

Public Accounts Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
6 November 2012

Meeting time:
09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Policy: Tom Jackson
Committee Clerk
029 2089 8597 / 029 2089 8032
Publicaccounts.comm@Wales.gov.uk

Agenda

- 1. Introductions, apologies and substitutions (9:00 – 9:05)**
- 2. Papers to note (Pages 1 – 42)**
- 3. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**
Items 4 and 5.
- 4. Public Audit (Wales) Bill: Stage 1 – Key themes and emerging issues (9:05 – 10:00) (Pages 43 – 65)**
- 5. Consideration of draft report on the Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2014 (10:00 – 11:00) (Pages 66 – 90)**



Sarah Sargent
Deputy Clerk
Public Accounts Committee
National Assembly for Wales
Cardiff bay
CF99 1NA

By Email: PublicAccounts.Committee@Wales.gov.uk

24 October 2012

Dear Sarah,

Public Audit (Wales) Bill

Firstly, please accept my sincere apologies for not being able to attend the hearing on 6 November due to a clash with another select committee hearing. However, on behalf of ACCA (The Association of Chartered Certified Accountants) I welcome the opportunity to submit a response on the Public Audit (Wales) Bill.

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We support our 147,000 members and 424,000 students throughout their careers, providing services through a network of 83 offices and centres. A significant proportion of our members also work within the public sector.

In our response to the public (Wales) draft Bill consultation in May 2012 we set out that we were generally supportive of the changes set out in the draft Bill as they would bring about stronger governance and will help strengthen Assembly oversight. We agreed with the rationale for oversight by the PAC of the Auditor General for Wales (AGW), but believed that the proposals set out could potentially over burden the PAC with detailed business planning arrangements at the expense of concentrating on the scrutiny of Welsh public expenditure. We are pleased to note that the Bill now provides for oversight to be undertaken by the National Assembly rather than being prescribed by the PAC.

We also endorse the Institute of Chartered Accountants of England and Wales (ICAEW) concern that the legislation doesn't quite go far enough to protect auditor independence. Clauses 25 and 26 seem to suggest that the Board can directly intervene on the AGW work programme. In our view the Board's role

should be one of oversight and not one of management – the auditor general should be free to determine the scope of work and how it should be performed.

In comparison, England has a separate Public Accounts Commission to deal with NAO business planning, resourcing and oversight which means that the Westminster PAC is better placed to concentrate on holding Government to account. This arrangement also ensures that business planning arrangements do not impinge on the Auditor General's statutory functions and preserves auditor independence

I hope you find the above observations useful. If you would like to discuss any of the above further please contact Gillian Fawcett (Head of Public Sector) on 02070595674 or e-mail: gillian.fawcett@accaglobal.com

A handwritten signature in black ink, appearing to read "G. Fawcett".

Gillian Fawcett
Head of Public Sector

**Welsh Government Response to the Public Accounts Committee Report;
Progress in delivering the Welsh Housing Quality Standard**

October 2012

Recommendation 1: We recommend that the Welsh Government publicly sets out – utilising the regulatory framework and following consultation with the WLGA and other relevant bodies – how it will:

- **Identify and promote good practice in engaging tenants; and**
- **Challenge landlords that are not performing well in such**

Response: Accept

The Welsh Government is about to commission an evaluation of the WHQS which will report in 2013. The identification of specific examples of good practice on tenant engagement will form part of it. This will feed into work currently being undertaken by the Chartered Institute of Housing Cymru and Welsh Tenants Federation to develop and promote good practice in tenant engagement for social landlords. *Focus on Delivery* is due to be completed in Spring 2013. The results of the evaluation and the joint project will form the basis for a consultation with landlords, WLGA, CHC and other relevant bodies with a view to implementation of guidance promoting good practice by March 2014.

A Registered Social Landlord (RSL)'s performance in engaging tenants including on WHQS service is assessed against key outcomes in the Welsh Government's Regulatory Framework for Housing Associations Registered in Wales. Local authorities retaining their housing stock have agreed on a formal but voluntary basis to report against delivery outcomes for tenants similar to that of housing associations. This work is already underway and where landlords are not performing well, they will be subject to regulatory intervention.

Recommendation 2: We recommend that the Welsh Government enables the introduction of independent, external verification of landlords' reported compliance with the WHQS

Recommendation 3: We recommend that the Welsh Government ensures that any external verification of landlords' compliance with the WHQS includes consideration of landlords' interpretation of acceptable fail criteria

Combined Response to 2 & 3: Accept in principle

Some landlords already secure independent validation of their progress in meeting the Standard, however the 'accept in principle' response reflects a concern that smaller landlords may find it difficult to implement this on cost grounds. We will work with the sector to identify potential costs and take a decision on how to proceed by 31 March 2013.

The planned evaluation of WHQS referred to above will include random independent sampling of properties and draw on data and information from the independent verifications already carried out. The researchers will report their findings including feedback on the rigour and usefulness of the independent verification process, including any lessons learned. In discussion with RSLs, local authorities, Community Housing Cymru (CHC) and Welsh Local Government Association (WLGA) we can then decide how to move forward.

A new WHQS monitoring regime introduced in 2010 was made more robust this year, and sought to improve and clarify how acceptable fails are recorded. The 2012 survey results were published on 15 October and information is now available from landlords on the number of 'acceptable fails' and the reasons for them. The Welsh Government is looking at the returns to see for example whether further work is needed either with the sector as a whole or with individual landlords. This will be decided by December 2012.

Recommendation 4: We recommend that the Welsh Government places a requirement on landlords to demonstrate that they have gone through process of identifying and prioritising wider environmental improvements to the immediate surrounding area of a property

Response: Accept

The current work being undertaken by the Tenant Participation Advisory Service (TPAS) to produce guidance and hold seminars on the environmental standard requirements is very welcome and builds on their work *Guidance on the Interpretation of the WHQS Environmental Standard* published in 2008. The Welsh Government will reinforce this work by issuing guidance to landlords by 31 March 2013, requiring them to demonstrate that they have gone through an appropriate process in their business plans.

Recommendation 5: We recommend that the Welsh Government sets out a clear intended timetable for its negotiations with HM Treasury on reforming the HRA system. As part of this, the Welsh Government should also clarify how and when other appropriate organisations may be engaged in taking forward reform of the HRA system.

Response: Accept in principle

The Welsh Government is very keen to exit from the current HRA system. The Minister for Housing, Regeneration and Heritage has already said that ideally he would like to see an end to the transfer of revenues by 31 March 2013 but we have no control over HM Treasury's decision making processes and despite our commitment to the timetable, it is important to recognise that this could undermine our ability to fulfil the Minister's wishes. We are continuing to negotiate with HM Treasury to meet this deadline. Once an agreement has been reached, the Welsh Government will publish a timetable to demonstrate how this can be achieved and how and when other organisations will be engaged.

Recommendation 6: We recommend that the Welsh Government produces guidance for landlords on how to maximise the potential benefits of making refurbishments to properties to meet the WHQS.

Response: Accept

The role of Value Wales is to provide support and guidance to the public sector on maximising the benefits of its investment. Housing expenditure is a core part of that. The Value Wales guide – *Community Benefits - Delivering Maximum Value for the Welsh Pound* published in 2010 - offers advice on the different approaches procurers are encouraged to take to deliver added value by the inclusion of community benefits in their procurement activities. This guide provides specific advice to landlords with direct links to the Housing *Can Do Toolkits*, including technical guidance and model material.

The advice is further supported by the work of Inform to Involve (i2i) who offer targeted, direct support to landlords including through joint seminars and bespoke advice to individual organisations..

The Value Wales Guide is due for updating and we will look at how this can be improved to ensure the Committee's recommendation is fully implemented. If separate guidance is needed we will produce it in conjunction with Value Wales and CIH Cymru. The revised guide is due in January 2013.

Recommendation 7: We recommend that the Welsh Government develops guidance on how landlords can effectively communicate with tenants including:

- **Informing tenants of compliance/non-compliance with the WHQS;**
- **Appropriate language to communicate the concept of an 'acceptable fail'**

Response: Accept in principle

This recommendation is related to action required under Recommendation 1. The Welsh Government is fully supportive of the principle of landlords communicating effectively with tenants and has stated earlier in this response its intention to commission an evaluation of WHQS which will include looking for examples of good practice in tenant engagement.

Good practice in terms of informing tenants of compliance or non-compliance with the WHQS and using appropriate language around 'acceptable fails', is something that will be specifically explored in the research. This will help to inform the guidance (see response to Recommendation 1) currently being developed by CIH Cymru and Welsh Tenants for implementation by March 2014.

Recommendation 8: We recommend that the Welsh Government develops guidance to ensure landlords' data collection highlights the reasons for acceptable fail classifications.

Response: Accept

The WHQS data collection system introduced in 2010 and made more robust for 2012, now includes a requirement on landlords to report the numbers of properties that have achieved WHQS but also include at least one component that is classified as an acceptable fail. The latest data published on 15 October indicates that there is significant variation between landlords in numbers of properties containing components classified as an acceptable fail. We will urgently undertake sample visits to landlords to establish how acceptable fails are being interpreted on the ground and then issue appropriate guidance in consultation with landlords.

The data collection planned for 2013 will be enhanced to record the number of WHQS compliant properties with acceptable fails by main reason (i.e. cost of remedy; timing of remedy; residents' choice; physical constraint).

Recommendation 9: We recommend that the Welsh Government assesses – in discussion with landlords – the cost implications and practicality of landlords being required to update individual tenants on the compliance of their home with the WHQS

Response: Accept

The evaluation of WHQS will be looking for good practice on tenant engagement and will establish the costs and issues associated with an individual approach. This issue will be incorporated into the implementation of guidance promoting good practice by March 2014.

Recommendation 10: We recommend that the Welsh Government ensures that external validation of landlords' compliance with the WHQS also takes health and safety into full consideration.

Response: Accept

The evaluation of the WHQS – which will report in 2013 - will look for evidence that Health and Safety requirements are being complied with.

Recommendation 11: We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report.

Response: Accept

Welsh Government will report progress as requested.

Jane Hutt AC / AM
Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref LF/JH/0395/12
Darren Miller AM,
Chair Public Accounts Committee,
National Assembly for Wales
Cardiff Bay,
Cardiff,
CF99 1NA

31 October 2012

Dear Darren,

Thank you for your letter of 24 October in which you seek additional information following my attendance at Public Accounts Committee on the 22 October 2012.

I have attached at Annex 1 a comparison of the oversight and governance arrangements for the Police Authorities and Chief Constables in Wales and the proposals under the Bill for the WAO and AGW. I have also attached at Annex 2 some examples of other supervisory and executive board models operating in relation to key public functions in Wales.

With regards to the provisions in the Bill to allow the AGW's continued ability to put in place robust quality assurance arrangements that he or she considers necessary to remain compliant with International Auditing Standards, I can confirm that the interaction of clauses 8, 18, 20 and 25 provides for such compliance.

Clause 8 of the Bill makes provision for how the AGW's functions are exercised. Within the clause provision is given to the AGW to have complete discretion as to the manner in which the functions of the office are exercised. However where the AGW exercises functions, or where functions are exercised on his or her behalf, the AGW is required to have regard, as he or she considers appropriate, to the standards and principles that an expert professional provider of accounting or auditing services would be expected to follow.

Clause 18 provides for the AGW to delegate his or her functions. The AGW may ensure that the persons exercising functions on his or her behalf meet the relevant standards and principles in clause 8 because clause 18 provides that the function may only be delegated if that person is authorised to exercise the functions of the AGW under a scheme prepared by the AGW and approved by the WAO.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

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English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence: Jane.Hutt@wales.gsi.gov.uk
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Clause 20 places a duty on the AGW and the WAO to jointly prepare an estimate of the income and expenses of the WAO for the coming year. That estimate is to take account of the estimated resources required from the WAO by the AGW in the delivery of his or her functions.

Clause 25 makes provision for the development of an annual plan which is to take account of both the availability of resources and the requirements for the use of those resources throughout the year in delivery of the WAO's and AGW's work programmes.

In developing the cost estimates and the annual plan, the AGW and WAO should take account of the skills and expertise that will be required of staff throughout the year to deliver the functions of the office. In so doing, the AGW and the WAO should, in order to comply with the duty under clause 8, identify any gaps in skills of existing resources and take account of that in their annual planning, whether by way of time and costs for staff training or the costs of buying in relevant resources.

All of the above provisions allow the AGW to plan work and resources annually to ensure that work carried out by the AGW or persons acting on his or her behalf remain compliant with the International Auditing Standards.

With respect to the matter of transfer of staff, the Welsh Government's view is that the transfer falls within one of the exceptions to the TUPE Regulations. However it has always been the policy intention that principles of TUPE will be applied and that staff will be treated no less favourably as a result of the transfer. I consider that Schedule 3 of the Bill ensures that. It provides for continuity of employment in that staff transferring will be treated as if they had always been employed by the new WAO. Those employees will continue to be employed on their current terms and conditions and will not be adversely affected by the transfer.

On the issue of whether there will be any additional tax liabilities, my officials are obtaining specialist legal advice and I will let you know as soon as we have clarified the position.

I can confirm that there is nothing in the Bill that will prevent or inhibit the AGW from participating in the National Fraud Initiative. Clause 18 will enable the AGW to delegate any of his or her functions. The effect of a delegation will be that staff or contractors will be able to exercise the same functions as the AGW, including those in Part 3A of the Public Audit (Wales) Act 2004.

Yours sincerely



Jane Hutt AC / AM

Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House

**COMPARISON OF OVERSIGHT & GOVERNANCE FUNCTIONS OF THE POLICE AUTHORITIES AND CHIEF CONSTABLES
WITH THE PROPOSALS FOR THE AGW AND WAO IN THE PUBLIC AUDIT (WALES) BILL**

	Police Authorities	Chief Constables	WAO	AGW
Constitution and remit of Organisation	<p>Police Authorities are bodies corporate charged with securing efficient and effective policing within the given Authority's area. Most Police Authorities have 17 members, 9 elected from the local authority force area and 8 independent members appointed from the community by the Policy Authority itself. At least 3 of the independent members must be magistrates. Police Authorities set the strategic direction for police forces and exercise oversight of service performance.</p>	<p>Chief constables are the chief police officer of every territorial police force in the United Kingdom except for the City of London Police and the Metropolitan Police and some special forces. Chief Constables are responsible for delivering police services within a given area and are responsible to their local Police Authority. Chief Constables have a deputy Chief Constable and an assistant Chief Constable. The size of each force will vary depending upon location.</p>	<p>The WAO will be a body corporate. The WAO is to have 7 members, 5 persons who are not employees of the WAO (non-executives), the Auditor General and one employee of the WAO. Appointment of the chair will be made by the National Assembly from within the non-executive members. The WAO may employ staff. The WAO must provide resource for the exercise of the AGW's functions as required by the AGW.</p>	<p>The Office of the Auditor General for Wales will continue but the AGW will be the chief executive of the WAO and will act as the accounting officer for the WAO. The AGW will sit on the WAO board as an executive member and must have regard to any advice that the WAO provide to them in respect of their functions.</p>

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	Police Authorities	Chief Constables	WAO	AGW
Strategy and Plan setting	<p>Police Authorities are responsible for setting a 3 year plan, which sets out the policing strategies for the coming 3 years. The plan is developed in consultation with the Chief Constables of the authority's forces and is agreed by the Secretary of State. Any modifications that the Police Authority wishes to make to the 3 year plan must be agreed by the secretary of state and must be discussed with the Chief Constable.</p> <p>The Police Authorities also issue an annual Local Policing Plan that includes the policing priorities, objectives, resources and performance targets of</p>	<p>The Chief Constable contributes to the development of the 3 year Strategic Plan by proposing the priorities for policing to the Police Authority. Each Chief Constable is responsible for drafting a Local Policing Plan for their area which is then submitted to the Police Authority for consideration. The Police Authority has the right to change the proposed plan but must consult with the Chief Constable if they intend to do so.</p> <p>In preparing the plan the Chief Constable must have regard to any guidance that the Secretary of State has published in respect of the discharge of their functions.</p>	<p>The AGW and the WAO must agree upon an annual plan which sets out their work programmes, the resources available and that may become available throughout the year and the allocation of those resources to the WAO and the AGW in order to delivery their work programmes.</p> <p>The WAO in receipt of the annual statement (see AGW's planning responsibilities) from the AGW can agree it or reject it, in part or in full, and ask the AGW to submit a new or amended statement. The WAO can only reject the statement if it or any part of it is unreasonable.</p>	<p>The AGW must prepare a statement for the WAO that outlines their work priorities for the coming year in exercising their functions and outlines the maximum amount of resources he/she will require to deliver his/her work programme.</p>

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	Police Authorities	Chief Constables	WAO	AGW
	<p>the Authority for the coming year.</p> <p>The Police Authority in developing the 3 year and annual policing strategies and plans, must have regard for any guidance and codes of practice that the Secretary of State issues in respect of the discharge by police authorities of their functions.</p>		<p>The statement is then used to form part of the Annual Plan.</p> <p>The agreed annual plan must be laid by the chair of the WAO and the AGW before the National Assembly.</p>	
Objectives & Target setting	<p>In consultation with Chief Constables, the Police Authority set annual policing priorities and performance targets for each police force within an authority's area. These are set out in the Local Annual Plan.</p> <p>In developing Priorities, Objectives and performance targets</p>	<p>The Chief Constable has to have regard for the Local Policing Plan in delivering police services. The Chief Constable has discretion as to the manner in which the functions of the force are exercised.</p>	<p>The work programmes for both the WAO and the AGW, as outlined in the Annual Plan, sets the work priorities for the coming year.</p> <p>The WAO and AGW are not bound by the annual plan but must have regard for it in exercising their functions.</p>	<p>The AGW will have complete discretion as to the manner in which the functions of his office are exercised but must aim to carry out the functions efficiently and cost-effectively.</p>

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	Police Authorities	Chief Constables	WAO	AGW
	consideration must be given to any objectives outlined by the Secretary of State in the National Policing Plan, published annually.			
Resource Allocation	<p>The annual budget for Police Authorities in Wales is derived from three sources, money from the Home Office, money from the Welsh Government and money derived from Council Tax precepts. The Police Authority having received their overall budget, sets the annual budgets for its individual forces. The budgets are published in the annual Local Policing Plan.</p>	<p>The Chief Constable is responsible for delivering services, in line with the priorities set out in the Local Policing Plan, utilising the budget allocated to him by the Police Authority.</p>	<p>WAO and AGW must jointly prepare an estimate of the income and expenses of the WAO and lay the estimate before the national assembly at least 5 months before the beginning of the financial year to which it relates. The National Assembly may make any modifications to the estimate which it considers appropriate. The WAO must provide the AGW with the resources required throughout the year to</p>	<p>The AGW must provide the WAO with an estimate of the maximum amount of resource required to undertake the programme of work for the coming year.</p>

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	Police Authorities	Chief Constables	WAO	AGW
			undertake his/her functions.	
Reporting arrangements	<p>The Police Authority is responsible for ensuring that policing provision delivers value for money through the commissioning of audits.</p> <p>Police Authorities are responsible for producing annual reports on delivery against the Local Policing plan and the 3 year Strategic Plan. These must be published and a copy sent to the Secretary of State.</p> <p>The Police Authority is responsible for publishing the annual accounts for their allocated budget. This includes the</p>	<p>The Chief Constable has a duty placed upon him to submit a general report on the policing during the year, as soon as possible after the end of the financial year.</p>	<p>The WAO must prepare an annual report on the exercise of the functions of the WAO and the AGW during the year.</p> <p>The chair of the WAO must, jointly, prepare two interim reports on the exercise of the functions of the WAO and the AGW and achievement against priorities outlined in the annual plan.</p> <p>The chair of the WAO and the AGW must jointly lay the annual report and the two interim reports before the National Assembly.</p>	<p>The AGW must work with the Chair of the WAO to prepare the annual report on the exercise of his/her functions during the year. The report must consider how the exercise of functions has been consistent with the annual plan and outline the progress achieved against the priorities of the plan.</p> <p>The AGW must also work with the Chair of the WAO to prepare two interim reports and lay all three reports before the National Assembly.</p> <p>As accounting officer for the WAO the AGW</p>

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	Police Authorities	Chief Constables	WAO	AGW
	expenditure of individual forces within an authority.			is responsible for preparing the annual statements of accounts for the WAO in accordance with directions given by Treasury.

Governance Arrangements of Welsh Public Bodies

Welsh Government Sponsored Bodies (WGSBs)

The Higher Education Funding Council Wales (HEFCW) along with the National Museums & Galleries of Wales (NMGW) are both examples of Welsh Government Sponsored Bodies (WGSBs).

WGSBs are executive bodies established to exercise functions in their own right using public money. WGSBs are headed by boards that have responsibility for the day to day operations of the body but which are accountable to Welsh Ministers.

Board members are appointed by the Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments to Public Bodies.

Each WGSB has a sponsor department that exercise a degree of control and supervision over the body. The Welsh Government sets the strategic direction and agenda of individual WGSBs and set the strategic framework within which the bodies operate.

The framework document sets out the relationship between WGSBs and Ministers, the detail of the roles and responsibilities of the Minister, the sponsor department and the board, accountability and audit arrangements of the board, the management arrangements of the body including staff management, business, budget and review planning and the financial responsibilities of the body. The framework is agreed between the body and their Minister and is signed by both parties and reviewed periodically.

A remit letter is issued annually to individual WGSBs by the relevant Minister which sets out the high level targets and deliverables for the coming financial year and includes details of the level of funding allocated for said year. The content of the remit letter informs the development of the operational plan against which annual performance is monitored. The plan should be developed in consultation with the WGSB.

The Welsh Government and WGSB accounting officers remain jointly accountable for public funds spent through WGSB sponsorship. However financial responsibility will be delegated as far to the extent possible.

Higher Education Funding Council Wales (HEFCW)

HEFCW was established under statute and is responsible for funding higher education in Wales.

HEFCW is headed by a council of up to 12 members, whom, except for the Chief Executive Officer, who must sit on the council, are non-executive members.

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Members are appointed for an initial term of 3 years but can be re-appointed for a further two terms provided performance is satisfactory.

The Council has 7 committees that serve it some in an advisory capacity and others taking on responsibility for key operational functions of the body.

Representatives of the Welsh Government are entitled to attend Council meetings or meetings of any Committee of Council.

National Museum & Gallery of Wales (NMGW)

The NMGW was established under Royal Charter.

The NMGW has a board of trustees comprising 9 persons appointed by the National Assembly for Wales, including the President and Vice-President, 7 persons appointed by the trustees, including the Treasurer, and the past president or past Chairman of Trustees, who is also appointed by the Trustees.

Trustees can be appointed for up to 4 years and can be re-appointed up to a maximum consecutive term of office of 9 years. The past president or past chairman of trustees is appointed for a maximum period of one year.

The Trustees prepare the annual accounts of the Museum and prepare an annual report on the affairs and position of the Museum during the preceding year.

National Health Service Wales

The NHS Wales constitutes 7 Local Health Boards and 3 Trusts. LHBs and the Trusts in Wales are governed by executive boards.

The Minister for Health & Social Services has responsibility for setting the policy and strategic framework within which the health services in Wales operates. The Minister also has responsibility for the overall resource framework for the NHS in Wales and determines its strategic distribution. The Minister sets the standards and performance framework for the NHS Wales and holds NHS leader to account. Her functions in setting standards, monitoring performance and holding leaders to account is supported by the National Advisory Board.

The National Advisory Board exists to provide independent advice to the Minister for Health and Social Services in the discharge of their functions in meeting accountabilities for the NHS in Wales. The Board constitutes a mix of executive and non-executive members including the Chief Executive of the NHS Wales, representative from local government, the third sector and trade unions and is chaired by the Minister for Health and Social Services.

The Minister for Health and Social Services is also served by the National Delivery Group, a group of mainly senior Welsh Government Health Officials, chaired by the Chief Executive, NHS Wales. The group is responsible for providing strategic leadership and management of the NHS in Wales and

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provides policy advice to the Minister whilst overseeing the development and delivery of NHS services by the LHBs and Trusts, in accordance with direction set by the Minister.

The 7 LHBs are formally accountable to the Minister through the Chief Executive of the NHS and the Chief Executive delegates accounting officer responsibilities to the individual chief executives of the LHBs.

The LHBs are responsible for planning, designing, developing and securing the delivery of health services for the citizens in their respective areas. This model ensures the emphasis remains on co-operation and engagement with local partners, particularly in relation to the Health, Social Care and Well-being Strategies and Children and Young Peoples plans.

Local Health Boards

Local Health Boards must operate within the wider governance framework set for the NHS in Wales. At a local level, LHBs in Wales must agree Standing Orders (SOs) for the regulation of their proceedings and business. These standing orders are designed to translate the statutory requirements set out in related NHS regulations into day to day operating practice, and, together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others; and Standing Financial Instructions (SFIs), they provide the regulatory framework for the business conduct of the LHB and define its ways of working.

Each Local Health Board constitutes officer and non officer members. Officer members include the Chair, Vice-Chair and Chief Officer and up to 9 additional officers. Executive members represent key professions and health services.

There can be up to 9 non-executives on the board and members include representatives from the local authority, trade unions, the voluntary sector and a university educating in health related subjects. Non-Officer members are appointed by Welsh Ministers through the public appointments procedure for an initial term of up to 4 years. Members can be re-appointed for a further term but only up to a maximum term of 8 years.

NHS Trust Wales

There are 3 NHS Trusts in Wales that operate nationwide agencies and services.

The NHS Wales Trusts' boards have a broadly similar structure to that of the LHBs.

The boards consist of a mixture of executive and non-executive members with a Chair, Chief Executive and 5 executive directors and 6 non-executive directors.

Non-executive directors have representatives from the local authority, trade unions or other employee representative body representing the staff of the

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trust, the voluntary sector and a University educating in health related subjects.

Executive Directors are represented by the chief officer, the chief finance officer and 3 other directors appointed by the trust.

Non-executive Directors of the Trust are appointed by the Welsh Ministers through the public appointments procedure for a term of 4 years.

Executive directors of the board are appointed by the relevant committee.



Darren Millar AM
National Assembly for Wales
Cardiff Bay
CF99 1NA

23 October 2012

Dear Darren

Environment and Sustainability Committee - Short Report on Coastal Protection

As legacy work from the previous Assembly, on 21 March 2012 the Committee agreed to undertake a stock-taking inquiry to assess progress by Welsh Government and Welsh flood risk authorities to implement the National Strategy for Flood and Coastal Erosion Risk Management, and associated Shoreline Management Plans.

This work follows on from the reports of the Wales Audit Office and National Assembly for Wales' Public Accounts Committee on *Coastal Erosion and Tidal Flooding Risk in Wales*, published in October 2009 and May 2010 respectively. I am therefore writing to bring your attention to the Committee's inquiry report, which is published today, Monday 22 October. The Wales Audit Office has also been made aware of the Committee's work in this area.

Given that the National Strategy has been in place less than a year, the Committee proposes keeping a watching brief on progress and undertaking a further review when the second generation of Shoreline Management Plans are more bedded in. The Committee's 11 recommendations include: seeking assurances that the Welsh Government will report on the outcome of plans and activities arising from the National Strategy by early 2014 (Rec. 4); and that a further update on implementation of the Single Investment Programme for coastal protection work will be provided to us by autumn 2013 (Rec. 8).

I hope that this is helpful to your Committee in planning its forward work programme, and am copying this letter to the Auditor General for Wales for his information.

Yours sincerely

Lord Dafydd Elis-Thomas AM

Chair of the Environment and Sustainability Committee

CC: Huw Vaughan Thomas, Auditor General for Wales

Bae Caerdydd | Cardiff Bay
Caerdydd | Cardiff
CF99 1NA

Ffôn | Tel: 029 2089 8709/8639
E-bost | Email: dafydd.elis-thomas@wales.gov.uk
alun.davidson@wales.gov.uk



WALES AUDIT OFFICE
SWYDDFA ARCHWILLO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

24 Cathedral Road / Heol y Gadeiriol
Cardiff / Caerdydd

CF11 9LJ

Date: 30 October 2012

Tel / Ffôn: 029 20 320502

Our ref: HVT/1753/rgb

Fax / Ffacs: 029 20 320600

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Email / Epost: wales@wao.gov.uk

www.wao.gov.uk

Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Dei Darn

AUDITOR GENERAL'S ESTIMATE FOR THE YEAR ENDING 31 MARCH 2014

Following the presentation of my original 2013-14 Estimate to the Public Accounts Committee on 23 October 2012, I was requested to consider amending the Estimate through excluding anticipated costs of £250,000 arising from implementing the Public Audit (Wales) Bill and instead consider including these costs in a supplementary Estimate in due course.

I have amended my original Estimate accordingly and attach a revised 2013-14 Estimate for consideration by the Committee at its meeting on 6 November 2012.

I will include my updated estimate of the Bill-related costs in a supplementary Estimate as the Bill's proposed requirements become clearer during the course of its passage through the National Assembly.

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HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Encs

Direct Line: 029 2032 0510

E-mail: huw.vaughan.thomas@wao.gov.uk





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

October 2012
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Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2014

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Submitted to the Public Accounts Committee of the National Assembly for Wales under
Paragraph 12 of Schedule 8 to the Government of Wales Act 2006

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The Auditor General and the auditors he appoints in local government are the statutory external auditors of most of the Welsh public sector. They are responsible for the annual audit of the majority of public money spent in Wales, including the £15 billion of funds that are voted on annually by the National Assembly for Wales. Elements of this funding are passed by the Welsh Government to the NHS in Wales (over £5 billion) and to local government (over £4 billion).

The Auditor General and his staff together form the Wales Audit Office, which was established in April 2005. The Auditor General is the Accounting Officer for the Wales Audit Office and is personally responsible for its overall organisation, management and staffing as well as its procedures in relation to financial and other matters.

A summary of the main operational activities of the Auditor General and the auditors he appoints in local government, alongside associated sources of funding, is provided in Appendix 1 of this estimate. The staff of the Wales Audit Office deliver approximately two-thirds of the annual audit work. The remainder is contracted out by the Auditor General to private sector accountancy firms.

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Introduction and summary of budget requirements

- 1 As Auditor General, I must prepare an estimate of the income and expenses of my office (the Wales Audit Office) for each financial year and submit the estimate to the Public Accounts Committee¹.
- 2 I invite the Public Accounts Committee to examine and lay this estimate of my income and expenses for the year ending 31 March 2014 before the National Assembly.
- 3 The estimate that I am presenting provides for an increase of £0.5 million in the amount of revenue funding requested this year, from £4.724 million to £5.224 million.
- 4 I am seeking this additional resource of £0.5 million specifically to increase the level of support that I can provide to public bodies looking to achieve increased efficiency and improvement, through innovation, which is particularly important in the current economic climate: as I set out below £250,000 of this would allow me to support additional investment in sharing good practice and £250,000 would allow me to respond promptly to increasing requests for ad hoc work without delaying the delivery of my national studies programme.
- 5 Over the past few years, we have both facilitated and driven service improvement, value-for-money and citizen participation across Welsh Public Services through excellent knowledge transfer using the *Good Practice Exchange* (GPX). While our good practice work is highly regarded, I consider that we are not yet fully maximising the potential of our audit knowledge and access to good practice to benefit Welsh public services. We are now seeking to increase the level of annual investment in the GPX by £250,000, in order to deliver:
 - further service improvements and better value-for-money through the widespread use of knowledge and good practice which will be disseminated through a process of face to face and virtual activities; and
 - greater citizen involvement through active dissemination of information via the GPX.
- 6 Additional funding of £250,000 will also allow us to respond promptly to the increasing number of requests that I am receiving for special investigations and ad hoc pieces of work, some of which have come from the Public Accounts Committee. Recent examples have included the AWEMA and River Lodge investigations. Without this additional funding, there will inevitably be an impact on the number of pre-planned national studies I can deliver, which would affect my ability to provide comprehensive coverage of public sector expenditure within Wales.

¹ At least five months before the beginning of the financial year to which it relates, as laid out under Paragraph 12 of Schedule 8 to the Government of Wales Act 2006 (the 2006 Act).

- 7 I have outlined in the Areas of Uncertainty section of this Estimate that additional costs may arise from implementing the Public Audit (Wales) Bill. Following the presentation of my original Estimate to the Public Accounts Committee on 23 October 2012, and at the request of the Committee, I have excluded these Bill related costs of £250,000 in 2013-14 from this final Estimate. I will include an updated estimate of the costs that I believe will arise from implementing the Bill's requirements in a Supplementary Estimate as the Bill's proposed requirements become clearer.
- 8 Other than the £0.5 million additional earmarked funding, which should be considered separately, my revenue request is frozen in cash terms at the level approved for 2012-13, and in real terms represents a 2.5 per cent reduction in the costs of my office. The level of revenue requested for 2013-14 is the minimum necessary for the Wales Audit Office to continue to provide an effective service to the bodies we audit on behalf of the people of Wales.
- 9 I set out in this estimate my intention to hold overall fee levels at the same cash level as for 2012-13 (a real terms reduction of 2.5 per cent following further significant real terms reductions in earlier years as illustrated in [Exhibit 3](#)). My ability to hold fee levels at this level, against year-on-year efficiency savings, is however dependent upon approval of the resource request contained within this estimate.
- 10 We will continue to seek further savings and efficiencies wherever possible, which will require some difficult decisions being taken as is the case across the whole of the public sector. However, these savings will not be at the level achieved in 2011-12, where significant reductions in our cost base and the generation of additional income enabled us to fund taxation provisions totalling in excess of £2.6 million.
- 11 The fact that we were able to fund these provisions from existing resources prevented a request for supplementary funding from the National Assembly in 2011-12. This situation could not have been achieved without the Wales Audit Office deferring some expenditure originally budgeted for 2011-12, and without the support and commitment of many of my staff who worked extra hours to deliver additional projects that generated further income amounting to £1.4 million.
- 12 Examples of areas where we had to defer expenditure in 2011-12 included delaying capital expenditure on additional video conferencing units which are necessary to further reduce our travel and subsistence expenditure going forward, and postponing commencement of our *Ignite 2* management development training programme. This expenditure will need to be funded in 2012-13 and in 2013-14.
- 13 The level of additional income generated in 2011-12 was unprecedented and is unlikely to be repeated. I set out in my letter of 26 September 2012 to the PAC regarding my annual report and accounts the main reasons why this additional income arose.

- 14 Exhibit 1 illustrates the cumulative real terms variance in the total net revenue resource requirement sought for each of the years 2009-10 to 2013-14. Members of the Public Accounts Committee will note that even taking into account the additional £0.5 million requested for 2013-14, there has been a real terms reduction in our net resource request over the five year period of 6.6 per cent. Without this additional request, which is required in order to help promote improvement in public services, the reduction in real terms is 15.5 per cent.
- 15 I provide in Exhibit 2(a) an estimate of how the net revenue resource requested for the year ending 31 March 2014 will be used.
- 16 I have also included a capital resource request of £20,000 to support the development of our ICT infrastructure, such as renewal of our computer servers. This capital resource request is at the same level in cash terms as my request for 2011-12 (as illustrated in Exhibit 2(b)).
- 17 My budget requirements for the year ending 31 March 2014 are presented in a format appropriate for inclusion in the Ministers' Budget Motion in Appendix 2, alongside reconciliation of the net resource requirement to the cash drawdown requirement from the Welsh Consolidated Fund.
- 18 In addition to the amounts shown in Appendix 2, I receive income from local government audit, assessment and inspection work, which does not form part of the amount to be authorised by Budget Motion but is included for information within this estimate. During 2013-14, these income streams are estimated to amount to £9.825 million, compared with £9.576 million in 2012-13 (see Appendix 3 for a reconciliation of income accruals estimate to fees and other income total).

Exhibit 1 - Cumulative real terms variance in the net revenue resource requirement sought by the Auditor General for each of the years 2009-10 to 2013-14

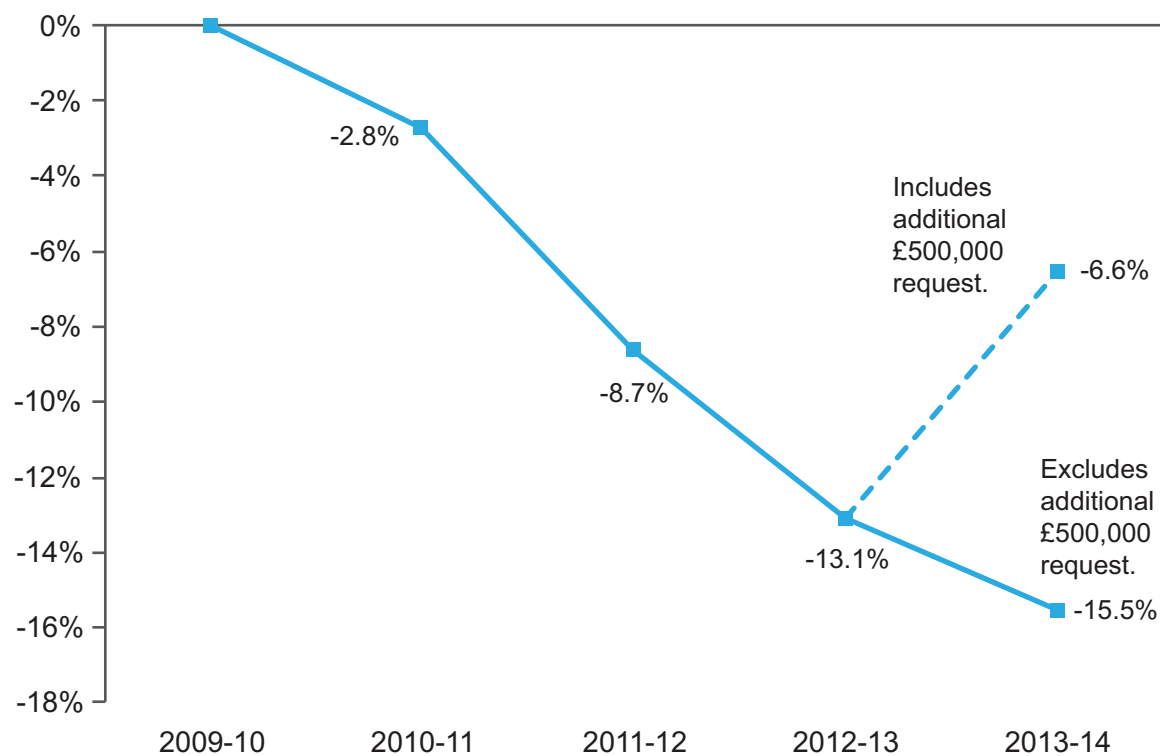


Exhibit 2(a) - Estimate of use of net revenue resource requirement in 2013-14 and comparison with approved requests for 2012-13 and 2011-12

	Year to 31 March 2014 £'000	Year to 31 March 2013 £'000	Year to 31 March 2012 £'000
Value-for-money examinations and studies by the Auditor General	1,885	1,635	1,635
Working with others to share learning, including provision of the GPX	450	200	200
Providing support to the Public Accounts Committee and other National Assembly committees	250	250	250
Responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others	80	80	80
Granting of approvals to draw from the Welsh Consolidated Fund	15	15	15
Contributions to the following:			
Staff training and development	792	792	850
ICT infrastructure	772	772	850
Technical support, research and development	500	500	500
Business development and improvement	360	360	453
Meeting equality duties	80	80	0
Remuneration of governance committee members (and costs of proposed legislative changes)	40	40	0
Voluntary exit scheme	0	0	550
Total revenue expenditure requirement	5,224	4,724	5,383

Exhibit 2(b) - Estimate of net capital resource requirement in 2013-14 and comparison with approved requests for 2012-13 and 2011-12

	Year to 31 March 2014 £'000	Year to 31 March 2013 £'000	Year to 31 March 2012 £'000
Total capital expenditure requirement	20	16	20

Strategic approach

19 I will shortly be consulting on a new corporate strategy that will cover the period 2013 to 2016. Within my consultation draft I will be outlining strategic commitments to:

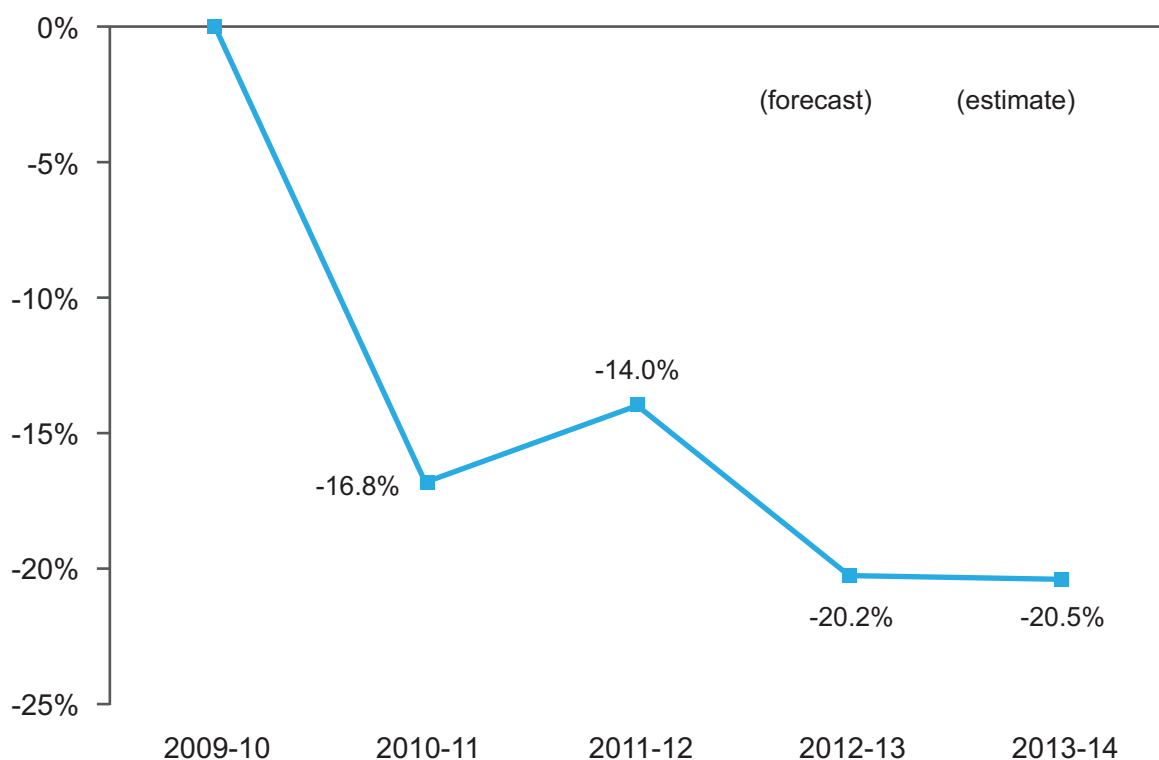
- undertake value-for-money work with an 'austerity emphasis' to support the public sector in Wales in achieving savings and other efficiency gains;
- enhance our work on benchmarking and performance comparison, and increase our sharing of audit knowledge and exchange of good practice to allow the public sector in Wales to benefit from experiences elsewhere;
- revise our audit framework with a view to providing further assurance on the effectiveness of governance arrangements and other issues of public interest;
- report more comprehensively through our audit work on, and demonstrate our own, compliance with duties on sustainable development, equality and the use of the Welsh language;
- work more closely with other external review bodies and improve the way we run our business through a period of transition; and
- improve our own use of, and report more comprehensively on whether others are making the most of, information technology.

20 My estimate has been developed to provide me with a foundation to support the achievement of these strategic commitments.

Estimate of income and expenses

- 21** My estimate of the income and expenses of the Wales Audit Office, and the resultant net resource requirement for the year ending 31 March 2014 is provided in [Appendix 3](#).
- 22** [Exhibits 3](#) and [4](#) illustrate the cumulative real terms reductions in Wales Audit Office revenue expenditure and audit fee income respectively between 2009-10 and 2013-14.

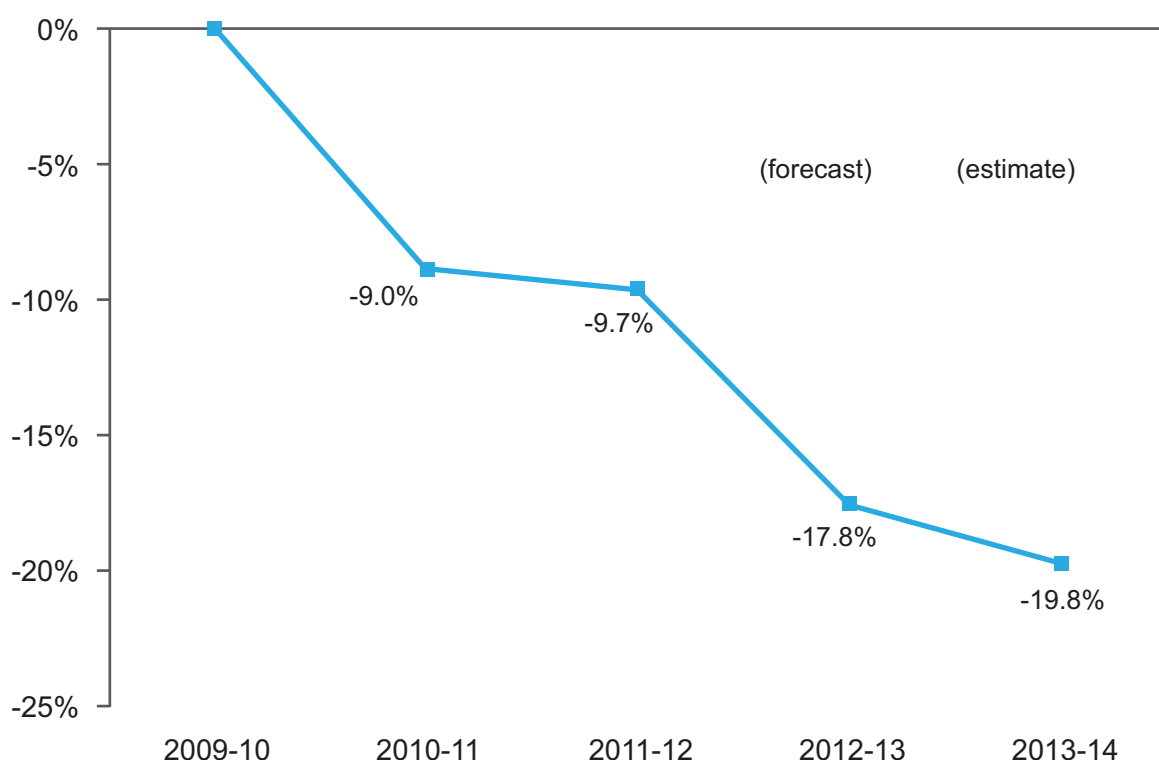
Exhibit 3 - Cumulative real terms reduction in Wales Audit Office total annual revenue expenditure between 2009-10 and 2013-14



23 Exhibit 3 demonstrates my ongoing commitment to reduce my annual expenditure, which I estimate will have fallen in real terms by 20.5 per cent between 2009-10 and 2013-14 (including the additional £500,000 I am seeking to fund through this estimate). As explained at paragraph 10-12 (above), the increase between budgeted expenditure for 2012-13 and outturn expenditure in 2011-12 is largely due to the deferral of certain 2011-12 expenditure which enabled us to fund historical tax liabilities that we have identified, which otherwise would have required supplementary funding from the National Assembly.

24 However, I cannot sustain expenditure at the 2011-12 level indefinitely whilst continuing to provide an effective audit service on behalf of the people of Wales. Much of the expenditure deferred from 2011-12 is necessary in order to invest in staff and other developments and to achieve longer term cost reductions (e.g. increased use of video conferencing facilities to reduce travel expenditure), and will need to be funded in 2012-13 or in 2013-14. I am proposing to meet this increased expenditure by setting internal efficiency targets for 2013-14, and achieving a real terms reduction in expenditure of approximately 2.5 per cent.

Exhibit 4 - Cumulative real terms reduction in fees charged annually to audited bodies between 2009-10 and 2013-14



Reductions to fee income

- 25** In my Estimate last year and in giving oral evidence to the Committee I noted that we had achieved a cash terms reduction of £1.27 million (8 per cent) between 2009 and 2011 in the fees we charged for local government, NHS and central government audits, and local government work. We had achieved this reduction by making cost savings, through achieving efficiency improvements and by taking a more proportionate approach to our work. I stated that I was planning to achieve further reductions of up to 5 per cent in 2012-13 but that there was only limited scope for further reductions in 2013-14. The Committee's Task and Finish Group expressed some concern about the level of reduction and asked me to confirm that ongoing reductions would not affect the quality of my work. I can confirm that this has not been the case, and this view is supported by my quality monitoring arrangements.
- 26** During 2013-14, I intend to hold fees at 2012-13 levels wherever possible and will continue to seek efficiencies in our audit approach so as to achieve an average real terms reduction in the level of our audit fees. This will result in an average real terms decrease in audit fees across all audited bodies of 19.8 per cent between 2009-10 and 2013-14. However, the potential for any fee reductions at individual bodies is dependent on each local body's circumstances. The fee must be sufficient to fund the work required to enable my auditors to properly discharge their responsibilities, considering local circumstances such as the governance environment, risk profile, financial and performance management arrangements, size, complexity and the body's track record

on improvement. If unplanned or additional work is required as a result of failures by audited bodies to provide what my staff need for them to do their work efficiently, I will charge additional fees commensurate with the additional work involved. My fee scales are benchmarked against fees charged by other UK audit agencies, and the results of the exercise are available on the Wales Audit Office's web site.²

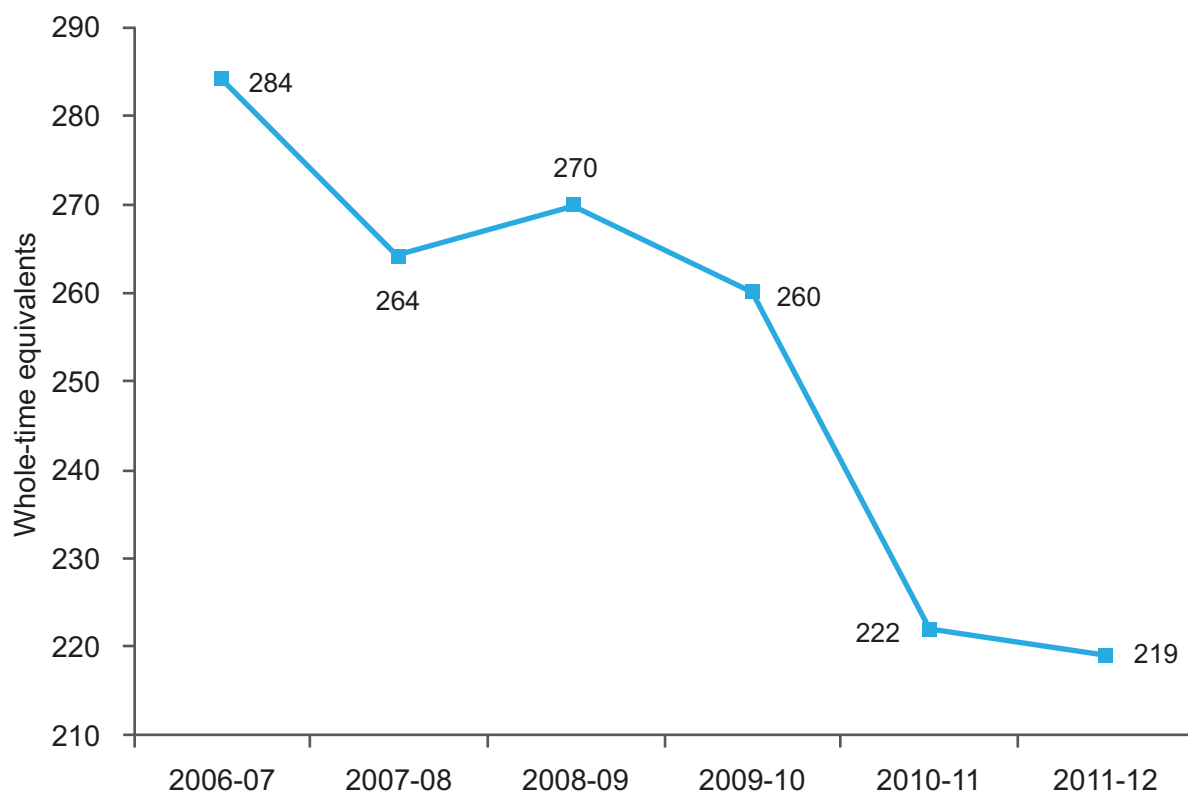
- 27** In addition to funding from the National Assembly and audit fee income, I also receive an annual grant from the Welsh Government to support my work in local government on the Wales Programme for Improvement. Between 2009-10 and 2012-13 that funding reduced in real terms by 25.6 per cent to £1.347 million. I have assumed for the purposes of this estimate that this grant will be frozen in cash terms at £1.347 million for 2013-14 representing a further real terms reduction of 2.5 per cent.

Further savings and efficiencies

- 28** All public sector bodies, including the Wales Audit Office, face the challenge of continuing to deliver the best possible services against a background of unprecedented pressures on public finances.
- 29** In common with many public bodies, the largest area of Wales Audit Office expenditure is staff salaries and associated costs. **Exhibit 5** illustrates the reduction in the numbers of whole-time equivalent staff over the six-year period 2006-07 to 2011-12 (22.9 per cent) as set out in our audited annual report and accounts.

² www.wao.gov.uk/aboutus/4240.asp

Exhibit 5 - Numbers of Wales Audit Office whole-time equivalent staff over the six-year period 2006-07 to 2011-12



30 I have operated voluntary exit schemes during both 2010-11 and 2011-12 to achieve over time a staff mix more aligned to future work demands (including recruiting at lower grades where appropriate to achieve a leaner skill mix) and further reduce the staff costs of the Wales Audit Office. Fourteen members of staff left under the 2010-11 scheme. Staff interest in the 2011-12 scheme was lower than I had hoped, with approval being granted to six members of staff to leave, one of whom left in 2011-12 with a further five leaving in 2012-13. The cost of the 2011-12 scheme was £0.35 million, which will save £82,000 per annum.

I received a supplementary approval of £0.55 million to help fund the 2011-12 scheme. I used £0.1 million of this approval, with the unspent element of the approval reverting to the Welsh Consolidated Fund.

31 My staff and I continue to seek other efficiencies that will help us to further reduce our cost base in 2013-14 and I have tasked different parts of the business with generating efficiency savings of approximately 2.5 per cent to further reduce our cost base beyond 2012-13.

32 I have now also implemented new vehicle fleet arrangements in the Wales Audit Office to help improve staff safety and well-being, reduce our impact on the environment and generate cost savings. These new arrangements include the competitive procurement of a new fleet provider, restriction in the choice of vehicles to three manufacturers (all of which must meet the highest safety standards, and not exceed 140g/cm² emissions), reduction of the transport allowance and measures to reduce all forms of staff travel more generally through, for example, greater use of videoconferencing. The PAC has commissioned a value-for-money review of these new arrangements.

Additional costs to be incurred

33 While we shall continue to review our expenditure and to exercise pay constraints in line with central government guidelines, we also face a number of increasing cost pressures.

a I am seeking an additional £250,000 to develop the good practice work we undertake. As public sector auditors, the Wales Audit Office has a key role to play in helping public bodies to identify scope for savings. The feedback we have received from our stakeholders is that we could do this more effectively with increased investment in activities such as our Good Practice Exchange and by producing additional tools including a new suite of shorter and more timeous reports and aides for the public sector. Our Cost Reduction Guide is one such example, which provides guidance and direction on managing public services reductions.

b By sharing good practice, Public Sector Bodies can more readily identify areas for improvement and maximise efficiencies. For example, our recent work on asset management energy efficiency identified a case study where one authority had implemented software that installed energy saving measures on 400 of the organisation's personal/desktop computers. This software cost £39,000 to purchase and delivered around £80,000 of energy savings annually. The case study was shared through the National Asset Management working group and globally through our Good Practice Exchange. We are aware that at least two other organisations subsequently implemented this approach, resulting in minimum annual savings of £160,000 per annum. The Good Practice Exchange content on the Wales Audit Office's website is already well used. In the year October 2011 to October 2012, there were over 140,000 page views of the existing materials posted on the website. Increased investment will allow me to do considerable more work in this area.

c I am also seeking additional resource of £250,000 to ensure I can maintain my pre-planned value-for-money programme which is designed to provide comprehensive coverage of the Welsh public sector while also providing for a swift response to urgent projects without the need to defer planned work. I am receiving an increasing number of requests for special investigations, some of which have come from the Public Accounts Committee. Recent examples have included the Awema and River Lodge investigations. Without this additional funding, there will inevitably be delays in the delivery of my National Studies Programme. I am also intending to introduce a new suite of shorter and more timeous value-for-money studies.

- d Looking beyond 2013-14, my staff are in the process of estimating how much extra work we may have to carry out as a result of the potential additional duties that are likely to arise from enactment of the Sustainable Development Bill. Such duties will, inevitably, lead to additional development and training costs. I anticipate at present that these additional costs would be incurred over a three year period covering 2014-15 to 2016-17, and would need to be included as additional resource requests in the estimates for those years.

Areas of uncertainty

Public Audit (Wales) Bill

- 34 I wrote to the Chair of the PAC on 5 September 2012 setting out my views on the Public Audit (Wales) Bill. In that letter, I expressed the view that the cost of the Bill as it stands is likely to be significantly higher than that estimated in the Explanatory Memorandum. In my subsequent letter of 12 October I have provided a breakdown of my estimate of those costs. As agreed with the Public Accounts Committee, I will seek funding for these costs in a Supplementary Estimate for 2013-14 once the Bill's proposed requirements become clearer.

Value Added Tax

- 35 As reported in both the Auditor General estimate papers and also the annual report and accounts for every year since the creation of the Wales Audit Office in 2005, discussions are continuing with HMRC on my Value Added Tax (VAT) position. My estimates in previous years have reported that the potential liability associated with any change in my VAT status might be significant and might require me to make a future request for supplementary resources.
- 36 During 2011-12 HMRC made a ruling on my VAT status but discussions are continuing regarding the VAT treatment of work completed for me. Following this ruling, and based on independent expert advice, I made a substantial provision in my accounts for the year ended 31 March 2012 to cover potential historical liabilities should HMRC rule that that the work completed for me should have been treated differently for VAT purposes.
- 37 Although I have been able to make an accounting provision for these historical liabilities, should these liabilities crystallise I may need to seek additional cash from the Welsh Consolidated Fund as I outlined in my letter to the PAC of 26 September 2012. It is also possible that I may have to change the way in which I charge VAT in the future. If this is the case, my costs would probably increase by approximately £600,000 per annum, which I would need to include in a supplementary estimate for the year in which any change was implemented by HMRC.

Employee travel and subsistence expenses

- 38** I reported in my 2011-12 annual report and accounts that the way in which my staff need to work may have led to some having established permanent places of work at the offices of my audited bodies. It is possible that some payments for expenses incurred in travelling to these offices should have been subject to tax and national insurance. I am aware that other Welsh public sector bodies and another UK audit agency are experiencing similar problems. I am currently in discussion with HMRC to resolve this matter. Should HMRC rule that I should have deducted PAYE when paying these expenses, I may need to seek extra revenue and cash resources through a supplementary estimate.

Legislative changes: Westminster

- 39** In my estimate for the year ending 31 March 2012, I emphasised the potential impact for the Wales Audit Office of the abolition of the Audit Commission. The impact of this change is becoming clearer, but there are still issues to be resolved, such as arrangements for undertaking the National Fraud Initiative. I am continuing to keep this situation under review to assess any cost and operational implications for the Wales Audit Office.

Appendix 1 - Main operational activities of the Auditor General and the auditors he appoints in local government, and associated sources of funding

Activity	Scale	Source of funding
Audit of accounts prepared by central government and health bodies	Eight accounts prepared by the Welsh Government; 31 other accounts, including the Assembly Commission; seven health boards; and, three NHS trusts.	Fees charged to audited bodies.
Audit of accounts prepared by local government bodies	22 unitary authorities, four police authorities, three fire and rescue authorities, one probation trust, three national park authorities, one internal drainage board, eight pension funds, approximately 750 community councils and other small bodies.	Fees charged to audited bodies.
Local government improvement assessments	Includes audits of whether authorities have discharged their improvement planning and performance reporting duties, assessments of the likelihood of compliance with improvement duties and special inspections. Undertaken at 22 unitary authorities, three fire and rescue authorities and three national park authorities.	Fees charged to audited bodies. The Welsh Government also provides grant funding to support improvement assessment work.
Local performance audit work at health bodies	Includes assessments of arrangements to secure value-for-money in use of resources. Undertaken at seven health boards and three NHS trusts.	Fees charged to audited bodies.
Certification of grant claims and returns	34 local government schemes (around 800 claims with a total value of some £1.6 billion), alongside European structural fund claims with a total annual claim value of around £300 million.	Fees charged to audited bodies.
Value-for-money examinations and studies	Typically 12 examinations, studies and other outputs are undertaken in the course of a calendar year, looking at value-for-money in key areas of public spending. Often this work is undertaken from a 'whole-system' or 'cross-cutting' perspective, where public spending is examined irrespective of who delivers the services.	Financed mostly from the Welsh Consolidated Fund, following approval by the National Assembly. The Welsh Government also provides grant funding to support local government studies.
Other significant activities	Includes: <ul style="list-style-type: none"> • checking requests for grant of approval to draw from the Welsh Consolidated Fund; • working with others to share learning, including provision of the Good Practice Exchange; • anti-fraud and other data matching exercises, including the National Fraud Initiative; • responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others; • providing support to the Public Accounts Committee and other National Assembly committees; and • administration of the Wales Audit Office. 	Financed mostly from the Welsh Consolidated Fund, following approval by the National Assembly. Some activities are also funded in part by fees charged to audited bodies.

Appendix 2 - Estimated budget requirements of the Auditor General for the year ending 31 March 2014

The Welsh Ministers must move an annual Budget Motion in the National Assembly for Wales³ to authorise, amongst other things:

- a the amount of resources which may be used in the financial year by the Auditor General;
- b the amount of resources accruing to the Auditor General which may be retained by him (rather than paid into the Welsh Consolidated Fund); and
- c the amount which may be paid out of the Welsh Consolidated Fund to the Auditor General.

The estimate examined and laid by the Public Accounts Committee is incorporated into the Budget Motion.

These resource and cash requirements, which due to the variability of income streams can only be estimates, are summarised below.

Estimated budget requirements of the Auditor General for the year ending 31 March 2013

Resources other than accruing resources for use by the Auditor General on the discharge of the statutory functions of the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office ⁴ .	£ million
<ul style="list-style-type: none"> • Revenue • Capital 	<p>5.224</p> <p>0.020</p>
Accruing resources from fees and charges for audit and related services (excluding for local government audit, assessment and inspection work); other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, provision of administrative and professional and technical services; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; and interest received on working balances for use by the Auditor General on related services and the administration of the Wales Audit Office ⁵ .	£ million
	7,944
Net cash requirement from the Welsh Consolidated Fund to meet the net amounts falling due for payment in the year by the Auditor General ⁶ .	£ million
	5,224

³ Under Section 125 of the 2006 Act.

⁴ This is the net revenue and capital expenditure in resource terms that the National Assembly will be requested to authorise by Budget Motion under Section 125(1)(a) of the 2006 Act.

⁵ This is the income accruing to the Auditor General (other than that arising from local government activities under Part 1 and Section 33 of the Local Government Act 1999, Part 2 of the Public Audit (Wales) Act 2004 and Part 1 of the Local Government (Wales) Measure 2009) that the National Assembly will be asked to authorise by Budget Motion under Section 125(1)(b) of the 2006 Act for use on related services rather than being paid into the Welsh Consolidated Fund.

⁶ This is the cash needed from the Welsh Consolidated Fund to meet the Auditor General's estimated net payments (payments less receipts) falling due in the year for authorisation by the National Assembly by Budget Motion under Section 125(1)(c) of the 2006 Act.

Reconciliation of net resource requirement to cash drawing requirement from the Welsh Consolidated Fund

	Year to 31 March 2014 £000
Net request for resources – revenue and capital	5,224
Adjustments	0
NET CASH REQUIREMENT	5,224

Appendix 3 - Estimate of the income and expenses of the Wales Audit Office for the year ending 31 March 2014

		Year to 31 March 2014 £000
Expenses	Staff-related costs	16,452
	Accommodation costs	907
	Training and development costs ⁷	260
	IT costs	726
	Supplies and services	4,648
	EXPENSES TOTAL	22,993
Income	Audit and inspection fees	14,301
	Wales Programme for Improvement grant from the Welsh Government	1,347
	Local government grant certification fees	1,774
	Other income	347
	FEES AND OTHER INCOME TOTAL	17,769
TOTAL NET REVENUE EXPENDITURE REQUIREMENT		5,224

⁷ Includes staff time and direct costs.

Reconciliation of income accruals estimate to fees and other income total

	Year to 31 March 2014 £000
Income accruing to the Auditor General other than that arising from local government activities	7,944
Income accruing to the Auditor General from local government audit, assessment and inspection work	9,825
FEES AND OTHER INCOME TOTAL	17,769

Agenda Item 4

Document is Restricted

By virtue of paragraph(s) vi of Standing Order 17.42

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Agenda Item 5

By virtue of paragraph(s) vi of Standing Order 17.42

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