVERVIEW

Statement from the Auditor General



2018-19 was a very productive year for us in terms of our audit work. We successfully delivered the entire programme of audits laid out in our Annual Plan to a high quality standard. Most of the credit for this success must go to the professionalism, dedication and hard work of Wales Audit Office staff and our contractors, for which I am extremely grateful.

A selection of case studies has been included in this Report to give more insight on some of the projects that we have been involved with, and the significant contribution that our work makes in terms of holding public bodies to account and

helping improve the delivery of public services in Wales.

We also made substantial progress over the course of the year on transforming the way we deliver our audit programme to make sure we maximise the power of our unique insight, bring trusted commentary to the fore on the right issues at the right time, and engage in a way that resonates with a wider range of audiences.

We reviewed events such as the fast changing Brexit situation as they unfolded and provided our independent perspective on what a changing environment means to the bodies we audit.

We made increased use of data analytics to improve how we source, acquire and analyse data and how we visualise and communicate our findings and recommendations.

And we supported the change process by facilitating the sharing of good practice and audit learning through a programme of seminars and webinars, increasingly bringing the views and experiences of service users and global experts to these conversations.

Looking forward, we aim to build on the momentum gained from our work in 2018-19 and unleash our full potential as a driver of change and improvement at the heart of public services by achieving the ambitions laid out in our new Annual Plan.

Adrian Crompton
Auditor General for Wales

Statement from the Chair



The last 12 months have in many ways been a year of transition at the Wales Audit Office. We welcomed Adrian as the new Auditor General and Chief Executive and spent time re-evaluating our key risks and priorities and refreshing our corporate ambitions. However, we also kept the pressure up towards delivering our ongoing commitments to maintain high standards of corporate governance, seek further efficiencies and deliver impactful work that adds value.

Overall, we performed well and I am pleased with and proud of our achievements. Strategic risks were well managed and we achieved many of the challenging targets we had set for our key performance indicators. I pay tribute to the staff of the Wales Audit Office for all their hard work and commitment throughout the year. In this Report we celebrate our achievements, of which there are many, but also identify some important areas where we need to reflect and make further improvements.

Our role as a board is to oversee the exercise of all functions of the Wales Audit Office and to support the Auditor General in his role of providing independent assurance that public money is being spent wisely. We met formally six times during the year and I am very grateful for the support of my fellow board members.

Like all public bodies, we now need to continue to adapt and improve to ensure we are able to respond to the changes and challenges that lie ahead and achieve our ambition of being a model organisation for the public sector in Wales and beyond.

Isobel Everett

Chair, on behalf of the Wales Audit Office

Who we are and what we do

The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector.

The Auditor General is responsible for the audit of most of the public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.

The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions.

Why we are here



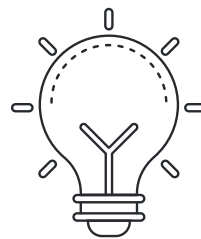
Assure

the people of Wales that public money is well managed



Explain

how public money is being used to meet people's needs



Inspire

and empower the Welsh public sector to improve

The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.

Altogether, we audit some £19 billion of income and expenditure, which is nearly a third of Welsh GDP.

Each year we publish an [Annual Plan](#) that provides more information on:

- a how we follow the public pound in Wales;
- b our longer-term ambitions;
- c our operating environment;
- d our planned programmes of work and associated change commitments for the next 12 months; and
- e how we measure and report on our performance.



Key issues and risks that we face

Over the coming years, we want to unleash our full potential as a driver of change and improvement at the heart of public services and democratic accountability. We have four broad ambitions that we believe will enable us to do this.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



Be a model organisation for the public sector in Wales and beyond

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

As outlined in greater detail in our current [Annual Plan](#), we consider the following factors to be those that will have the greatest influence over the way we deliver our work and achieve our ambitions over the next few years:

- a We remain in a period of financial constraint
- b The political and policy landscape continues to evolve
- c Governance arrangements in the public sector have a wider scope
- d We live in an increasingly networked society

An account of our risk management in 2018-19, alongside a description of the principal risks and uncertainties we face, is provided in the Governance Statement section of this Report.

Performance indicators

A framework of key performance indicators was included in our [Annual Plan for 2018-19](#). We also developed a suite of targets, with reference to levels of performance at the end of 2017-18 and appropriate benchmarks.

Over the course of 2018-19, we used a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This included quarterly reporting to our Management Committee and Board on progress made towards achieving our performance targets.

Overall, in 2018-19 we achieved our targets for 11 of the 26 performance indicators and were close to achieving our targets for another seven indicators. Our performance against the remaining eight indicators will be a focus for our improvement work in 2019-20. In 2019-20, we will also undertake a full review of our framework of key performance indicators to ensure it remains aligned with our overall ambitions.

End-of-year position in terms of achieving our key performance indicator targets

DELIVERY AND IMPACT

	99%	of our recommendations were fully accepted for implementation	
	£6.6M	potential savings identified through our work	
	89%	of stakeholders perceived that we are delivering the Auditor General's objectives	
	90%	of key audit products were delivered on time	
	1,363	people attended our shared learning seminars and webinars	
	95%	of attendees at our good practice exchange events rated them useful	
	35%	of website visits resulted in an action eg download of a report	
	22,394	website visits where at least one action was performed	
	N/A	Klout score reflecting our social media reach ¹	
	2	instances where a response to a concern raised about public spending was not issued within 30 days	
	26	National reports published	

 Achieved our target
  Close to achieving our target
  Improvement required
  Significant Improvement required

¹ The Klout score measure has been discontinued. We are currently seeking an alternative to provide a meaningful insight on our levels of engagement across all social media platforms.















LEADERSHIP AND CULTURE

	67% of staff felt a strong emotional connection and commitment to the organisation	
	84% of staff felt positive about our organisational objectives and purpose	
	42% of staff felt positive about our leadership and change management	
	77% of staff felt positive about our organisational culture	
	71% of staff felt positive about the effectiveness of their manager	
	79% of staff felt they were treated fairly and inclusively	
	52% of staff felt positive about our learning and development arrangements	
	81% of staff felt positive about the resources available to them and their workload	

 Achieved our target
  Close to achieving our target
  Improvement required
  Significant Improvement required



MANAGING THE BUSINESS

	6.7 days were lost due to sickness per member of staff per annum	
	1.1% variance in gross expenditure that was set out in our 2018-19 Estimate	
	84% of suppliers paid within ten working days	
	£490K of cost savings and efficiencies identified throughout the business	
	£3,378 estate costs per full-time equivalent member of staff	
	0 complaints were received and upheld regarding our Welsh language provision	
	LEVEL 5 Accredited to Level 5 of the Green Dragon Environmental Standard	
	398 tonnes of CO ₂ equivalent emissions produced ²	

 Achieved our target
  Close to achieving our target
  Improvement required
  Significant Improvement required

² All of which were offset by purchasing carbon credits, more detail on which is provided in the Environmental Stewardship section.

PERFORMANCE ANALYSIS

In this section we provide an assessment of the extent to which the programmes of work and three-year priorities set out in our 2018-19 Annual Plan have been achieved, including through the use of case study examples.

This section should be read in conjunction with:

- a **Appendix 1**, which provides more detail on the Auditor General's programme of work delivered in 2018-19, and includes the Auditor General's report on disclosures of information; and
- b **Appendix 2**, which provides further commentary on the progress we have made towards achieving our priorities.

Our analysis is divided into six sections. The first four sections relate to the Auditor General's work programme. The remaining two sections relate to the Wales Audit Office's work programme.

In 2018-19, we successfully delivered the programme of work laid out in our Annual Plan for the year.

Audit projects

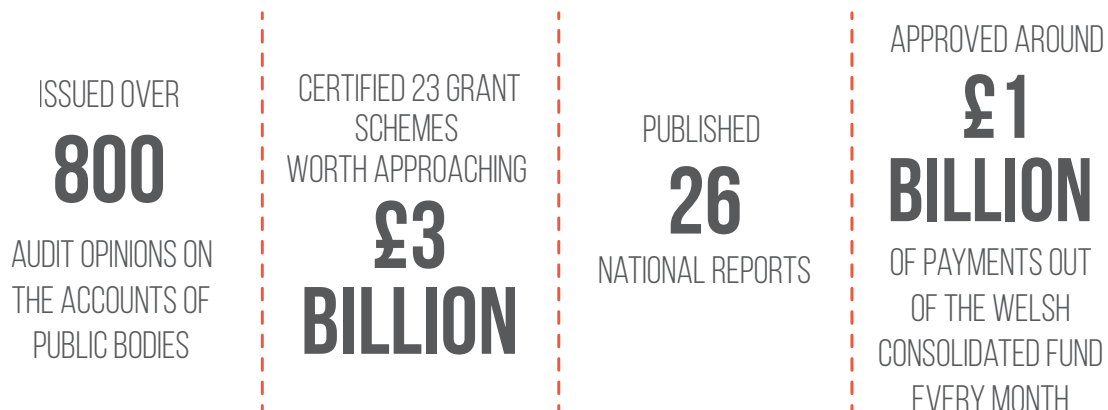
The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.

Altogether, we audit some £19 billion of income and expenditure, which is nearly a third of Welsh GDP.

During 2018-19, all our audit projects were completed or progressed in alignment with our [Plan](#).

The quality of our work is of paramount importance to us and our stakeholders. The [Code of Audit Practice](#), which is reviewed on an annual basis, prescribes the way in which the Auditor General's audit and certain other functions are to be exercised, and is designed to complement International Standards on Auditing and embody best professional practice.

Our [Transparency Statement](#) provides more detail on how the Wales Audit Office is meeting high standards in the way it works and in the quality of its work. As outlined in the Statement, we carry out annual programmes of quality reviews on a sample of accounts audits and completed performance audit projects to ensure that they meet required quality standards. This year, our quality monitoring showed that 100% of the sampled 2017-18 accounts audits and 100% of the reviewed 2018 performance audit projects met the required quality standards.



Case study examples

Drawing attention to a growing problem – the management of follow-up outpatients

In October 2018, the Auditor General published a report on the [Management of follow up outpatients across Wales](#). In the report, we drew attention to a growing problem which, to date, has typically not received a great deal of coverage – across Wales, large numbers of patients are waiting for review on a follow-up NHS outpatient list, with associated clinical risks.

Alongside communicating our findings at a national level through the short and easy-to-read summary report, we made a range of recommendations for action through local audit reports.

We took proactive steps to ensure key national groups were sighted of the findings through making presentations to:

- a the National Planned Care Programme Board and its Outpatient Steering Group;
- b the all Wales Medical Directors Group; and
- c the NHS Wales Healthcare Efficiency, Value and Improvement Group.

The presentations were supported by an interactive data tool, and our work has helped focus scrutiny and action on this important area. The Public Accounts Committee are also now holding an inquiry on the back of our work and are expected to publish their findings in summer 2019.

‘FOLLOW-UP OUTPATIENTS HAVE SUFFERED AT THE EXPENSE OF RTT, THE WORK OF THE WALES AUDIT OFFICE WILL NOW ENSURE THAT OUTPATIENTS HAS NATIONAL SCRUTINY’

‘THE WALES AUDIT OFFICE REPORT IS PIVOTAL IN ENSURING THAT IMPROVEMENTS ARE MADE’

– EXTRACTS FROM MINUTES OF THE NATIONAL OUTPATIENT STEERING GROUP

Brexit-related audit work

The UK's planned departure from the European Union has featured significantly in our audit work in 2018-19.

In the first half of the year, we published the findings of our reviews of how the risks and opportunities posed by Brexit for [EU Structural Funds](#) and the [Rural Development Programme in Wales](#) were being managed. We then followed these up in February 2019 with a report on [Preparations in Wales for a 'no deal' Brexit](#); a report which attracted significant media coverage and supported an ongoing Brexit inquiry being conducted by the National Assembly's External Affairs Committee.

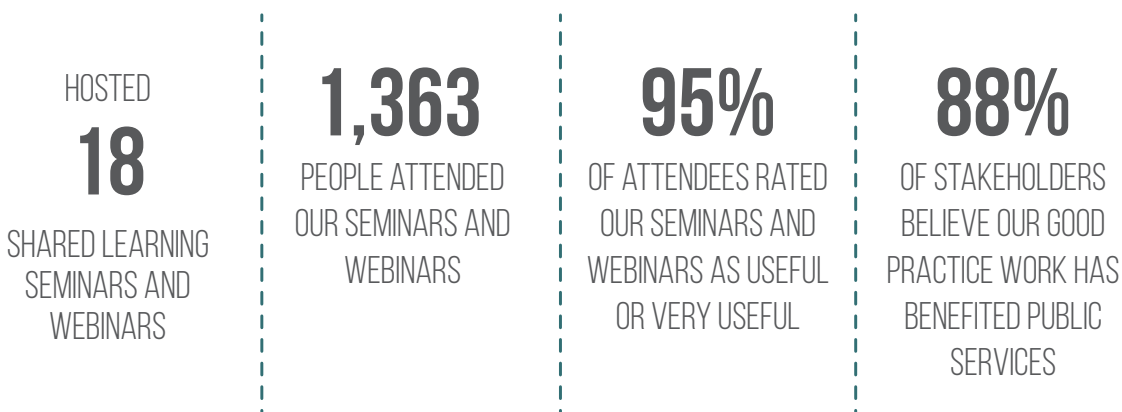
We raised further awareness of our key findings and facilitated further discussions on the topic via a [webinar](#), social media, blog postings and at three conferences held at locations across Wales.

In 2019-20, we will continue to closely monitor Brexit-related developments and their implications for Welsh public services.

Good practice work

A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experience of service users and of global experts to these conversations.

Our [programme of shared learning seminars and webinars](#) is flexible and further topics are added during the year.



Case study example

Sharing learning from the Basque Country

During 2018, one of our good practice team members was awarded a [Winston Churchill Travelling Fellowship](#) to look at the governance and impact of large-scale co-operatives and social enterprises in the USA and Basque Country. The role of these organisations in supporting vibrant communities, people's well-being and reducing inequality has direct relevance to public services in Wales.

In December 2018, we hosted a well-received shared learning event where six people from the Basque Country travelled to Wales for four days to share their experiences and examples of delivering projects aligned with many of the aspirations of the Well-being of Future Generations (Wales) Act 2015. Through the use of online [webinars](#), [blog posts](#), site visits and [face-to-face events](#) over 250 people were able to engage with the Basque visitors to learn from their experiences and form positive international relationships.



Supporting effective scrutiny and accountability

Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of matters relating to the use of resources in the discharge of public functions in Wales. Where applicable, our work can also inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation. In 2018-19, we presented 20 reports for consideration by the Public Accounts Committee and other Assembly committees.

Throughout the year, we also attended most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work, and provided further advice and support to audit and scrutiny committees.

In addition, we regularly received correspondence from the public, their local and national elected representatives and others that raised potential concerns about the stewardship of public money and assets, and the Auditor General is a 'prescribed person' for making whistleblowing disclosures.

THE OUTPUTS FROM
OUR WORK
SUPPORTED

30

MEETINGS OF THE
PUBLIC ACCOUNTS
COMMITTEE

96

PIECES OF
CORRESPONDENCE
RECEIVED THAT RAISED
POTENTIAL CONCERNS
ABOUT PUBLIC
SPENDING

ONLY 2

INSTANCES WHERE A
RESPONSE TO
CONCERNS RAISED
ABOUT PUBLIC SPENDING
WAS **NOT ISSUED**
WITHIN 30 DAYS

23

INDIVIDUALS
CONTACTED US
INDICATING THAT THEY
WISHED TO MAKE A
WHISTLEBLOWING
DISCLOSURE

Case study examples

Helping make scrutiny fit for the future

Through the course of 2018, we explored with the 22 councils in Wales how ‘fit for the future’ their overview and scrutiny arrangements are. We considered how scrutiny is responding to current challenges, including those presented by the Well-being of Future Generations (Wales) Act 2015 and how they are beginning to scrutinise the recently-established Public Service Boards.

We also examined how well placed overview and scrutiny functions are to respond to future challenges such as continued pressure on public finances. After our work was completed we:

- a issued separate reports with proposals for improvement to each of the councils;
- b identified six common themes and issues arising from the work and published these in February 2019 in a [Discussion paper and associated checklist](#) to assist councils in reflecting on how to improve the efficiency and effectiveness of their scrutiny functions.

Responding to concerns raised through correspondence

In response to concerns raised through correspondence by an Assembly Member which were considered by the relevant audit team, we examined and published a report about [The Welsh Government’s relationship with Pinewood](#).

Our report set out a range of governance and value-for-money concerns and supported subsequent inquiries by two National Assembly Committees. Both the Culture, Welsh Language and Communications Committee and the Public Accounts Committee considered aspects of the Welsh Government’s commercial relationships with Pinewood Studios, drawing extensively on our audit work in making their recommendations to the Welsh Government.

Engagement and joint working activity

Over the reporting period, the Auditor General and Wales Audit Office have continued to exercise their commitment to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work.

Consistent with our Plan, we have also worked closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work and have undertaken a small amount of commissioned audit work.

The Wales Audit Office can make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of, those bodies. But we are mindful that all such activities should be self-financing and should not be undertaken to the detriment of our core audit work in Wales.

From time to time, we are proud to represent Wales on the international stage in relation to our work and in 2018-19, we regularly delivered papers at EURORAI events.

OBSERVER

MEMBER OF A RANGE OF
**KEY POLICY WORKING
GROUPS**

AUDITED

**£250
MILLION**

OF **EUROPEAN FUNDS**
USED TO SUPPORT
FARMERS AND
AGRICULTURE ACROSS
WALES

56%

OF STAKEHOLDERS
BELIEVE WE **WORK
WELL WITH OTHER
EXTERNAL REVIEW
BODIES**

FACILITATED THE
DETECTION AND
PREVENTION OF FRAUD
AND ERROR WORTH
MORE THAN

**£5.4
MILLION**

Case study example

Identifying anomalous data on student grant applications that could be due to fraud

In 2018, a new higher education student finance system was introduced for students commencing their studies in the 2018-19 academic year. This new system meant students could apply for maintenance support grants of up to £10,124 per annum. All means-tested grants, benefits or services carry a risk of application fraud.

In response to this risk, we engaged with the Welsh Government, Student Finance Wales (SFW), the Cabinet Office and HMRC in a collaborative project designed to identify potential fraudulent applications. The project used sophisticated data-matching techniques to compare data submitted to SFW with data held by other organisations including HMRC and credit reference agencies. Integral to the success of the project was the alignment of HMRC's statutory data-sharing powers with the Auditor General's statutory data-matching powers.

The project has been highly successful in identifying anomalous data on student applications that could be due to fraud. These anomalies are currently being investigated by SFW. The project has demonstrated the benefits that can accrue when public bodies and auditors work together, sharing information and aligning powers to address a common challenge. The success of the Wales project has resulted in a parallel project being established in Scotland.



Our governance and leadership

The Public Audit (Wales) Act 2013 prescribes the framework for our governance arrangements, most notably in relation to the composition and functions of the Wales Audit Office Board, and the relationship between the Wales Audit Office and the Auditor General.

Our Board combines the knowledge and skills of non-executive, executive and elected employee members to provide dimensions of insight and experience that are helping to shape our strategic direction.

The Wales Audit Office also has a senior management structure which is currently subject to review and further refinement to ensure clearer lines of reporting and accountability, to enable swifter and more efficient decision making and to support more effective management of change.

In a survey of key stakeholders conducted in early 2018, 86% of respondents either agreed or strongly agreed with the statement ‘the Wales Audit Office appears to be a well-run organisation’.

Our Governance Statement provides an outline of the control structure of the Wales Audit Office, accounts of corporate governance and risk management for the year, and a description of the principal risks and uncertainties we faced in 2018-19.

Further information on membership of the Board and the Management Committee during 2018-19 is provided in the Directors’ Report.

During the year, the Board approved, amongst other business, [the Annual Report and Accounts for 2017-18](#), an [Estimate of income and expenses for 2019-20](#), an [Interim Report](#) on progress made against the 2018-19 Annual Plan, a [Fee Scheme for 2019-20](#) and an [Annual Plan for 2019-20](#) which includes additional information on our longer-term ambitions and key performance indicators.

These documents were laid before the National Assembly and scrutinised by its Finance Committee.

Our use of resources

We have been working hard to embed the principle of sustainable development³ in the way we run our business, and in the way we resource the Auditor General's audit work, for several years. In this section we provide some high-level commentary on how we have managed our use of resources in 2018-19.

While neither the Auditor General nor the Wales Audit Office are listed public bodies for the purposes of the Well-being of Future Generations (Wales) Act 2015, we nonetheless seek to maximise our contribution to achieving the seven Welsh well-being goals:

- a A prosperous Wales
- b A resilient Wales
- c A healthier Wales
- d A more equal Wales
- e A Wales of cohesive communities
- f A Wales of vibrant culture and thriving Welsh language
- g A globally responsible Wales.

In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2018-19 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#)⁴.



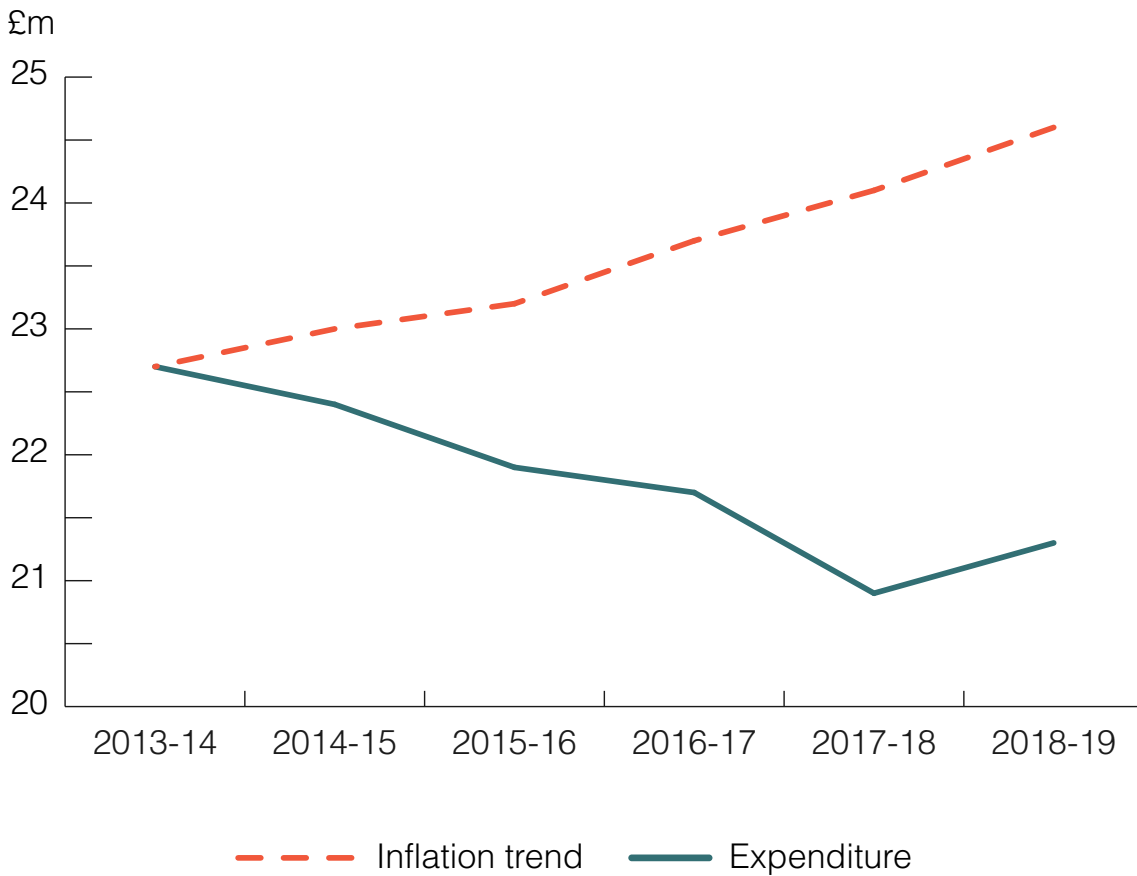
³ Defined in the Well-being of Future Generations (Wales) Act 2015 as acting 'in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'.

⁴ In accordance with HM Treasury [Public sector annual reports: sustainability reporting guidance 2018-19](#).

Financial management and efficiencies

Since 2013-14, the Wales Audit Office has reduced its expenditure by 13% in real terms⁵. Cumulative savings generated across the last five years amount to £10.2 million, reducing both our call on the Welsh Consolidated Fund (other than for new responsibilities) and the amount required to be raised from fees charged to audited bodies.

Wales Audit Office expenditure



⁵ Based on GDP deflators published by the Office for National Statistics in March 2019

In 2018-19, our total gross expenditure was £240,000 (1.1%) lower than the approved [Estimate](#) for the year.

We used savings on staffing and other costs of £384,000 generated during the year to fund a voluntary exit scheme which aligned with our longer-term workforce planning commitments. It is estimated that the scheme will deliver future annual savings of £242,000, thereby positively impacting on our medium-term financial plan.

Overall savings identified for 2018-19 totalled some £490,000, including savings from previous voluntary exit schemes and those identified through organisational transformation projects.

Over the year and in alignment with our Estimate, we continued to invest in transformation projects, including in relation to data analytics and our future ways of working, to ensure our impact continues to be maximised in the changing environment ahead and to deliver further savings for our medium-term financial plan.

We also invested £210,000 of capital funding across five areas, some of which will help us to deliver further efficiency savings in coming years:

- a £70,000 on new hybrid laptops which allow our staff to work more efficiently and reduce our consumption of paper;
- b £50,000 on improvements to our corporate and audit data management systems and software;
- c £41,000 on essential improvements to our IT network;
- d £37,000 on necessary repairs and accessibility improvements to our Cardiff office, including to facilitate new ways of working; and
- e £12,000 on improvements to our video conferencing facilities which allow us to reduce our business travel with associated cost savings and environmental benefits.

Learning and development

As a professional audit body and an accredited training provider with three professional accountancy bodies, the Wales Audit Office is committed to a rolling programme of trainee recruitment. Through our annual recruitment campaigns, we aim to attract the highest possible calibre of candidate.

During the 2018-19 financial year, 39 trainees successfully moved on to the next stages of their studies, collectively achieving a 90% first-time pass rate for examinations with the Institute of Chartered Accountants in England and Wales (ICAEW).

In 2018-19, we continued to work in partnership with other publicly funded bodies in Wales on the Finance Skills and Development Initiative, which aims to make public finance a more attractive career option for graduates and to raise the standard of financial management in the country. Under the initiative, partner organisations including the Wales Audit Office offer secondment opportunities for finance trainees to spend periods of time at other publicly funded bodies. In 2018-19, eight Wales Audit Office trainees completed placements at bodies including Natural Resources Wales, the National Assembly Commission, Aneurin Bevan University Health Board, Swansea Bay University Health Board, Betsi Cadwaladr University Health Board, Companies House and several local authorities. We also facilitated a reciprocal inward secondment from Betsi Cadwaladr University Health Board.

We continue to invest more broadly in learning and development to support our staff in the delivery of their work. In 2018-19, the average amount of time spent per employee on a range of learning and development activities was 5.8 days. Some of the training was designed and delivered in-house, and where appropriate and cost-effective, we commissioned external support to deliver training to our bespoke requirements.

Learning and development is one of the key themes explored in our annual staff survey. In 2018, two-thirds of staff indicated that they felt able to access the right learning and development opportunities when they needed to, and over half agreed that learning and development activities they had completed in the past 12 months had helped to improve their performance. However, just under 50% of staff were of the view that learning and development activities completed while working for the organisation were helping to develop their careers; addressing these concerns will be an important area of focus for our People Strategy work in 2019-20.



Staff engagement and the employee experience

During the year we used a variety of media and mechanisms to provide Wales Audit Office employees with corporate information, to encourage the involvement of employees in the organisation's performance, and to consult with employees so that their views can be considered when making decisions which are likely to affect their interests.

These included:

- a posting regular blogs from members of the Board and Management Committee, and making Board and Management Committee minutes readily available for viewing on our intranet;
- b encouraging staff to share information and good practice through an internal social media network, through which the Auditor General and Chief Executive also hosted a live question and answer session for staff; and
- c arranging 'partnership forum' meetings with trade union representatives, and engaging such representatives in the process for preparing or revising specific policies and organisational development initiatives, where relevant.

In October 2018, we again ran an all-staff survey to keep our finger on the pulse of the employee experience at the Wales Audit Office and identify where we need to improve. For the second year running, we used the same core survey questionnaire as used in the Civil Service People Survey (CSPS).

The survey covered a range of themes, from the leadership and culture of the organisation through to how individual teams function.

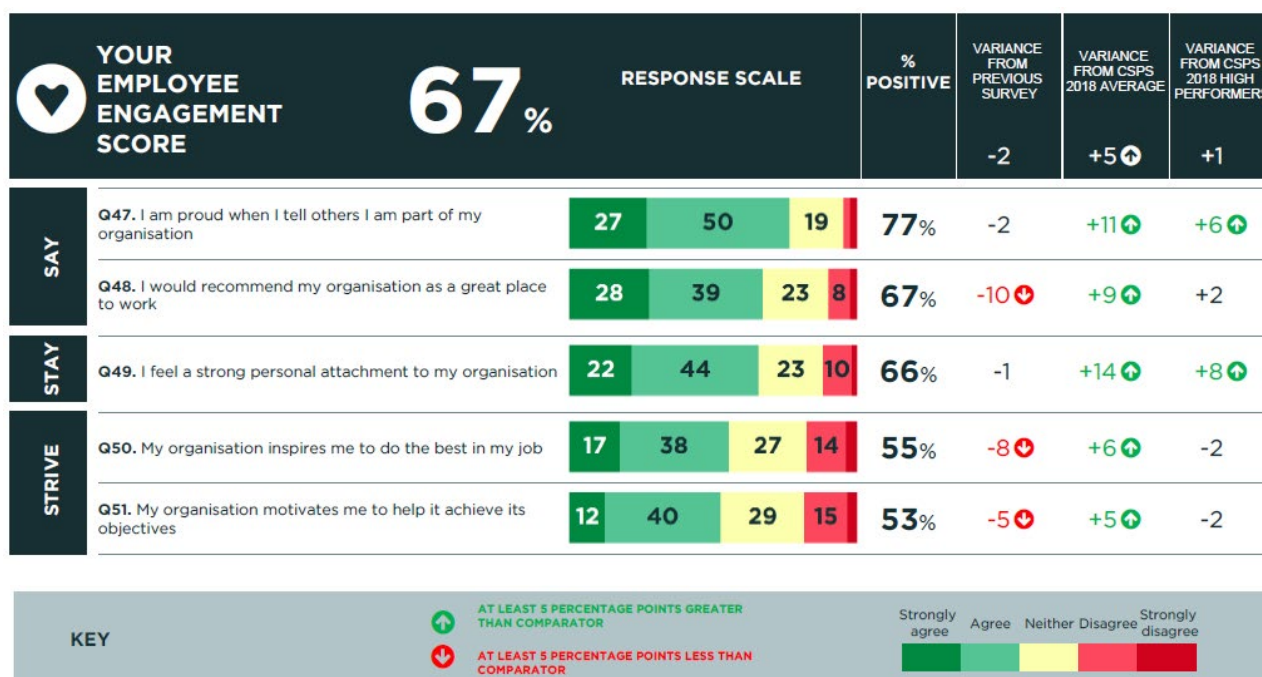
Overall, our results in 2018 remain strong in comparison to the CSPS average, and in many cases, the CSPS high performance benchmark (upper quartile). When compared to these benchmarks, Wales Audit Office staff are generally satisfied with their pay and benefits package, feel a very strong attachment to the organisation and feel they have the tools to get on with their job effectively. This positivity was reflected in our strong overall engagement index score of 67%.

However, when compared to our results in 2017, staff perceptions in 2018 have taken a notable decline, particularly in the following areas:

- a leadership and how well change is managed in the organisation;
- b learning and development, particularly in relation to opportunities for career development;
- c the effectiveness of performance feedback.

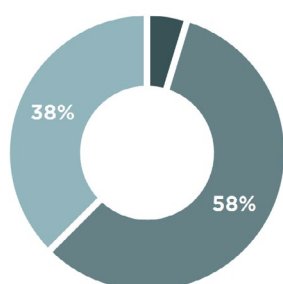
In late 2018 and early 2019, we explored the reasons behind the survey results in more detail through discussions at team meetings and have used the outcomes from both the survey and those discussions to inform our future planning priorities. These include:

- a making changes to the composition and focus of Management Committee and how it and the wider Senior Leadership Team should operate in future;
- b enhancing our change management capacity and capability through a programme management approach and recruitment of a suitably qualified and experienced programme manager;
- c devising an organisational development framework which includes key learning pathways, alongside taking a more proactive approach to identifying and supporting outward secondment opportunities; and
- d a planned overhaul of our performance appraisal scheme, incorporating a new behavioural framework and mechanisms for provision of 360° feedback, and with the aim of making clearer 'golden thread' linkages between overall corporate ambitions and individual and team objectives.



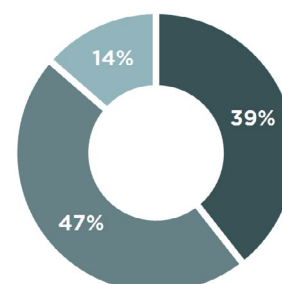
VARIANCE FROM PREVIOUS SURVEY

- 3 questions above
- 37 questions in line
- 24 questions below



VARIANCE FROM CSPS 2018 AVERAGE

- 26 questions above
- 31 questions in line
- 9 questions below



Employee well-being

We are committed to encouraging a healthy lifestyle and a good work-life balance amongst our staff. We also want our staff to feel valued and fully supported when they are experiencing difficulties, irrespective of whether there is an impact on their ability to undertake their role.

Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their well-being, including through an annual programme of events and through offering a health screening service.

In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility. The employee assistance programme provides staff with professional advice and emotional support on a range of matters.

At an organisational level, in our staff survey we included the four questions being used by the Office for National Statistics as part of their Measuring National Well-being programme:

- a Overall, how satisfied are you with your life nowadays?
- b Overall, to what extent do you think the things you do in your life are worthwhile?
- c Overall, how happy did you feel yesterday?
- d Overall, how anxious did you feel yesterday?

In 2018, responses from our staff were typically more positive than those of a CSPS 'high performing' organisation.

We also closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 6.7 days per employee were lost to sickness absence during the reporting year ending 31 March 2019 (compared to 7.6 days per employee for the previous year, and an average of 8.5 days for the public sector⁶).



⁶ Source: [Health and Well-Being at Work \(Public sector summary\): CIPD, May 2018](#)

Equality and human rights

The Auditor General for Wales and Wales Audit Office are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

We are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010. We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) on progress made towards delivering our equality objectives in 2017-18 is available on our website. Our report for 2018-19 will be published in summer 2019.

**SUSTAINABLE
DEVELOPMENT
GOALS**

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

The Auditor General and Wales Audit Office take pride in providing a bilingual audit service. Our public documents are available in both English and Welsh, we have a fully bilingual website, and throughout 2018-19 we communicated with the public, audited bodies and the media in both languages. We also actively encourage staff to learn Welsh and to use the Welsh language in their work and socially.

We are committed to implementing and maintaining the new Welsh Language Standards. Our [Compliance Notices](#) can be found on our website, alongside our Annual Report on the Welsh language.

Procurement of additional audit resource

The Wales Audit Office employs highly skilled staff to undertake around 90% of the Auditor General's work programme, complemented by a further 10% of audit resource contracted mainly from private sector accountancy firms.

The Wales Audit Office's current contract with those firms runs to 31 March 2020 and covers audits up to and including those for the 2019-20 financial year. During 2018-19, we have been considering very carefully what arrangements we should put in place when the current contracts end.

In February 2019, the Wales Audit Office Board took the decision not to invite tenders for audits beyond 2020; as a result, all Auditor General audits from 2020-21 will be conducted solely by Wales Audit Office staff. This was a difficult decision and is not a reflection of the quality of the firms' audit work. Rather, it takes account of several factors, including:

- a a projected overall reduction in the volume of public sector audit work in Wales in the coming years with the consequent need to ensure that audit services are provided in a cost-effective way;
- b the need to ensure that the Wales Audit Office and Auditor General are meeting their obligations under the Welsh Language Standards;
- c uncertainty about the future shape of the town and community council sector and the audit regime required for that sector; and
- d uncertainty about whether there will be voluntary mergers in local government over the medium term.

The combined impact of these and other factors creates a level of uncertainty that would render it very difficult over the next year or two to invite tenders for meaningful contracts that do not create unacceptable risks and cost pressures for both the Wales Audit Office and the private sector firms.

Community and charity work

The Wales Audit Office recognises the benefits that community and charity work by staff can bring to the wider community and applauds its staff for their individual efforts. Staff can apply the skills they have developed in the workplace and can develop new skills, whilst improving their morale, physical health and work-life balance.

Subject to operational requirements, we support employees who wish to undertake community or charity activities such as community care work, participating in conservation projects and the administration of public events.

Wales Audit Office staff chose charities involved in helping people who are homeless or who have been dispossessed as the focus for their fundraising activities in 2018-19. Over the course of the year and in their own time, our staff held several fundraising and donation events:

- a a spring clean event where staff were encouraged to donate unused or unwanted items;
- b a staff charity day held by our South Wales financial audit teams, which raised £280 through a cake sale and bake-off, and through which 550 tins of food were collected and donated to Cardiff Foodbank;
- c a member of staff singlehandedly raised nearly £1,000 for the homelessness charity Llamau through support for her completing the gruelling Ironman Wales challenge; and
- d several other events in our offices, including regular raffles and cake sales, and a Six Nations Championship scores and results predictor competition;

In total, staff raised nearly £1,500 for charities involved in helping people who are homeless or who have been dispossessed.



3 GOOD HEALTH AND WELL-BEING



Environmental stewardship⁷

ACCREDITED AT
LEVEL 5
OF THE GREEN DRAGON
ENVIRONMENTAL
STANDARD

REDUCED OUR
CONSUMPTION OF
PAPER BY NEARLY
16%

RECYCLED OVER
3/4
OF OUR WASTE

USED CARBON
CREDITS TO OFFSET
100%
OUR GREENHOUSE
GAS EMISSIONS

In 2018-19, we were proud to achieve our target of reaching Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.

As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset⁸ all of our carbon dioxide equivalent emissions (tCO₂e) including those resulting from our business travel, by supporting the following projects:

- a Portel-Pará reduced deforestation project in Brazil (199 tCO₂e)
- b Wind-based power generation project by Panama Wind in India (198 tCO₂e)
- c Planting 199 trees in Wales

In 2018-19 we continued to invest in Skype for Business – a system which allows our staff to collaborate and communicate with each other, and with outside contacts, through phone calls, video conferencing, screen sharing and instant messaging, via their laptops and regardless of where they are working. This significantly reduces the need for colleagues and client staff to travel to meet and work together; in 2018-19 we reduced car business travel by 79,000 miles.

Most of our staff also now use laptops which combine the size format of tablets with mobile device functionality, reducing the need for the printing of meeting papers and enabling them to take notes onscreen.

⁷ Prepared in accordance with [HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance 2018-19](#).

⁸ Carbon offsetting is the use of carbon credits to enable organisations to compensate for some of their emissions.

Organisations can make up for some of the carbon emissions by buying credits in projects by funding an equivalent carbon dioxide saving elsewhere.

We are committed to using recycled stationery products and using the Buying Standards as a guide for cleaning, construction and purchase of equipment. We also invested in multi-functional machines that are of high productivity, value for money and have low environmental impact for our offices.

During the year, we launched a new cycle-to-work scheme for staff, purchased pool bicycles for our offices and invested in a larger bike cage for our Cardiff office, to help further reduce our environmental impacts and improve the health and well-being of our staff.

We also undertook preventative repairs to our Cardiff office to improve its overall performance and established an environmental champions staff group to promote the sustainability principle and raise awareness of various initiatives.



13 CLIMATE ACTION

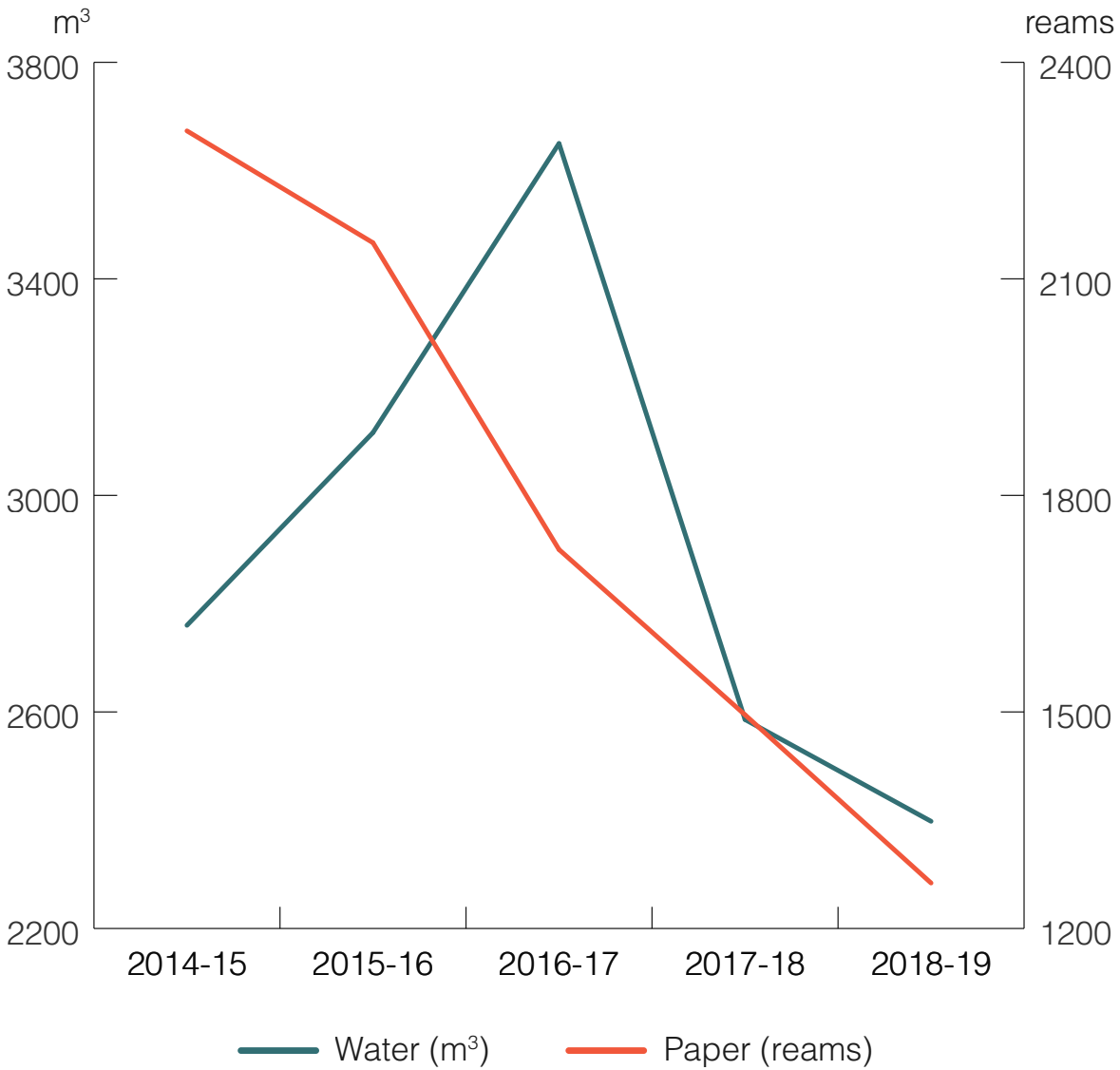


15 LIFE ON LAND



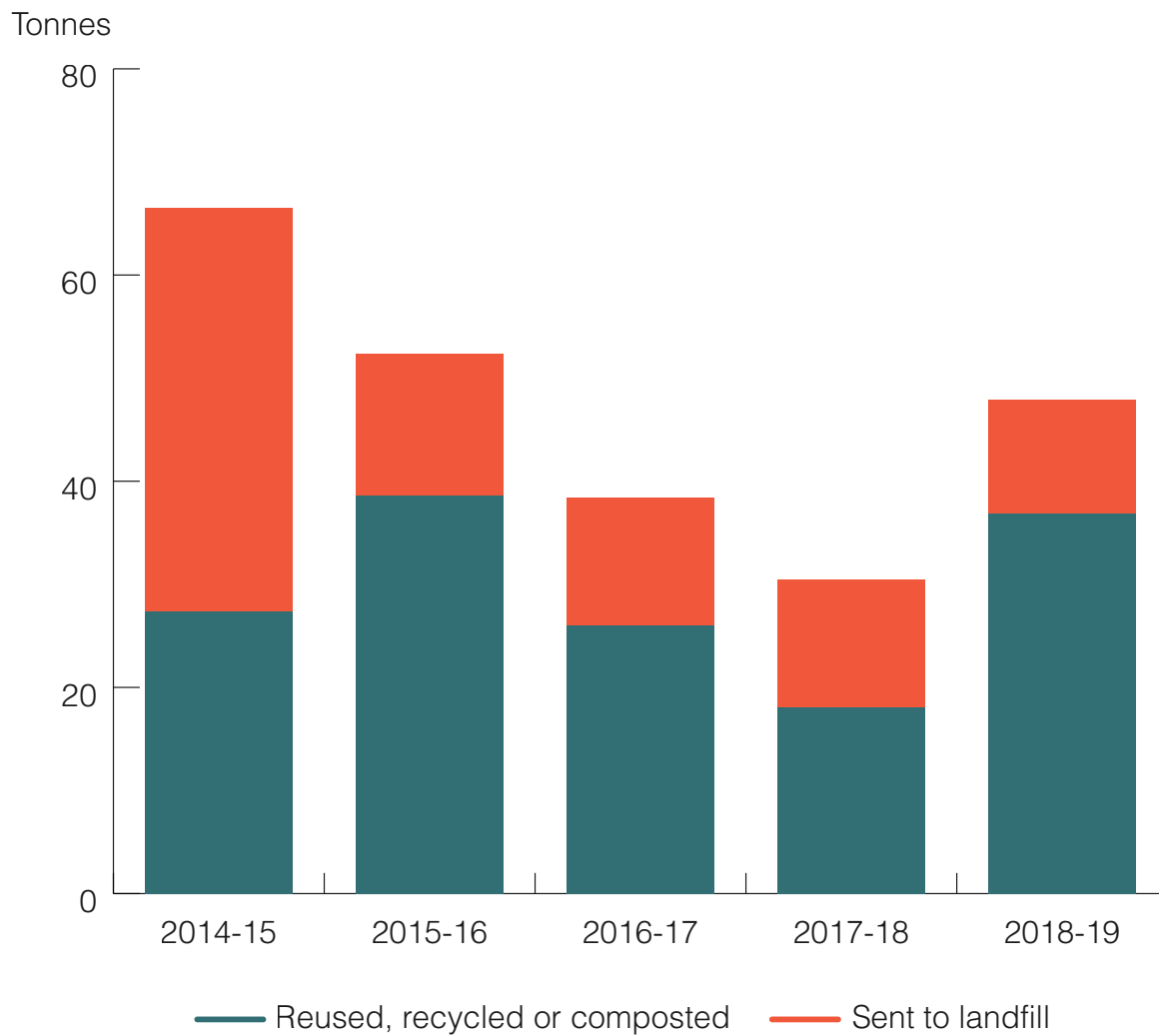
Finite resource consumption

Line graph showing trends in our consumption of water and paper over the last five years



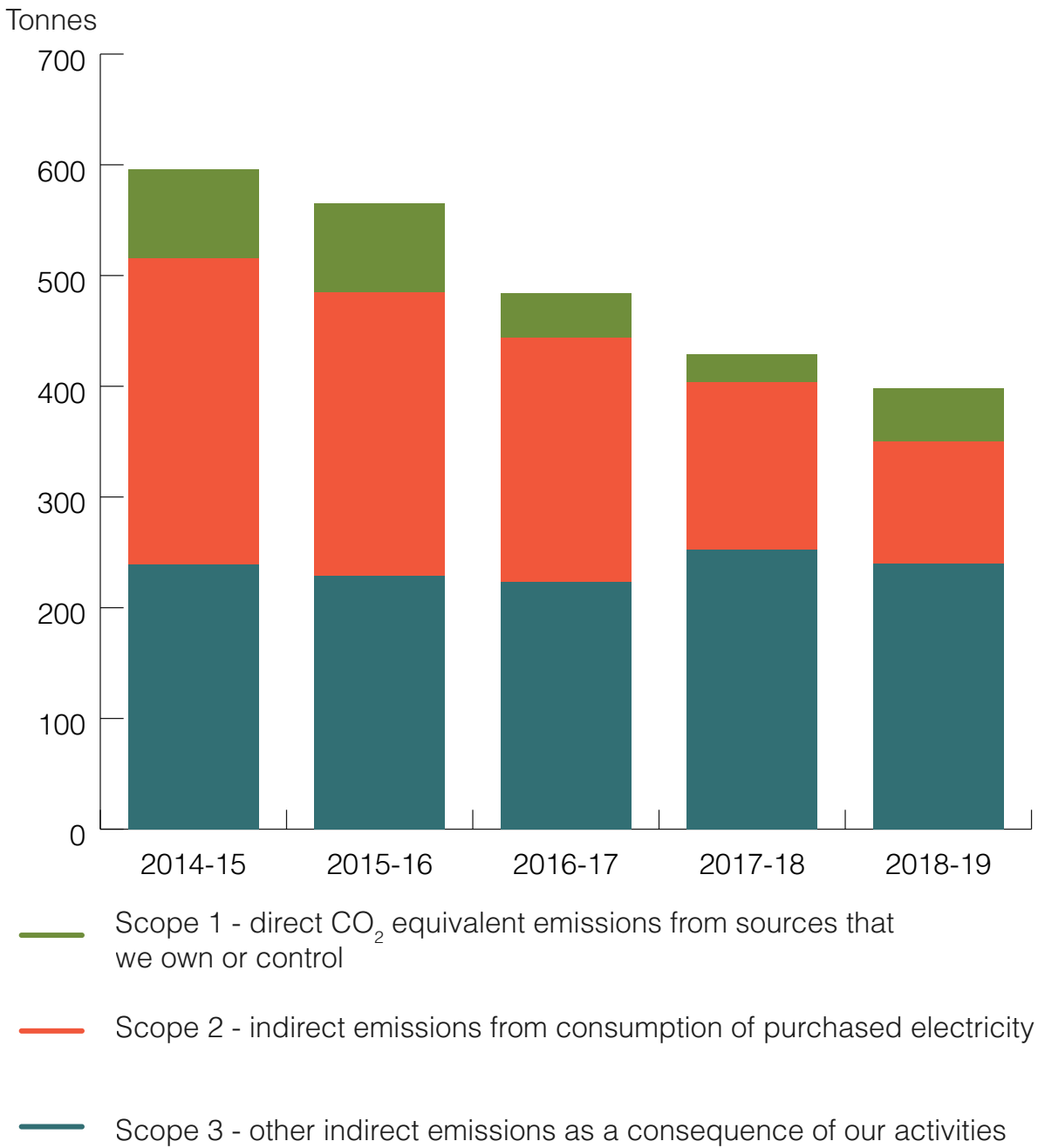
Waste minimisation and management

Column chart showing the trend in the total amount of waste produced and the proportion of that waste reused, recycled or composted or sent to landfill over the last five years



Greenhouse gas emissions

Column chart showing trend in total amount of CO₂ equivalent emissions and the proportion of those emissions by scope over the last five years



Energy consumption

Column chart showing trend in total energy consumption and the proportion of that energy sourced from gas and electricity supply over the last five years

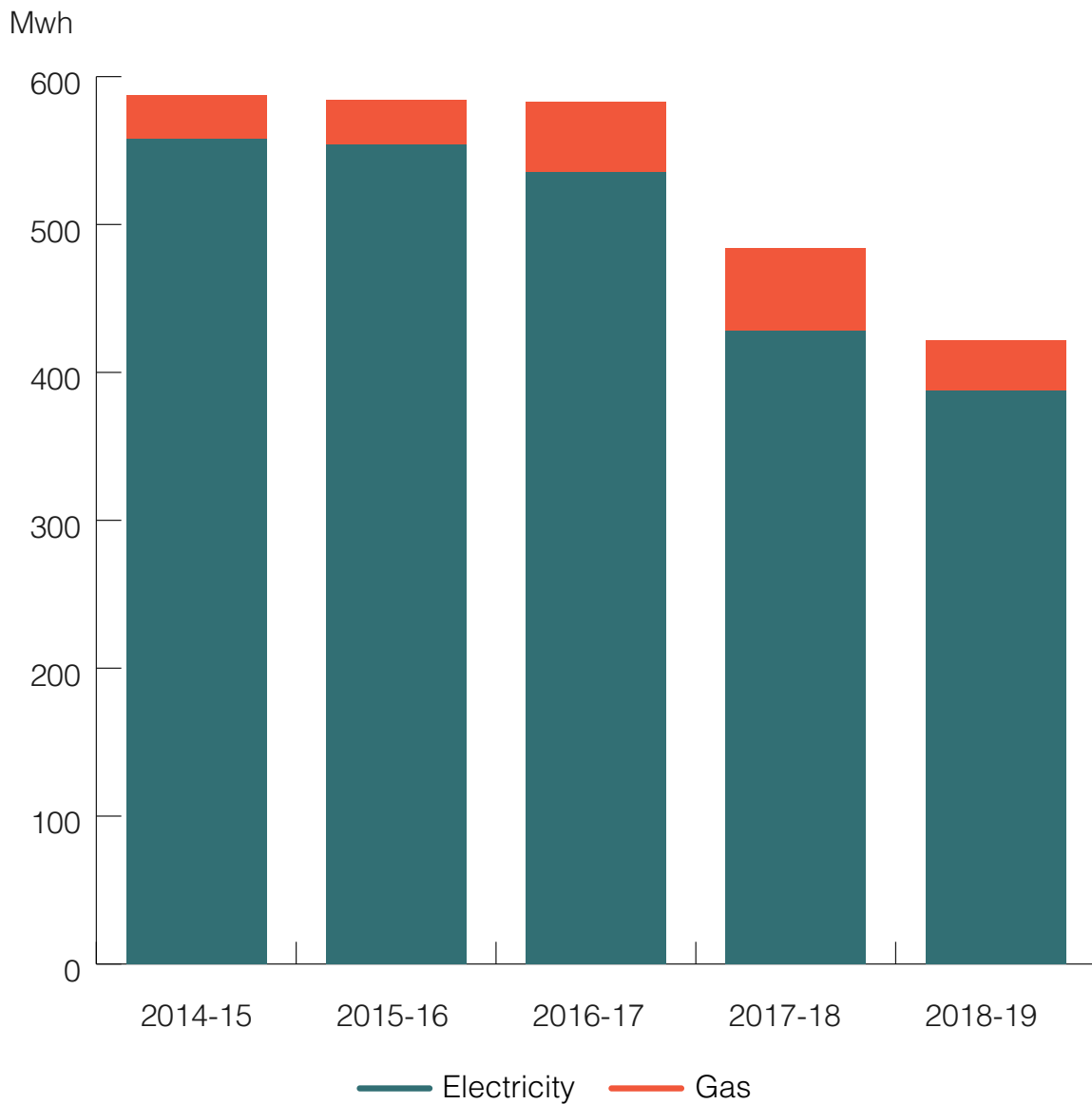


Table providing more detailed information on our environmental management, finite resource consumption and waste minimisation and management over the last five years

	2014-15	2015-16	2016-17	2017-18	2018-19
Environmental management					
Level of Green Dragon accreditation	4	4	4	4	5
Finite resource consumption⁹					
Water consumption m ³¹⁰	2,760	3,116	3,650	2,586	2,398
Water consumption m ³ per FTE	12.0	10.5	13.9	10.0	9.1
Water supply costs £	4,754	6,280	6,219	3,564	4,389
Paper consumption in reams	2,305	2,150	1,725	1,496	1,263
Paper supply costs £	6,349	5,609	4,269	3,737	3,894
Waste minimisation and management¹¹					
Total waste tonnes	66.5	54.9	38.7	33.2	47.9
Reused, recycled or composted	27.4	38.6	26.0	18.1	36.9
ICT waste recycled and reused (externally)	0.0	2.6	0.7	0.2	0.5
Furniture and equipment (externally)	0.0	12.3	2.6	0.0	3.8
Mixed recycling, paper, food waste, garden	27.4	23.7	22.6	17.9	32.6
Landfill	39.1	13.7	12.4	12.4	10.5
Hazardous	0.0	2.5	0.4	2.7	0.5
Reused, recycled, composted as % of total waste	41.1	70.4	67.0	54.5	76.9
Total disposal costs £	7,337	16,400	13,466	9,964	13,340

9 Good practice for water usage within an office is considered to be between 4 m³ and 6 m³ per Full Time Equivalent (FTE) per annum ([Greening Government Commitment targets](#)). However, we do not include office visitors in our calculation which is likely to have a substantial impact on our figures due to the number of shared learning events held at our Cardiff headquarters.

10 Billing periods not aligned with financial reporting period, so 2018-19 consumption figures are an estimate. Our increased water consumption in 2016-17 was primarily due to a leak which has subsequently been fixed.

11 Calculated using appropriate WRAP conversion factors; hazardous waste includes ICT disposals and interceptor cleaning. The 2018-19 waste increase is due to replacement of furniture and IT equipment beyond useful life, and garden waste for a new hardstanding.

Table providing more detailed information on our greenhouse gas emissions and efficiency of estate management over the last five years

	2014-15	2015-16	2016-17	2017-18	2018-19
Greenhouse gas emissions¹²					
Total emissions tonnes CO ₂ e	563.1	533.0	483.7	419.0	397.5
Attributable to business travel	275.7	272.3	233.2	242.1	229.0
By car	239.1	232.7	199.5	215.7	188.7
By rail and air	36.6	39.6	33.7	26.4	40.3
Attributable to energy consumption	263.3	233.8	227.8	160.7	116.1
Electricity	257.7	228.3	220.5	150.5	109.8
Gas	5.5	5.5	7.3	10.2	6.3
Attributable to other ¹³	24.1	23.6	22.6	16.1	52.4
Total expenditure on business travel £000 ¹⁴	1,214	1,258	1,232	1,204	1,205
Cost per FTE of business travel £	5,037	4,972	4,720	4,658	4,566
Total energy expenditure £	63,119	64,394	57,051	54,676	60,046
Efficiency of estate					
Cost per FTE £ ¹⁵	3,397	3,228	3,072	3,317	3,378
Cost efficiency ¹⁶ £ per m ²	278	300	287	306	318
Space efficiency m ² per FTE ¹⁷	12.2	10.7	10.7	10.8	10.6

12 Calculated in accordance with [DEFRA Environmental Reporting Guidelines](#).

13 Attributable to energy transmission and distribution, waste disposal and water usage and treatment.

14 Includes costs of leased cars, transport allowances and travel and subsistence.

15 Compared to £3,576 for the Welsh Government as of 31 March 2018.

16 Including rent, rates and other costs

17 Compared to 15.5 m² per FTE for the Welsh Government as of 31 March 2018. 2015-16 was the first year that we included contractors in our FTE total, to ensure a like-for-like benchmarking comparison

ACCOUNTABILITY REPORT

KEY STATEMENTS AND REPORTS THAT ENABLE US TO MEET
ACCOUNTABILITY REQUIREMENTS AND DEMONSTRATE
COMPLIANCE WITH GOOD CORPORATE GOVERNANCE



Adrian Crompton
Auditor General for Wales and Accounting Officer

6 June 2019

Directors' report

The Wales Audit Office Board



Adrian Crompton
Auditor General and
Chief Executive



Alison Gerrard
Non-executive
member



Amanda Hughes
Elected employee
member



Anne Beegan
Elected employee
member



Bill Richardson
Non-executive
member



David Francis
Non-executive
member



Isobel Everett
Chair of the Board



Kevin Thomas
Appointed
employee member



Lindsay Foyster
Non-executive
member and
Senior Independent
Director

The Wales Audit Office Management Committee



Adrian Crompton
Auditor General,
Accounting
Officer and Chief
Executive



Anthony Barrett
Assistant Auditor
General



Jane Holownia
Sector Lead,
Local Government
and Criminal
Justice



Kevin Thomas
Director of
Corporate
Services



Mike Usher
Sector Lead,
Health and
Central
Government



**Steve
O'Donoghue**
Director of
Finance and HR

Auditor of the Wales Audit Office

RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Finance Committee of the National Assembly for Wales since 1 March 2015, most recently for a period of 48 months commencing 1 November 2018.

In addition to their work to form an opinion on the financial statements and regularity, the auditor may carry out examinations into the economy, efficiency and effectiveness with which the Auditor General or Wales Audit Office has used resources in discharging their functions and lay a report of the results of any such examinations before the National Assembly.

Details of the cost of external audit services are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

Under paragraph 33 of Schedule 1 to the Public Audit (Wales) Act 2013, the Auditor General is the Accounting Officer for the Wales Audit Office and must, for each financial year:

- a keep proper accounts and proper records in relation to them; and
- b prepare a statement of accounts in the form and on the basis set out in the Accounts Direction issued by the National Assembly for Wales.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Wales Audit Office's assets, are set out in [Managing Welsh Public Money](#) published by the Welsh Government.

Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the National Assembly.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the [Government Financial Reporting Manual](#), and in particular to:

- a observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b make judgements and estimates on a reasonable basis;
- c state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- d prepare the accounts on a going concern basis.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Wales Audit Office and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

As Accounting Officer, I confirm that:

- a this Annual Report and Accounts as a whole is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable;
- b I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information; and
- c as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware.

Governance statement

This statement sets out the control structure of the Wales Audit Office and provides an account of corporate governance and risk management, alongside a description of the principal risks and uncertainties we face.

My responsibilities as Accounting Officer are set out in the Statement of Accounting Officer's responsibilities. In discharging these responsibilities and amongst other requirements, I must seek to ensure that:

- a a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
- b the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.

Corporate governance

The governance framework

The governance framework of the Wales Audit Office, including information on the coverage of the Board's work and that of its committees, is summarised in the exhibit overleaf.

Our Board of nine members comprises a majority of five non-executive members (including the Chair), the Auditor General, an employee member appointed on the Auditor General's recommendation and two elected employee members.

There is a Senior Independent Director whose responsibilities include: deputising for the Chair when she is unable to act; appraising the performance of the Chair; receiving reports from whistleblowers outside the normal line management chain; and overseeing the election of employee members to the Board.

The relationship between the Wales Audit Office and the Auditor General is governed by a [Code of Practice](#) which is approved by the National Assembly and reviewed periodically.

The Board has established two committees which operate in an advisory capacity:

- a the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member; and
- b the Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member

The elected employee Board members are not members of the Management Committee nor involved in senior-level decision-making other than in a Board capacity. The Board is satisfied that there are no conflicts of interest in their Committee membership and that, where conflicts arise, they are managed and mitigated effectively.

I chair a Management Committee to advise me in my capacity as Auditor General, Chief Executive and Accounting Officer. It comprises the Wales Audit Office's five most senior managers and meets at least once every month. Towards the end of the year I announced proposals to change the membership and refocus the purpose of the Management Committee and expect to implement those changes in 2019-20.

The Board and its Committees, and the Management Committee are supported by a Board Secretary. There is a forward programme of business that informs their provisional agenda, designed to ensure that business is conducted as efficiently and effectively as possible.

Further information on membership of the Board and Management Committee can be found in the Directors' Report.

FINANCE COMMITTEE OF THE NATIONAL ASSEMBLY

Scrutinises the Wales Audit Office's use of resources, recommends the appointment of the Auditor General and non-executive members of the Wales Audit Office, and is responsible for the appointment of the Wales Audit Office's external auditor.



WALES AUDIT OFFICE BOARD

Monitors the exercise of the Auditor General's functions.

Provides the Auditor General with advice.

Employs staff and provides resources for the exercise of the Auditor General's functions.

Charges fees for work done by the Auditor General.

Prepares jointly with the Auditor General an estimate of income and expenses, fee scheme, annual plan, interim report(s) and an annual report.



REMUNERATION AND HR COMMITTEE

Advises the Board by scrutinising and challenging three broad areas of human resources management and development:

- a) governance;
- b) performance; and
- c) policy and remuneration.

AUDIT AND RISK ASSURANCE COMMITTEE

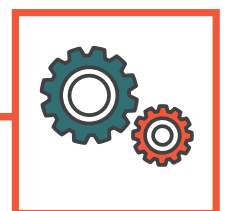
Advises the Board by:

- a) reviewing the comprehensiveness and reliability of sources of corporate assurance;
- b) reviewing the integrity of the annual report and accounts; and
- c) providing an opinion on how well the Board and the Accounting Officer are supported in discharging their respective roles.



MANAGEMENT COMMITTEE

Directs and oversees implementation of the vision and objectives described in the joint Annual Plan of the Auditor General and Wales Audit Office



Attendance at Board and committee meetings 2018-19

	Board	ARAC	RHRC	MC
Number of meetings held	6	4	3	17
Members of the Board and its committees				
Adrian Crompton ¹⁸	5	3	2	13
Alison Gerrard, Chair of the Audit and Risk Assurance Committee (ARAC)	6	4		
Amanda Hughes ¹⁹	6	1	3	
Anne Beegan ²⁰	6	3		
Bill Richardson	6		3	
David Francis ²¹	1			
Dianne Thomas, Independent Member of ARAC ²²	1	4		
Huw Vaughan Thomas ²³	1	1		5
Isobel Everett	6	4		
Kevin Thomas ²⁴	6	4		16
Lindsay Foyster, Chair of the Remuneration and HR Committee (RHRC) ²⁵	6		3	
Louise Fleet ²⁶	1			
Steven Burnett ²⁷	4		2	

18 Adrian Crompton took up post as Auditor General and Chief Executive from 21 July 2018 and prior to that observed one Board meeting and one Management Committee meeting as the Auditor General Elect. He attended ARAC and RHRC meetings in his capacity as Chief Executive and Accounting Officer.

19 Amanda Hughes was re-appointed as an employee member of the Board from 11 June 2018. On that date she transferred from the ARAC to the RHRC.

20 Anne Beegan was appointed as an elected employee member of the Board and as a member of the ARAC from 11 June 2018. Prior to her appointment she attended one Board meeting as the Elected Employee Member Elect. She attended one further Board meeting in an observer capacity to preserve the quorum in the absence of Steven Burnett.

21 David Francis was appointed as a non-executive member of the Board from 16 March 2019.

22 Dianne Thomas attended one Board meeting in her role as Independent Member of ARAC.

23 Huw Vaughan Thomas retired from the post of Auditor General on 20 July 2018.

24 Kevin Thomas attended ARAC meetings in his capacity as Director of Corporate Services.

25 Lindsay Foyster was re-appointed as a non-executive member of the Board from 16 March 2019. She was appointed as the Senior Independent Director on 21 March 2019.

26 Louise Fleet's term of appointment as an elected employee member of the Board ended on 8 June 2019.

27 Steven Burnett's term of appointment as a non-executive member of the Board, during which he also acted as Senior Independent Director, ended on 15 March 2019.

	Board	ARAC	RHRC	MC
Number of meetings held	6	4	3	17
Members of the Management Committee (MC) who are not Board members²⁸				
Anthony Barrett	5			15
Jane Holownia	5			16
Mike Usher ²⁹	6		1	15
Steven O'Donoghue ³⁰	6	4	3	16



28 Management Committee members attended meetings of the ARAC as necessary to give briefings, participate in discussions or to take their advice. They have a standing invitation to attend Board meetings.

29 Mike Usher attended the RHRC to present one item for which he is the lead director.

30 Steve O'Donoghue, as Director of Finance and HR, is required to attend all meetings of the Board, ARAC and RHRC.

Account of corporate governance

The Board receives assurance that its objectives are being met through:

- a internal management reports, performance reports and topical briefings;
- b independent internal reports, including internal audit reports and the reports of the Audit and Risk Assurance Committee and the Remuneration and HR Committee; and
- c external audit reports.

The level of assurance sought and provided is proportionate to the associated levels of assessed risk.

The Board is satisfied with the quality of the information it receives, although there is scope to improve both its breadth and timeliness and to ensure that the focus of the work of the Management Committee and the Board are more closely aligned; work is in hand to address these points.

When carrying out our work, the Wales Audit Office and I (in my capacity both as Auditor General and Accounting Officer) apply formal Schemes of Delegation. The schemes of delegation inform the terms of reference of the Board, its committees and the Management Committee, which are reviewed annually.

The Board operates a Code of Conduct under which the Board Secretary maintains members' registers of interests which are reviewed annually and updated during the year to capture any changes notified by members. This ensures that potential conflicts of interest, including risks to the Auditor General's independence, are identified on an ongoing basis and appropriate action is taken to mitigate them. The Wales Audit Office publishes the [Registers](#) on its website.

The Chair of the Wales Audit Office and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the Finance Committee.

The Head of Internal Audit and the External Auditor continue to have open and confidential access to the Chair of the Audit and Risk Assurance Committee. In addition, the Committee holds a private session with the internal and external auditors before each committee meeting.

On a voluntary basis, the Wales Audit Office assesses its arrangements against the requirements of the [Code of Good Practice for Corporate Governance in central government departments](#). The Board is satisfied that it complies with those requirements insofar as they are relevant and practical given the need to preserve the Auditor General's independence. The arrangements did not comply with the Code's requirements in respect of the following aspects:

- a the Wales Audit Office is not a ministerial department, nor does it report to or receive instructions from ministers or their officials;
- b the role and responsibilities of the Board and its membership are set in statute; and
- c the Board has not established a nominations committee, but the functions described in the Code are undertaken by the Board and the Remuneration and HR Committee.

Board performance and effectiveness review

The Board completed a self-assessment of its effectiveness and considered the results in March 2019. It measured itself as moderately to highly effective across all aspects of the assessment and was satisfied overall that the results revealed nothing unexpected. A number of actions were already in hand to address some of the areas identified for improvement, notably in respect of the development of the performance management arrangements around the new [Annual Plan](#).

As part of their annual reporting requirements, the Board committees each complete a self-assessment of their effectiveness. The Audit and Risk Assurance Committee assesses itself against the good practice principles described in [HM Treasury's Audit Committee Handbook](#). The Remuneration and HR Committee has adapted that assessment to ensure that it is relevant and proportionate to its needs. The Board is satisfied with the robustness of the assessments and content that there are no matters of concern.

The Board has in place a process for conducting members' performance appraisals operating on a 12 to 18-month cycle. They were last completed in November 2018. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle.

The Board has a learning and development plan which is updated annually. The plan sets out the arrangements for induction training and for meeting ongoing learning and development needs identified during the year, including through the performance appraisal process.

Report of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2019, summarising its conclusions from the work it had undertaken during 2018-19.

The Committee provided assurance that:

- a the risk management arrangements appeared to be operating effectively within a policy framework that was reviewed during the year and updated to account for the outcome of an internal audit review;
- b financial reporting was in line with the [Government's Financial Reporting Manual](#) and adopted appropriate accounting policies;
- c through its strategic reviews of the assurance map the Committee had a better understanding of the internal control framework and any gaps in it;
- d the arrangements to enable staff to report wrongdoing in the workplace in the public interest and for money laundering reporting were robust; and
- e management had strengthened the counter-fraud arrangements and updated the supporting documentation during the year, ensuring they are consistent with good practice.

Whilst the Committee was satisfied that there appeared to be no significant gaps in the risk and assurance framework, its self-assessment highlighted the need for greater focus on scrutinising the reliability of the assurances it receives from management. The Committee anticipated that this work:

- a would follow the Board's consideration of the assurances it needs around delivering the Annual Plan for 2019-20 and that will guide its work programme; and
- b would, to an extent, depend on the work underway to improve the governance arrangements below Board level on which management will be reporting back to the Committee in September 2019.

On the strength of these conclusions, the Committee did not identify the need to make recommendations but will track progress during the year using its action tracker

The Committee's self-assessment demonstrates that it is following accepted good practice.

Report of the Remuneration and HR Committee

In 2018-19, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. Common themes in the Committee's consideration were:

- a ensuring that workforce-related decisions were informed by the workforce vision and strategy rather than taken in isolation or driven only by cost considerations;
- b the well-developed arrangements around updating the HR policy framework through an established programme of rolling review and including more robust benchmarking against other comparable organisations;
- c the capacity constraints in the HR team which had also been discussed by the Audit and Risk Assurance Committee and the Board;
- d evidence that management was implementing the results of post-project learning exercises which led to noticeable improvements in the decision-making process; and
- e the challenges of securing assurance that the Board's priorities were being delivered, for example through the Committee's monitoring of the People Strategy delivery plan and its discussions on the trainee and apprenticeships programme.

Overall, the Committee was broadly satisfied that the remuneration and HR arrangements:

- a support the Board's strategic aims;
- b enable the efficient, effective and economic conduct of business including the recruitment, motivation and retention of staff; and
- c comply with regulatory requirements, including ensuring that the disclosures in the annual remuneration report are in accordance with legal requirements.

However, the Committee noted:

- a management's recognition that there is work to do to ensure that the governance and delivery framework around the People Strategy is effective with the right measures in place to provide assurance; and
- b its contribution to a significant level of activity during the year, and acknowledged that the HR team needs a period of stability in its management and staffing given its central role in supporting delivery of the People Strategy.

The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern although it has made some related recommendations. The Committee is conscious that the appointments of a new Chair and non-executive member could change the dynamic of its internal operation which it will need to monitor and manage as the year progresses.

Internal auditor's report







Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP have been appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21.

An internal audit strategy and plan for 2018-19 was prepared for consideration and was approved by the Audit and Risk Assurance Committee at its meeting on 28 February 2018. During 2018-19, six internal audit reports were issued by PricewaterhouseCoopers LLP.

A tracker was maintained by the Head of Internal Audit to track and follow up on audit recommendations and agreed actions during the year. In addition, in March 2019, internal audit validated that actions reported as completed in the year have been sufficiently addressed via inspection of appropriate supporting evidence.



Levels of assurance provided in internal audit report opinions

Internal audit review	Report classification	Internal audit observations
Strategy and corporate governance	 Low risk	<p>Overall, we have found the strategy-setting process and corporate governance structure of the Wales Audit Office to be designed and operating effectively.</p> <p>This review assessed the Wales Audit Office's risk management framework against the principles of best practice Enterprise Risk Management, as defined by the COSO ERM Framework and the principles of ISO31000. Overall, we found the risk management arrangements within the Wales Audit Office to be well understood by key senior stakeholders.</p>
Risk management framework	 Low risk	<p>Overall, we believe that the Wales Audit Office has a relatively mature action plan in relation to the General Data Protection Regulation (GDPR) programme.</p>
Information strategy and data protection	 Low risk	<p>The cyber security governance is not formalised, and the risk is addressed in a somewhat ad hoc fashion. Our review identified several areas where strengthening the governance arrangements in place could improve how the cyber security risk is managed.</p>
Cyber security governance and ICT assets	 High risk	<p>We observed a number of areas of good practice in the processes and controls supporting the service delivery arrangements at the Wales Audit Office, but these processes and controls could be further strengthened.</p>
Service delivery and quality assurance	 Medium risk	<p>Although there is no strategic workforce plan in place, the organisation understands the benefits of one and there are plans in place to develop one. However, critical roles are yet to be identified and there is no succession plan in place.</p>
Workforce and people strategy	 Medium risk	

In his annual statement of assurance for 2018-19, the Head of Internal Audit reported that:

‘Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.’

Risk appetite and management

Given the nature of our business, our tolerance of risk in areas of professional audit judgement, regularity, propriety and financial management is low. In other areas, such as in relation to the exchange of good practice and engaging more effectively with the public, we are prepared to accept more risk to take advantage of opportunities to pursue our ambitions.

The 11 assurance areas listed overleaf have been adopted by the Board as a framework around which to structure an assurance map which lists existing controls and sources of assurance and highlights any gaps relative to meeting the needs of the Board.

For each assurance area, the Board has broadly defined its risk appetite using the classification recommended in [HM Treasury guidance](#) and periodically considers to what extent existing controls align with that appetite

The Wales Audit Office is committed to adopting best practice in the identification, evaluation and cost-effective control of risks to ensure they are reduced to an acceptable level or eliminated. It is acknowledged that some risks will always exist and will never be eliminated – but these too must be monitored and controlled.



STRATEGIC DIRECTION



**GOVERNANCE, LEADERSHIP
& CULTURE**



**OPERATING MODEL /
APPROACH TO RESOURCE
DEPLOYMENT**



**EXTERNAL STAKEHOLDER
RELATIONSHIPS AND
REPUTATION**



**WORKFORCE AND PEOPLE
STRATEGY**



INFORMATION STRATEGY



**STEWARDSHP OF PHYSICAL
& ICT ASSETS**



**EFFECTIVENESS OF BUSINESS
SYSTEMS**



**SAFEGUARDING
ARRANGEMENTS**



**SECURING VALUE FOR MONEY
IN OUR USE OF RESOURCES**



**ARRANGEMENTS FOR
MONITORING THE EXERCISE
OF THE AUDITOR GENERAL'S
FUNCTIONS**

Risk management and control framework

The Board has overall responsibility for risk management and receives and considers a strategic risk register and a report which summarises any significant changes to the organisation's risk profile at each of its meetings.

The Board is supported by the Audit and Risk Assurance Committee, which reviews and advises the Board on:

- a its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
- b the Wales Audit Office's overall risk assessment processes that inform executive decision making;
- c the Wales Audit Office's capability to identify and manage risk;
- d the remit of the risk management function; and
- e management's responsiveness to risk assessment.

The Management Committee is responsible for: approving and overseeing the implementation of the Wales Audit Office's risk management policy and agreeing any resources needed to support this corporately; assessing and managing strategic risks; and reviewing the operational risk register every six months.

The Accounting Officer advises the Board and its committees on the system of internal control and is supported in doing so by the Management Committee.

Risk assessment

At each of its meetings in 2018-19, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed strategic risk register which:

- a provided an assessment of inherent levels of risk and assigned risk targets;
- b described the key controls that had been put in place to mitigate risk likelihood and impact and achieve targets;
- c provided an assessment of residual levels of risk;
- d identified risk movements and highlighted changes that had been made to mitigating controls since the last Board meeting; and
- e summarised the content of the register through inherent and residual risk heat maps and profiles.

Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Management Committee. These included risks associated with:

- a failing to embrace the opportunities presented by the transfer of the role of Auditor General, including for raising awareness of our work, refreshing relationships with key stakeholders and gaining further insight to help inform our future strategic direction;
- b not responding appropriately through our audit work to the immediate and longer-term implications of Brexit for Welsh public services;
- c cessation of the current EU agricultural funding arrangements following Brexit and loss of associated audit work and fee income;
- d our ability to invite tenders for meaningful contracts with private sector firms for additional audit resource; and
- e not taking, and being seen to take, appropriate action in response to the results of the 2018 Wales Audit Office People Survey.

I am satisfied that these risks have been monitored and managed effectively during the year.

In 2018-19, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through testing individual strategic risks, to determine whether, in the round, the risk management arrangements were robust. Over the course of the year, the Committee considered three strategic risks, alongside undertaking two reviews of the operational risk register. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.

Several risks were successfully managed and removed from the strategic risk register during 2018-19. The risks were either closed completely or de-escalated to the operational risk register for ongoing management by the relevant risk lead.

The Wales Audit Office also faces a small number of newly identified risks going forward into 2019-20, which have been reflected in our strategic risk register. These include risks associated with:

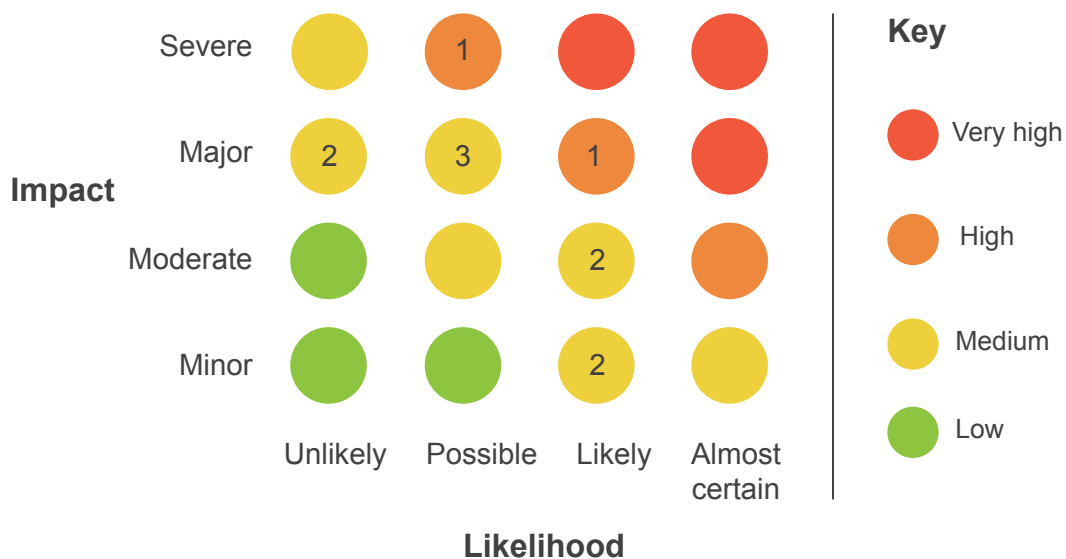
- a potential cuts to income streams;
- b failing to establish and deliver a properly resourced, holistic change programme;
- c workforce planning; and
- d cybersecurity governance and records management.

We have commissioned work to mitigate these new risks.

I will continue to ensure that risks are generally well managed, that where there are weaknesses, appropriate actions are in place to tackle them, and that the Wales Audit Office’s internal controls are regularly reviewed to ensure they remain effective.

The Wales Audit Office’s strategic risk profile

A summary of the Wales Audit Office’s strategic risk profile as of 31 March 2019 is provided in the following ‘heat map’, which highlights the number of strategic risks and the assessed levels of residual risk following the application of controls to mitigate their impact and likelihood.



Information governance

As Auditor General, I have wide-ranging access to information for the discharge of my audit functions. These powerful statutory access rights bring with them a responsibility to ensure that the information obtained by me and the Wales Audit Office is safeguarded properly.

The Wales Audit Office therefore has an Information Governance Policy and an Information Security Policy which set out staff obligations and responsibilities, data processing requirements, monitoring and reporting arrangements, and explain how staff can obtain further support and guidance.

Data protection

The protection of personal data is especially important, and during the year the organisation has continued to work to ensure compliance with data protection legislation including the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. This work has included:

- a providing data protection training and guidance to staff across the organisation;
- b ensuring that appropriate records are held about the personal information that is processed by the Wales Audit Office, the purposes of the processing, the legal basis for the processing, data retention and details of technical and organisational security measures;
- c the development of a compliance monitoring programme by the Data Protection Officer;
- d engaging with and responding to the recommendations of an internal audit review of information strategy and data protection; and
- e carrying out a privacy impact assessment on a new IT platform.

In my role as Chief Executive I am accountable to the Board for information governance, and have delegated this function further to the Director of Corporate Services. The Wales Audit Office has adopted ISO 27001, the international standard for information security management, scaling its arrangements in line with the needs of the organisation.

We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. Most incidents in the year have been of a minor nature. However, we reported one incident to the Information Commissioner's Office, as we were alerted to apparent external access to electronic folders holding some personal information on our systems. Our investigations, including a review by external experts, found no significant vulnerabilities in our information security arrangements

Openness and transparency

We are committed to openness and transparency in the way we operate as a business and have adopted the Information Commissioner's Model Publication Scheme. The Scheme commits us to making certain information routinely available to the public.

In the 2018-19 financial year, we received 62 requests for information, including three requests by individuals exercising their rights of subject access under data protection laws. We met the statutory 20-working-day deadline for 57 of the requests made under the Freedom of Information Act, and in the remaining two cases we extended the time permitted for a response in accordance with the Act in order to properly apply public interest tests in respect of exemptions. In relation to two of the subject access requests, as permitted by the General Data Protection Regulation, we extended the time permitted for response due to the complexity of one request and the complexity and volume of information in respect of another request.

We were not subject to any reviews by the Information Commissioner in 2018-19 in respect of our handling of requests.

Whistleblowing (internal)

All Wales Audit Office staff are encouraged to raise issues of concern about wrongdoing that come to their attention while at work. The Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance.

We have a well-established internal whistleblowing policy which reflects the provisions of the Public Interest Disclosure Act 1998, sets out the mechanism for raising such matters, and applies to staff of the Wales Audit Office and all contractors and others working for the Wales Audit Office in any capacity.

To assess the effectiveness of our whistleblowing arrangements, we have considered two issues: staff confidence in the arrangements; and what we have learned from disclosures. We have been able to address the second issue for the first time in the history of the Wales Audit Office, as we received our first disclosure during the first quarter of the year (we also received a second disclosure in the last quarter).

In terms of staff confidence in arrangements, for the second year running we asked staff in our October 2018 staff survey (to which 77% of staff responded), to rate their response to the following statement on a strongly agree to strongly disagree scale: 'I am confident that if I raised a concern under the Wales Audit Office's whistleblowing arrangements it would be investigated properly.' Seventy-six per cent of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 16% responding 'neither agree nor disagree' (in the October 2017 survey, the equivalent figures were 76% and 17% respectively). While this result indicates continued extensive confidence in the arrangements, it suggests a continuing need for work to ensure that all staff are aware of and have confidence in those arrangements.

In terms of what we have learned, the first disclosure that we received helped the Board to clarify its procedural rules and the guide to the Model Publication Scheme, so as to provide a clear and proportionate approach to disclosure of Board papers. Procedure in relation to the second disclosure is not yet complete, so it is too early to review the learning from that case.



REMUNERATION AND STAFF REPORT

Remuneration report

Auditor General for Wales

The Auditor General's remuneration is determined by the National Assembly and, in accordance with the Public Audit (Wales) Act 2013, is met directly from the Welsh Consolidated Fund (WCF) rather than being paid by the Wales Audit Office. For transparency, the remuneration of the Auditor General is disclosed in this remuneration report.

The current Auditor General, Adrian Crompton, was appointed by the Queen and took office on 21 July 2018 for a non-renewable period of eight years. The previous Auditor General, Huw Vaughan Thomas, retired from his role on 20 July 2018.

The gross salary costs of the Auditors General during 2018-19 were:

- Huw Vaughan Thomas £58,227³¹ (2017-18: £161,744)
- Adrian Crompton³² £98,865 (2017-18: Nil)

Employer pension contributions during 2018-19 were:

- Huw Vaughan Thomas £8,991³³ (2017-18: £23,333)
- Adrian Crompton³⁴ £24,222 (2017-18: Nil)

³¹ Full-year equivalent salary £161,744.

³² Full-year equivalent salary £142,000.

³³ Full-year equivalent £24,975. Huw Vaughan Thomas participated in a stakeholder pension which has lower employer contributions than the Principal Civil Service Pension Scheme (PCSPS).

³⁴ Full-year equivalent £34,790.

Wales Audit Office Board

The Wales Audit Office Board comprises five non-executive members appointed by the National Assembly, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Director of Corporate Services.

The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the National Assembly. In the case of the Chair, the cost is met from the WCF directly, in accordance with the Public Audit (Wales) Act 2013. For enhanced transparency, the remuneration of the Chair is disclosed in this report.

In May 2018, a staff ballot was held to elect employee members for the next four-year period. Two employee members were then appointed by the non-executive members of the Board. The allowance that they receive for their Board-related duties is set by the non-executive members of the Board and disclosed in this report.

The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

The information on pages 73 to 83 in the Remuneration and Staff Report is subject to audit

Single total figure of remuneration for Wales Audit Office Board members

	Remuneration / Allowance		Tax-inclusive expenses ³⁵		Single total figure of remuneration	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	£	£	£	£	£	£
Board Members at 31 March 2019						
Isobel Everett (Chair) ³⁶	25,000	25,000	6,373	9,403	31,373	34,403
Lindsay Foyster	12,500	12,500	513	1,156	13,013	13,656
David Francis ³⁷	504				504	
Alison Gerrard	12,500	6,771	1,174	1,412	13,674	8,183
Bill Richardson	12,500	5,712	3,407	1,480	15,907	7,192
Anne Beegan ³⁸	3,357		1,733		5,090	
Amanda Hughes ³⁸	4,167	4,167	2,301	1,982	6,468	6,149
Previous members of the Board						
Steven Burnett ³⁹	11,962	12,500	1,819	3,324	13,781	15,824
David Corner		3,583		1,805		5,388
Peter Price		5,786		386		6,172
Louise Fleet ⁴⁰	787	4,167	52	457	839	4,624
Total	83,277	80,186	17,372	21,405	100,649	101,591

³⁵ Board and non-executive committee members can claim for travel and expenses for Wales Audit Office related business. The personal tax liability of these expenses is settled by the Wales Audit Office under a PAYE Settlement Agreement with HMRC.

³⁶ The Chair's remuneration is met directly from WCF. Travel and expenses are met by the Wales Audit Office.

³⁷ David Francis replaced Steven Burnett on the Wales Audit Office Board on 16 March 2019.

³⁸ Anne Beegan and Amanda Hughes are employee Board members. Anne was appointed on 11 June 2018; Amanda was re-appointed from 11 June 2018. Allowances disclosed above relate solely to Board-member duties.

³⁹ Steven Burnett's term of office came to an end on 15 March 2019.

⁴⁰ Louise Fleet was an employee Board member until 8 June 2018. Allowances disclosed above relate solely to Board-member duties.

Non-executive committee members

The Wales Audit Office Board has appointed an independent member of its Audit and Risk Assurance Committee (ARAC).

Single total figure of remuneration for ARAC members

	Remuneration / Allowance		Tax-inclusive expenses		Single total figure of remuneration	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	£	£	£	£	£	£
Dianne Thomas	5,000	1,667	496	399	5,496	2,066
Previous committee member						
Alison Gerrard		2,541		79		2,620
Total	5,000	4,208	496	478	5,496	4,686

Wales Audit Office staff

The Wales Audit Office pay policy is available on our [website](#).

All members of staff are employed by the Wales Audit Office on such terms and conditions as the Board determines. Remuneration of all members of staff is subject to periodic review under strategies set by the Board and in consultation with trade unions under a collective agreement. Remuneration is pensionable under the Civil Service Pension Scheme (PCSPS).

Wales Audit Office staff normally hold appointments which are open ended, unless on fixed-term contracts. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Wales Audit Office does not pay performance-related bonuses to any members of staff but does have performance-appraisal arrangements that suspend salary increments if performance is less than satisfactory.

During 2018-19, no payments were made to previous members of staff whose remuneration would have been disclosable. (2017-18: Nil).

Single total figure of remuneration for senior managers

Set out below are details of the remuneration and pension interests of members of the Management Committee. The Auditor General's performance-appraisal summary of Management Committee members is subject to scrutiny by the Board's Remuneration Committee.

	Year to 31 March 2019			
	Salary ⁴¹	Taxable Expenses ⁴²	Pension Benefit ⁴³	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	16,400	51	190-195
Jane Holownia (0.8FTE)	85-90		37	125-130
Steve O'Donoghue	90-95		47	135-140
Kevin Thomas	120-125	19,700	47	185-190
Mike Usher	105-110		25	130-135

	Year to 31 March 2018			
	Salary	Taxable Expenses	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	17,200	29	165-170
Gillian Body ⁴⁴	30-35		(3)	25-30
Jane Holownia (0.8FTE)	85-90		13	100-105
Steve O'Donoghue	85-90		45	130-135
Kevin Thomas	120-125	14,100	21	155-160
Mike Usher	105-110		16	120-125

Information on the expenses of Management Committee members is published on our [website](#)

41 Includes gross salary and travel allowance. Travel allowance paid to Anthony Barrett (£4,255), Kevin Thomas (£4,255) and Jane Holownia (£3,015). Mike Usher is entitled to travel allowance but did not access this in 2018-19 or 2017-18.

42 Being the tax-inclusive value of payments made to Anthony Barrett and Kevin Thomas for travel to a main place of work.

43 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

44 Gillian Body left the Wales Audit Office at the end of June 2017 (full-year equivalent salary in the range 120-125). She received a compensation payment of £177,000 in 2017-18.

Pension entitlements for senior managers

	Accrued pension at pension age as at 31 March 2019	Real increase in pension at pension age	CETV ¹ at 31 March 2019	CETV ¹ at 31 March 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Anthony Barrett	50-55	2.5-5	911	777	31
Jane Holownia	50-55	2.5-5	952	816	34
Steve O'Donoghue	45-50	2.5-5	678	563	26
Kevin Thomas	60-65	2.5-5	996	852	26
Mike Usher	45-50 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0	869	764	9

Note:

1 CETV = Cash Equivalent Transfer Value

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final-salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole-career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final-salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes; but note that part of that pension may be payable from different ages.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Further details about the Civil Service pension arrangements can be found on the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

Jane Holownia will leave the Wales Audit Office under Voluntary Exit terms on 30 June 2019. She will receive a compensation payment of £161,333 in accordance with the Civil Service Compensation Scheme. During 2018-19 the Wales Audit Office invited expressions of interest from staff to exit under the scheme as part of on-going workforce planning arrangements. Jane Holownia's application was considered by the Remuneration and HR Committee and approved by the Board. Savings associated with this exit will result in the cost of the compensation payment being recouped within 17 months.

Pay multiples

The relationship between the remuneration of the highest paid director and the median remuneration of the workforce is disclosed in the following table.

	2018-19	2017-18
Band of highest-paid director's total remuneration ⁴⁵ excluding pension contributions (£'000)	140-145	135-140
Median total remuneration based on full-time-equivalent staff (excluding pension contributions)	£45,858	£42,757
Range of total remuneration excluding pension contributions	£16,381 ⁴⁶ -£143,430	£16,381 - £138,632
Remuneration ratio	3.13	3.24

In 2018-19, no employees received remuneration more than the highest paid director (2017-18: none).

For transparency, the Auditor General's total remuneration of £157,092⁴⁷ (excluding pension contributions) represented 3.43 times the median total remuneration for the Wales Audit Office (2017-18: £161,744, ratio: 3.78).

⁴⁵ Total remuneration includes salary and travel allowance. In the case of the highest paid director it also includes taxable expenses.

⁴⁶ Graduate work placement

⁴⁷ Based on salaries paid to Huw Vaughan Thomas to 20 July 2018 and Adrian Crompton from 21 July 2018 to 31 March 2019.

Off payroll engagements

The Wales Audit Office had no contracts during 2018-19 which met the HM Treasury definition of off-payroll engagements (2017-18:none).

Redundancies, early retirements and severances

The Wales Audit Office operates voluntary-severance arrangements in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

The cost of the scheme in 2018-19 was £383,654 (2017-18: £501,078) and will deliver savings estimated at £242,000 annually (2017-18: £194,000). Payback will be achieved within 24 months.

Eight employees (2017-18: 7) agreed approved exit packages during 2018-19 as detailed below.

No members of staff retired early on health grounds during the year (2017-18: none). There were no compulsory redundancies in 2018-19 (2017-18: none).

Number of exit packages by cost band

	2018-19	2017-18
Less than £25,000	3	1
£25,001-£50,000	2	2
£50,001-£100,000	2	2
£100,001-£150,000		1
£150,001-£200,000	1	1
Total	8	7

Staff report

Senior leadership

The following table details the number of senior staff by pay band at 31 March 2019.

Posts in Bands A and B form the Management Committee, chaired by the Auditor General. With posts in Band C, they collectively form the Senior Leadership team.

	31 March 2019	31 March 2018
Band A (£96,258-£118,581)	2	2
Band B (£82,594-£105,989)	3	3
Band C (£73,579-£91,053)	7	8
Total	12	13

Staff numbers

The overall increase in staff numbers reflects additional graduate trainees and apprentices recruited during the year, all of whom are on fixed-term training contracts.

The number of permanent staff employed during the year reduced by six in line with our workforce planning objective (supported by the Welsh Consolidated Fund) to increase opportunities for graduate trainees and apprentices.

	2018-19	2017-18
Average number of full-time equivalent, UK-based, permanent staff employed during the year	203	209
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	54	38
Audit and inspection contractors (average number of full-time equivalents in year)	7	8
Total	264	255

Staff and associated costs

	2018-19	2017-18
	£'000	£'000
Staff salaries	11,440	11,016
Seconded-in staff	39	29
Short-term contract staff	223	249
Non-executive committee remuneration	63	59
Social security costs	1,340	1,299
Pension costs (PCPS)	2,425	2,365
Pension costs (stakeholder pensions)	33	18
	15,563	15,035
Transport allowance and leased cars	659	709
Subscriptions ⁴⁸	72	75
	16,294	15,819
Audit and inspection contractors	110	104
	16,404	15,923
Redundancy, early retirement and severance costs	458	501
Less monies received in respect of outward secondments	(388)	(153)
	16,474	16,271

48 Fees for the membership of professional bodies, eye tests and health screening.

Bought-in services⁴⁹

	2018-19	2017-18
	£'000	£'000
Payments to private accountancy firms	860	795
Research and other consultancy costs	239	21
	1,099	816

These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2018-19, they also include bi-annual costs associated with the National Fraud Initiative.

The following information on pages 83 to 87 in the Remuneration and Staff Report is not subject to audit

Staff policies, equality and diversity

The Auditor General and the Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation, and the public sector equality duties in the Equality Act 2010.

We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) for 2017-18 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2018-19 will be published in summer 2019 and this will include details of the gender pay gap for the year.

Our Equality and Diversity Policy outlines our commitment to ensuring fair and equal treatment for all staff with protected characteristics (including impairment) in all aspects of employment. The policy provides for parity in selection for employment, recruitment, promotion, learning and development and/or any other benefit, based solely on aptitude and ability in accordance with our duties under the Equality Act 2010 and associated legislation.

⁴⁹ Exclusive of VAT.

Staff composition (number of persons employed at 31 March 2018)

	Male	Female	Prefer not to say	No data
Directors	10	2		
Other employees of the Wales Audit Office	88	134	2	28
Total	98	136	2	28

Sickness absence

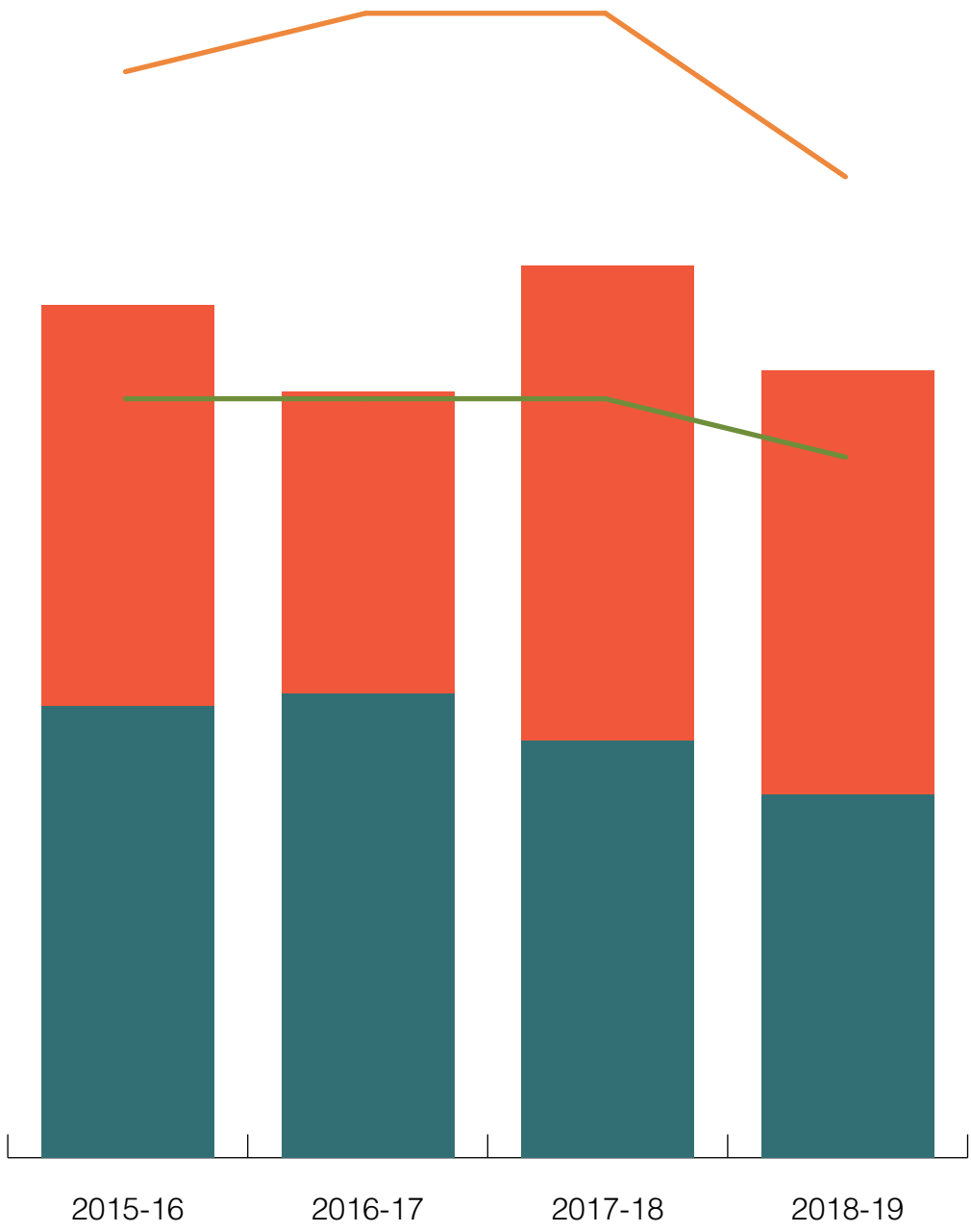
	2018-19	2017-18
	£'000	£'000
Average working days lost per member of staff	6.7	7.7
Due to short-term absence	3.1	3.6
Due to long-term absence (periods ≥21 days)	3.6	4.1

Our staff sickness levels have improved by one day between 2017-18 and 2018-19. The overall sickness level was 1.7 days less than the Chartered Institute of Personnel and Development (CIPD) benchmark⁵⁰, but 0.7 days more than our target of six days.

In order to help staff manage their health, we have in place Health Screening, an Employee Assistance Programme, Mental Health Champions and a programme of well-being awareness events.

⁵⁰ Mean of 8.4 days per employee per year for those public service organisations that responded to the [2018 CIPD Health and Well-Being at Work Survey](#)

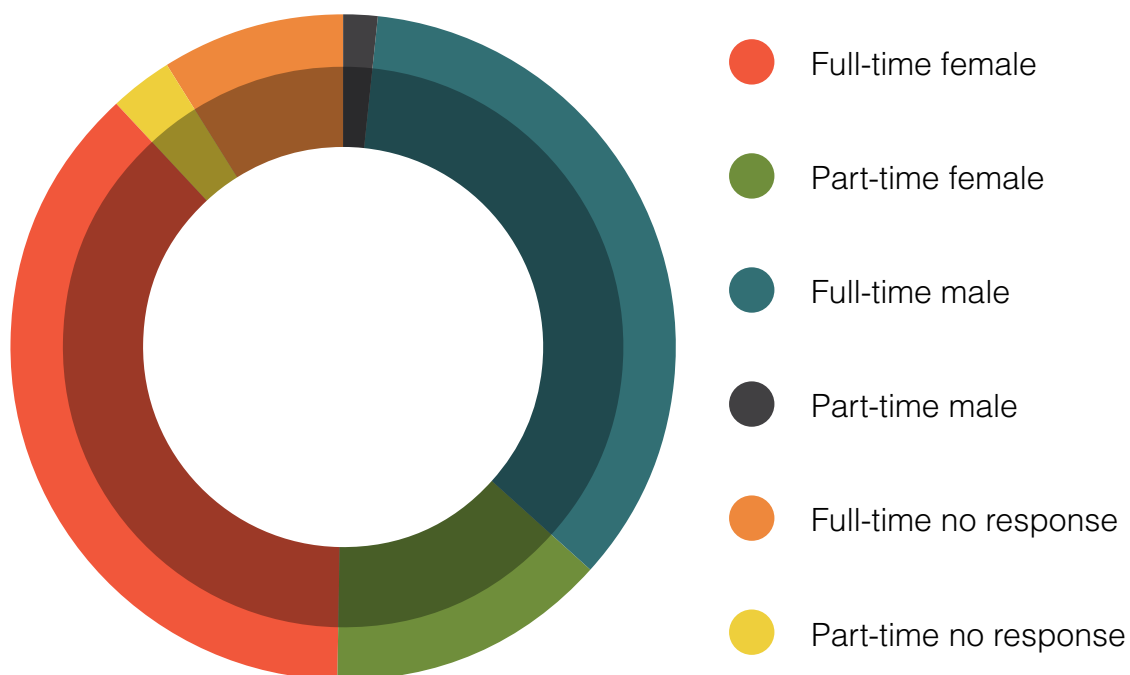
Staff sickness absence 2015-16 to 2018-19



- Days lost to short-term absence
- Days lost to long-term absence
- CIPD annual survey public sector benchmark
- WAO target

Our workforce

	2018-19	2017-18
	£'000	£'000
Working patterns		
Part-time employees as a percentage of total	18.6	17.7
For men	5.2	4.1
For women	26.5	28.1
Employment contract type		
Percentage of staff on permanent employment contracts	76.9	82.0
Turnover		
Annual staff turnover rate percentage	10.1	10



The proportion of part-time employees increased by 0.9% in 2018-19. This included an increase for men of 1.1% and a 1.6%% reduction for women.

The percentage of staff on permanent employment contracts reduced, reflecting an increase in graduate trainees and apprentices on fixed-term training contracts.

Our annual staff turnover rate has remained broadly the same as 2017-18 at 10.1%.

RESOURCE OUT-TURN AND AUDITORS' REPORT

Summary of resource out-turn 2018-19

The information on pages 88 to 119 is subject to audit.

This statement provides a comparison of the Estimate for 2018-19, as voted by the National Assembly, with actual income and expenditure for the year.

Summary of resource out-turn 2018-19

NOTE		2018-19 Estimate			2018-19 Out-turn			2017-18 Out-turn	
		Gross expenditure	Income	NET TOTAL	Gross expenditure	Income	NET TOTAL	Net total out-turn compared to estimate	NET TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000		
SORO1	Revenue	21,625	(14,644)	6,981	21,385	(14,644)	6,741	(240)	6,847
SORO2	Capital	280		280	210		210	(70)	313
SORO2	Total Resources	21,905	(14,644)	7,261	21,595	(14,644)	6,951	(310)	7,160
SORO3	Net Cash Requirement			7,061			5,285	(1,776)	6,308

Arising from the operations of the Wales Audit Office for the financial year 2018-19:

- the net total out-turn on revenue resources was £240,000 less than the approved net resources of £6,981,000;
- accruing resources were £168,000 more than allowed for in the estimate for the year (see notes below);
- the out-turn on capital spend was £70,000 less than the approved capital budget of £280,000; and
- the balance of cash held by the Wales Audit Office (£1,776,000) is shown as being due to the Welsh Consolidated Fund (WCF).

An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 29.

Audit fee income is governed by the Fee Scheme approved by the National Assembly. A breakdown of this income is included in Note 1 to the Financial Statements.

Notes to the Summary of Resource Out-turn

For 2018-19 and future years the balance of cash held by the Wales Audit Office is shown as being due to the Welsh Consolidated Fund.

Note SORO1: reconciliation of net resource out-turn to net cash requirement

		2018-19		2017-18
	Estimate	Out-turn	Variance	Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	6,981	6,741	(240)	6,847
Capital resources	280	210	(70)	313
Adjustments				
Non-cash items (depreciation)	(200)	(284)	(84)	(226)
Cash balance 1 April 2018		(3,017)	(3,017)	
Returned to WCF 2018-19		723	723	
Movements in working capital other than cash:				
Increase/(reduction)in receivables and work in progress		1,051	1,051	(698)
(Increase)/reduction in payables and deferred income		(152)	(152)	242
Reduction / (increase) in provisions		181	181	(170)
Income in excess of estimate		(168)	(168)	
Total net cash requirement	7,061	5,285	(1,776)	6,308

Note SORO2: reconciliation of resource out-turn to net expenditure

	2018-19	2017-18
	Out-turn	Out-turn
	£'000	£'000
Total revenue resources	6,741	6,847
Income in excess of estimate	(168)	
Total comprehensive net expenditure	6,573	6,847

Note SORO3: Reconciliation of net resource out-turn to net cash requirement

2017-18 Out-turn £'000		2018-19 Estimate £'000	2018-19 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
	Expenses				
14,909	Staff costs	15,286	15,186	(100)	Number of staff vacancies and outward secondments in year
353	Contractor staff	617	333	(284)	Reduced use of short-term contract staff due to increased use of trainees and apprentices
1,204	Travel and subsistence	1,231	1,205	(26)	
917	Private-sector firms (incl VAT)	962	992	30	
931	Accommodation	960	907	(53)	Reduction in dilapidations and repairs and maintenance costs
494	ICT	397	392	(5)	
519	Balance of irrecoverable VAT	500	490	(10)	
300	Wales Audit Office Governance Arrangements	300	296	(4)	
292	External training	275	259	(16)	
120	Legal and professional fees	194	234	40	
158	Translation of documents	145	142	(3)	
–	NFI data collection	130	136	6	
772	Other costs	878	813	(65)	Savings on various budget areas
–	Savings target 2018-19	(250)	–	250	Target for efficiency savings achieved mainly from staff costs.
20,969	Total Expenses	21,625	21,385	(240)	
	Income				
(12,755)	Audit fees	(13,193)	(13,562)	(369)	Early delivery of audit work re early closure of accounts
(1,351)	Grant certification fees	(1,451)	(1,233)	218	Ongoing reduction in grant certification work
(5)	WPI grant	–	–	–	
(11)	Other income	–	(17)	(17)	
–	Income in excess of estimate	–	168	168	
(14,122)	Total income	(14,644)	(14,644)		
6,847	Net revenue resources	6,981	6,741	(240)	
313	Capital resources	280	210	(70)	

Future budgeted expenditure and income of the Wales Audit Office are voted on annually by the National Assembly.

The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.

Any special payments and disclosable losses in 2018-19 are disclosed in Note 14 to the Financial Statements.

Independent auditors' report to the National Assembly

Opinion of financial statements

We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2019 under Schedule 1 of the Public Audit (Wales) Act 2013. These financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and related notes. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.

The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act.

In our opinion the financial statements:

- give a true and fair view of the state of the Wales Audit Office's affairs as at 31 March 2019 and of its net operating cost for the year then ended; and
- have been properly prepared in accordance with the HM Treasury directions issued under the Public Audit (Wales) Act 2013.

Regularity opinion on financial statements

We have undertaken work, as required under Schedule 1 of the Public Audit (Wales) Act 2013, to obtain reasonable assurance that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

In our opinion, in all material respects:

- the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it; and
- the money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Basis for the opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Wales Audit Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We also audit the Summary of Resource Out-turn and associated notes and the information in the Accountability Report that is described in the report as having been audited.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for the regularity opinion on the financial statements

We are required to obtain evidence sufficient to give reasonable assurance that the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes. We have conducted our work in accordance with the Statement of Recommended Practice, Practice Note 10 audit of financial statements of public sector bodies in the United Kingdom in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Wales Audit Office's and the Auditor General for Wales's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Wales Audit Office and the Auditor General for Wales have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Wales Audit Office and the Auditor General for Wales are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters

In our opinion:

- the Summary of Resource Outturn and the part of the Accountability Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Public Audit (Wales) Act 2013; and
- the information included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Wales Audit Office and the Auditor General for Wales

As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 50, the Wales Audit Office and the Auditor General for Wales are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Wales Audit Office and the Auditor General for Wales are responsible for assessing the Wales Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Assembly intends to dissolve the Wales Audit Office without continuation of its operations.

The Auditor General is also responsible for ensuring expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.

Auditor's responsibilities for regularity opinion on the financial statements

We are also responsible for giving a reasonable assurance opinion that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Use of our report

This report is made solely to the National Assembly for Wales to whom it is addressed in accordance with the Public Audit (Wales) Act 2013 and for no other purpose. Our audit work has been undertaken so that we might state to the National Assembly for Wales those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the National Assembly for Wales for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

7 June 2019

Statutory Auditors
Third Floor
One London Square
Cross Lanes
Guildford
GU1 1UN

FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS FOR THE WALES AUDIT OFFICE,
ALONGSIDE SUPPORTING AND EXPLANATORY NOTES.

Statement of comprehensive net expenditure for the year ended 31 March 2019

	Note	2018-19 £'000	2017-18 £'000
Expenditure			
Staff and associated costs	Staff report ⁵¹	16,474	16,271
Bought-in services	Staff report	1,099	816
Other operating costs	3	3,812	3,882
		21,385	20,969
Income			
Audit fee income	1	(14,795)	(14,106)
Inspection grant	1		(5)
Other operating income	2	(17)	(11)
		(14,812)	(14,122)
Total comprehensive net expenditure for the year		6,573	6,847

The notes that follow on pages 103 to 120 form part of these financial statements

There were no discontinued operations, acquisitions or disposals during the period nor any unrecognised gains or losses.

⁵¹ Staff costs note on page 82 of the Remuneration and Staff Report.

Statement of financial position at 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Non-current assets			
Property, plant and equipment	4	572	593
Intangible assets	5	180	233
Total non-current assets		752	826
Current assets			
Trade receivables and work in progress	6	2,436	1,432
Other receivables	7	603	556
Cash and cash equivalents	8	1,776	3,017
Total current assets		4,815	5,005
Total assets		5,567	5,831
Current liabilities			
Trade and other payables	9	(2,117)	(1,745)
Deferred income	10	(2,336)	(2,556)
Provisions for other liabilities and charges	11	(617)	(687)
WCF	SORO	(1,776)	(723)
Total current liabilities		(6,846)	(5,711)
Total assets less current liabilities		(1,279)	120
Non-current liabilities			
Provisions for other liabilities and charges	11	(622)	(733)
Total non-current liabilities		(622)	(733)
Total assets less liabilities		(1,901)	(613)
Taxpayers' equity			
General fund		(1,901)	(613)
Total taxpayers' equity		(1,901)	(613)

The notes that follow on pages 103 to 120 form part of these financial statements

The financial statements on pages 99 to 120 were approved by the Wales Audit Office Board and authorised for issue on 6 June 2019 and are signed on its behalf by:



Adrian Crompton

Auditor General for Wales and Accounting Officer

6 June 2019

Statement of cash flows for the year ended 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(6,573)	(6,847)
Adjustments for non-cash transactions: depreciation and amortisation	3	284	226
(Decrease) / increase in provisions	11	(181)	170
Changes in working capital			
(Increase)/decrease in trade and other receivables	6,7	(1,051)	698
Increase/(decrease) in trade and other payables	9,10	152	(242)
Net cash outflow used from operating activities		(7,369)	(5,995)
Cash flows used from investing activities			
Purchases of property, plant and equipment	4	(160)	(152)
Purchases of intangible assets	5	(50)	(161)
Net cash outflow from investing activities		(210)	(313)
Cash flows from financing activities			
WCF		7,061	7,031
WCF repaid		(723)	(495)
Net financing		6,338	6,536
Movements in cash and cash equivalents		(1,241)	228

The notes that follow on pages 103 to 120 form part of these financial statements

Statement of changes in taxpayers' equity for the year ended 31 March 2019

	£'000
Balance at 31 March 2017	(74)
Changes in taxpayers' equity 2017-18	
Total comprehensive expenditure	(6,847)
WCF finance	7,031
	110
Payable to WCF	(723)
Balance at 31 March 2018	(613)
Changes in taxpayers' equity in 2017-18	
Total comprehensive net expenditure	(6,573)
WCF finance	7,061
	(125)
Due to WCF	(1,776)
Balance at 31 March 2019	(1,901)

The notes that follow on pages 103 to 120 form part of these financial statements

Notes to the Financial Statements

These financial statements have been prepared in accordance with the 2018-19 Financial Reporting Manual (FRoM), issued by the relevant authorities.

Basis of preparation

The accounting policies contained in the FRoM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Financial statements are prepared under the historical cost convention. Figures are presented in pounds sterling, which is the functional currency of the Wales Audit Office and are rounded to the nearest £1,000.

The financial statements are prepared on a going concern basis as set out below:

The Wales Audit Office works to annual funding arrangements by statute. Although voted funding has only been approved for nine months after the date of signing these statements, an Estimate for the following financial year will be presented to the Finance Committee of the National Assembly in the autumn of the current year and there is no reason to believe that funding will not be approved for that financial year.

The Wales Audit Office was not liable for corporation tax in 2018-19.

Critical accounting estimates and areas of judgement

<p>Revenue recognition is based on time charged to projects adjusted where applicable to reflect the stage of completion of work done. An assessment is undertaken at the year-end to consider the reasonableness of income recognised taking into account the cost of completing audit projects. As required by IFRS 15 (Revenue from contracts with customers) the Wales Audit Office has determined that performance obligations for each audit engagement are satisfied over time rather than at a point in time. This is consistent with the treatment in previous years and has had no material effect on the recognition of income in these or prior year financial statements. This accounting policy directly impacts the valuation of audit fee income (Note 1) work in progress (Note 6) and deferred income (Note 10) in these financial statements but there has been no requirement to restate prior year balances as a result of the implementation of this new accounting standard.</p>	<p>Provisions are made where, in the opinion of the Accounting Officer, it is more likely than not that a financial liability exists which cannot be accurately estimated at present.</p> <p>See Note 11 for more information.</p>
--	---

Note 1 (a): Wales Audit Office operating segments

The Wales Audit Office reports income and expenditure on its two main audit functions for which fees are charged, and for activities which are funded from the WCF.

2018-19

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees ⁵²	(11,265)	(3,530)		(14,795)
Other income			(17)	(17)
Total	(11,265)	(3,530)	(17)	(14,812)
Expenditure	11,681	3,114	6,590	21,385
	416	(416)	6,573⁵³	6,573

2017-18

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(10,687)	(3,419)		(14,106)
Grant		(5)		(5)
Other income			(11)	(11)
Total income	(10,687)	(3,424)	(11)	(14,122)
Expenditure	10,851	3,260	6,858	20,969
	164	(164)	6,847	6,847

⁵² See note 1(b)

⁵³ See Reconciliation to Statement of Resource Out-turn

Reconciliation to Statement of Resource Out-turn

	2018-19	2017-18
	£'000	£'000
Activities funded by WCF per Note 1	6,573	6,847
Income in excess of Estimate	168	
Net revenue resources	6,741	6,847

Note 1 (b): Analysis of audit fee income

	2018-19			2017-18		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(6,085)	(2,191)	(8,276)	(5,598)	(2,265)	(7,863)
Local Government Grant Certification	(1,233)		(1,233)	(1,351)		(1,351)
NHS	(1,871)	(1,337)	(3,208)	(1,900)	(1,154)	(3,054)
Central Government Audit	(2,076)	(2)	(2,078)	(1,838)		(1,838)
	(11,265)	(3,530)	(14,795)	(10,687)	(3,419)	(14,106)

Fees charged for audit work are set in accordance with a [Fee Scheme](#) agreed by the Finance Committee of the National Assembly.

Gross fee income and other operating income are recognised on the value of chargeable work exclusive of VAT. This value is assessed by reference to time charges and stage completion of projects.

Operating income, whether derived from government grant or fees generated from audited bodies, is credited to the year of account in which the work is done. Invoices raised in advance of the work being done are classed as deferred income (see Note 10). Work done in advance of income received is classed as work in progress (see Note 6).

Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.

Note 2: Other operating income

	2018-19	2017-18
	£'000	£'000
Other operating income ⁵⁴	(17)	(11)
	(17)	(11)

Note 3: Other operating costs

	2018-19	2017-18
	£'000	£'000
Accommodation		
Rent lease costs	448	454
Other accommodation costs	459	411
Supplies and services ⁵⁵	1,650	1,806
Recruitment	39	70
Depreciation and amortisation	284	226
Professional fees		
Internal audit services	44	43
External audit fees	45	38
Other professional fees	38	47
Staff travel and subsistence	546	495
Staff learning and development	259	292
	3,812	3,882

No non-audit services were provided by our external auditors in 2018-19. (2017-18: None)

⁵⁴ Includes charges for training provided, personal use of mobile phones and recharges for refreshments.

⁵⁵ Includes irrecoverable VAT. All other totals in this note are net of VAT.

Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
2018-19	£'000	£'000	£'000	£'000
Cost				
At 31 March 2018	1,302	519	157	1,978
Additions	37	111	12	160
Disposals	(3)	(19)		(22)
At 31 March 2019	1,336	611	169	2,116
Depreciation				
At 31 March 2018	990	271	124	1,385
Provided in period	62	107	12	181
Disposals	(3)	(19)		(22)
At 31 March 2019	1,049	359	136	1,544
Net book value				
At 31 March 2019	287	252	33	572
At 31 March 2018	312	248	33	593
Asset financing				
Owned	287	252	33	572

	Furniture and fittings	Information technology	Office equipment	Total
2017-18	£'000	£'000	£'000	£'000
Cost				
At 31 March 2017	1,329	377	160	1,866
Additions		152		152
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	1,302	519	157	1,978
Depreciation				
At 31 March 2017	949	214	113	1,276
Provided in period	68	67	14	149
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	990	271	124	1,385
Net book value				
At 31 March 2018	312	248	33	593
At 31 March 2017	380	163	47	590
Asset financing				
Owned	312	248	33	593

Expenditure of over £5,000 on computer equipment and software, office refurbishments and other equipment is capitalised. Subsequent expenditure on assets which meet these criteria is further capitalised. Expenditure on items not meeting these criteria is treated as revenue expenditure in the year.

Depreciation is provided on all capital assets from the date the asset commences its useful life. This is calculated to write off the cost, less estimated residual value, in equal annual instalments for each asset as follows:

Furniture and fittings (including IT infrastructure)	Ten years (or shorter of asset life or length of lease for fittings in leased buildings)
Computer equipment	Three years
Office equipment	Five years

In the opinion of the Accounting Officer, there is no material difference between the net book value of assets at current values and at their depreciated cost. An annual assessment of impairment is carried out to confirm that this remains the case.

Note 5: Intangible assets⁵⁶

	Total
2018-19	£'000
Cost	
At 31 March 2018	663
Additions	50
Disposals	(171)
At 31 March 2019	542
Amortisation	
At 31 March 2018	430
Provided in period	103
Disposals	(171)
At 31 March 2019	362
Net book value	
At 31 March 2019	180
At 31 March 2018	233
Asset financing	
Owned	180

⁵⁶ Mainly computer software.

	Total
2017-18	£'000
Cost	
At 31 March 2017	503
Additions	161
Disposals	(1)
At 31 March 2018	663
Amortisation	
At 31 March 2017	354
Provided in period	77
Disposals	(1)
At 31 March 2018	430
Net book value	
At 31 March 2018	233
At 31 March 2017	149
Asset financing	
Owned	233

Intangible assets are stated at amortised historic cost. The assets are amortised on a straight-line basis over the shorter of the term of the licence or five years. Amortisation is calculated from the date that the asset commences its useful life.

In the opinion of the Accounting Officer, there is no material difference between the net book value of assets at current values and at their depreciated cost. An annual assessment of impairment is carried out to confirm that this remains the case.

Note 6: Trade receivables and work in progress

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables		
Central government	342	222
Local government	481	276
NHS	314	236
External to government	59	4
Work in progress		
Central government	862	535
Local government	356	152
NHS	22	7
	<u>2,436</u>	<u>1,432</u>

Trade receivables

Receivables are valued at fair value on initial recognition. A provision for impairment of trade receivables would be established if there was evidence that the Wales Audit Office would not be able to recover all amounts due in accordance with contracts

There are no material amounts falling due after one year included in the above figures.

A provision for bad and doubtful debts has not been required in 2018-19 (2017-18: not required).

Work in progress

Work in progress relates to work completed in advance of the invoice being issued. This is stated at full cost less provision for foreseeable losses and amounts billed on account.

Note 7: Other receivables

	31 March 2019	31 March 2018
	£'000	£'000
Prepayments and accrued income ⁵⁷	603	543
Loans to employees ⁵⁸		13
	<u>603</u>	<u>556</u>

There are no amounts falling due after one year included in the above figures.

⁵⁷ Mainly advance payments for rent and other property related costs.

⁵⁸ Cycle loans which were replaced with a salary sacrifice scheme at the end of 2018-19.

Note 8: Cash and cash equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	3,017	2,789
Net change in cash and cash equivalents	(1,241)	228
Balance at 31 March	1,776	3,017

	31 March 2019	31 March 2018
	£'000	£'000
Current account (Government Banking Service)	1,776	3,017
	1,776	3,017

Cash and cash equivalents include all funds held in accounts to which the Wales Audit Office has instant access.

Cash balances at year-end are shown as being due to the Welsh Consolidated Fund.

Note 9: Trade payables and other current liabilities

	31 March 2019	31 March 2018
	£'000	£'000
Trade payables (due within one year)	26	40
VAT	108	77
Taxation and social security costs	362	357
Accrual for holiday entitlement not yet taken ⁵⁹	484	474
Other accruals ⁶⁰	1,137	797
	<u>2,117</u>	<u>1,745</u>

The Wales Audit Office aims to pay 90% of undisputed supplier invoices within ten working days of receipt. In 2018-19, 84% were paid within ten days, and 97% were paid within 30 days.

Note 10: Deferred income

	31 March 2019	31 March 2018
	£'000	£'000
Deferred income	2,336	2,556
	<u>2,336</u>	<u>2,556</u>

Fee income recognised in our accounts is assessed by reference to time charged and a review of work completed. Much of our income is invoiced on an instalment basis through the year. Deferred income represents income that has been billed but not yet recognised.

⁵⁹ Based on individual holiday anniversaries.

⁶⁰ Includes £291,000 in respect of invoices received post year-end and £267,000 in respect of pension contributions for March 2019 paid in April 2019.

Note 11: Provisions for liabilities and charges

	Dilapidations ⁶¹	Early retirement and severance ⁶²	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2018	647	629	1	143	1,420
Provided in-year	3	422		109	534
Utilised in-year		(543)	(1)	(143)	(687)
Released in-year	(28)				(28)
As at 31 March 2019	622	508	–	109	1,239

Analysis of expected timing

	Dilapidations	Early retirement and severance	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
Not later than one year		508		109	617
Later than one year and not later than five years	578				578
Later than five years	44				44
	622	508		109	1,239

Provisions are measured at the best estimate of the amounts required to settle a probable obligation at the reporting date.

When the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of this discount is recognised within the relevant expense.

61 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2018)10 for balances of zero to five years of 0.76% and for balances of five to ten years of 1.14% to calculate this balance.

62 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2018)10 of 0.29% to calculate this balance.

Dilapidations

The dilapidations provision represents an estimate of the costs the Wales Audit Office may incur in making good its leased properties at the end of the leases.

This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets.

Dilapidations liabilities relating to the cost of restoring alterations made to leased buildings are accounted for by means of a provision set aside in the year that the cost was identified.

Early retirement and severance

The early retirement and severance provision represents the future liability of the Wales Audit Office in respect of members of staff who have left under redundancy, early retirement and severance schemes. The bulk of this provision is in respect of staff who will leave the Wales Audit Office in 2019 under terms agreed in 2018-19.

Contractor Firms

The provision in respect of contractor firms at 1 April 2018 represented a refund of fees due to two audited bodies, as a result of over-invoicing in prior periods by a contractor Firm; these refunds were made during 2018-19.

A further provision has been made in 2018-19 to reflect a contractual dispute with the firm involved.

Note 12: Operating leases

Aggregate minimum lease payments – operational offices

	31 March 2019		31 March 2018	
	£'000	Number of properties	£'000	Number of properties
Within one year	465	3	443	3
Between two and five years	1,381	3	1,735	3
Over five years	52	1	79	1
	<u>1,898</u>		<u>2,257</u>	

The Wales Audit Office has leases for three operational offices at Cardiff, Swansea and Abergele. These leases are subject to periodic rent reviews.

IFRS16 issued in January 2016, but not effective until 1 January 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in the financial statements. This standard is expected to be adopted in the FReM from 1 January 2020; if it had been adopted for 2018-19 there would have been an increase to both assets and liabilities of £1.957 million. The Wales Audit Office has performed an assessment of the impact on net expenditure for the year and has deemed there is no material impact.

Aggregate minimum lease payments –car leases which cannot be cancelled

	31 March 2019	31 March 2018
	£'000	£'000
Within one year	–	10
	<u>–</u>	<u>10</u>

The Wales Audit Office no longer has car leases which cannot be cancelled.

Note 13: Capital commitments

There were capital commitments of £8,370 in respect of building works at Cathedral Road which had not been completed by the year-end. (31 March 2018: £28,000).

Note 14: Losses and special payments

During 2018-19, there were two disclosable losses:

- a refund for VAT charged in error to an audited body: £8,804; and
- a payment to a contractor firm for some costs incurred which will not be recovered from audited bodies for operational reasons: £14,500.

Note 15: Derivatives and financial instruments

IFRS 7 (Financial Instruments Disclosures) requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Owing to the nature of the Wales Audit Office's activities and the way in which the operations are financed, the office is not exposed to a significant level of financial risk.

Although the Wales Audit Office can borrow funds for short-term financing purposes, the office has not been required to do so in this financial year.

The Wales Audit Office can also invest surplus funds. As cash balances are held in the Government Banking Service, this has not been done during the year.

Liquidity risk

Given the nature of our business, our tolerance of risk in areas of financial management is low.

In light of this risk appetite, and the backing of the WCF, the Wales Audit Office is not exposed to significant liquidity risks.

Interest rate risk

The Wales Audit Office's financial assets and liabilities are not exposed to interest rate risk.

Foreign currency risk

The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases of foreign currency are made in connection with foreign travel and other associated costs such as hotels. Also, any fees generated from foreign work or secondments are converted when received. Any exchange differences are recorded in the Statement of Comprehensive Net Expenditure for the year.

Credit risk

The Wales Audit Office's clients are mainly the Welsh Government, its sponsored and related public bodies, NHS Wales and local government bodies in Wales. The Wales Audit Office charges fees under legislation in accordance with an approved Fee Scheme and is therefore not exposed to any material credit risks.

Fair values

There is no material difference between the book values and fair values of the Wales Audit Office's financial assets and liabilities as at 31 March 2019 (31 March 2018: nil).

Note 16: Related party transactions

The Wales Audit Office is a body corporate established under statute and has had material transactions with the WCF and with bodies audited by the Auditor General as disclosed in the Remuneration Report.

Isobel Everett (Non-Executive Chair of the Wales Audit Office Board) is married to the Chief Executive of a local council which is audited by the Auditor General. This is disclosed for transparency, although it does not meet the definition of a related party transaction.

During the year, no other members of the Board, nor key members of staff nor their related parties had undertaken any material transactions with either the Auditor General or the Wales Audit Office. Information about key management personnel is included in the Remuneration Report (page 71).

Note 17: VAT

The Wales Audit Office is only able to recover a small proportion of VAT on its gross expenditure being the proportion of non-statutory fee income as compared to total income for the year.

Glossary of terms

Accruals basis	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent, is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
Amortisation	The apportionment of the cost of an intangible fixed asset over its useful life.
Assets	Something that the organisation owns or uses eg, equipment or software rights.
Capital expenditure	Spending on non-current (fixed) assets.
Current assets	An asset that is expected to be converted to cash within the next 12 months.
Current liability	A liability that is expected to be settled within the next 12 months.
Deferred income	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
Depreciation	The apportionment of the cost of a tangible fixed asset over its useful life.
Estimate	For the Wales Audit Office the annual Estimate of Income and Expenses approved in plenary by the Budget Motion. The National Assembly Finance Committee provides a report to support this. Also referred to as the approved budget.
Fixed assets	An asset that is held by an organisation for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the reporting entity's activities. Examples are equipment, vehicles, land and buildings.
Going concern basis	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
Intangible fixed asset	An asset, such as a right, that has no physical substance.
Leasing	Acquiring the use of an asset through a rental agreement.
Prepayments	An amount paid for in advance such as insurance premiums or rent in advance. Initially recognised as an asset, then transferred to expense in the period when the benefit is enjoyed.
Provision	Liability of uncertain timing or amount.
Remuneration	The pay, or other compensation, provided for an employee's services.
Taxpayers' equity	The net assets of the organisation.

Trade payables	Amounts due for payment to suppliers of goods and services
Trade receivables	Amounts due from clients.
Tangible fixed asset	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an intangible fixed asset.
Welsh Consolidated Fund	The fund used by the National Assembly to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, National Assembly Commission and Public Service Ombudsman for Wales.
Work in progress	Work done and recognised as income in the accounts which has yet to be invoiced to clients.

Full definitions are available in the Financial Reporting Manual (FReM).

APPENDICES



APPENDIX 1 – PROGRAMMES OF WORK DELIVERED IN 2018-19

Local audit work

The Auditor General carried out local work at most public bodies in Wales in 2018-19. The programme included audits of accounts, local performance audit work and well-being of future generations work.

Table listing the public bodies audited by the Auditor General and showing the types of local work carried out at those bodies

Public body	Audits of accounts	Local performance audit work ⁶²	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁶³
The Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ ⁶⁴
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension Funds	✓		
Several smaller local government bodies including joint committees, internal drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁶⁵		

62 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.

63 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

64 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

65 On a limited assurance basis.

National value-for-money examinations and studies

This programme of work includes value-for-money examinations, the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies, and examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General.

The outputs from much of this programme support the work of the National Assembly's Public Accounts Committee and potentially other Assembly committees. The programme of work retains a degree of flexibility to respond to changing circumstances, priorities and risks.



Work completed

- ✓ A picture of primary care in Wales
- ✓ Speak my language: Overcoming language and communication barriers in public services
- ✓ Reflecting on year one – How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015?
- ✓ Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities
- ✓ The Welsh Government's relationship with Pinewood
- ✓ Primary Care Out of Hours Services
- ✓ Guide to Welsh Public Finances
- ✓ Timber Sales Contracts awarded by Natural Resources Wales (memorandum)
- ✓ Managing the impact of Brexit on EU Structural Funds
- ✓ Waste Management (procurement of residual and food waste treatment infrastructure)
- ✓ Management of follow up outpatients' appointments across Wales
- ✓ Radiology Services in Wales
- ✓ Local Government Services to rural communities and Provision of Local Government Services to Rural Communities: Community Asset Transfer
- ✓ Waste management (municipal recycling)
- ✓ Managing the impact of Brexit on the Rural Development Programme in Wales
- ✓ Welsh Government financial support for business
- ✓ The maturity of Local Government in use of data
- ✓ Financial Management and Governance in Town and Community Councils
- ✓ Fiscal devolution in Wales (follow-up report for consideration by the Finance Committee)
- ✓ Town and Community Councils; internal audit arrangements
- ✓ The Welsh Government's youth discounted bus fare scheme – My Travel Pass
- ✓ Expenditure on agency staff by NHS Wales
- ✓ Discussion paper: six themes to help make scrutiny 'Fit for the Future'
- ✓ Preparations in Wales for a 'no deal' Brexit
- ✓ Review of arrangements that supported the Cardiff Capital Region City Deal's First Investment Decision
- ✓ Waste management (waste prevention)



Work in progress

- Tackling violence against women, domestic abuse and sexual violence
- Planning Services: Improving the well-being of Wales
- The Integrated Care Fund
- NHS Clinical coding
- Orthopaedic Services
- Improving the well-being of young people
- A465 (Section 2) road improvement
- First point of contact assessments
- Counter-fraud arrangements in the Welsh public sector
- The refurbishment of Ysbyty Glan Clwyd
- NHS waiting times
- Welsh Community Care Information System (WCCIS)
- Public Service Boards; collaborative arrangements for managing local health resources



Good practice work

Topics delivered

Seminars

- Supporting people in their communities: Reducing unnecessary hospital admissions
- Young people influencing decisions about what matters to them
- Mutual Benefits: Building a co-operation between Wales and the Basque Country
- Building resilient communities
- Inspiring public services to deliver independence and well-being through digital ambition

Webinars

- Let's talk cyber security
- Preparations in Wales for a 'no deal' Brexit
- Can the Social Economy save us?
- Why using data effectively enables better decision making
- Working in partnership: Holding up the mirror
- Sustainable procurement
- Moving from outputs to outcomes
- Adverse childhood experiences: Small steps, big change

Guides and checklists

- Grants management mini-guides
- What's the hold up? Discharging patients in Wales



The Auditor General's report on disclosures of information

The Auditor General is a 'prescribed person' for making whistleblowing disclosures about the proper conduct of public business and fraud, value for money, and corruption in relation to the provision of public services. The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 require the Auditor General to publish a report for each financial year setting out:

- a the number of disclosures made to the Auditor General in that year that he believes to be qualifying disclosures³⁰;
- b the number of qualifying disclosures where the Auditor General has decided to take action;
- c a summary of the types of action that the Auditor General has taken; and
- d a summary of how the information disclosed has affected the Auditor General's ability to perform his functions.

The Auditor General's main functions are summarised in our [Annual Plan](#) for each year and are described in more detail in our Guide to [Welsh public audit legislation](#).



In 2018-19, 23 individuals wrote to or telephoned the Auditor General or the Wales Audit Office indicating that they wished to make a whistleblowing disclosure. However, in only 15 cases did the Auditor General have a reasonable basis to believe that the disclosure qualified and was within the matters in respect of which he is prescribed. This was because individuals either did not give details of their employment situation, or it was clear that they were not employees or other qualifying workers.



Of the 15 apparently qualifying disclosures, in 11 cases the relevant audit team reviewed the matters raised, but they were not found to amount to substantive matters on which the Auditor General would need to report or take other action. In the other four cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending. One or more of these cases may result in a published report.



Generally, where the Auditor General has received information that has been relevant to his functions, this has helped to inform his work, and in four cases, the information has enabled the Auditor General to identify issues meriting significant examination.



⁶⁵ Disclosures that meet the criteria set out in section 43B of the Employment Rights Act 1996 and which engage the protection from detriment provided by that Act.



APPENDIX 2 — COMMENTARY ON PROGRESS MADE TOWARDS ACHIEVING OUR PRIORITIES

Priority	Commentary
<p>Integrate the Auditor General’s duties under the Well-being of Future Generations (Wales) Act 2015 into the delivery of our audit work programmes.</p> 	<p>In May 2018, we published Reflecting on year one, our assessment of how public bodies in Wales have responded to the requirements placed on them by the Act. The report was particularly designed to support organisations during this early transition phase.</p> <p>In partnership with the Future Generations Commissioner’s Office, we also held a well-attended stakeholder conference to share and discuss the findings from the report</p> <p>Relevant audit work was subsequently integrated into our health and local government work plans for 2018 and 2019, and into our studies programme, to meet the Auditor General’s duties under the Act. This work is on track to be completed in autumn 2019, with over half of the work having been completed at the time of publication. Our reports on the steps individual bodies are taking to meet their well-being objectives are available via the publications section of our website. We intend to publish a national report summarising the key findings of this work in 2020.</p>
<p>Examine the integrated delivery of public services in Wales from the perspective of people who use the services.</p> 	<p>We place emphasis on the importance of understanding the perspectives of service users when considering the effectiveness of service delivery arrangements.</p> <p>During the reporting period we completed a review of Local Government services to rural communities, which included carrying out telephone and face-to-face surveys with over 1,500 people living in rural Wales.</p> <p>In addition, as part of our current Social services and well-being study, we interviewed carers to understand the level of care and support they receive and how well their needs are being addressed.</p> <p>Our review of Planning services also included a public survey (which we launched at the Royal Welsh Show) to gather views on how well local planning authorities are supporting the long-term well-being of their communities.</p> <p>In July 2018, we published a summary of our local audit findings on Primary Care Out-of-Hours Services. Our work included a survey of patients that had recently contacted out-of-hours services. To further understand how it feels to be a patient using these services, the study team also undertook a ‘mystery shopping’ exercise to assess the effectiveness of information on GP phone lines and websites. The findings from both the patient survey and mystery shopping exercise helped shape our recommendations at both the local and national levels.</p>

Priority	Commentary
<p>Strengthen engagement with our work among Assembly committees and identify ways to further enhance our work on supporting effective scrutiny and accountability.</p> 	<p>In addition to our usual extensive engagement with the Public Accounts Committee, we briefed other National Assembly committees on a wide range of specific issues during 2018-19, including:</p> <ul style="list-style-type: none"> • our June 2018 report on the Welsh Government's support for Pinewood, which was used by the Assembly's Culture, Welsh Language and Communications Committee to support their inquiry into Film and TV production in Wales. Our study team briefed Committee members on our findings, and then supported two oral evidence sessions with Welsh Ministers; • our latest report on Fiscal devolution to Wales, was considered by the Assembly's Finance Committee; and • our February 2019 report on Brexit 'no deal' preparedness, was used by the Assembly's External Affairs and Additional Legislation Committee to support their ongoing scrutiny of the Welsh Government's preparations for Brexit. <p>In July 2018, we also published a 'Guide to Welsh Public Finances', to support those involved in scrutinising public services, including Assembly Members and local government elected politicians.</p>
<p>Enhance the collective impact of external audit, inspection and review in Wales by making better shared use of intelligence and resources.</p> 	<p>During 2018-19, we have continued to meet with our Inspection Wales partners to share information and intelligence, identify common themes across our respective work programmes and avoid duplication of our work.</p> <p>As part of a pilot exercise, Care Inspectorate Wales (CIW), Estyn and the Wales Audit Office jointly presented our findings on risk and assurance at two councils. This more joined-up approach received positive feedback from the councils involved, and the Inspection Wales Programme Board has agreed to roll such joint risk and assurance workshops out to all councils, with effect from spring 2020.</p> <p>In partnership with the Children's Commissioner for Wales, we also ran two collaborative events in March 2019 highlighting the key challenges facing young people in Wales today. The events focused on how we can best involve young people in the design and delivery of public services and provided the opportunity for young people to share their experiences directly with decision makers, service providers, inspectors and auditors.</p>

Priority	Commentary
<p>Engage with other audit agencies in the UK and internationally, to share and inform best practice and intelligence.</p> 	<p>As a member of the UK's Public Audit Forum, the Auditor General and members of our staff engage regularly with our counterparts at the National Audit Office (NAO), Audit Scotland and the Northern Ireland Audit Office (NIAO). Over the last year, we shared and exchanged information on a wide range of topics of mutual interest, including in relation to Brexit, fiscal devolution and information governance.</p> <p>An area of particular focus for our collaboration work this year was the use of data analytics in audit work. In November 2018, working jointly with Audit Scotland and the NIAO, we launched a £1.25 million GovTech Challenge for private companies to compete to create bespoke data analytics software.</p> <p>During the year, we continued to build and maintain links with overseas audit offices, including through our membership of EURORAI, and in September 2018 hosted a study visit from the Auditor General of Malta. In November 2018, we also took part in the inaugural EUROSAI Investigations Seminar, hosted by the NAO and attended by representatives from 15 audit offices across Europe. Our presentation on our investigative studies work was very well received and it was interesting to note that, following on from their 2017 study visit to the Wales Audit Office, the Netherlands Court of Audit had since established their own investigative studies audit team.</p>
<p>Enhance the readability and accessibility of our audit products to maximise their reach and impact.</p> 	<p>In early 2018, we established an internal task-and-finish project to explore ways through which we can transform the way we communicate and increase engagement with our work. In July 2018, the project group made a range of recommendations to management, including for improving the readability of our reports, and gaining a better understanding of the different needs of our audiences.</p> <p>Since then, we have been exploring ways through which these recommendations can best be implemented. Two important changes we have made are to ensure there is earlier engagement between our communications team and the audit team on each audit project, and to place greater reliance on audience feedback in our ongoing website development.</p> <p>Throughout the year, our Good Practice Team have continued to make greater use of webinars and podcasts to maximise the reach of their work, including a series on behavioural change.</p>

Priority	Commentary
<p>Utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings.</p> 	<p>We secured additional funding through our Estimate for 2018-19 to progress data analytics projects across various areas of the business. This extra funding has enabled us to be more innovative in the way we source, acquire and analyse data and how we present and visualise our findings</p> <p>In January 2019, for the first time we published an online interactive data tool to accompany our report on Expenditure on Agency Staff by NHS Wales. The tool enables users to make graphical comparisons between expenditure on agency staff by different local health boards and NHS trusts since 2010. Also, as part of our work looking at preparations for Brexit, we created a tool for audit teams that automatically compiles data for ongoing work, making it easier for them to manage and visualise their evidence.</p> <p>We have recently established a longer-term digital strategy for the organisation which sets out an ambitious vision for how we want to exploit technology in future. We are progressing with technological solutions to strengthen our infrastructure, ensure security and make it easier for us to deploy data analytical tools across our areas of business.</p>
<p>Adopt new ways of working to provide an efficient and fit-for-the-future audit service as our operating environment changes.</p> 	<p>We continue to explore new and more innovative ways of undertaking and presenting the findings of our audit work. This has included piloting the approach we will take to deliver the Auditor General's duties under the Well-being of Future Generations (Wales) Act and making greater use of 'facts only reporting' such as our report on the Welsh Government's relationship with Pinewood.</p> <p>During the year, we also launched a task-and-finish project looking at challenging some of our more traditional ways of working. Areas of investigation include striking the right balance between the flexible working needs of individual staff and the demands of the overall business; considering whether our current premises are configured in the most effective way and exploring what kind of offices we are likely to need in the future. This project will report to the Board in the summer of 2019.</p>

Priority	Commentary
<p>Deliver a people strategy that responds to the results of our staff survey, helps us to achieve our equality objectives and enables our staff to excel in their work.</p> 	<p>We launched our People Strategy in April 2018, setting out our four priorities for the period 2018 to 2021 to help ensure that the Wales Audit Office is a great place to work.</p> <p>The priorities in the Strategy were informed by the areas of improvement highlighted in our 2017 staff survey (as reported in our Annual Report and Accounts for 2017-18) and the analysis of employment information published in our 2017-18 Equality Report.</p> <p>A number of the projects underpinning our People Strategy are also aligned with and will serve to assist us in achieving the equality objectives laid out in our new Strategic Equality Plan.</p> <p>Over the reporting period we have commenced and carried out work on several projects that will contribute to delivering the overall Strategy. The content of the People Strategy and associated delivery plan are currently subject to review and further refinement, particularly to take account of the outcomes of our 2018 staff survey and the findings of an internal audit review of our workforce strategy.</p>
<p>Improve our management of knowledge and data, including through effectively responding to the introduction of the General Data Protection Regulation.</p> 	<p>By May 2018, we had completed our programme to ensure compliance with the General Data Protection Regulation (GDPR). This included developing staff guidance, providing comprehensive training of all staff, and publishing a Privacy Notice on our website outlining what to expect when the Wales Audit Office collects personal information and explaining how we protect the privacy of individuals.</p> <p>In May 2018, we also wrote to all audited bodies about fair processing and the secure transfer of information. In the letter we outlined that the Auditor General's access rights are not affected by GDPR and requested that fair processing notices issued by those bodies to employees, contractors and service users include reference to the collecting and sharing of data with the Auditor General in connection with his audit work.</p> <p>An internal audit review undertaken in December 2018 provided substantial assurance on the arrangements we had put in place, and we continue to undertake further work to reduce the amount of information we hold unnecessarily and to ensure information held is fully documented.</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

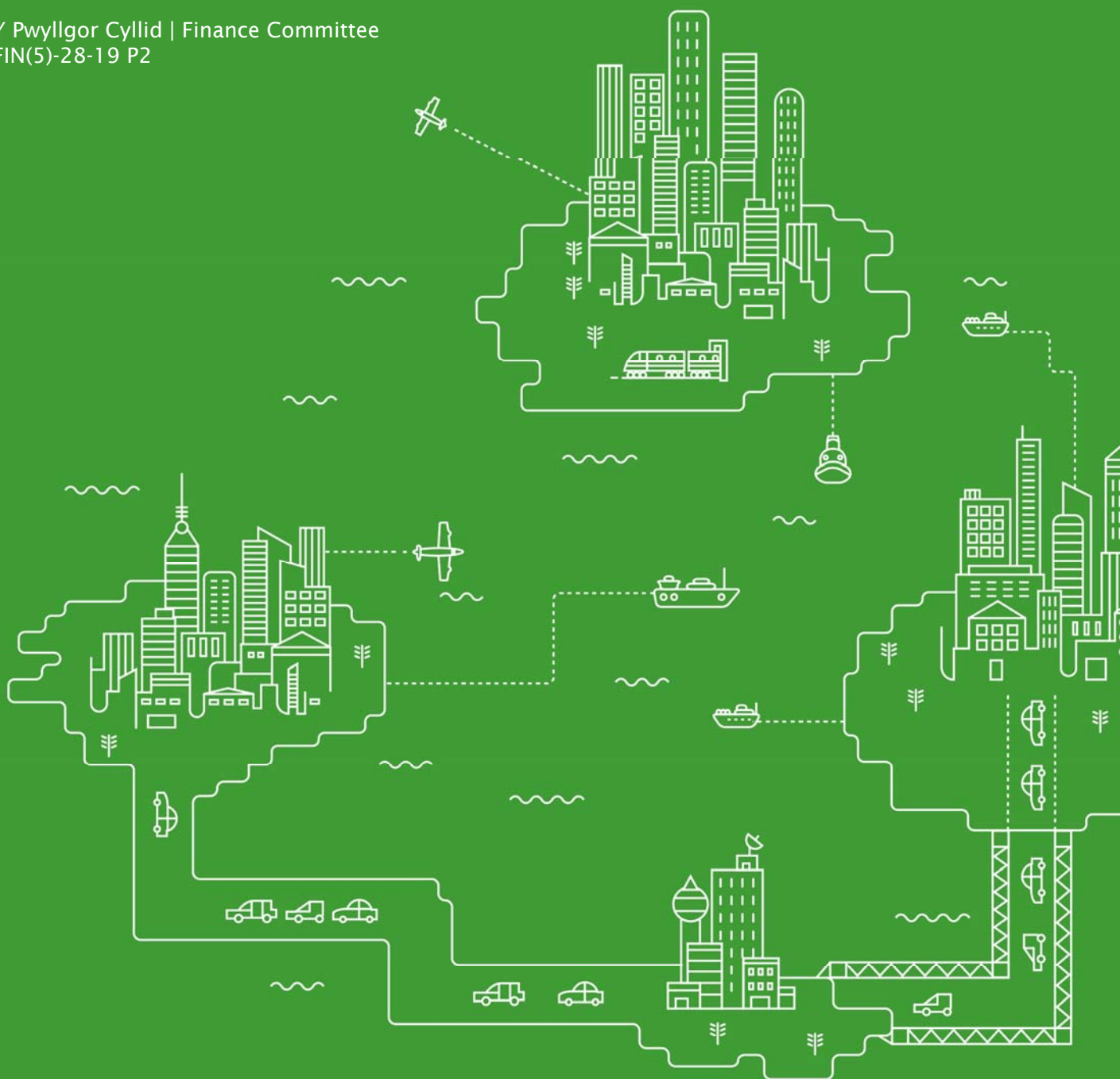
Ffôn: 029 2032 0500
Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

Rydym yn croesawu galwadau
ffôn yn Gymraeg a Saesneg.

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru



WALES AUDIT OFFICE

Final Audit Findings Report

Year ended 31 March 2019

Presented to the Audit and Risk Committee
By RSM UK Audit LLP

On 4 June 2019

And issued as final on 5 June 2019



CONTENTS

1	Introduction and coverage	2
2	Audit and accounting issues identified at planning stage	3
3	Audit and accounting issues identified during the audit.....	8
4	Regularity issues identified during the audit	9
5	Unadjusted/adjusted misstatements	10
6	Significant deficiencies in internal control	11
7	Significant findings from the audit.....	13
8	Uncertainties, risks, exposures, judgemental issues and going concern	14
9	Fees	15
10	Independence	15
Appendix A -	Draft letter of representation	16
Appendix B -	Updated financial reporting developments.....	20

This report has been prepared for the sole use of Wales Audit Office and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 INTRODUCTION AND COVERAGE

This report summarises our key findings in connection with the audit of the financial statements of Wales Audit Office in respect of the year ended 31 March 2019.

The scope of our work has already been communicated to you via our Audit Plan document dated 27 February 2019.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 5.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

2 AUDIT AND ACCOUNTING ISSUES IDENTIFIED AT PLANNING STAGE

Management override of internal controls

Area of audit focus

Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.

Our approach

We will test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation.

We will review significant accounting estimates and policies which could involve bias resulting in a material misstatement.

We will discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report.

Response

The testing was completed as planned with no significant issues identified to report to management.

We have tested a sample of the journal entries posted during the year, and this did not highlight any erroneous entries, or items indicative of undue management bias.

We have reviewed the significant estimates adopted in the preparation of the financial statements, and we have not identified any areas where there appears to be indication of management bias. Our review of the estimates made in respect of the dilapidations provision and the bad debt provision indicated that these appear to have been derived on an appropriate and consistent basis. We have commented later in this report on the judgements made in assessing the stage of completion of the organisation's long-term contracts.

Brexit financial reporting considerations

Area of audit focus

The longer-term effects of the UK's potential exit from the European Union remain unclear.

Businesses face a period of political and economic uncertainty which may expose them to new opportunities and/or risks, or change the scale and likelihood of existing ones, that affect their business model and strategies.

Identifying the significant effects, or possible significant effects, of Brexit and assessing their impact may prove challenging in the current political and economic environment. However, we expect management to provide us with their analysis of the potential Brexit effects they have identified, together with supporting evidence in relation to key assumptions and related disclosures.

Our approach

As part of our audit we will consider management's analysis of the potential Brexit effects on the entity's operations and strategies (eg specific audits, staff costs, and reputational focus), and the forward-looking assumptions used by management in their assessment relating to future activity and decision making.

We shall consider the appropriateness of the disclosures in the Annual Report in respect of Brexit related principal risks and uncertainties and future plans.

We may seek written representations from management about their plans for mitigating potentially adverse effects of Brexit.

Response

Our review of the Annual Report indicates there appears to be appropriate disclosure of the risks associated with the UK's potential departure from the European Union.

As the nature and timing of any potential departure remains unclear, this is an area which the management and board need to keep under regular review.

Income recognition, WIP and deferred income

Area of audit focus The recognition of income, WIP and deferred income is considered to be a significant risk due to the level of judgement applied to the stage of completion of an audit assignment and any provisions required.

Our approach

We will select a sample of projects that have commenced throughout the year and test the revenue recognised with reference to the stage of completion of the assignment in order to determine that the revenue recognition is appropriate and consequently whether the WIP and deferred income are appropriately stated.

We will review correspondence with audit managers to establish the estimated costs to complete and any required provisions at the year end, considering the impact of any time spent after the year end on these estimations.

We will also review time postings after the year end for any time posted by employees relating to work done before the year end that may not have been factored into the above calculations.

Response

Our work indicated that the organisation has appropriate systems for assessing the stage of completion of its ongoing contracts, and hence for determining the amount of revenue that should be reported at the year end. Our review of the actual outturn on prior year contracts indicated that the estimates made at the prior year end proved accurate.

However, our work did identify the following matters:-

- a) On one contract, an additional fee of £74k had been agreed to compensate the WAO for the extra time incurred on the completion of the contract. As the finance team had not been notified of this additional fee, no allowance had been made in the reported revenues for the year.
- b) We noted that there had not been full provision made for the full extent of anticipated losses on contracts where these are foreseen. An additional £87.5k provision is required to be made for such contracts.
- c) At the year end, there were certain contracts which were closed, and where refunds were due. There are credit balances of £112k on such contracts which should be reclassified as creditors, rather than being held in deferred income.
- d) The draft accounts made no adjustment for the work in progress relating to work undertaken by third party firms

It has been agreed that adjustment will be made for the matters in a) to d) above and these have been reported in Section 5 and adjusted in the final accounts.

Reputation

Area of audit focus

Due to public interest in the financial statements there is a desire to maintain reputation and demonstrate exemplary financial management. Accounting judgements may be influenced by the desire to demonstrate good financial management and remain within the Estimate.

Our approach

Independent technical review of the accounts and key judgement areas. Review of judgemental aspects in year-end balances particularly focusing on any;

- Round sum provisions
- Estimates
- Recoverability of debtors
- Disclosure of remuneration

Response

During the course of the audit, we have not identified any areas from the WAO's operations that suggests there are any matters whereby the reputation could appear to be significantly damaged.

As discussed previously, our review of judgemental areas has not noted any areas of inappropriate activity, or areas where the Office has been acting inappropriately.

We are satisfied that there appears to be appropriate disclosure of the remuneration of directors and senior management.

We noted two data breaches in the year, one of which resulted in a report to the ICO, and which appears to have been fully followed up.

The second matter related to the theft of a business lap top, a personal lap top and various papers from a vehicle. This matter appears to have been subject to appropriate internal review by management and the legal team, which concluded that it was not a data breach that needed to be reported to the board or the ICO.

We have included a recommendation in Section 6 in relation to this event and shall also be seeking a representation in respect of this matter.

New accounting system

Area of audit focus

During the year, we are aware that a new accounting system has been implemented.

There is an inherent risk that the transition to a new system could result in incomplete or inaccurate data being held on the new finance system.

Our approach

We will review the process controls implemented by the WAO for the change in accounting system and the method for data transfer.

We will also review the closing and opening trial balances on each of the systems and undertake tests on a sample basis, that balance sheet codes have been properly transferred.

We will also consult with an internal IT specialist on the proposed approach, to ensure that we undertake appropriate procedures in response the change in the WAO's accounting systems.

New accounting system

Response

Our review indicated that there were appropriate processes and controls over the implementation of the new accounting system.

We undertook detailed targeted testing which helped confirm that the transition of the data from the old accounting system had been properly undertaken.

3 AUDIT AND ACCOUNTING ISSUES IDENTIFIED DURING THE AUDIT

Ongoing claim

Issue

Our work identified the existence of an ongoing claim, where the final outcome remains uncertain.

Based on legal advice, management consider it more likely than not that the organisation will incur a financial loss as a result of this matter.

Resolution

Management have proposed a late adjustment to include an accrual for £50,000, being the estimated costs of resolving this matter.

Given the uncertainty as to how this matter will be resolved, it is difficult to accurately quantify the loss than the organisation may incur in respect of the matter.

However, based on available evidence, the estimate made does not appear unreasonable, but we shall be seeking a specific representation in respect of this matter.

Ongoing dispute with contractor firm

Issue

We are aware that one of the contractor firms used by the WAO continues to dispute the fee structure for the work it undertakes.

Therefore, management have made a provision of £89,000 in respect of additional amounts which will become payable should this firm succeed in claiming the additional amounts it believes are due to it.

Also, there continues to be issues with some of the work undertaken by this firm, and management have identified the risk that additional costs may need to be incurred to finalise the work they have undertaken in previous years.

Resolution

We agree that is appropriate to include the £89,000 provision for amounts which may become payable to this firm, representing the excess of the amount already included in accruals, and the maximum potential exposure.

Management have included an adjustment to provide for £20,000 of additional costs which may be necessary to finalise the prior year work. We are satisfied that it appears appropriate to make such further provision, and that this estimate appears reasonable in light of the costs incurred to carry out the work in prior years.

4 REGULARITY ISSUES IDENTIFIED DURING THE AUDIT

Whistleblowing

Issue	<p>Our work indicated that there had been appropriate response and follow up to any whistleblowing incidents reported in the year, and there appears to be appropriate procedures for staff to raise any issues of concern.</p> <p>However, we did note that the whistleblowing policy dates from June 2017 and is therefore potentially in need of review and update in light of recent incidents.</p>
Recommendation	<p>Management should consider reviewing and updating their policy at the earliest opportunity.</p>
Management comment	<p>The Law & Ethics Team is now reviewing the internal whistleblowing policy in the light of recent experience and will present proposals to the board for updating the policy by September 2019.</p>

5 UNADJUSTED/ADJUSTED MISSTATEMENTS

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose, we consider “clearly trivial” to be any matter less than £5,000 individually and £10,000 in aggregate.

We advised management of all these misstatements on 17 May 2019 and requested management to correct them.

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Turnover	87	-	To recognise the full provision for loss anticipated at the year end
Work in progress	-	(87)	
Deferred income	-	111	To reclassify refunds due on closed contracts
Other creditors	-	(111)	
Turnover	(75)	-	To recognise additional income agreed on Agri Funds contract
Work in progress		75	
Accruals	-	(241)	To adjust for the treatment of work in progress in respect of third-party firms
Deferred income	-	(29)	
Work in progress	-	143	
Prepayments	-	87	
Turnover	40	-	
Prepayments	-	177	To amend treatment of invoices dated 31 March 2019
Accruals	-	(177)	
Direct costs	20	-	To make additional provision for amounts complete certain contracts
Provisions		(20)	
Employee termination costs	50	-	To provide for estimated loss in respect of ongoing claim
Accruals	-	(50)	
Total	122	(122)	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
Underlying total	-	-	
Unadjusted misstatements Judgemental	Dr/(Cr)	Dr/(Cr)	
Underlying total	-	-	

6 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

We have set out below deficiencies in internal control which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Notification of fee changes

Fact and potential consequence Our review of a sample of contracts identified one incidence where the finance team had not been notified of an agreed fee increase on a specific contract.
This resulted in an understatement of revenues being reported in respect of this contract.

Possible action There should be improved processes to help ensure that the finance department is promptly notified of changes the agreed value of contracts.

Management response The finance team rely on fee information held within the audit management system which had not been updated by audit colleagues due to the timing of information being received. We will strengthen this process to ensure that any significant variances between time charges and fees are followed up immediately to ensure that this scenario cannot recur.

Timing of implementation and responsibility Immediate, responsibility Head of Finance.

Information held on personal lap tops

Fact and potential consequence The theft of lap tops and papers discussed previously was as least in part contrary to the organisation's information security policy, though we note that there is scope for clarification of that policy. Such situations risk personal or confidential data becoming compromised.

Possible action All staff and board members should be reminded of the organisation's policy, which should be clarified in respect of the use of personal lap tops, and there should be consideration to gaining a positive statement that all individuals are fully aware of the policy in this regard.

Management response We will review our policies in light of the theft so as to ensure expectations are clear and consistently applied for staff and Board members in terms of use of WAO information on personal devices. We will advise staff and board members of any changes and remind them of the requirement to comply with the policies through our annual declarations process.

Timing of implementation and responsibility Our IT and legal teams will amend our policies for approval by the board by 26 September 2019.

Register of interests

Fact and potential consequence	<p>It is a requirement that all board members and members of the management committee complete annual declarations of outside interests that are publicly available of the WAO's website.</p> <p>Our work indicated that whilst updated declarations appear to have been obtained, these were not yet available on the website.</p>
Possible action	<p>Every effort should be made to obtain and publish the latest available declarations for all relevant individuals.</p>
Management response	<p>We obtained up-to-date declarations (in March 2019) for all relevant individuals, and we are now arranging for those to be posted on the website.</p>
Timing of implementation and responsibility	<p>The Board Secretary has collated declarations for Board members with a view to publishing them online on receipt of Welsh translation.</p> <p>Our Law & Ethics Team is collating declarations for all other relevant individuals with a view to ensuring publication in June 2019.</p>

7 SIGNIFICANT FINDINGS FROM THE AUDIT

Accounting practices, including accounting policies

We have reviewed the accounting policies adopted by the WAO, and found that these are consistent with those adopted in previous years, remain appropriate and have been generally fully disclosed.

Accounting estimates

As part of our audit, we review the significant accounting estimates contained within the financial statements of the WAO. We note the following:

Costs to complete/work in progress

Our work indicates that the historical estimates of costs to complete are materially accurate, and that estimates made by the Resource Managers are an appropriate basis to determine percentage completion

Dilapidations provision

These continue to be derived using latest available third party surveyor reports, and there is no evidence that these are not an appropriate source of evidence to derive such provisions. The results of a surveyor's report produced in the year for the Cardiff office has not identified any significant issues that would necessitate a material increase in the value of the reported provision.

Other provisions

Subject to comments made previously, this appears to be derived on an appropriate basis.

Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006. The following disclosure matters were brought to your attention and subsequently reflected in the revised financial statements:

- expansion of the revenue recognition policy on adoption of IFRS 15

There were no matters of significance that were brought to your attention which have not been reflected in the revised financial statements.

Significant difficulties encountered during the audit

No significant difficulties were encountered during the course of our audit and we would like to take this opportunity thank the finance team for their assistance during the audit.

8 UNCERTAINTIES, RISKS, EXPOSURES, JUDGEMENTAL ISSUES AND GOING CONCERN

There are no further matters that we wish to bring to the attention of the committee.

Going concern

Given the ongoing funding received from the National Assembly for Wales, we are satisfied that we can agree with the Directors that there are appropriate grounds for concluding that the WAO remains a going concern.

9 FEES

We confirm that the fees charged during the year in respect of services performed for Wales Audit Office are consistent with those contained within our Audit Plan submitted to you and dated 27 February 2019.

10 INDEPENDENCE

In accordance with International Standard on Auditing (UK) 260 "Communication with those charged with governance", there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Wales Audit Office and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP's independence and the objectivity of the audit principal, Jonathan Da Costa and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 27 February 2019.

APPENDIX A - DRAFT LETTER OF REPRESENTATION

RSM UK Audit LLP
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Dear Sirs

Audit of Financial Statements – Year ended 31 March 2019

We confirm to the best of my knowledge and belief and having made appropriate enquiries of other senior executives of the Wales Audit Office, the following representations given to you in connection with your audit of the financial statements for the period ended 31 March 2019.

The following representations reflect circumstances up to the date of this letter, on which the financial statements were approved, and management's knowledge and intentions regarding the future of the Wales Audit Office.

Responsibility for financial statements

We acknowledge our responsibilities under the Public Audit (Wales) Act 2013 and Treasury Directions made in accordance with that Act for maintaining adequate accounting records and for preparing financial statements in accordance with the applicable accounting framework that give a true and fair view and for making accurate representations to you.

We confirm that we have taken all the steps we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors were unaware.

Availability of information

All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records. All other records and related information have been made available to you, including the minutes of all committee meetings, which are a complete and authentic record of the proceedings at those meetings. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

Related party transactions

We have disclosed to you the identity of the related parties and all related party relationships and transactions of which I am aware. There were no transactions with the WCF and with the audited bodies other than those in the ordinary course of business (fees) requiring disclosure in the financial statements. There were no other transactions with related parties requiring disclosure during the year.

Use of funds and regularity

- We acknowledge our responsibility, as specified by the Public Accounts Committee of the National Assembly under the Public Audit (Wales) Act 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the National Assembly for Wales and that the financial transactions conform to the authorities which govern them.
- To the best of our knowledge and belief we confirm that, in all material respects, the expenditure disbursed and income received during the year ended 31 March 2019 have been applied to purposes intended by Parliament and the National Assembly for Wales and the financial transactions conform to the authorities which govern them.
- Neither the board nor the senior management team have knowingly authorised a course of action, the financial impact of which was that transactions infringe the requirements of regularity.
- All transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records.
- There were no events of which we are aware which involve suspected non-compliance with the framework of authorities which govern the running of the Office.

Assets

1. General

All assets included in the Statement of Financial Position belong to the Wales Audit Office and except as disclosed in the accounts were free from any charge. All non-current assets belonging to the Wales Audit Office are included.

2. Impairment of non-current assets

Each non-current asset is worth to the Wales Audit Office at least the amount at which it is included in the Statement of Financial Position, either through continued use by the Wales Audit Office or through the opportunity for sale on the open market.

Liabilities

1. General

All known liabilities of the Wales Audit Office at 31 March 2019 have been included in the balance sheet. All secured liabilities are disclosed.

2. Contingent liabilities

There were no contingent liabilities at the balance sheet date. All guarantees or warranties or other financial commitments have been fully disclosed in the financial statements. There were no known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.

We confirm we have disclosed to you all banking and financing arrangements including related contracts and hedging products. We confirm that no tax avoidance schemes were used by the Wales Audit Office.

Accounting estimates

We confirm that all significant assumptions used in making accounting estimates, including where applicable those measured at fair value, are reasonable in the circumstances, and appropriately reflect our intentions and our ability to carry out the specific courses of action necessary to justify the accounting estimates and disclosures. The disclosures in the financial statements relating to accounting estimates are complete and appropriate.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We further confirm to you that the estimated value of the dilapidations provisions are, to the best of our knowledge, an accurate assessment of the expected value to return the three properties back to their original state. We hereby confirm to you that the value of the dilapidations provisions in total is £622,000.

We confirm directly to you that the estimated amount which may become payable to a third party supplier for work performed to 31 March 2019 is £89,000. Furthermore, we consider that it is appropriate to make a further provision of £20,000 to reflect additional costs that will be incurred in finalising certain work undertaken by this supplier in prior years.

We are aware of an ongoing claim, where the resolution is uncertain. Given the uncertainties that have been identified, we consider it appropriate to include an accrual for £50,000 to reflect the estimated cost of resolving this claim.

Commitments

All commitments of the Wales Audit Office of a material amount, whether of a capital or revenue nature, have either been provided for or noted in the financial statements as appropriate. An adequate provision has been made for any losses, which may be expected to result there from, or from events which had occurred before 31 March 2019.

Remuneration report

All amounts paid to members of the Wales Audit Office Management committee have been appropriately included in the Remuneration Report.

All items of personal expenditure paid by the Wales Audit Office on the Management committee's behalf have either been reimbursed by the individuals concerned or have been treated as benefits in kind.

The benefits in kind in respect of the PAYE settlement will be met by the Wales Audit Office. This has been fully disclosed in the remuneration report.

No member of the Management committee or their connected persons had any indebtedness (or agreement concerning indebtedness) to the Wales Audit Office at 31 March 2019 or at any time during the year.

Governance Statement

We confirm the Governance Statement within the Annual Report fairly reflects the Wales Audit Office's current position in relation to our compliance with internal control requirements set out in HM Treasury's guidance.

Fraud and regulation

We acknowledge that the responsibility for the detection of fraud, error and non-compliance with laws and regulations rests with me. We confirm that we are not aware of any known or suspected frauds, error and non-compliance, involving

management, employees or third parties which may have a material effect on the financial statements. We confirm that, insofar as we are able to determine, in my opinion the financial statements are not materially misstated as a result of fraud.

In particular we confirm that the Wales Audit Office has made full disclosure of actual or suspected fraud brought to our attention by employees, former employees and other external parties.

We confirm that there has been no possible or actual instance of non-compliance with those laws and regulations which are central to the Wales Audit Office's ability to conduct its business, except as explained to you and as disclosed in the financial statements.

Events subsequent to the date of the Statement on Financial Position

There were no events, transactions or discoveries since the Statement of Financial Position date which:

- would have a material effect on the financial statements, or
- are of such importance to users of the financial statements that they should be disclosed in the financial statements.

Yours faithfully

Signed on behalf of the board of Wales Audit Office

Auditor General Wales & Accounting Officer

APPENDIX B - UPDATED FINANCIAL REPORTING DEVELOPMENTS

There are no additional matters from those reported within our Audit Plan.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Plan 2019-20

Including additional information on our
longer-term ambitions and key performance indicators



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

This Annual Plan of the Auditor General for Wales and the Wales Audit Office for the year ending 31 March 2020, which includes additional information on our longer-term ambitions and key performance indicators, has been jointly prepared by the Auditor General for Wales and the Chair of the Wales Audit Office under section 25(1) of the Public Audit (Wales) Act 2013.

It is laid before the National Assembly for Wales by the Auditor General for Wales and the Chair of the Wales Audit Office under section 26 of the Public Audit (Wales) Act 2013.

The National Assembly has made provision through Standing Order 18.11(i) for its Finance Committee to be responsible for considering and reporting to the Assembly on the Annual Plan.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below. We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Telephone 02920 320 500

Email info@audit.wales

This document is also available in Welsh.

Summary of our plan

On behalf of the people of Wales, we examine public spending and identify ways to improve public services. Our work supports the effective scrutiny of public money by the National Assembly for Wales and locally elected representatives. We are entirely independent of government.

Why we are here



Assure

the people of Wales that public money is well managed



Explain

how public money is being used to meet people's needs



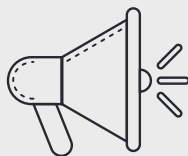
Inspire

and empower the Welsh public sector to improve

What our ambitions are



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

What work we do



Audit projects



Increasing our impact and value



Running the business

Foreword from the Auditor General for Wales and the Chair of the Wales Audit Office

We are pleased to present our Annual Plan for 2019-20, which is the first corporate plan of Adrian's tenure as Auditor General.

Increasing demands on public services, reducing budgets, reforms to funding mechanisms, more complex governance models and the withdrawal from the EU are just a few of the areas which, when taken in combination, present a very challenging and complex environment for the public sector and the wider economy in Wales.

Audit plays a vital role in providing the public, politicians, decision-makers and influencers with the information and assurance they need about how well public money is being spent. This is even more important in these times of challenge and change.

Over the last few years we have successfully delivered a wide range of improvements to public audit in Wales and how we run our organisation. These provide us with very solid foundations on which to improve even further.

In this Plan, we put forward the Auditor General and Wales Audit Office Board's ambitions for taking our work to the next level by unleashing our full potential as a driver of improvement at the heart of Welsh public services. These are to:

- fully exploit our unique perspective, expertise and depth of insight;
- strengthen our position as an authoritative, trusted and independent voice;
- increase our visibility, influence and relevance; and
- be a model organisation for the public sector in Wales and beyond.

To fulfil these ambitions and respond effectively to our operating environment, the Plan sets out our programmes of work and key change commitments for the coming year in terms of audit projects, steps to increase our impact and value, and in running the business.

We are determined to bring trusted audit assurance, commentary and evidence to bear on the issues that matter most for public services in Wales. Through successful delivery of this Plan, we will play our part in holding public bodies to account for their use of public money and ensuring that our unique perspective, expertise and insight shapes decision making and public debate.



Adrian Crompton
Auditor General for
Wales



Isobel Everett
Chair, on behalf of the
Wales Audit Office

Contents

Who we are and what we do	6
Our ambitions	8
Our operating environment	9
Our work	12
Audit projects	13
Increasing our impact and value	15
Running the business	17
Measuring and reporting on our performance	19
Appendices	
1 Local audit work	20
2 National value for money examinations and studies	21
3 Supporting effective scrutiny and accountability	23
4 Good practice work	25
5 Being a model organisation	26
6 Our finances	28
7 Key performance indicators and targets	29

Who we are and what we do

- 1 The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector.
- 2 The Auditor General is responsible for the audit of the majority of public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 3 The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions.



Assure

the people of Wales
that public money is
well managed



Explain

how public money is
being used to meet
people's needs



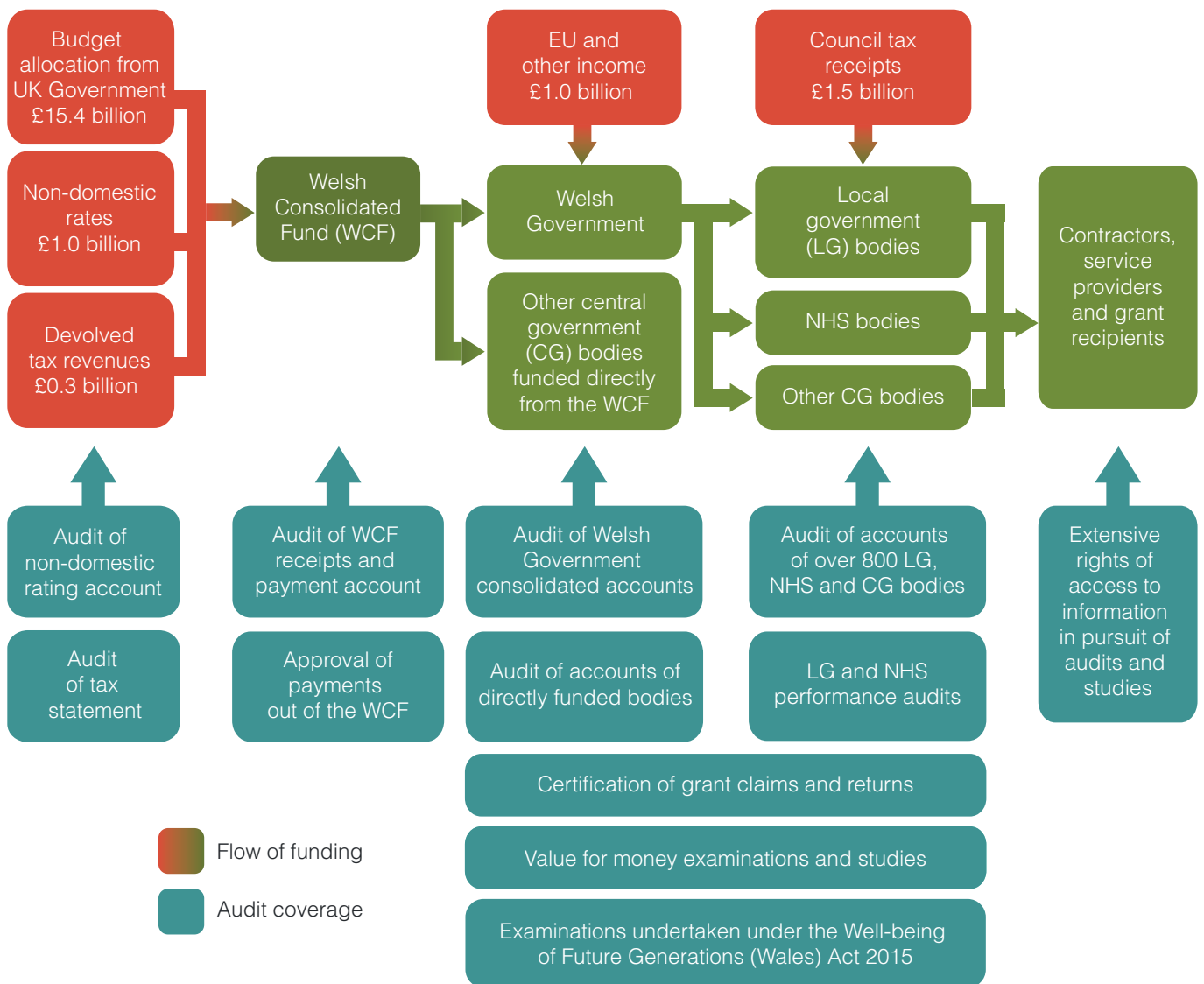
Inspire

and empower the
Welsh public sector to
improve

- 4 The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.
- 5 Altogether, we audit some £19 billion of income and expenditure, which is nearly a third of Welsh GDP.
- 6 We also identify good practice from across the full breadth of the Auditor General's audit work and disseminate this through our [Good Practice Exchange](#) and other media, including shared learning seminars and webinars.

- 7 We undertake our work in accordance with the Auditor General's [Code of Audit Practice](#). The Code prescribes the way in which the Auditor General's audit and certain other functions are to be carried out and embodies what the Auditor General considers to be best professional practice.
- 8 We work closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work.

How we follow the public pound in Wales



Our ambitions

- 9 Over the coming years, we want to unleash our full potential as a driver of change and improvement at the heart of public services and democratic accountability.
- 10 We have four broad ambitions that we believe will enable us to do this.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



Be a model organisation for the public sector in Wales and beyond

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

Our operating environment

- 11 We consider the following factors to be those that will have greatest influence over the way we deliver our work and achieve our ambitions over the next few years.

We remain in a period of financial constraint

- 12 Those charged with delivering public services continue to face real-terms reductions in annual budgets, while seeking to maintain and improve service provision and meet rising public expectations and changing demographic demands.
- 13 Public services need to make radical changes to the way they provide services and engage with service users if they are to build effectively on the increasingly collaborative approach being adopted in Wales. With many public service leaders expecting to make deeper cuts to budgets, a more holistic and long-term approach is needed to mitigate impacts on the public.

The political and policy landscape continues to evolve

- 14 A broad range of policy and political factors are likely to influence how we deliver and resource our work over the next few years. These include:

Implications of Brexit

- 15 It remains difficult to fully assess the implications of Brexit for Welsh public service delivery, including the future shape of financial support for the rural economy and any UK-wide or Welsh replacement for the EU Structural Funds. We are committed to a programme of 'real-time' audit commentary on this complex and dynamic process as it continues to evolve.

Changes to the devolution landscape

- 16 The Wales Act 2017 changed the form of devolution from a conferred to a reserved powers model, with potential for new public bodies to be created.

Fiscal devolution

- 17 Fiscal devolution refers to the transfer of certain tax raising and borrowing powers from Westminster to Wales, which commenced in 2018. Our audit work is expanding to include consideration of Welsh fiscal planning and forecasting, the tax collection operations of the Welsh Revenue Authority and the implications of proposals for new devolved Welsh taxes. We will also be working closely with the National Audit Office on the introduction of the Welsh Rate of Income Tax from April 2019.

Establishment of partnership models and regional working

- 18 Alongside the statutory Public Services Boards established under the Well-being of Future Generations (Wales) Act 2015, an enhanced level of regional planning has been proposed for local government services in Wales, with associated reforms to funding mechanisms and an increase in the complexity of governance models.

Requirement for earlier closure of local government accounts

- 19 The deadlines for preparing, auditing and publishing the accounts of local government bodies in Wales will be brought forward by 2020-21.

Governance arrangements have a wider scope

- 20 The National Assembly has placed legal requirements on the public sector in Wales to strengthen governance arrangements in accordance with a defined sustainable development principle.
- 21 Each public body listed in the Well-being of Future Generations (Wales) Act 2015 must work to improve the economic, social, environmental and cultural well-being of Wales. To do this they must set and publish well-being objectives that are designed to maximise their contribution to achieving each of the well-being goals, and then take action to make sure they meet those objectives. Listed bodies are required to report annually on progress made towards meeting their objectives.
- 22 Under Section 15 of the Act, the Auditor General must examine the extent to which the listed public bodies have acted in accordance with the Act's sustainable development principle when setting well-being objectives, and when taking steps to meet those objectives.

We live in an increasingly networked society

- 23 Over recent years, advances in information technology have led to increased digitisation of service delivery, increased public access to data, and new opportunities and ways to interact and engage through social media and other forms of digital communication.
- 24 Digital transformation and inclusion form a central part of the Welsh Government's plans to make public services more accessible and meaningful to their users, and to achieve better outcomes.

25 An increasingly networked society does not just have implications for the public bodies that we audit. It also impacts quite profoundly on audit agencies and other external review bodies. We too need to stay abreast of technological developments and enhance the quality of our work by taking advantage of new ways of gathering data and intelligence, reporting on our findings and maximising awareness of and engagement with our work.



Our work

26 Our planned work for 2019-20 can be broadly divided into three sections:



27 The first two elements comprise the Auditor General's work programme and priorities for 2019-20 in exercising his functions.

28 The third element encapsulates the work programme and priorities for 2019-20 of the Wales Audit Office in exercising its functions.

29 For each section, a small number of key change commitments have been identified which will support us in the delivery of our ambitions over the coming year. Each change project is sponsored by our executive management team and progress made towards delivering our commitments will be closely monitored by the Board.

30 The resources available, and which may become available to the Wales Audit Office, as per the approved [Estimate of Income and Expenses for the Year Ended 31 March 2020](#), are to be used in delivering these work programmes.

Audit projects

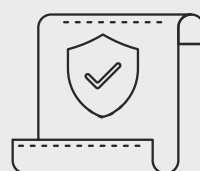
Core work



Undertaking audit work at over **800** public bodies



Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£3 billion**



Approving around **£1 billion** of payments out of the Welsh Consolidated Fund every month

For further information see:

[Appendix 1 – Local audit work](#)

[Appendix 2 – National value for money examinations and studies](#)

31 Our local audit work primarily involves:

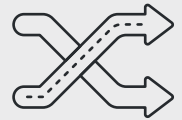
- a providing an opinion on the accounts;
- b considering whether public money is being used for approved purposes (regularity);
- c considering how public business is being conducted (propriety);
- d examining whether proper arrangements are in place to secure value for money and continuous improvement; and
- e assessing the extent to which public bodies have acted in accordance with the sustainable development principle when setting and taking steps to meet their well-being objectives.

32 We also audit, on behalf of the Comptroller and Auditor General, £250 million of European funds used to support farmers and agriculture across Wales and the accounts of the Arts Council of Wales and Sports Council for Wales lottery funds.

33 To help deliver our ambitions in this area of our work, we will focus on the following change commitments in the coming year:

Change commitments

- Improve how we source, acquire and analyse data and how we visualise and communicate our findings.
- Place greater emphasis on the views and perspectives of service users, including 'harder to reach' groups, when considering the effectiveness of public service delivery.
- Examine more closely the effectiveness of arrangements for integrated and collaborative service delivery.



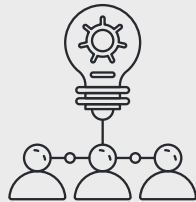
Increasing our impact and value

Core work

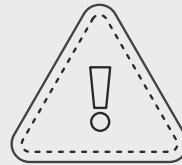


Supporting effective scrutiny

including the work of the National Assembly Committees



Hosting **shared learning** events for over **1,100** attendees



Facilitating the **detection of fraud** and error through the National Fraud Initiative



Participating with **observer** status on a range of key policy working groups

For further information see:

[Appendix 3 – Supporting effective scrutiny and accountability](#)

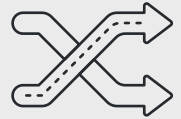
[Appendix 4 – Good practice work](#)

- 34 We are also committed to working closely with the other UK audit agencies through the Public Audit Forum, and with the other main external review bodies in Wales through the Inspection Wales initiative, to enhance the efficiency and effectiveness of public audit and the collective impact of our work. We are proud to represent Wales on occasion on the international audit stage, including at EURORAI.
- 35 The Wales Audit Office is able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of those bodies, both in the UK and overseas. For example, the Assistant Auditor General currently acts as Chief Auditor to the Government of Anguilla, supported by a team from the Wales Audit Office. But, we are mindful that all such activities should be self-financing and must not be undertaken to the detriment of our core audit work in Wales.

36 To help deliver our ambitions in this area of our work, we will focus on the following change commitments in the coming year:

Change commitments

- Ensure the National Assembly is fully sighted of the outcomes of our work when undertaking all aspects of its public spending scrutiny function.
- Explore different and new ways of influencing the thinking and behaviour of others and shaping the wider public debate.
- Be more proactive in our approach to supporting Welsh public bodies in their fight against fraud and corruption.



Running the business

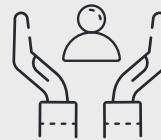
Core work



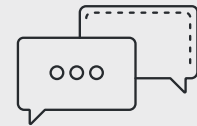
Setting the overall budget of
£21 million
and charging fees for audit work



Employing around
270 staff
and managing a diverse range of physical and information assets



Providing
strong leadership
and embedding our values and behaviours



Monitoring
the exercise of the Auditor General's functions and providing him with advice

For further information see:

[Appendix 5 – Being a model organisation](#)

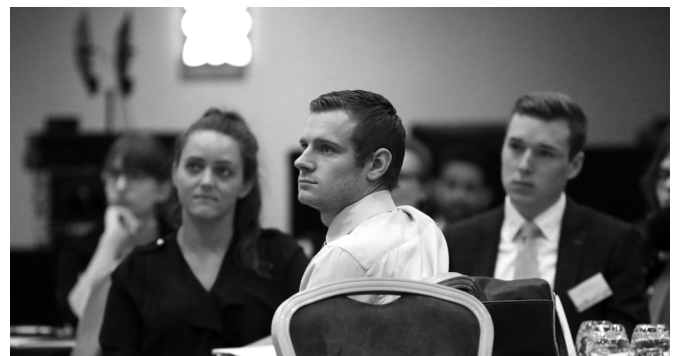
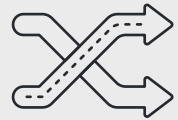
[Appendix 6 – Our finances](#)

- 37 The Wales Audit Office Board is responsible for setting and overseeing the strategic direction of the organisation and ensuring we are on track in the delivery of our ambitions. The Board membership includes non-executive and executive members, alongside two employee-elected members who provide an extra dimension of insight and experience.
- 38 The Management Committee, which is chaired by the Auditor General, advises him in his capacity as Auditor General, Chief Executive and Accounting Officer and provides executive leadership to the organisation.
- 39 More detailed information on our governance arrangements can be found in the Governance Statement section of our [Annual Report and Accounts](#).

40 To help deliver our ambitions in this area of our work, we will focus on the following change commitments in the coming year:

Change commitments

- Introduce new and smarter ways of working to help ensure we deploy our resources in the most efficient and effective way and can adapt to internal and external change.
- Improve and enhance our internal management of knowledge and data.
- Refresh our leadership and governance structures and processes to ensure alignment with our ambitions.



Measuring and reporting on our performance

- 41 In 2019-20, we will use a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This will include regular reporting to our Management Committee and Board on progress being made towards delivering our change commitments and achieving our key performance indicator targets. It will also include internal audit reports to our Management Committee and Audit and Risk Assurance Committee.
- 42 We will place particular emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 43 We will report on our performance externally through our Annual Report and Accounts and Interim Report(s), and by providing evidence at meetings of the National Assembly's Finance Committee.
- 44 When preparing this Plan, we reviewed our targets with reference to current levels of performance, appropriate external benchmarks and our own improvement aspirations. The targets will continue to be subject to ongoing scrutiny and refinement to ensure they are suitably challenging but achievable within the specified timescales.
- 45 In 2019-20, we will undertake a detailed review of our performance indicators and targets, to ensure they remain fully aligned with our overall ambitions.

For further information see:

[Appendix 7 – Key performance indicators and targets](#)

Appendix 1 – Local audit work

46 The Auditor General carries out local work at most public bodies in Wales. The programme includes audits of accounts, local performance audit work and well-being of future generations work.

Table listing the public bodies audited by the Auditor General and showing the types of local work carried out at those bodies

Public body	Audits of accounts	Local performance audit work ¹	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ²
The Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ ³
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension Funds	✓		
Several smaller local government bodies including joint committees, internal drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁴		

1 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.

2 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

3 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

4 On a limited assurance basis.

Appendix 2 – National value for money examinations and studies

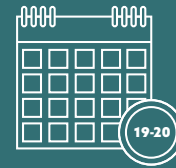
- 47 This programme of work includes value for money examinations, local government studies, and the preparation of summary reports of the findings from local audit work across multiple NHS, central government and/or local government bodies. It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence.
- 48 The outputs from much of this programme support the work of the National Assembly’s Public Accounts Committee and other Assembly committees. Further information on our programme of examinations and studies is available on our [website](#).
- 49 Some, but not all, of the work listed is due to be reported on in 2019-20. The programme of work retains a degree of flexibility to respond to changing circumstances, priorities and issues of public or parliamentary concern, and to incorporate learning of wider relevance from local audit work.





Work already in progress

- Primary care services
- Integrated Care Fund
- NHS clinical coding
- Orthopaedic services
- Tackling violence against women, domestic abuse and sexual violence
- Planning services
- First point of contact assessments
- A465 (Section 2) road improvement
- Well-being of future generations
- Improving the well-being of young people



New work that we plan to take forward in 2019-20

- Picture of public services
- Brexit
- Preventing fraud and corruption
- Administration of student finance
- Fuel poverty / energy efficiency
- Welsh Government workforce
- Welsh Government ICT
- Digital resilience
- Welsh Community Care Information System (WCCIS)
- Impact of austerity on local authority discretionary services
- Financial sustainability in local government
- Commercialisation in local authorities
- Public Service Boards
- Grants management
- Collaborative arrangements for managing local public health resources
- NHS waiting times
- Covering teachers' absence

Appendix 3 – Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts Committee and other Assembly Committees

- 50 Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of matters relating to the use of resources in the discharge of public functions in Wales. Our work can also, where applicable, inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.
- 51 In 2019-20, we will provide regular briefings to the Public Accounts Committee on the content of the Auditor General's published reports, which will help the Committee determine its subsequent course of action. We will also provide further advice and support to the Committee as required, particularly in relation to:
- a the development of members' briefings for evidence sessions with witnesses from the Welsh Government and other organisations;
 - b the development of the Committee's reports; and
 - c providing advice on the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports.

Supporting the work of the audit and scrutiny committees of public bodies

- 52 Throughout the year, we will attend most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work.
- 53 We will also provide further advice and support to audit and scrutiny committees, where applicable, particularly in relation to:
- a providing support and guidance to committee chairs to support them in being more effective in their role; and
 - b providing good practice seminar opportunities and awareness raising sessions for committee members on particularly relevant issues.

Supporting the public and their local elected representatives

- 54 We regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets. The Auditor General is also a 'prescribed person' for raising whistleblowing concerns about the proper conduct of public business and fraud, value for money and corruption in relation to the provision of public services.
- 55 In 2019-20, we will continue to ensure that we:
- a respond to such concerns promptly, and in a fair, objective and professional manner;
 - b appreciate the importance of the issues to those who have taken the time to highlight them;
 - c issue audit reports where we consider these are merited; and
 - d make sure that we do not use public money looking at issues that are not relevant to our audit work or spend too much time on minor issues.



Appendix 4 – Good practice work

- 56 A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experience of service users and of global experts to these conversations.
- 57 Our [programme of shared learning seminars and webinars](#) is flexible and further topics will be added during the year.

Table listing the shared learning seminars and webinars planned for 2019-20.

Topic	Event ⁵	When
Town and Community Councils – sharing learning from our review of internal audit arrangements	Online webinar	April 2019
Working together in partnership to combat fraud in Wales (in partnership with CIPFA Wales)	Seminar	May 2019
Sharing the learning from our review of the Integrated Care Fund	Seminar	June 2019
Innovative approaches to delivering public services in rural communities	Seminar	July 2019
Longer-term planning and decision making – moving beyond annual planning cycles for public services	Online webinar	August 2019
How public services contribute towards the well-being goal of ‘a more equal Wales’	Seminar	September 2019
How technology is enabling better collaborative working across public services	Seminar	October 2019
Alternative delivery models for tackling adverse childhood experiences (in partnership with the Future Generations Commissioner’s Office and ACE Hub)	Seminar	December 2019
Accountability and governance in partnership services	Seminar	February 2020
Tackling violence against women, domestic abuse and sexual violence	Seminar	March 2020
Impact of housing and social care on health and well-being	Online webinar	TBC

5 Our seminars are delivered at two venues in Cardiff and Llanrwst.

Appendix 5 – Being a model organisation

58 Alongside our overall change commitments, the work of the Wales Audit Office Board and Management Committee on running the business in 2019-20 will be shaped by the following thematic priorities:

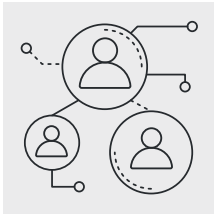


Our people and assets

- Refine our [People Strategy](#), including through:
 - embedding our values and behaviours into how we work with each other and how we make decisions;
 - instilling a coaching culture to ensure thriving conditions for organisational success; and
 - developing a holistic workforce vision to ensure we have the skills and capacity needed to adapt to internal and external change.
- Respond to the results of our latest staff survey⁶ where, despite our overall performance remaining very strong, several areas were identified by staff where we need to do better, including change management and the provision of career path opportunities.
- Actively promote and support staff emotional and physical health and their wellbeing.
- Make good progress towards achieving the equality objectives set out in our [Strategic Equality Plan](#), including through increasing the diversity of our workforce, particularly at the more senior levels.
- Continue to embed the principle of sustainable development in the way we run our business and explore how we can further apply the ‘five ways of working’⁷ to our ongoing operations.
- Reach our target of achieving Level 5 (the highest level) of the Green Dragon Environmental Standard.
- Use the outputs from our review of new and smarter ways of working to inform a re-evaluation of our estates and accommodation strategy.

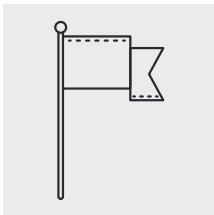
⁶ During October 2018, we ran our annual staff survey to gain insight on the employee experience at the Wales Audit Office, using the same questionnaire used in the [Civil Service People Survey](#).

⁷ As defined in the Well-being of Future Generations (Wales) Act 2015.



Our delivery model

- Expand our use of multi-disciplinary teams to deliver our programme of audit projects.
- Accommodate the changes required to our working practices due to changes in our operating environment, including in relation to the early closure of local government accounts, fiscal devolution and Brexit.
- Support the National Assembly's Finance Committee in its consideration of whether the complicated public audit fee regime in Wales can be simplified and brought more in line with those applicable to other UK audit bodies.
- Deliver a rolling programme of PC/IT equipment and data network infrastructure renewal, alongside further investment in 'cloud services'.
- Refresh our strategy for providing a bilingual audit service and communicating with the public, audited bodies and the media in both languages.
- Implement the key recommendations from our communications transformation project.

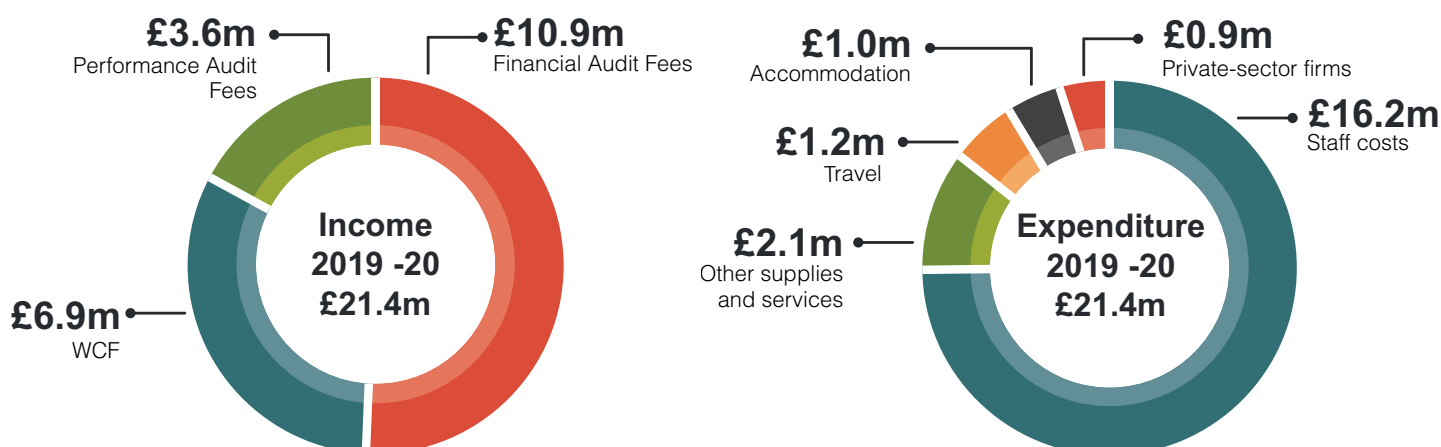


Our leadership and governance

- Ensure that our leadership team is fully equipped to meet the challenges of our future organisational direction.
- Establish a visible 'golden thread' from our overall ambitions down to individual work plans and objectives.
- Streamline our decision-making processes and ensure we consistently delegate responsibility to the most appropriate level.
- Ensure that we have appropriate change capacity in place to deliver the ambitions laid out in this Plan.
- Revisit and update our stakeholder engagement approach to ensure alignment with our ambitions.
- Check that we have the right controls and sources of assurance in place to support comprehensive and robust governance.
- Review our Board effectiveness to ensure that we continue to add value to the Wales Audit Office.

Appendix 6 – Our finances

- 59 The National Assembly’s Finance Committee scrutinises our use of resources, including through consideration of this Plan, our [Estimate](#), [Fee Scheme](#), [Interim Report\(s\)](#) and [Annual Report and Accounts](#).
- 60 Approximately two thirds of Wales Audit Office funding comes from fees charged to audited bodies in accordance with a scheme of fees approved by the National Assembly. Most of the remainder comprises approved financing from the Welsh Consolidated Fund, our use of which is subject to scrutiny from the Board at regular intervals during the year.
- 61 The key priorities for our use of resources in 2019-20 are laid out in our most recent [Estimate](#), which was considered and approved by the National Assembly’s Finance Committee in November 2018. £15.6 million of planned expenditure relates to resources to be made available to the Auditor General to carry out his work programme⁸. A further £5.9 million provides a range of corporate enabling services, including accommodation and other support services, such as legal advice, ICT and HR⁹.
- 62 Since the reconstitution of the Wales Audit Office in 2013-14, by the end of 2019-20 we will have reduced the cost of public audit in Wales by 14% in real terms¹⁰. The cumulative savings generated across those years will amount to over £13 million.



⁸ This is the maximum amount of the resources available, and which may become available, that it is anticipated will be allocated by the Wales Audit Office to the Auditor General for undertaking his work programme.

⁹ This constitutes the resources required to support the Wales Audit Office’s work programme.

¹⁰ Based on GDP deflators published by the Office for National Statistics, June 2018.

Appendix 7 – Key performance indicators and targets

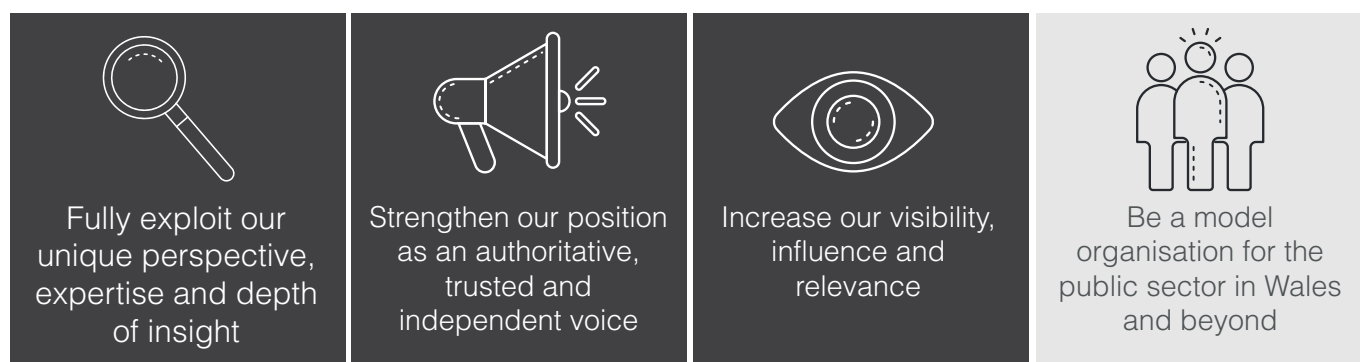
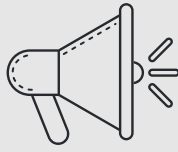


Table listing the key performance indicators and associated targets that relate to our first three ambitions

No.	Indicator	Description	Target
1	On time	Proportion of key audit products delivered on time.	95%
2	National reports	Number of national reports published.	18 per annum
3	Accepted recommendations	Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies.	90%
4	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2018-2021
5	Making a difference	Percent positive stakeholder survey score for how well we are perceived to be delivering our ambitions.	85%
6	Attendees of good practice events	Number of attendees at our shared learning seminars and webinars.	1,100 per annum
7	Satisfaction with good practice events	Proportion of attendees of our good practice exchange events who rated the events useful or very useful overall.	At least 90%
8	Website visits – proportion	Proportion of website visits where at least one action is performed, eg download a report, click on a video.	At least 50%
9	Website visits – number	Number of website visits where at least one action is performed, eg download a report, click on a video.	30,000 per annum
10	Correspondence handling	Number of instances where a response to concerns about public spending raised through correspondence is not issued within 30 working days of receipt.	Nil



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

Table listing the key performance indicators and associated targets that relate to our fourth ambition of being a model organisation for the public sector in Wales and beyond

No.	Indicator	Description	Target
11	Employee engagement	Percent positive annual staff survey (aligned with the Civil Service People Survey) engagement index score.	At least the 9th decile score for the latest Civil Service People Survey (CSPS)
12	Employee experience	Percent positive annual staff survey thematic ¹¹ scores.	At least the 9th decile scores for the latest CSPS
13	Sickness Absence	Average working days lost per member of staff per annum.	Less than 6 days
14	Financial balance	Level of variance in gross expenditure from that set out in our Estimate for 2019-20.	Within 2% of budget
15	Supplier payments	Proportion of suppliers paid within 10 working days of receipt of invoice.	At least 90%
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£574,000
17	Efficiency of estate	Costs including for rent and rates per whole-time equivalent.	Less than £3,300
18	Welsh language provision	Number of complaints received and upheld regarding our Welsh language provision.	Nil
19	Environmental management	Level of Groundwork Wales Green Dragon Environmental Standard accreditation.	Level 5 (highest level)
20	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of purchased electricity, or that are produced indirectly as a consequence of our activities.	Less than 450 tonnes

11 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; organisational culture; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; pay and benefits; and taking action.

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

Rydym yn croesawu galwadau
ffôn yn Gymraeg a Saesneg.

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Interim Report

An assessment of progress made against our 2019-20
Annual Plan during the period 1 April to 30 September 2019



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

This Interim Report covers the period from 1 April to 30 September 2019. It has been jointly prepared, and is laid before the National Assembly for Wales, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with the requirements of the Public Audit (Wales) Act 2013.

The Interim Report includes an assessment of the extent to which:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for 2019-20 under section 25 of the Public Audit (Wales) Act 2013;
- progress has been made toward achieving the priorities set out in the Plan; and
- progress has been made towards achieving our key performance indicator targets.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below.

We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Telephone 02920 320 500

Email info@audit.wales

Website www.audit.wales

Twitter @WalesAudit

This document is also available in Welsh.

Foreword

This Interim Report describes the progress we have made to date towards delivering our [Annual Plan for 2019-20](#).

In the Report, we focus on progress made over the period 1 April to 30 September 2019 towards delivering our planned programmes of work and associated change commitments, and on achieving our key performance indicator targets.

During the reporting period, the delivery of our work has been underpinned by our four new ambitions. These are to:

- fully exploit our unique perspective, expertise and depth of insight;
- strengthen our position as an authoritative, trusted and independent voice;
- increase our visibility, influence and relevance; and
- be a model organisation for the public sector in Wales and beyond

We confirm that there has been no need to deviate significantly from the work programmes laid out in our 2019-20 Plan. All planned work has either been delivered, or is progressing to plan, which is a credit to the professionalism, dedication and hard work of the staff of the Wales Audit Office and the co-operation that we receive from the bodies that we audit.

Guided by our new ambitions and through using our unique remit to follow the public pound, we are committed to building on this momentum for the remainder of the year in our role as a driver of improvement at the heart of Welsh public services.



Adrian Crompton
Auditor General for
Wales



Isobel Everett
Chair of the Wales
Audit Office Board

Contents

Overview	5
Performance analysis	6
Audit projects	7
Increasing our impact and value	10
Running the business	13
Key performance indicators	15
Appendices	
1. Local audit work	17
2. National value for money examinations and studies	18
3. Supporting effective scrutiny and accountability	19
4. Good practice work	20

Overview

During the period 1 April to 30 September 2019, the exercise of the functions of the Auditor General for Wales and the Wales Audit Office has been consistent with the [Annual Plan prepared for 2019-20](#).

There has been no need to deviate significantly from the priorities set out in the Plan; all of our planned work for 2019-20 has either been delivered or is progressing to plan.

Our work over the first half of this year has been driven by our four new ambitions for unleashing our full potential as a driver of improvement at the heart of Welsh public services.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



Be a model organisation for the public sector in Wales and beyond

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

In our Annual Report and Accounts for 2019-20, we will include a selection of case study examples to illustrate how our work over the course of the year has been guided by these ambitions.

Performance analysis

Within our 2019-20 Annual Plan, our planned work is broadly divided into three sections:



The first two elements comprise the Auditor General’s work programme for 2019-20 in exercising his functions.

The third element encapsulates the work programme for 2019-20 of the Wales Audit Office in exercising its functions.

For each section, a small number of key change commitments were identified to support us in the delivery of our ambitions over the current year.

The progress we have made towards delivering each of these commitments during the first half of the year is summarised in the following pages.

The appendices to this report then provide more detailed information on the programmes of work carried out by the Auditor General and the Wales Audit Office from 1 April to 30 September 2019.

Alongside our overall change commitments, the work of the Wales Audit Office Board and Executive Leadership Team (ELT) on running the business in 2019- 20 is being shaped by the thematic priorities listed in [Appendix 5](#) of our Annual Plan. In our Annual Report and Accounts for 2019-20, we will set out in our Governance Statement how the work of ELT and the Board over the course of the year has been guided by these priorities.

Audit projects

Core work



Undertaking audit work at over **800** public bodies



Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£3 billion**



Approving around **£1 billion** of payments out of the Welsh Consolidated Fund every month


Change commitments

Commitment	What has been delivered so far
<p>Improve how we source, acquire and analyse data and how we visualise and communicate our findings.</p>	<p>We are in the process of implementing a three-year data analytics strategy and work programme. Developments and key outputs in the first half of this year have included:</p> <ul style="list-style-type: none"> • designing and using software that automatically sources and collates evidence for our Brexit-related work, thereby helping the audit team in compiling its findings; • publishing an interactive data tool which brings together statistics and other information from a series of audit reports on the Well-being of young people into a single, accessible resource; • incorporating a dashboard into our report on The 'front door' to adult social care which allows users to explore and compare carers' views and the results of our website review, both at a local and national level; • preparing an NHS Wales Finances Data Tool, containing a range of information about the financial position of NHS Wales bodies and showing trends over time; and • producing a similar tool to support our report on The effectiveness of local authority planning authorities in Wales. <p>We have also introduced word limits for all new reports and new report titles, as part of our efforts to improve accessibility and readability.</p>

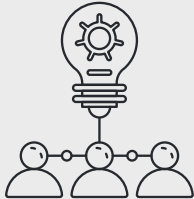
Commitment	What has been delivered so far
<p>Place greater emphasis on the views and perspectives of service users, including 'harder to reach' groups, when considering the effectiveness of public service delivery.</p>	<p>We are:</p> <ul style="list-style-type: none"> • developing comprehensive training and guidance materials for staff on ways of gathering the views of service users, including 'harder to reach groups'; • continuing to engage with people that represent the interests of protected groups on our forward work programme, as outlined in our Equality Report for 2018-19; • incorporating more studies and reviews into our programme which consider, in greater detail, the views and perspectives of service users. These include examinations of: <ul style="list-style-type: none"> – Public Service Boards and the effectiveness of partnership working (Phase 1); – Tackling violence against women, domestic abuse and sexual violence (due to be published in November 2019); and – The Well-being of young people.
<p>Examine more closely the effectiveness of arrangements for integrated and collaborative service delivery.</p>	<p>This year, our programme of audit work contains a suite of projects designed to examine more closely the effectiveness of arrangements for integrated and collaborative service delivery. This includes reviews of:</p> <ul style="list-style-type: none"> • City Deal governance arrangements in Cardiff; Swansea and North Wales; • the Integrated Care Fund; • the 'front door' to adult social care; • Review of Public Service Boards; • tackling violence against women, domestic abuse and sexual violence; and • the extent to which public bodies have acted in accordance with the sustainable development principle.

Increasing our impact and value


Core work




Supporting effective scrutiny
including the work of the National Assembly Committees



Hosting **shared learning** events for over **1,100** attendees



Facilitating the **detection of fraud** and error through the National Fraud Initiative



Participating with **observer** status on a range of key policy working groups

Change commitments

Commitment	What has been delivered so far
<p>Ensure the National Assembly is fully sighted of the outcomes of our work when undertaking all aspects of its public spending scrutiny function.</p>	<p>We have:</p> <ul style="list-style-type: none"> • worked with the National Assembly to identify further opportunities to raise awareness of the coverage of our forward work programme and the outcomes of our work, including the possibility of briefing the Committee Chairs Forum; • more proactively reviewed draft Bills laid before the Assembly and UK Parliament, Committee inquiries¹ and consultations issued by the Welsh Government, to ensure we are responding in all instances where we can have an impact; and • developed software, in partnership with the National Assembly, that enables us to proactively monitor and analyse the extent to which our work is being considered and referenced in Assembly Plenary and Committee proceedings


¹ Including the [Finance Committee review of the Public Audit \(Wales\) Act 2013](#).

Commitment	What has been delivered so far
<p>Explore different and new ways of influencing the thinking and behaviour of others and shaping the wider public debate.</p>	<p>We have:</p> <ul style="list-style-type: none"> • consulted with the co-ordinator of the newly-established Welsh Youth Parliament about the best ways to raise awareness and understanding of our work among its Members, including in particular the findings of our report on The well-being of young people in Wales; • expanded our staff training programme to include additional opportunities for the development of influencing and engagement skills; • commenced a review of engagement with our work among different audiences with a view to refreshing our organisational identity and branding and extending our reach and impact; and • ran good practice events in north and south Wales, providing opportunities for cross sector engagement, debate, learning and networking.
<p>Be more proactive in our approach to supporting Welsh public bodies in their fight against fraud and corruption.</p>	<p>We have:</p> <ul style="list-style-type: none"> • hosted² a series of shared learning seminars entitled Working in partnership to combat fraud aimed at sharing investigation techniques and intelligence and exploring the use of data analytics in fraud prevention and detection; • published an overview for the Public Accounts Committee of Counter-fraud arrangements in the Welsh Public sector as a follow-up to our report summarising the findings of the National Fraud Initiative in Wales; and • supported the Public Accounts Committee in delivering a counter-fraud stakeholder workshop and presented to the Local Government Directors of Finance Group on the outcomes and benefits of the National Fraud Initiative.


² With support and input from the NHS Counter Fraud Service, the Cabinet Office and the Information Commissioner's Office.

Running the business


Core work



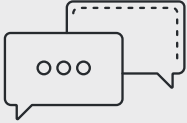
Setting the overall budget of
£21 million
and charging fees for audit work



Employing around
270 staff
and managing a diverse range of physical and information assets



Providing
strong leadership
and embedding our values and behaviours



Monitoring
the exercise of the Auditor General's functions and providing him with advice

Change commitments

Commitment	What has been delivered so far
<p>Introduce new and smarter ways of working to help ensure we deploy our resources in the most efficient and effective way and can adapt to internal and external change.</p>	<p>We have commenced work on:</p> <ul style="list-style-type: none"> • implementing a new Estate Strategy to make best use of our office space and support new and more flexible ways of working; • restructuring our financial audit teams to better support delivery of our future work programme and more integrated team working; and • consolidating existing resourcing plans into a single pan-Wales plan for the delivery of all audit projects.

Commitment	What has been delivered so far
<p>Improve and enhance our internal management of knowledge and data.</p>	<p>We have:</p> <ul style="list-style-type: none"> • implemented a new cloud-based data management system which supports more efficient and effective data analysis and knowledge sharing; • accelerated our work on the archiving and destruction of our paper and electronic records, and provided revised guidance and training for all information asset owners; and • developed more streamlined systems for the collection, analysis and reporting of our management information including interactive reports on our key performance indicators, strategic risks and change commitments for our Executive Leadership Team and Board.
<p>Refresh our leadership and governance structure and processes to ensure alignment with our ambitions.</p>	<p>We have:</p> <ul style="list-style-type: none"> • consolidated the work programmes of three of our previous management-tier committees into a newly established Director Team to ensure consistent and more joined-up strategic leadership; • reconstituted our Executive Leadership Team (ELT) with a refreshed membership including Employee Members to ensure that a broader range of views and insight informs our corporate decision making; and • held a series of focus groups through which all staff were invited to put forward suggestions and proposals directly to the Auditor General for how we can best achieve our new ambitions.

Key performance indicators

The position as of 30 September 2019 in terms of achieving our 20 key performance indicator targets is summarised below.

Where appropriate, we assess our level of performance on a rolling annual basis. For performance measures where this applies, the figures describe our performance for the period 1 October 2018 to 30 September 2019.


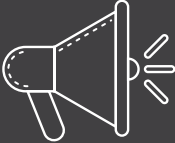


 Fully exploit our unique perspective, expertise and depth of insight	 Strengthen our position as an authoritative, trusted and independent voice	 Increase our visibility, influence and relevance	 Be a model organisation for the public sector in Wales and beyond
---	---	--	--

Table listing the key performance indicators that relate to our first three ambitions.

No.	Indicator	Description	Target	Performance to 30 September
1	On time	Proportion of key audit products delivered on time.	95%	92%
2	National reports	Number of national reports published.	18	24
3	Accepted recommendations	Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies.	90%	99%
4	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2018-2021	£17.7 million
5	Making a difference	Percent positive stakeholder survey score for how well we are perceived to be delivering our ambitions.	85%	89%
6	Attendees of good practice events	Number of attendees at our shared learning seminars and webinars.	1,100 per annum	1,307
7	Satisfaction with good practice events	Proportion of attendees of our good practice exchange events who rated the events useful or very useful overall.	At least 90%	92%
8	Website visits – proportion	Proportion of website visits where at least one action is performed, eg download a report, click on a video.	At least 50%	38%
9	Website visits – number	Number of website visits where at least one action is performed, eg download a report, click on a video.	30,000	21,431
10	Correspondence handling	Number of instances where a response to concerns about public spending raised through correspondence is not issued within 30 working days of receipt.	Nil	1 out of 41

● Achieved our target
 ● Close to achieving our target
 ● Improvement required
 ● Significant improvement required

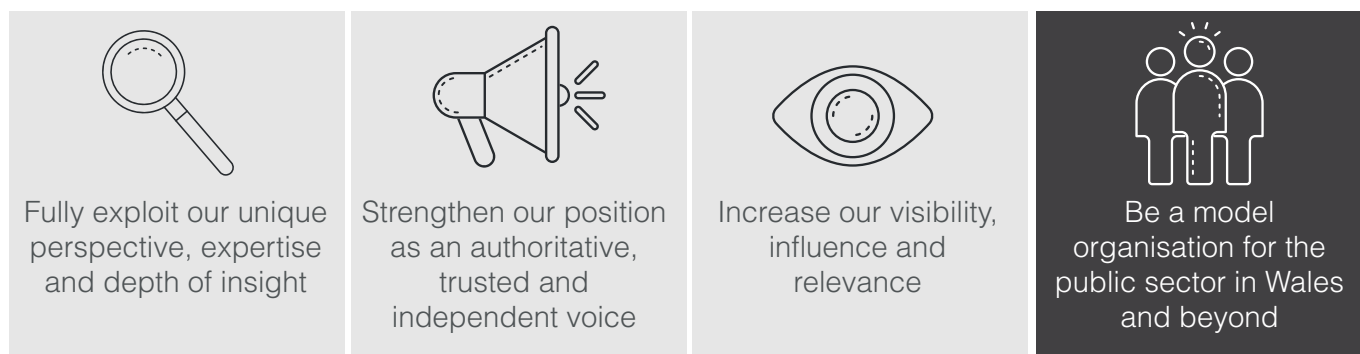


Table listing the key performance indicators that relate to our fourth ambition of being a model organisation for the public sector in Wales and beyond.

No.	Indicator	Description	Target	Performance to 30 September
11	Employee engagement	Percent positive annual staff survey (aligned with the Civil Service People Survey) engagement index score ³ .		
12	Employee experience	Percent positive annual staff survey thematic scores.		
13	Sickness Absence	Average working days lost per member of staff per annum.	Less than 6 days	5.2
14	Financial balance	Level of variance in gross expenditure from that set out in our Estimate for 2019-20.	Within 2% of budget	0.01%
15	Supplier payments	Proportion of suppliers paid within 10 working days of receipt of invoice.	At least 90%	84%
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£574,000	£574,000 ⁴
17	Efficiency of estate	Costs including for rent and rates per whole-time equivalent.	Less than £3,300	3,425
18	Welsh language provision	Number of complaints received and upheld regarding our Welsh language provision.	0	0
19	Environmental management	Level of Groundwork Wales Green Dragon Environmental Standard accreditation.	5	5
20	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of purchased electricity, or that are produced indirectly as a consequence of our activities.	Less than 450 tonnes	385

● Achieved our target
 ● Close to achieving our target
 ● Improvement required
 ● Significant improvement required

³ The last staff survey was run in October 2018 with the results published in our Annual Report and Account; it will run again in November 2019 and the outcomes will be published in our Annual Report and Accounts for 2019-20.

⁴ This is an anticipated figure at the time of publication, the exact figure won't be known until November 2019.

Appendix 1 – Local audit work

The Auditor General carries out local work at most public bodies in Wales. The programme includes audit of accounts, local performance audit work and well-being of future generations work.

Table listing the public bodies audited by the Auditor General and showing the type of local work carried out at those bodies.

Public body	Audits of accounts	Local performance audit work ¹	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ²
The Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ ³
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension Funds	✓		
Several smaller local government bodies including joint committees, internal drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁴		

Notes:

- 1 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.
- 2 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.
- 3 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.
- 4 On a limited assurance basis.

Appendix 2 – National value for money examinations and studies

This programme of work includes value for money examinations, local government studies, and the preparation of summary reports of the findings from local audit work across multiple NHS, central government and/or local government bodies. It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence.

The outputs from much of this programme support the work of the National Assembly's Public Accounts Committee and other Assembly committees. Further information on our programme of examinations and studies is available on [our website](#).

The table below lists work in progress, alongside work completed or substantially completed as at 30 September 2019. The Annual Plan 2019-20 includes other studies that are yet to commence.



Work in progress

- NHS clinical coding
- Tackling violence against women, domestic abuse and sexual violence
- Well-being of future generations
- Collaborative arrangements for managing local public health resources
- Asbestos removal programme at Ysbyty Glan Clwyd – Betsi Cadwaladr UHB
- Public Service Boards (phase 2)
- Quality governance arrangements in NHS bodies
- Orthopaedic services
- Commercialisation in local authorities
- Impact of austerity on local authority discretionary services
- Welsh Government management of European Agricultural Funds for Regional Development (EAFRD) funding
- Counter-fraud arrangements in the Welsh public sector



Work completed or substantially completed

- The effectiveness of local planning authorities
- NHS finances data-tool
- Counter-fraud arrangements in the Welsh public sector (overview for PAC)
- Integrated Care Fund
- Front door social care
- Well-being of young people
- Preparations in Wales for a 'no deal' Brexit (follow-up)
- Public spending trends in Wales
- Fuel poverty
- Public Service Boards (phase 1)
- A465 (Section 2) road improvement – interim findings
- Primary care services

Appendix 3 – Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts Committee and other Assembly Committees

Our work continues to play a key role in supporting the work of the Public Accounts Committee in its consideration of the use of resources and the discharge of public functions in Wales. During the interim reporting period, the outputs from our work supported 11 meetings of the Committee, including evidence sessions on [Primary Care Out-of-Hours Services](#), [Waste Management](#), [Counter-Fraud Arrangements in the Welsh Public Sector](#), [management of outpatients](#), [the effectiveness of local planning authorities](#) and the [Integrated Care Fund](#).

Our work has also informed the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation. During the last six months, this has included a follow-up paper on [Preparations in Wales for a 'no-deal' Brexit](#) being considered by the External Affairs and Additional Legislation Committee.

Supporting the work of the audit and scrutiny committees of public bodies

Throughout the interim reporting period we have continued to attend most meetings of the audit and scrutiny committees of the principal bodies that we audit, providing regular briefings and reports on our audit work together with advice and support to strengthen governance effectiveness.

Supporting the public and their local representatives

We regularly receive correspondence from the public, their local and national elected representatives and others that raise potential concerns about the stewardship of public money and assets. During the interim reporting period we received 41 items of correspondence and ensured that we responded to those concerns promptly and in a fair, proportionate and professional manner. In addition, 11 individuals contacted us between 1 April and 30 September 2019 indicating that they wished to make a whistleblowing disclosure.

Appendix 4 – Good practice work

A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experience of service users and of global experts to these conversations.

Our programme of shared learning seminars and webinars is flexible and further topics are added during the year. More information on our Programme of good practice work, can be accessed on [our website](#).

Table listing the shared learning seminars and webinars delivered during the interim reporting period.

Topic	Event ⁵
Working together in partnership to combat fraud in Wales (in partnership with CIPFA Wales)	Seminar
Internal audit arrangement at Town and Community Councils – sharing learning from our review of internal audit arrangements	Webinar
Key issues for Regional Partnership Boards	Webinar
Innovative approaches to delivering public services in rural communities	Seminar
Future proofing public services	Webinar
Making an 'Equal Wales' a reality	Seminar

⁵ Our seminars are delivered at two venues, in Cardiff and Llanrwst.

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

Rydym yn croesawu galwadau
ffôn yn Gymraeg a Saesneg.

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Estimate of Income and Expenses of the Wales Audit Office for the Year Ended 31 March 2021



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Jointly prepared and laid before the National Assembly for Wales under Section 20(1) of the Public Audit (Wales) Act 2013

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

© Wales Audit Office 2019

Adrian Crompton
Auditor General for Wales

Isobel Garner
Chair, Wales Audit Office

Preface

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the National Assembly at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the National Assembly may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- the Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the National Assembly under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

A draft Fee Scheme, prepared under Section 24 of the Public Audit (Wales) Act 2013, is included for consideration alongside the Estimate in view of their interdependency.

Contents

Foreword	5
Value for money at the Wales Audit Office	8
Cost of public audit in Wales	8
Value for Money (VfM) Framework -Smarter, Leaner, Better	9
Budget 2020-21	10
Our annual plan ambitions	10
Overview of expense and income 2020-21	11
Funding our work - WCF 2020-21	20
Changes in our call on the WCF 2019-20 to 2020-21	20
How we will use WCF funding	21
Capital investment	30
Potential changes to this budget	32
The budget ambit 2020-21	34
Appendices	
Appendix 1 – Statement of Principles	36
Appendix 2 – draft Fee Scheme 2020-21	37

Foreword

The Wales Audit Office exists to give the National Assembly and the people of Wales confidence in a high-performing and accountable public sector. With public trust in government, institutions and professionals in decline, our work is more important than ever in safeguarding the integrity of our devolved democracy in Wales.

Our wide-ranging programme of value for money work is vital to robust parliamentary accountability through the National Assembly's Public Accounts, Finance and other Committees. We audit the accounts and governance of over 800 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed. From the Welsh Government itself to the smallest community council, through almost every area of public service delivery, the Auditor General can follow the public pound wherever it is spent.

The total annual cost of delivering this independent assurance and insight represents a little over 1 penny for every £10 spent on public services in Wales. In 2020-21, our cost to the public purse will be lower than the current year.

The UK's impending exit from the European Union is an unprecedented test for the National Assembly, Welsh Government and the wider public sector across Wales. Financial sustainability is a very real and growing risk for some public bodies. Public services are under increasing pressure to respond to social and demographic changes, rapid technology advancement, climate change, reforms to funding mechanisms and more complex governance models such as City Deal partnerships. And, as both society and technology changes, new risks of fraud and corruption arise.

At the same time, the audit profession itself is under scrutiny. After several well-publicised private sector corporate failures and concerns about the adequacy of local public audit arrangements in England, independent reviews have recently made recommendations to strengthen quality, independence and the scope and expectations of audits. Many of these recommendations are already features of our existing public audit model in Wales, but we are not complacent. Our focus continues to be on delivering independent, rigorous and high-quality audit, and in delivering continuous improvements in our own operations.

In 2018, a new Auditor General for Wales (AGW) was appointed. Since then, the Wales Audit Office Board, and whole organisation, have embraced a shared commitment to unleash our full potential to help the National Assembly hold government to account for spending public money and to drive improvements in public services. This is the first opportunity for the new AGW and Board to submit an Estimate shaped by that vision and our ambitions to:

- fully exploit our unique perspective, expertise and depth of insight;
- strengthen our position as an authoritative, trusted and independent voice;
- increase our visibility, influence and relevance; and
- be a model organisation for the public sector in Wales and beyond.

It provides for an overall real-terms **reduction** in the total revenue budget of the Wales Audit Office of 2.5%, excluding the biennial cost of the National Fraud Initiative.

We are acutely aware of our responsibility to other parts of the public sector to contain our own operating costs and the fees we charge, provided that does not risk audit quality and the assurance we can provide. This Estimate describes our Smarter, Leaner, Better value-for-money programme and the opportunities we see to continue to drive cost savings and efficiencies in our business model in the years ahead. Building on significant savings made across previous years, our savings target for 2020-21 is £476,000 – a tough challenge for us to achieve.

Almost two thirds of our £22 million annual income is derived from the fees we charge to the public bodies we audit. Over the past four years we have successfully delivered real-terms reductions in fees for most of these public bodies.

The Finance Committee will be familiar with the inflexibility in our existing statutory funding regime. It significantly constrains the Auditor General's ability to redeploy any capacity released by efficiencies in our fee-earning activities to other types of audit work.

To go some way to overcoming this inflexibility, we propose switching c1% of resource from fee income to funding from the Welsh Consolidated Fund (WCF). This transfer between our funding sources of £180,000 will enable us to continue to reduce the annual fees that we charge to public bodies through delivering planned audit efficiencies, whilst retaining audit capacity and expertise. We will use that specialist capacity to provide the National Assembly and others with assurance and insight from our annual accounts work that we would otherwise not be able to deliver. Importantly, there will be no net increase in our costs or funding to achieve this.

In addition to this shift, we would use additional revenue and capital resources from the Welsh Consolidated Fund to:

- invest in our digital capacity and capabilities, primarily to expand on our early work on data analytics, leading to longer-term savings and increased impact, and to strengthen our cyber security arrangements; and
- expand our highly-regarded Graduate Trainee and Apprenticeship schemes.

To deliver this we are seeking an increase of £615,000¹ in the funding that we receive from the WCF. Our fee income will fall by £711,000, so cost of public audit in Wales will be lower next year than it is this year.

We expand on our plans and funding proposals through this document, which we have developed in accordance with the [Statement of Principles](#)² published by the Finance Committee in May 2019 and the follow-on briefing the Committee provided for the Minister for Finance and Trefnydd in July 2019.

[Our Annual Report and Accounts](#) sets out our record of achievement for the last financial year. In March this year we laid [our Annual Plan for 2019-20](#) at the Assembly. This Estimate secures funding for our forward priorities for 2020-21, and our Annual Plan for that year will then be laid before the National Assembly in March 2020.

We look forward to discussing our Estimate with the Assembly's Finance Committee.



Isobel Garner
Chair, Wales Audit Office



Adrian Crompton
Auditor General for Wales

¹ See Exhibit 5

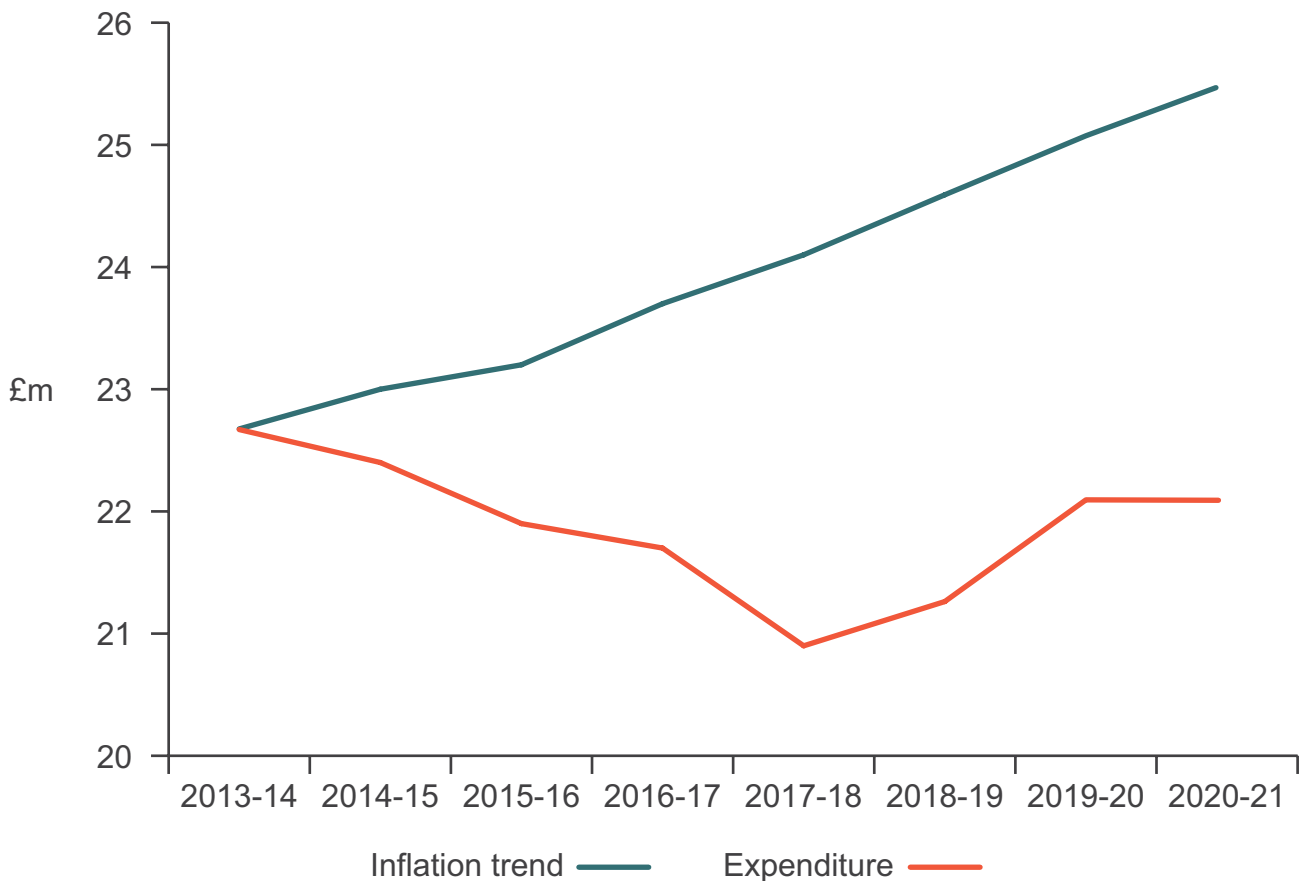
² See Appendix 1

Value for money at the Wales Audit Office

Cost of public audit in Wales

- 1 Since the establishment of the Wales Audit Office Board in 2013-14, we will have reduced the cost of public audit in Wales by 13% in real terms³. This is represented in **Exhibit 1**. The cumulative savings generated across those years will amount to over £16 million.
- 2 We have achieved this reduction in expenditure despite allocating additional resources to new areas of spend during the period, such as Investigative Studies, growth in our Good Practice Exchange work, our investment in a graduate training scheme and in organisational transformation.

Exhibit 1 – the cost of public audit 2013-14 to 2019-20



- 3 Our Estimate for 2020-21 requires that we make savings of £476,000 to balance the budget. We set out below the framework we will employ to identify these savings.

³ Based on GDP deflators published by ONS, June 2019.

Value for Money (VfM) Framework - Smarter, Leaner, Better



Our people

- Aligning resources with Wales Audit Office ambitions
- Skills mix and workforce re-modelling
- Supply/demand modelling
- Reviews of support services and audit delivery

Achieved so far⁴ (savings £967,000)

- Increased use of graduate trainees £178,000
- Reduced number of Directors £587,000
- Reduced contractor expenditure £100,000
- 2015 review of corporate services £102,000

Future potential

- Refresh resourcing plans for audit work
- Tight alignment to work to ambitions
- Strategic Workforce Planning



Time savings



Places

- Smarter working – office space and travel
- Estates strategy
- Building efficiency
- T&S scheme
- IT enabled

Achieved so far (savings £132,000)

- 10% travel cost savings from 2016 review £120,000
- Travel costs contained despite in-sourced Firms' work
- Reduced travel costs re investment in VC/Skype
- Savings from North Wales office move £12,000

Future potential

- Cost savings arising from Ways of Working project
- Estates strategy review



Processes

- Data and digitally enabled
- Smarter working – systems and processes are necessary efficient and effective
- Assembly review of Public Audit (Wales) Act 2013 (PAWA)
- Corporate change programme
- Integrated resourcing

Achieved so far

- Expenses system efficiencies
- Governance reporting efficiencies

Future potential

- PAWA review
- Audit efficiencies from Data Analytics
- On-going process reviews
- Corporate change programme
- Integrated resource deployment



Procurement

- Cost effective procurement
- In-sourcing Firms' work

Achieved so far (savings £785,000)

- In-sourcing firms' work in 2016 £640,000
- Payroll and internal audit outsourcing £75,000
- IT systems £70,000

Future potential

- Firms' contracts end 2020
- Review use of procurement frameworks

⁴ Annual savings identified since 2013

Budget 2020-21

Our Annual Plan Ambitions

4 Our Annual Plan for 2019-20 set out the following ambitions for the work of the Wales Audit Office and the Auditor General. This Estimate sets out the funding required for 2020-21 if we are to achieve these ambitions.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



Be a model organisation for the public sector in Wales and beyond

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

Overview of expenses and income 2020-21

- 5 We have aligned our Estimate format with our Annual Report & Accounts to provide easy readability across our spending plans and actual out-turn.
- 6 Our total planned expenditure for 2020-21 is less in cash terms than for the current financial year – representing a reduction of 1.9% in real-terms. If the cyclical cost of the National Fraud Initiative (NFI) is excluded, our expenditure next year would be 2.5% lower in real-terms.

Exhibit 2 – expenses and income 2020-21

Expenses	Estimate 2020-21 £'000	Estimate ⁵ 2019-20 £'000	Increase/ (Reduction) £'000
Staff costs	16,504	15,917	587
Short term contract staff	311	737	(426)
Travel and subsistence	1,205	1,216	(11)
Accommodation	940	993	(53)
Private sector firms	598	905	(307)
Irrecoverable VAT	500	500	-
ICT	546	480	66
Wales Audit Office governance	300	300	-
External training	289	289	-
Translation	145	165	(20)
Legal and professional fees	180	162	18
Depreciation	280	280	-
Other supplies and services	675	739	(64)
Savings target	(476)	(540)	64
TOTAL	21,997	22,143	(146)
Cyclical NFI costs	130	-	130
Expenses total	22,127	22,143	(16)

⁵ Per Supplementary Budget Memorandum approved by the Assembly's Finance Committee on 15th May 2019

Income	Estimate 2020-21 £'000	Estimate 2019-20 £'000	Increase/ (Reduction) £'000
Audit Fees	12,135	12,377	(242)
EU Agricultural Funds Audit	759	900	(141)
Grant certification fees	870	1,198	(328)
INCOME TOTAL	13,764	14,475	(711)
Total to be funded from WCF	8,363	7,668	695

Exhibit 3 – expenses breakdown 2020-21

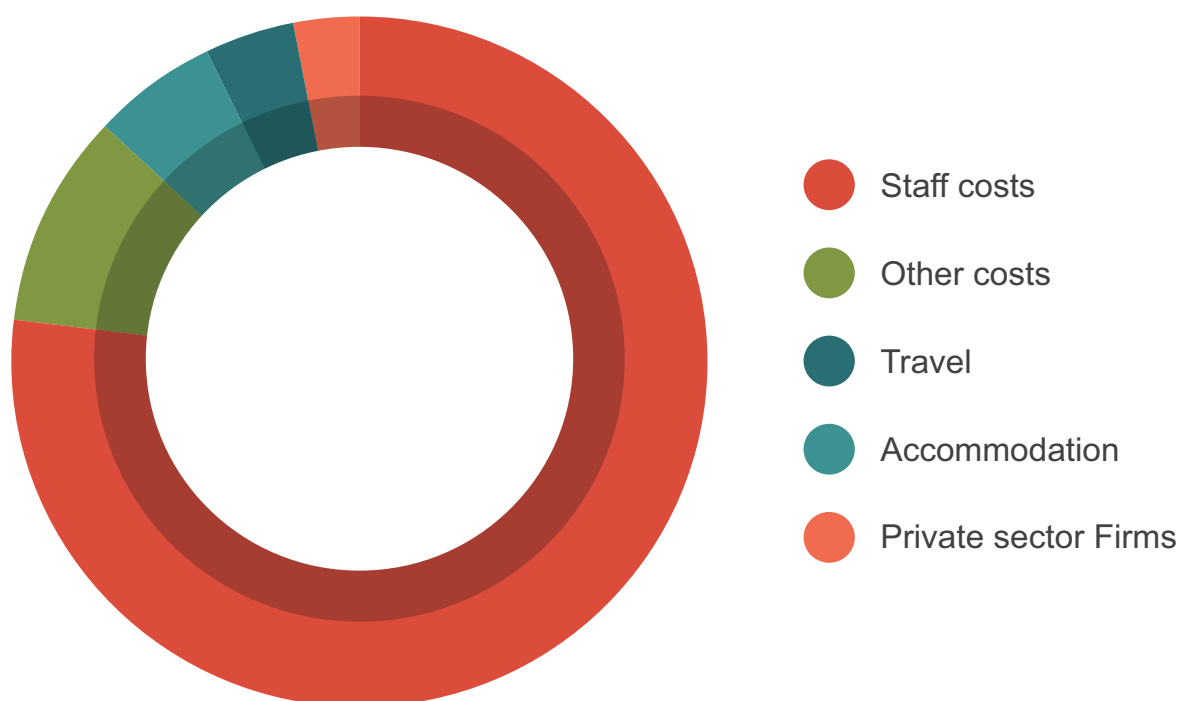
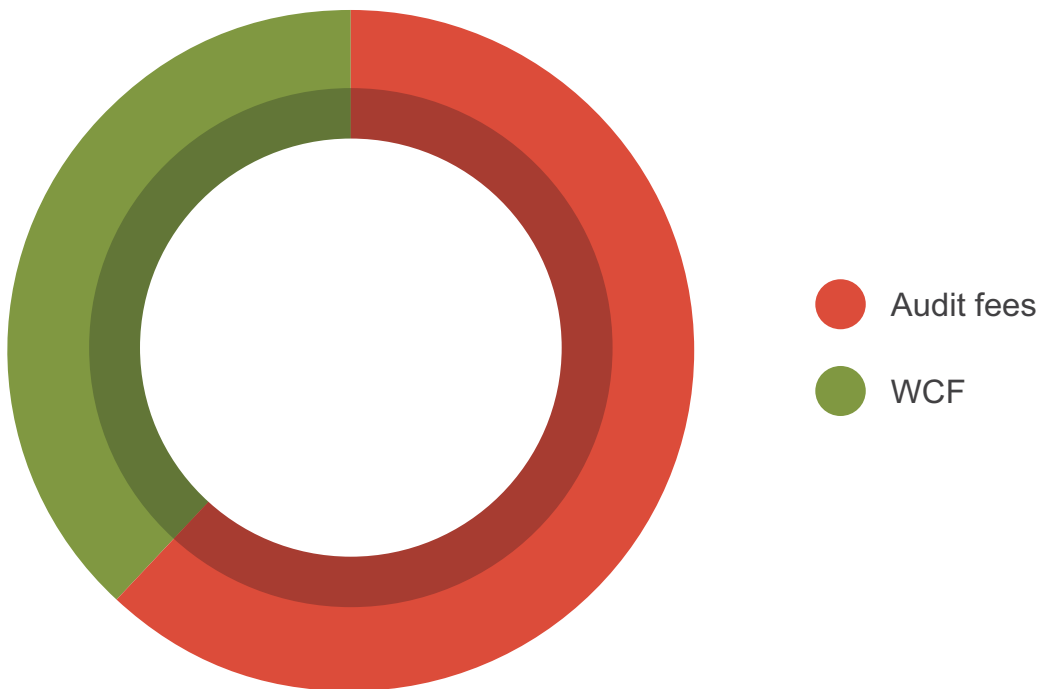


Exhibit 4 – income breakdown 2020-21



Explanation of the main expense areas

Staff costs £16.5 million (77% of expenditure)

- 7 Most of our expense is in respect of the cost of employing our staff. Our budget for 2020-21 includes provision for 274 full time equivalent roles. In line with Welsh Government guidelines⁶ we have included an indicative 2% budget increase in anticipation of a pay settlement for the year, from April 2020.
- 8 We anticipate a marginal increase in overall staff numbers from 2019-20, reflecting a leaner and more cost-efficient staff/grade mix, an extension of our highly-regarded graduate trainee and apprentice programmes, and some essential specialist capacity and expertise for our Data Analytics project and to meet our cyber security requirements. Our use of short-term contract staff is reducing as we recruit more trainees and apprentices.

⁶ Letter dated 19th July 2019 from Minister for Finance and Trefnydd

Travel and subsistence £1.2 million (6% of expenditure)

- 9 Our budget for 2020-21 shows a small reduction as compared to the previous year, based on an expected reduction in travel in response to our Ways of Working project.
- 10 We anticipate that further savings will materialise and contribute to our global savings target as we fully implement the recommendations from the 'Ways of Working' transformation project. This will likely see more of our staff working remotely or from 'audit hubs' rather than travelling daily to client sites.
- 11 A value for money review of our travel scheme will be carried out by the end of this year. In agreement with the Assembly's Finance Committee, we have appointed our external auditors, RSM UK LLP to undertake this review.

Accommodation £0.9 million (4% of expenditure)

- 12 We currently have 3 office bases: in Cardiff, Abergele and Swansea – the leases on each of these come to an end between 2021 and 2025. Our Estates Strategy is being updated, considering the findings of our Ways of Working project, to consider the best solutions for our future accommodation needs.

Private Sector Firms £0.6 million (3% of expenditure)

- 13 In January 2019 the Board agreed, following detailed consideration of an options appraisal and business case, that the Wales Audit Office would no longer contract out audit work to private sector firms. Current contracts come to an end in the autumn of 2020 after which time the work will be carried out by Wales Audit Office staff. The change will in no way reduce audit quality and provides the opportunity to realise other benefits including:
 - reduced costs to enable the Wales Audit Office to achieve its medium-term financial plan and strategy;
 - in line with our workforce planning principles, avoidance of redundancies (and as associated costs) for Wales Audit Office staff following the anticipated loss of income from audit of EU Agricultural funds and Welsh Government grants certification work; and
 - avoidance of the costs of contract management and dispute resolution;
 - potential to deliver more tailored service to audited bodies, such as through our Welsh language provision;
 - ability to support strategic improvement in financial management of the Town and Community Council sector.

- 14 We do not currently anticipate that any significant recruitment will be necessary, as this additional work is expected to align with the end of our existing audit work on EU Agricultural Funds in 2020-21⁶.

ICT £0.5 million (2% of expenditure)

- 15 We plan to spend £546,000 on ICT in 2020-21, mainly on software licences (including Microsoft office and core systems) and line rentals for our ICT infrastructure.
- 16 Our expenditure on ICT is increasing as we increase our use of specialist analytics software and respond to increased requirements for improved cyber security.

Other expenses

- 17 As set out in [Exhibit 2](#), we incur a range of other expenses in running the Wales Audit Office, such as external training, legal and professional fees (including our internal and external auditors), Welsh translation, depreciation of our capital assets and costs associated with the National Fraud Initiative.

Income

- 18 We derive income to fund our work from two sources: fees charged to audited bodies (62%) and from the Welsh Consolidated Fund (38%).
- 19 The Wales Audit Office does not generate profits on fees. The Public Audit (Wales) Act 2013 requires that the fees we charge must not exceed the full cost of exercising the function to which the fee relates. This is a particularly restrictive provision that limits our ability to use our resources flexibly. We therefore very much welcome the Finance Committee's intention to develop and consult on a draft Bill to amend the Public Audit (Wales) Act 2013.
- 20 When the Auditor General gave evidence to the Finance Committee in July 2019 in relation to the restrictions of the legislation, he referred to this inflexibility and the particular constraint that it places on his ability to move any staff capacity from fee-earning work to other types of audit work.
- 21 He said, 'Administratively, when I try to take staff who are fee funded away from that work, or encourage them to be more efficient, to free up some of their time to deliver something new and fresh, we're left in this vicious circle...locked into this straitjacket of the 'no more than cost' rule, keeping our resource locked in to particular areas of work, and not freeing it up, as I'd like to be able to do'.

⁶ See paragraph 88

22 In order to overcome this inflexibility, this Estimate therefore proposes reducing fee income by 1.2% and switching that £180,000 to be funded from the WCF instead. This will enable us to retain specialist audit capacity and expertise freed-up through audit efficiencies, to redeploy to new areas of work and achieve greater impact. Importantly, this means the overall cost of the work we undertake will not increase (it has no net impact on the Welsh block), but it will enable us to continue to reduce the annual fees we charge to public bodies through delivering audit efficiencies.

Fee income

- 23 We anticipate two significant reductions in our income from audit fees in 2020-21. These arise in part from Brexit and the expected loss of audit work on EU Agricultural Funds, and from the decision of the Welsh Government to reduce the assurance work we undertake in respect of grant certification.
- 24 In 2019-20, we are receiving just under £1 million in fees to fund our audit of EU Agricultural Funds across Wales. Our Estimate assumes a reduction of around £140,000 for 2020-21 and the complete elimination of this fee income stream in subsequent years, consequent on the UK's departure from the EU.
- 25 Over recent years, the annual fee income generated primarily by our grant certification work for the Welsh Government has declined from around £2.5 million to just £1.2 million in 2019-20. In June 2019, the Welsh Government notified the Auditor General of its intention to discontinue its commissioning of this work with effect from 2019-20. This Estimate therefore incorporates a reduction of £328,000 in grant certification fee income for 2020-21, and we anticipate a further very substantial reduction in this fee income stream in future years.
- 26 To ensure no reduction in overall audit assurance over the operation of the Welsh Government's hypothecated grant expenditure programmes, over the next few months we will consider carefully whether we may need to conduct additional audit work to support the Auditor General's opinions on the Welsh Government's annual accounts, and/or whether more frequent value for money study coverage of grant-funded expenditure is warranted. We will set out our intentions in future Annual Plans and notify the Finance Committee accordingly.
- 27 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.

- 28 These changes to our workload, along with the in-sourcing of work from private sector firms have been factored into workforce planning requirements and our medium-term financial and resource planning.
- 29 The combined effect of these changes mean that we will receive over £700,000 less in fee income next year – a reduction of 4.9% in cash and 6.6% in real terms.
- 30 The income we receive from fees is governed by the Wales Audit Office Fee Scheme, as approved by the Assembly's Finance Committee. Legislation requires us to publish a Fee Scheme at least on an annual basis.
- 31 Included within this Estimate document is our draft Fee Scheme for 2020-21 ([Appendix 2](#)). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2020-21 before the National Assembly and then confirm estimated fees for next year to our audited bodies.
- 32 In August 2019 we consulted 268 individuals across 96 organisations on our proposed fee scales for 2020-21 which are around 1% lower than those applied for 2019-20.
- 33 We received just 9 responses, suggesting that for most bodies, our fees are not a significant area of concern. Responses received told us that:
- audited bodies welcome the work done by the Wales Audit Office and the professional approach of our staff;
 - audited bodies continue to welcome free participation in the National Fraud Initiative;
 - the proposed reduction in median fee levels is welcomed;
 - there is a continuing expectation that the Wales Audit Office demonstrates value for money in line with the financial pressure being faced by audited bodies;
 - one audited body would welcome more transparency in how fees are set; we will discuss this with them; and
 - for the National Parks, there is concern about how our fees compare with those paid by equivalent bodies in England; again, we will discuss this with them.
- 34 The Board welcomes the feedback and has taken it into account in finalising this Estimate and the enclosed draft Fee Scheme.

Welsh Consolidated Fund income

- 35 For 2020-21 we are seeking WCF revenue funding of £8.363 million. After accounting for the cyclical change in funding for the National Fraud Initiative, this represents a 7.2% increase in cash and a 5.3% increase in real-terms on the amount received for 2019-20. A significant proportion of this increase reflects the switch from fee to WCF income described above.
- 36 We explain more in the following section about what we will deliver with the WCF income we receive.

Funding our work - WCF 2020-21

Changes in our call on the WCF 2019-20 to 2020-21

37 This Estimate seeks to increase our call on the WCF by 5.7% in real-terms after accounting for the cyclical increase in NFI funding. The changes are summarised in [Exhibit 5](#).

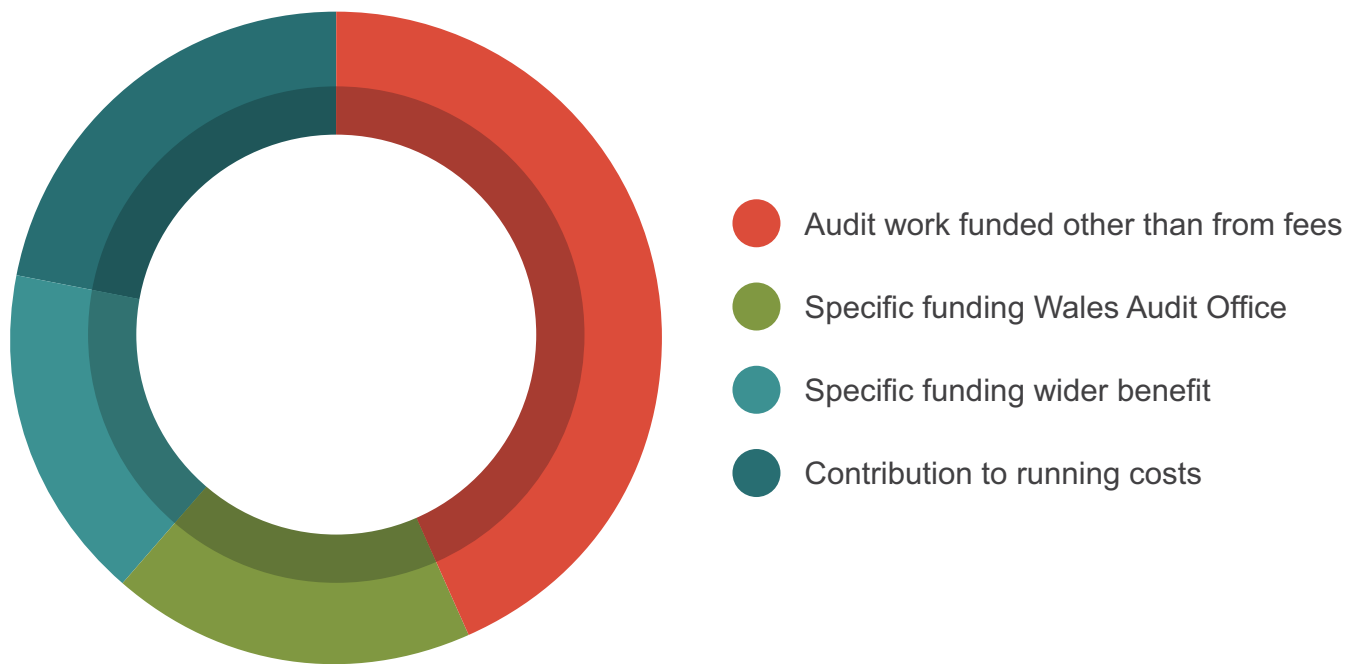
Exhibit 5 – changes in WCF funding from 2019-20 to 2020-21

	Revenue £'000	Capital £'000	Total £'000
2019-20	7,668	210	7,878
Cyclical NFI Funding	130	-	130
Baseline Estimate 2020-21	7,798	210	8,008
Changes for 2020-21			
Capital programme	-	50	50
Audit work funded other than from fees	95	-	95
Funding to support the Wales Audit Office work programme – data analytics, digital and cyber security	250	-	250
Funding for specific projects of wider public sector benefit	100	-	100
Contribution to running costs, being part-provision for a pay agreement	120	-	120
Total WCF Funding 2020-21	8,363	260	8,623
Change from baseline	565	50	615

How we will use WCF funding

38 The Wales Audit Office will use the funding it is seeking from WCF in four main ways, as shown in Exhibit 6.

Exhibit 6 – planned use of £8.363 million WCF revenue funding 2020-21



Audit work funded other than from fees: £3.6 million (£95,000 increase over 2019-20)

- 39 WCF income enables the Auditor General to support the work of the National Assembly directly through his programme of national value for money studies. These are reported to the Assembly's Public Accounts Committee and described in [our Work Programme for 2019-20](#).
- 40 The Committee is one of the key mechanisms for the Assembly to hold to account the organisations which it funds directly or through the Welsh Government. We therefore aim to ensure that the Committee is well-supported by us in its work.
- 41 Increasingly, other Assembly committees are drawing on, or commissioning, Wales Audit Office studies and the specialist knowledge and expertise of our staff. Recent examples include support provided to the External Affairs & Additional Legislation Committee in respect of Brexit; and the Finance Committee in respect of its inquiry into the Welsh Government's capital funding sources. Our aim is to extend further the range and depth of support we provide to the National Assembly and this Estimate includes an element of funding to enable this.
- 42 The funding also allows the Auditor General to respond flexibly to issues that arise during the year, including concerns raised by the National Assembly, its committees, Members or others.
- 43 As previously explained, this Estimate includes provision to switch £180,000 of audit resource from being fee-funded to being WCF-funded.
- 44 We will deploy the capacity and expertise of our auditors to provide added-value commentary and insight arising from our accounts audit work. This will be of direct value to the National Assembly, to those charged with governance throughout the public sector and to the wider public. It will align with our ambition to inspire and empower public service improvement and to explain how public money is being used, going beyond the core assurance statements we currently provide and charge for through fees.

- 45 Specifically, the added flexibility will enable us to undertake annual pieces of work to explore particular themes arising from our accounts work. Examples might include examination of voluntary severance schemes or asset management across the public sector; annual sectoral reviews of financial health and sustainability on a pan-Wales basis; or to report publicly on key facts/issues arising from individual bodies' accounts.
- 46 In 2019-20, our Estimate included £85,000 for audit work reviewing Brexit preparedness across public bodies in Wales. We published a report (and updated this recently) delivered three well-attended 'roadshow' seminars in partnership with Academi Wales, and also ran a Good Practice webinar.
- 47 Clearly, there will remain a need for significant assurance and value for money audit work related to the immediate, medium and longer-term impacts of Brexit, but we currently expect to be able to build this into our main programme of work, rather than needing to request additional specific funding. Hence this funding will be reallocated to contain the overall increase for audit work funded other than from fees to £95,000.

Specific funding (supporting the Wales Audit Office) –
£1.5 million (£250,000 increase over 2019-20)

48 Details of these projects are provided in Exhibit 7. More detail on each headline area is provided below.

Exhibit 7 – projects supported by Finance Committee (supporting the Wales Audit Office work programme)

	Estimate 2020-21 £'000	Estimate ⁸ 2019-20 £'000	Additional Funding £'000
Civil Service pensions cost increase 2019-20	732	732	-
Transformation projects	656	406	250
Early closure of Local Government Accounts	120	120	-
Total	1,508	1,258	250

Civil service pensions cost increase 2019-20

49 In 2019-20 the Treasury provided funding to meet additional costs associated with an actuarial review of the Civil Service Pension Scheme and the Assembly subsequently supported the additional funding for the Wales Audit Office.

⁸ Per Supplementary Budget Memorandum approved by the Assembly's Finance Committee on 15th May 2019

Transformation Projects

- 50 Since 2016 we have allocated funding to deliver strategic transformational change in the way that we deliver our audit work. The funding has supported projects to:
- explore the potential and increase our use of Data Analytics. Our work in this area has demonstrated that technology will deliver efficiencies in our core audit work. DA has also started to transform the way in which we present and communicate our work and the depth of insight we can provide. This Estimate seeks further funding to enable us to take data analytics beyond the pilot and exploratory phase and to embed it into all of our work;
 - review the way we communicate and engage externally so as to maximise the impact of our work; and,
 - review the ways that we work, ensuring that they are 'fit for the future' – for example by using technology to reduce the amount of travel that our staff need to do, and rethinking our operating models to enhance staff well-being and motivation.

Data Analytics

- 51 We expect 5 key benefits from our Data Analytics project
- increased confidence in our work;
 - improved evidence base for our work;
 - expanded range of analytical methods and visualisations;
 - time/cost savings in our audit work and internal processes;
 - our ideas are adopted by others.
- 52 As the project progresses, we are monitoring the extent to which these benefits are being realised.
- 53 Additional funding of £180,000 is being sought to increase our investment in Data Analytics – ensuring that we can access the data of audited bodies safely and securely for maximum benefit.
- 54 The additional funding will allow us to store data securely from our audited bodies and to combat increasing cyber security risks ensuring that we comply with the Data Protection Act (2018).
- 55 The funding will also allow us to increase the size of the team working on this project to allow them to meet the Auditor General's long-term ambitions for the use of Data Analytics in our work.

- 56 Over the medium to long term, once data analytics is fully embedded within our audit work, we believe there is potential to reduce the cost of undertaking an audit of accounts by 5-10%. While it is very difficult to say with certainty the likelihood or exact timescales for securing such efficiencies, it remains a core element of our approach to benefits realisation. What we can say with certainty is that these efficiencies cannot be delivered without further investment in continued experimentation, development and programme delivery.
- 57 Without this additional funding we will continue to develop some data tools but the pace of development will be significantly slower and more ad hoc.

Cyber security and digital vision

- 58 Organisations everywhere are facing an increasing cybersecurity threat from malicious individuals looking to break into systems, steal information and cause damage. Businesses face disruption, significant costs, reputational impact, criticism and fines from the Information Commissioner's Office if systems are compromised.
- 59 The Wales Audit Office needs to increase its preparedness on cyber security in proportion to the risk, ensuring audit data can continue to be handled safely and securely, and that Wales Audit Office is prepared to respond to any future breach that may occur.
- 60 The Wales Audit Office website is increasingly important as the first port of call for those looking to obtain reports or engage with the organisation and its work. We need to ensure that the website is updated and maintained such that it continues to meet standards for accessibility and security.
- 61 We are therefore seeking additional funding of £170,000, to cover the cost of a specialist website developer, to purchase essential software and to provide training for improved cyber security.
- 62 If the funding is not available, this will mean Wales Audit Office's preparedness in respect of cyber security is not where it should be given the threat, and that Wales Audit Office may find it difficult to meet its commitments to accessibility regarding the public website, without scaling back other important areas of activity.

Other transformation projects

- 63 As the transformation projects have moved from feasibility to implementation, the £100,000 previously allocated will be reallocated to the above priorities, containing the additional funding requirement to £250,000.

Early closure of Local Government Accounts

- 64 Our Estimate for 2018-19 identified a 3-year funding requirement to allow us to work closely with Local Government bodies as they prepare for the requirement to have their accounts signed off by 31 July each year as compared to the previous deadline of 30 September.
- 65 By 31 July 2019 the accounts of the four Police, three Fire and Rescue and three National Park authorities had been published by 31 July, as required. The 31 July deadline for the 22 unitary authorities will not apply until 2021. However, we are pleased that 30% of those authorities have already achieved the new deadline in 2019.
- 66 As we have previously indicated to the Finance Committee, 2020-21 will be the final year for which we seek this transitional funding.

Specific funding (for wider public sector benefit) – £1.4 million
(£100,000 increase over 2019-20, plus the cyclical NFI £130,000)

67 Details of these projects are provided in [Exhibit 8](#).

[Exhibit 8 – projects supported by Finance Committee \(wider benefit\)](#)

	Estimate 2020-21 £'000	Estimate 2019-20 £'000	Additional Funding £'000
Future finance leaders – pan-Wales financial skills development	667	567	100
Good Practice Exchange	540	540	-
National Fraud Initiative (NFI)	180	50	130
Total	1,387	1,157	230

[Future finance leaders – pan-Wales financial skills development](#)

68 This All-Wales initiative, co-ordinated and led by the Wales Audit Office, was established in 2016 to provide a pool of highly qualified finance professionals for employment across Welsh public bodies. Alongside high-quality financial and leadership training, we also provide secondment opportunities for our graduate trainees to work in other public bodies – helping to prepare them for their future roles managing public finances in Wales.

69 In 2018, with support from the Finance Committee, we were able to extend the programme to include apprenticeships thereby creating new career path opportunities for non-graduates.

70 We are now employing close to 50 graduate trainees and a further 8 apprentices – accounting for around 20% of our total workforce. Not only has this been having a positive impact in our audit skills-mix model, it has also had wider benefits in terms of our organisational culture and diversity.

- 71 2019 was the first year when we have seen some of our trainees who have benefited from the programme supported by WCF funding, qualify and leave the Wales Audit Office.
- 72 Of the 9 trainees who have left us this year, 6 have chosen to stay in the public sector, 5 in Wales and one in England. This means that the public sector is directly benefiting from the investment made as intended when the scheme was established.
- 73 Monies received from the WCF contribute to the costs of running this programme, providing secondees at no charge to other Welsh public bodies and running an annual trainee conference for around 190 finance students from across the public sector in Wales.
- 74 For 2020-21 we are requesting an increase in funding of £100,000, which we will specifically target at improving social diversity and inclusion and increasing the range of secondment opportunities for our apprentices and graduate trainees.
- 75 Without this additional funding, we would not generate the additional planned benefits and would instead continue to run the programme at the current level.

Good Practice Exchange

- 76 Funding provided by WCF allows us to run our highly-regarded **Good Practice programme** free of charge to public bodies and the third sector across Wales. Last year, we connected 1,400 people through 18 shared learning events. 88% of our stakeholders say our good practice work has benefitted public services, so without this funding, those benefits and opportunities will be lost.

National Fraud Initiative (NFI)

- 77 Since 2015 the **Finance Committee has supported participation in NFI** for all public bodies in Wales at no cost to those bodies. **Our last biennial report** identified potential savings and over-payments of £5.4 million across Wales's public services, increasing cumulative savings to £35.4 million since 1996 – a significant return on investment.
- 78 The costs associated with this increase by £130,000 in each alternate year to fund the costs of data checking carried out by Cabinet Office.
- 79 Without this funding the costs of carrying out this work would need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.

Contribution to running costs £1.8 million (£120,000 increase from 2019-20)

- 80 Funding is provided from WCF to meet some of the costs of the Wales Audit Office which are not passed on through fees to audited bodies. These include:
- a contribution to the costs of technical support, quality assurance and compliance, being essential elements of ensuring sound public audit;
 - a contribution to our total travel costs, so ensuring that audited bodies are not disadvantaged by their geographical location;
 - investment in staff learning and development; and
 - governance costs, such as for the Wales Audit Office Board, associated support costs and other aspects of ensuring compliance with the Public Audit (Wales) Act 2013.
- 81 For 2020-21 we are requesting an additional £120,000; a proportion of the £320,000 we have included in the Estimate for increases in our pay budget. The balance of the additional pay costs has been included in proposed fee rates for 2020-21 to be reflected in the fees paid by audited bodies.
- 82 If these contributions to running costs were not met from WCF, it would be necessary to pass them on as increases to the fees paid by audited bodies – equivalent to an increase of 13% for each audited body.

Capital investment

- 83 Our capital investment priorities for 2019-20 to 2023-24, linked to our medium-term IT and Estates Plans, are set out in [Exhibit 9](#), which we update annually. All capital investment is funded from WCF through this Estimate.

Exhibit 9 – capital investment 2020-21 to 2024-25

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
ICT/Digital infrastructure	120	120	150	150	150
Corporate systems	50	80	100	150	200
Estates strategy	40	60	100	500 ⁹	200
Total	210	260	350	800	550

ICT/Digital infrastructure

84 A rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains fit-for-purpose and reliable. We have increased the allocation for this priority from 2021-22 to ensure that we are able to respond to improvements in technology to support our digital strategy ambitions.

Corporate Systems

85 Our Ways of Working transformation project identified a need for better, more joined up business information systems to ensure that our staff can work in the most efficient ways. We are committed to ensuring our systems and processes are necessary, simple, efficient and effective and envisage continued investment through the next five years, very much linked to our Smarter, Leaner, Better VfM framework.

Estates strategy

86 During our five-year programme, the leases on our three office buildings in Cardiff, Swansea and Abergele will be due for renewal or ending. Our capital programme provides an early indication of the estimated costs associated with potential moves. It is difficult to estimate costs at this time but changes in the way that we work are expected to result in savings in accommodation costs for which up-front investment will be required.

⁹ This budget may need to increase significantly subject to the outcome of our estate's strategy review. The impact of IFRS16 is also likely to be significant but cannot yet be estimated (see paragraphs 95 to 97).

Potential changes to this budget

87 We set out below issues that may impact our budget for 2020-21 which could result in the requirement for a Supplementary Estimate in year.

EU Agricultural Funds

88 This Estimate is predicated on the UK leaving the European Union on 31 October with a transitional deal that would see our work on EU Agricultural Funds continuing until Autumn 2020 and hence coinciding with the in-sourcing of audit work currently being undertaken by private sector firms.

89 Our budget currently allows for £760,000 income from this work.

90 In the event that the UK leaves the EU on 31 October 2019 (or soon thereafter) with no deal, we expect our work to come to an end by March 2020 at the latest. In this event the Wales Audit Office would face two options, each of which would require a Supplementary Estimate:

- to re-allocate those staff to new projects until the autumn with lost income being replaced by additional WCF funding to bridge the six-month gap in expected fee-generating workload; or
- to offer redundancy packages to a number of staff in the knowledge that additional staff would need to be recruited some six months later.

91 Our preferred option would be the former, given the likely costs and management time involved in making staff redundant and then having to undertake a significant recruitment exercise just a few months later.

92 Remaining in the EU after 31 October 2019 could also impact the work of the Wales Audit Office if the requirement to audit EU Agricultural Funds continues after autumn 2020. We are developing contingency plans to provide the additional, possibly temporary, resource that this would require.

Public sector pay increases

93 We have made an indicative provision for a 2% increase in our pay budget in line with the position communicated to us by the Minister for Finance and Trefnydd.

94 If pay deals in excess of this are agreed across the wider public sector, then this position may not be sustainable in terms of our ability to attract and retain staff, and it could become necessary for us to revisit this with the Finance Committee.

New reporting standards

- 95 International Financial Reporting Standard 16 (IFRS 16) on accounting for leases is due to be introduced from 2020-21.
- 96 The impact of accounting for the depreciation and interest associated with the capitalisation of existing leases as compared to the annual running costs of those leases is not significant for the Wales Audit Office due to the short amount of time remaining on our property leases. No adjustment is therefore required to our budget for this change in 2020-21.
- 97 There will potentially be a change to our capital expenditure requirement in 2022-23 as shown in [Exhibit 9](#) if we enter into a new lease arrangement. It is not possible to estimate this impact at present.

No-deal Brexit

- 98 Other than the direct impact on income from the loss of our EU Agricultural Funds audit work, it is difficult to estimate any other funding or workload management implications arising directly from a no-deal Brexit. We have plans in place which would allow us to re-prioritise some audit work if the Auditor General considers it necessary, but we might need to revisit if the actual position differs fundamentally from what our plans allow.

Net cash requirement

- 99 The Budget Ambit allows for a £500,000 movement in year-end accruals at the end of 2020-21. It is extremely difficult to forecast this movement at the time of preparing the Estimate and hence this will need to be reviewed once the Annual Report and Accounts for 2019-20 have been prepared.

The budget ambit

Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2021

- 100 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 101 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2021, the Budget Motion will authorise:
- the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
 - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
 - the amount which may be paid out of the WCF to the Wales Audit Office.
- 102 These requirements, which due to the variability of income streams can only be estimates, are summarised in [Exhibit 10](#).

Exhibit 10 – summary of the estimated 2020-21 budget requirements

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office:	
• Revenue	8,363
• Capital	260
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party– all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	13,764
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	8,843

103 **Exhibit 11** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2021.

Exhibit 11 – reconciliation of resource requirement to cash drawing requirement from the WCF

	£'000
Net request for resources – revenue and capital	8,623
Non-cash adjustment – depreciation	(280)
Non-cash adjustment – movements in working capital	500
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,843

Appendix 1 – Statement of Principles

Requirement	Response
Budget requests should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.	Budget requests have been limited to new initiatives and a contribution to pay deal in line with that recommended by Welsh Government.
Requests show how annual and multi-annual objectives will be prioritised, monitored and achieved.	Our Estimate references Annual Plan and Annual Report and Accounts which provide this detail.
Directly Funded Bodies (DFBs) should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces funding available to other devolved public bodies.	Increases are linked to specific requests.
DFBs should continually seek to improve processes and accrue efficiencies.	Value for Money statement included in Estimate
Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also the consequences of not obtaining the requested resource should be made clear and quantified.	Details have been provided against each request.

Appendix 2 – Draft Fee Scheme 2020-21

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the National Assembly under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

© Wales Audit Office 2019

Adrian Crompton

Auditor General for Wales

Isobel Everett

Chair, Wales Audit Office

Fee Scheme

Introduction	39
Fee rates and fee scales	40
Charging of fees	43

Annexes

Public Audit (Wales) Act 2013 – full text of section 24	44
List of enactments under which the Wales Audit Office may and must charge fees	46
Wales Audit Office fee scales from 1 April 2020	48

Introduction

- 1 This Fee Scheme has been prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013 (the Act) ([Annex 1](#)). The Fee Scheme, following approval by the National Assembly's Finance Committee, provides the basis on which the Wales Audit Office charges fees.
- 2 The Board has listened carefully to stakeholder feedback in relation to our cost-efficiency agenda and the fee rates we set. In seeking the National Assembly's support for our Estimate for 2020-21, we proposed in the Estimate:
 - a small reduction in our fee scales for 2020-21 as compared to those for 2019-20.
 - to continue in line with previous National Assembly agreement to fund National Fraud Initiative (NFI) work from our charge on the Welsh Consolidated Fund rather than through fees charged to participating bodies. Feedback told us that audited bodies welcome this approach.
 - to continue to provide public sector secondment opportunities for our accounting trainees, without impacting on fees charged for audit work.
- 3 This Fee Scheme reflects the approved Estimate and in broad terms sets out:
 - the enactments under which the Wales Audit Office charges audit fees.
 - the arrangements for setting those fees, which comprise either:
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 4 Broadly, 62% of our expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government to support improvement assessment work. The remaining 38% is provided directly from the Welsh Consolidated Fund through vote of the National Assembly. Further information about our expenditure and funding is contained in annual estimates of income and expenditure which are laid before the National Assembly.

Fee rates and fee scales

- 5 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- 6 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, as a result of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 7 We went beyond the statutory fee consultation requirements and, in August 2019, consulted all audited bodies and other stakeholders on our fee scales for 2020-21. A total of 96 different bodies were consulted. We received responses from just 9 of those bodies. Those responses told us that:
 - audited bodies welcome the work done by the Wales Audit Office and the professional approach of our staff;
 - audited bodies continue to welcome free participation in the National Fraud Initiative;
 - the proposed reduction in median fee levels is welcomed;
 - there is an expectation that the Wales Audit Office demonstrate value for money in line with the financial pressure being faced by audited bodies;
 - audited bodies would welcome more transparency in how fees are set; and
 - there is some concern about how our fees compare with those paid by equivalent bodies in England.
- 8 The Board welcomed the feedback and responds to it through this Fee Scheme and our Estimate.
- 9 **Exhibit 1** sets out the hourly fee rates for audit staff.

Exhibit 1 – fee rates for audit staff

	Proposed rate (£ per hour) 2020-21	Rate (£ per hour) 2019-20
Engagement director	160	161
Audit Manager	117	115
Principal Auditor	95	94
Senior Auditor	76	73
Auditor	58	57
Graduate trainee	48	46
Apprentice	36	46

- 10 We are required to prescribe fee scales for:
- work relating to the audit of local government bodies;
 - work under the Local Government (Wales) Measure 2009; and
 - data-matching work (NFI).
- 11 Fee scales for the audit of the 2019-20 financial accounts and 2020-21 improvement audits and assessments are provided in [Annex 3](#) in relation to work conducted at unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, town and community councils and local government pension funds. A separate fee scale is provided in relation to the NFI.
- 12 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.

- 13 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 14 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 15 The fee rates apply to all audit work that the Wales Audit Office will charge for, except to the extent that the fee scales, where applicable, regulate the amount to be charged. If it subsequently appears to the Wales Audit Office that the work involved in a particular audit differs substantially from that originally envisaged, the Wales Audit Office may charge a fee which differs from that originally notified.
- 16 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service. To meet their statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 17 Where specialist support, or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of Wales Audit Office staff.

Charging of fees

- 18 Each body's Engagement Director will explain that body's skills mix for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 19 Audited bodies are expected to pay the Wales Audit Office's invoices within their performance target for creditor payments, usually 10 days in the public sector. We may charge for the administrative costs incurred in pursuing late payments.
- 20 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.

Annex 1 – Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - a a list of the enactments under which the Wales Audit Office may charge a fee;
 - b where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - c where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
 - d where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - a include different provision for different cases or classes of case; and
 - b provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
 - a must review the scheme at least once in every calendar year;
 - b may revise or remake the scheme at any time; and
 - c must lay the scheme (and any revision to it) before the National Assembly.

(5) Where the Welsh Ministers prescribe a scale or scales of fees under:

- a section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
- b section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees).

to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.

- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the National Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

Annex 2 – List of enactments under which the Wales Audit Office may and must charge fees

Exhibit 1 – list of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
<ul style="list-style-type: none"> Audit of accounts by the Auditor General (other than local government accounts). 	<ul style="list-style-type: none"> Section 23(2) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Value for money studies undertaken by agreement. 	<ul style="list-style-type: none"> Section 23(3)(a)-(c) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement 	<ul style="list-style-type: none"> Section 23(3)(ba) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle). 	<ul style="list-style-type: none"> Section 23(3)(ca) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013. 	<ul style="list-style-type: none"> Section 23(3)(d) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> An extraordinary audit of the accounts of a local government body. 	<ul style="list-style-type: none"> Section 37(8) of the Public Audit (Wales) Act 2004
<ul style="list-style-type: none"> Data-matching exercises. 	<ul style="list-style-type: none"> Section 64F(A1) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for this work
<ul style="list-style-type: none"> Advice and assistance provided by the Auditor General for registered social landlords. 	<ul style="list-style-type: none"> Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of Public Audit Wales Act 2013

Nature of work	Enactments
The Wales Audit Office must charge fees for the following activities	
<ul style="list-style-type: none"> Work under the Local Government (Wales) Measure 2009. 	<ul style="list-style-type: none"> Section 27 of the Local Government (Wales) Measure 2009 A fee scale must be prescribed for this work
<ul style="list-style-type: none"> Grant certification services. 	<ul style="list-style-type: none"> Section 23(4)(a) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998. 	<ul style="list-style-type: none"> Section 23(4)(b) Public Audit (Wales) Act 2013
<ul style="list-style-type: none"> Auditing the accounts of a local government body and undertaking studies by agreement with a local government body. 	<ul style="list-style-type: none"> Section 20(A1)(a)-(b) of the Public Audit (Wales) Act 2004 A fee scale must be prescribed for the audit of the accounts of local government bodies
<ul style="list-style-type: none"> Benefit administration studies for the Secretary of State. The Auditor General may conduct, or assist the Secretary of State in conducting, a benefit administration study only if the Secretary of State has made arrangements for the payment to the Wales Audit Office of a fee in respect of the study. The amount of the fee must be a reasonable amount agreed between the Secretary of State and the Wales Audit Office. 	<ul style="list-style-type: none"> Section 45 of the Public Audit (Wales) Act 2004
<ul style="list-style-type: none"> Assisting Her Majesty's Chief Inspector of Education and Training in Wales with inspections of local authorities. The Auditor General for Wales shall not provide such assistance unless, before he does so, the Chief Inspector has agreed to pay the Wales Audit Office a fee. 	<ul style="list-style-type: none"> Section 41A of the Education Act 1997
<ul style="list-style-type: none"> Programmes of studies relating to registered social landlords undertaken by agreement between the Welsh Ministers and the Auditor General. It shall be a term of every such programme that the Welsh Ministers must pay to the Wales Audit Office a sum in respect of the costs incurred. 	<ul style="list-style-type: none"> Section 145C(3) of the Government of Wales Act 1998

Annex 3 – Wales Audit Office fee scales from 1 April 2020

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 21 We are required to consult on and prescribe scales of fees for data matching for mandatory participants in the NFI. The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 22 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £35.4 million of fraud and overpayments in Wales and £1.69 billion across the UK.
- 23 Since April 2015, the National Assembly has met the costs of running the NFI through payment from the Welsh Consolidated Fund as approved through the Wales Audit Office's Estimate. This is intended to encourage participation of organisations on a voluntary basis and also simplifies arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in [Exhibit 3](#).

Exhibit 3 – NFI fees

	Fee 2020-21
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards.	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Unitary authorities

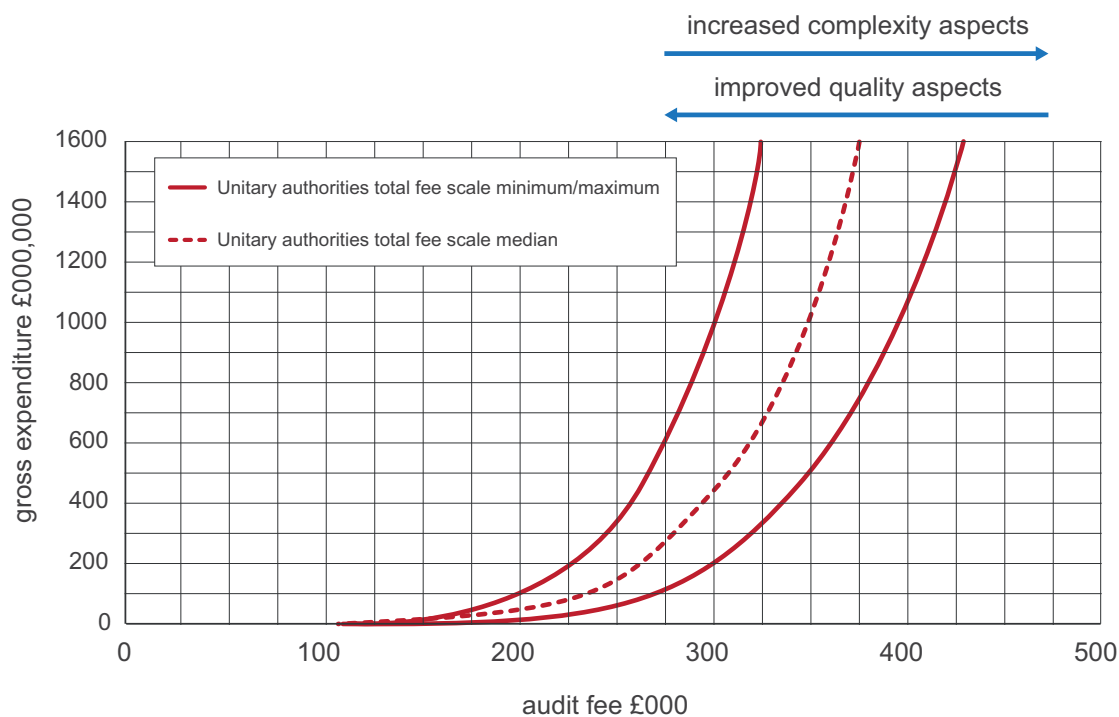
Exhibit 4 – fee scale for the audit of 2019-20 accounts

Gross expenditure £m	Fee range £'000			Previous year median £'000
	Minimum	Median	Maximum	
100	113	133	153	138
200	136	160	184	166
300	152	178	205	185
400	164	192	221	199
500	174	204	235	211
600	182	214	247	222
700	190	223	257	231
800	197	231	266	240
900	203	239	275	247
1,000	209	246	282	254
1,100	214	252	290	261
1,200	219	258	297	267

Exhibit 5 – fee scale for 2020-21 performance audit work

All unitary authorities	Fee range £'000			Previous year median £'000
	Minimum	Median	Maximum	
	92	100	112	99

Exhibit 6 – graphic of total fee scale for unitary authorities⁹



Pension Funds

Exhibit 7 – fee scale for audit of 2019-20 accounts

All pension funds	Fee range £'000			Previous year median £'000
	Minimum	Median	Maximum	
	30	41	48	40

⁹ 'improved quality aspects' refers to the quality of the accounts production process i.e. the quality of the draft financial statements and the supporting working papers.

Fire and rescue authorities

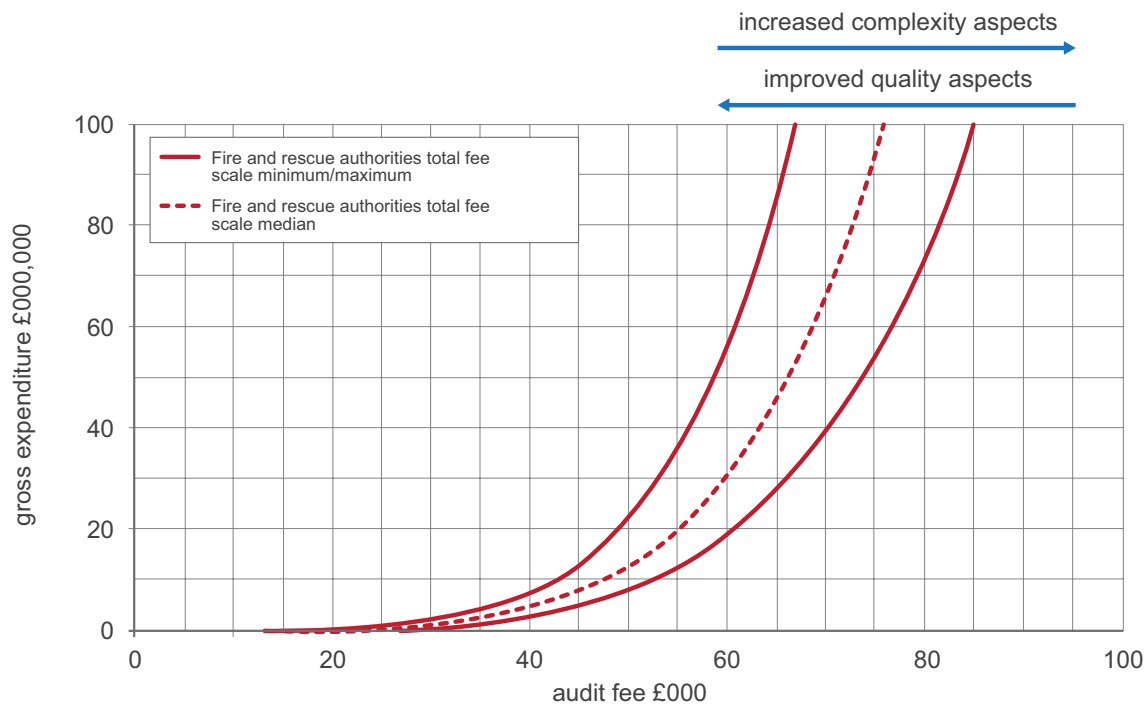
Exhibit 8 – fee scale for audit of 2019-20 accounts

Gross expenditure £m	Fee range £'000			Previous year median £'000
	Minimum	Median	Maximum	
20	33	39	45	40
40	40	47	54	49
60	44	52	60	54
80	48	56	65	58
100	51	60	69	62

Exhibit 9 – fee scale for 2020-21 performance audit work

All fire and rescue authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	16	16	16	16

Exhibit 10 – graphic of audit total fee scale for fire and rescue authorities



National park authorities

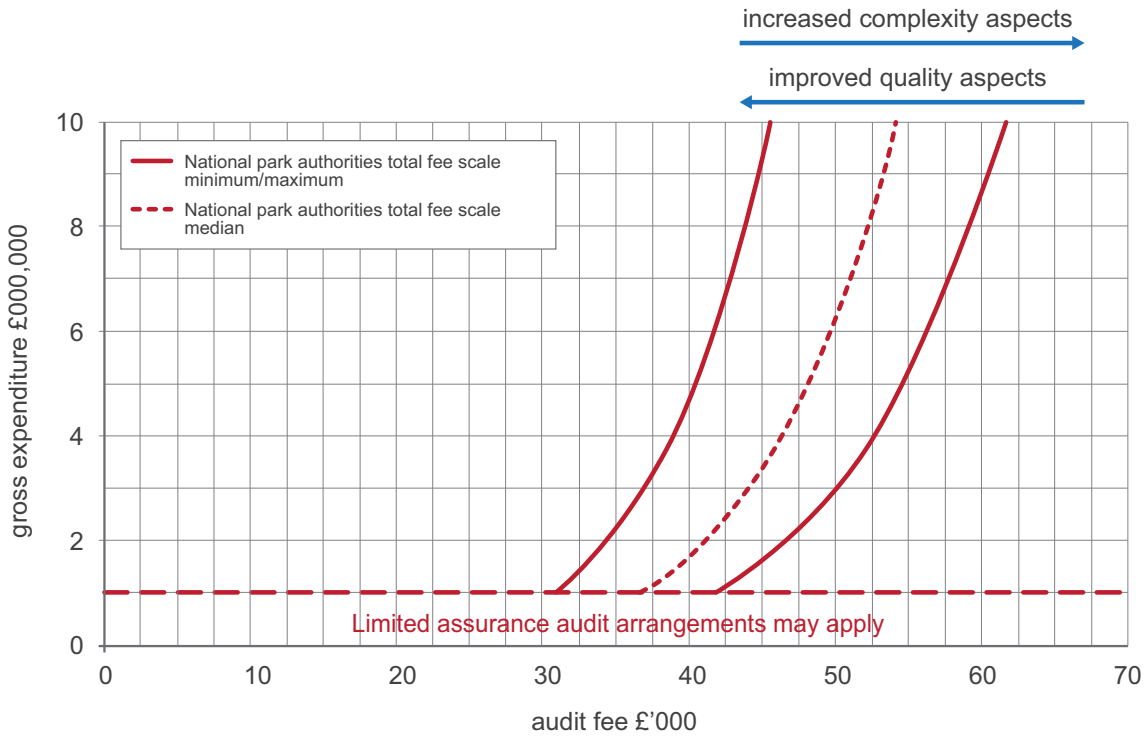
Exhibit 11 – fee scale for audit of 2019-20 accounts

Gross expenditure £m	Fee range £'000			Previous year median £000
	Minimum	Median	Maximum	
2	21	24	28	25
4	25	29	33	30
6	28	32	37	34
8	30	35	40	36
10	32	37	43	38

Exhibit 12 – fee scale for 2020-21 performance audit work

All national park authorities	Fee range £'000			Previous year median £000
	Minimum	Median	Maximum	
	14	17	19	17

Exhibit 13 – graphic of total fee scale for national park authorities



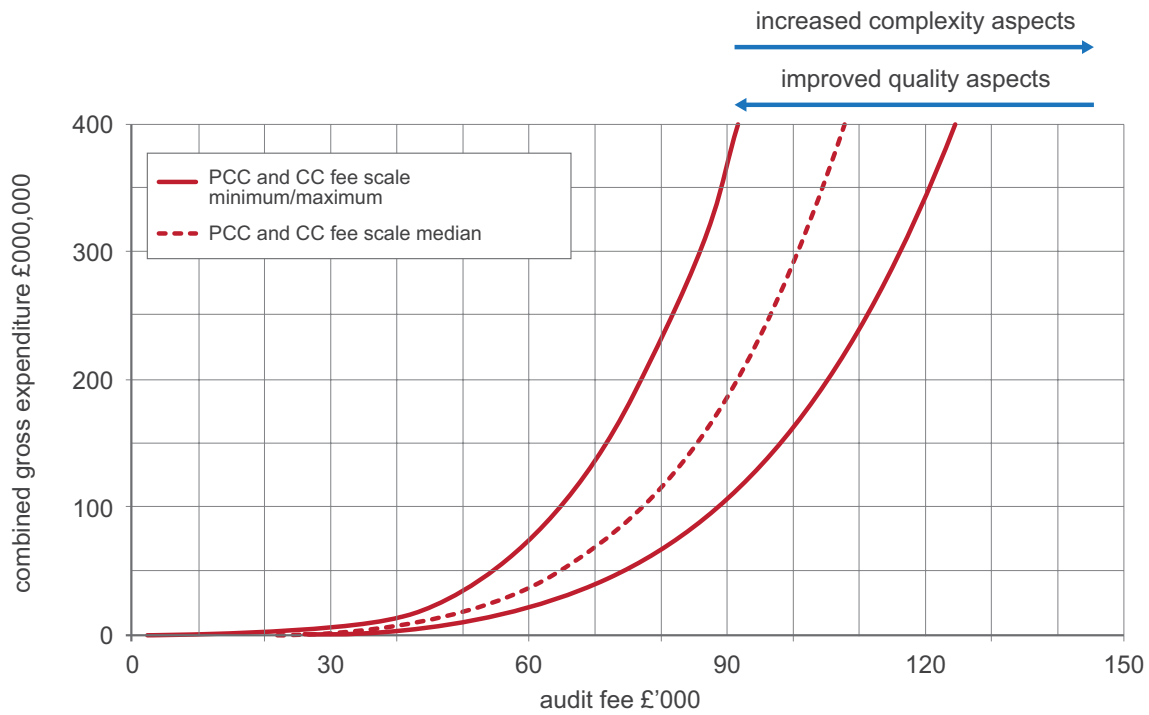
Police and crime commissioners and chief constables

- 24 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 14 – fee scale for audit of 2019-20 accounts

Combined gross expenditure of PCC and CC £m	Combined fee range for PCC and CC £'000			Previous year median £'000
	Minimum	Median	Maximum	
50	54	64	74	66
100	64	76	88	79
150	71	84	97	87
200	77	91	104	94
250	81	96	110	99
300	85	100	116	104
350	88	104	120	108

Exhibit 15 – graphic of total fee scale for police and crime commissioners and chief constables



Town and community councils with annual income or expenditure under £2.5 million

- 25 Town and community councils in Wales are subject to a limited assurance audit regime. Since 2016-17, we have charged for this work on a time basis rather than the historical basis of a fixed fee according to expenditure/income bands.
- 26 The fee rate charges are as set out in [Exhibit 1](#).
- 27 In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor's concerns.
- 28 It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The ranges provided in [Exhibit 16](#) are for indicative purposes only.

Exhibit 16 – estimated time charges for the audit of 2019-20 accounts of town and community councils

	Indicative baseline charge	Indicative upper range fee
£0 – £5,000	£140	£280
£5,001 – £100,000	£160	£320
£100,001 – £500,000	£200	£380
£500,001 – £2,500,000	£240	£460

Fee rates for other work in local government

- 29 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in [Exhibit 1](#). It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 30 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 31 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity or any issues in respect of the grant in question as set out in [Exhibit 17](#).

Exhibit 17 – estimates of the relative proportions of audit staff grades to be used for different types of grants work

	Complex grants staff mix %	All other grants staff mix %
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Principal/Senior Auditor	18 to 21	12 to 16
Auditor/ graduate trainee/ apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk

Document is Restricted

Agenda Item 6

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted