

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 22 September 2022	
Meeting time: 09.30	

Private pre-meeting – Informal (09.15–09.30)

- 1 **Introductions, apologies, substitutions and declarations of interest**
(09.30)
- 2 **Paper(s) to note**
(09.30) (Pages 1 – 6)
Minutes of the meeting held on 30 June 2022
Minutes of the meeting held on 7 July 2022
 - 2.1 **PTN 1 – Letter from the Counsel General to LJC Committee: Inter-Ministerial Standing Committee – 12 July 2022**
(Page 7)
 - 2.2 **PTN 2 – Letter from the Minister for Finance and Local Government: Statement of Principles for Directly Funded Bodies – 14 July 2022**
(Pages 8 – 9)
 - 2.3 **PTN 3 – Letter from the Minister for Finance and Local Government: Welsh Government's Finance Committee – 20 July 2022**
(Pages 10 – 11)
 - 2.4 **PTN 4 – Additional information from the Minister for Finance and Local Government: First Supplementary Budget 2022–23 – 26 July 2022**
(Pages 12 – 16)
 - 2.5 **PTN 5 – Letter from the Deputy Minister for Social Partnership: Well-being of Future Generations (Wales) Act 2015 consultation – 5 August 2022**
(Page 17)



2.6 PTN 6 – Letter from the Minister for Finance and Local Government: Report on Outturn 2020–21 – 5 August 2022

(Pages 18 – 49)

2.7 PTN 7 – Letter from the Minister for Finance and Local Government: Welsh Government response to First Supplementary budget 2022–23 report / EU Funding arrangements – 22 August 2022

(Pages 50 – 60)

2.8 PTN 8 – Letter from the Public Services Ombudsman for Wales to Chair of the Local Government and Housing Committee: Complaints Standards work – 7 September 2022

(Pages 61 – 67)

3 Pre-appointment hearing for Chair of the Welsh Revenue

Authority

(09.30–10.00)

(Pages 68 – 103)

Ruth Glazzard, Minister's preferred candidate for Chair of the Welsh Revenue Authority

Supporting documents:

FIN(6)-17-22 P1 – Pre-appointment briefing

FIN(6)-17-22 P2 – Preferred candidate's application/CV

FIN(6)-17-22 P3 – Candidate information pack

Research Service Brief

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from from items 5, 6, 9, 10 and 11; and the start of the meeting on 29 September 2022

(10.00)

5 Pre-appointment hearing for Chair of the Welsh Revenue

Authority: Consideration of evidence

(10.00–10.15)

6 Post-EU funding arrangements: Consideration of draft report
(10.15–11.00) (Pages 104 – 157)

Supporting documents:

FIN(6)–17–22 P4 – Draft report

FIN(6)–17–22 P5 – Letter from the Secretary of State for Wales: Additional Information following the evidence session on 30 June 2022 – 14 July 2022

Public

7 Audit Wales – Scrutiny of the Annual Report and Accounts 2021–22 and the Annual Plan 2022–23: Evidence session
11.00–12.00 (Pages 158 – 407)

Adrian Crompton, Auditor General for Wales

Lindsay Foyster, Chair of the Wales Audit Office

Kevin Thomas, Executive Director of Corporate Services

Ann-Marie Harkin, Executive Director of Audit Services

Supporting documents:

FIN(6)–17–22 P6 – Audit Wales: Annual Report and Accounts 2021–22

FIN(6)–17–22 P7 – Audit Wales: Audit Findings report – Year Ended 31 March 2022

FIN(6)–17–22 P8 – Audit Wales: Annual Plan 2022–23

FIN(6)–17–22 P9 – Audit Wales: Consultation on Fee Scales 2023–24

Research Service Brief

8 Audit Wales – Supplementary Estimate 2022–23: Evidence session
(12.00–12.30) (Pages 408 – 425)

Adrian Crompton, Auditor General for Wales

Lindsay Foyster, Chair of the Wales Audit Office

Kevin Thomas, Executive Director of Corporate Services

Laurie Davies, Head of Business Services

Supporting documents:

FIN(6)-17-22 P10 – Letter from Audit Wales: Our Future Workplaces – 7
September 2022

FIN(6)-17-22 P11 – Supplementary Estimate 2022-23: Explanatory
Memorandum

Private

**9 Audit Wales – Supplementary Estimate 2022-23: Consideration of
evidence**

(12.30-12.35)

**10 Audit Wales – Scrutiny of the Annual Report and Accounts 2021-
22 and the Annual Plan 2022-23: Consideration of evidence**

(12.35-12.45)

**11 Welsh Government Draft Budget 2023-24 – Approach to budget
scrutiny**

(12.45-13.00)

(Pages 426 – 436)

Supporting documents:

FIN(6)-17-22 P12 Approach to budget scrutiny

FIN(6)-17-22 P13 Consultation letter

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 5 Ty Hywel and video conference via Zoom**
Meeting date: Thursday, 30 June 2022

This meeting can be viewed on [Senedd TV](#) at: <http://senedd.tv/en/13084>

Meeting time: 09.30 – 14.40

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Rebecca Evans MS, Minister for Finance and Local Government Emma Watkins, Welsh Government Sharon Bounds, Welsh Government Hannah Blythyn MS, Deputy Minister for Social Partnership Neil Surman, Welsh Government Sue Hurrell, Welsh Government Jo Salway, Welsh Government The Rt Hon Simon Hart MP, Secretary of State for Wales, Wales Office David Davies MP, Parliamentary Under-Secretary of State for Wales



Committee Staff:	Owain Roberts (Clerk)
	Leanne Hatcher (Second Clerk)
	Mike Lewis (Deputy Clerk)
	Avalon Broadway (Deputy Clerk)
	Martin Jennings (Researcher)
	Christian Tipples (Researcher)
	Owen Holzinger (Researcher)

Private pre-meeting – Informal (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

2 Paper(s) to note

2.1 The papers were noted.

2.1 **PTN 1 – Letter from the Minister for Finance and Local Government regarding the timetable for the Welsh Government Draft Budget 2023–24 – 20 June 2022**

2.2 **PTN 2 – Letter from the Chair of the Legislation, Justice and Constitution Committee: Inter-Institutional Relations Agreement: Inter-Ministerial Standing Committee – 27 June 2022**

3 Welsh Government First Supplementary Budget 2022–23

3.1 The Committee took evidence from Rebecca Evans MS, Minister for Finance and Local Government; Sharon Bounds, Deputy Director Financial Controls; and Emma Watkins, Deputy Director, Budget and Government Business on the Welsh Government First Supplementary Budget 2022–23.

3.2 The Minister for Finance and Local Government agreed the following:

- To ask the Minister for Education to provide the Committee with information on the actual unit cost of free school meal provision.
- To ask the Minister for Health and Social Services to provide the Committee with information on funding allocated to NHS recovery that addresses workforce pressures, and the impact of allocated funding in reducing NHS waiting times.
- To write to the Committee on the concept of ‘no detriment’ in relation to relocating civil service jobs to Wales.
- To ask the Permanent Secretary to provide the Committee with information on ‘Welsh Government 2025’, in relation to civil service jobs.
- To ask the Counsel General to provide the Committee with information on Welsh Government capacity in its Legal Services, in relation to managing the high volume of Legislative Consent Memorandums and the Welsh Government’s Legislative programme.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from items 5, 7, 9 and the meeting on 7 July 2022

4.1 The motion was agreed.

5 Welsh Government First Supplementary Budget 2022–23: Consideration of evidence

5.1 The Committee considered the evidence received.

Technical Break (10.45–11.00)

6 Social Partnership and Public Procurement (Wales) Bill: Evidence session

6.1 The Committee took evidence from Hannah Blythyn MS, Deputy Minister for Social Partnership; Jo Salway, Director, Social Partnership and Fair Work; Neil Surman, Deputy Director, Social Partnership; and Sue Hurrell, Head of Fair Work Procurement on the Social Partnership and Public Procurement (Wales) Bill.

6.2 The Deputy Minister agreed the following:

- To provide the Committee with further information on the examples referenced during the session, relating to the impact of public procurement duty on the Welsh Government's local procurement initiatives.

- To provide the Committee with further information on the range of materials to support and help contracting authorities, and a breakdown of what the guidance and support would include.
- To notify the Committee when the Minister for Social Justice issues the consultation relating to the review of the Future Generations Commissioner and other bodies.

7 Social Partnership and Public Procurement (Wales) Bill: Consideration of evidence

7.1 The Committee considered the evidence received.

Break (12.10–13.00)

8 Post–EU funding arrangements: Evidence session 4

8.1 The Committee took evidence from the Rt Hon Simon Hart MP, Secretary of State for Wales; and David Davies MP, Parliamentary Under–Secretary of State for Wales on the inquiry into Post–EU funding arrangements.

8.2 The Secretary of State for Wales and the Parliamentary Under–Secretary of State for Wales agreed to provide the Committee with the following:

- The document referred to during the meeting which contained information on the level of funding allocated by the UK Government.
- Figures relating to agricultural funding.
- The distribution graph by local authority.
- Information in relation to post-Horizon funding in Wales.
- Clarification in relation to the Shared Prosperity Fund underspends.

9 Post–EU funding arrangements: Consideration of evidence

9.1 The Committee considered the evidence received.

Concise Minutes – Finance Committee

Meeting Venue:

Video Conference via Zoom

Meeting date: Thursday, 7 July 2022

Meeting time: 09.30 – 11.31

Remote, private

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Ben Harris (Legal Adviser) Owen Holzinger (Researcher) Martin Jennings (Researcher) Aled Evans (Legal Adviser)

At its meeting on 30 June, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from today's meeting.

Registration (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.



2 Welsh Government First Supplementary Budget 2022–23: Consideration of draft report

2.1 The Committee agreed the draft report with minor changes.

3 Post–EU funding arrangements: Consideration of key issues

3.1 The Committee considered the key issues paper.

4 Appointment of Wales Audit Office Non–executive members and Chair: Approach to recruitment

4.1 The Committee considered the papers relating to the appointment of Wales Audit Office Non–executive members and Chair.

5 Welsh Government Draft Budget 2023–24: Approach to scrutiny

5.1 The Committee considered the paper on the approach to budget scrutiny.

6 Consideration of Forward Work Programme

6.1 The Committee considered the Forward Work Programme.

7 Legislative Consent Memorandum (LCM) on the UK Infrastructure Bank Bill

6.1 The Committee considered the Legislative Consent Memorandum on the UK Infrastructure Bank Bill and agreed to report.

Agenda Item 2.1



Llywodraeth Cymru
Welsh Government

Mick Antoniw AS/MS
Y Cwnsler Cyffredinol a Gweinidog y Cyfansoddiad
Counsel General and Minister for the Constitution

Huw Irranca-Davies MS
Chair
Legislation, Justice and Constitution Committee
Senedd Cymru

12 July 2022

Dear Huw,

Inter-Institutional Relations Agreement: Inter-Ministerial Standing Committee

Further to my letter of 17 June I have issued a [Written Ministerial Statement](#) summarising the discussions at the meeting.

I have confirmed as part of this Written Ministerial Statement that the next Inter-Ministerial Standing Committee IMSC is scheduled to be held in September and will be chaired by the Welsh Government, in line with rotating chair arrangements. I will provide a written update on the arrangements for the next meeting, which will include the date and likely agenda items in due course.

Following your letter of 27 June future correspondence on such meetings will be copied to all Senedd Committees where agenda items (and subsequent meeting updates) are likely to fall within their remits. As such, I have also copied this letter to the Finance Committee and the Economy, Trade and Rural Affairs Committee.

Yours sincerely,

Mick Antoniw AS/MS
Y Cwnsler Cyffredinol a Gweinidog y Cyfansoddiad
Counsel General and Minister for the Constitution

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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.

Agenda Item 2.2

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Our Ref: RE/736/22

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament
Cardiff Bay
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14 July 2022

Dear Peredur,

In order to support the forward financial planning for directly funded bodies, I have previously agreed to write at this time of year setting out various factors to inform future budget planning, including the Government's best assessment of the level of funding available in future years.

Looking first at the overall UK fiscal situation, the £144 billion deficit in the public finances in 2021-22 was less than half that in the previous year, but still high by historical standards. The Office for Budget Responsibility's (OBR's) March forecast shows the deficit falling to £99 billion in 2022-23. However, the first 2 month's data for the current financial year suggest that forecast may be too low. The outlook for UK economic growth has deteriorated since March, which is also likely to have an adverse effect on the public finances.

The Welsh Government's plans for 2022-23 were set out in the Final Budget in March this year. These were updated in the recent First Supplementary Budget, with relatively few changes compared to supplementary budgets over the last two years. There was additional funding for the Welsh Government's response to the war in Ukraine and some technical changes to take account of International Financial Reporting Standard 16 on leases.

The UK Government's 3 year spending review last Autumn enabled the Welsh Government to publish a multi-year budget, with indicative plans for 2023-24 and 2024-25 alongside the 2022-23 allocations. This provides a clearer picture for short term budgetary prospects than has been possible in recent years. However, we still face considerable uncertainties over the next few years.

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There is little growth in cash terms in those indicative plans for 2023-24 and 2024-25 relative to the current year. This is driven by the profile of the Welsh Government's spending review settlement. That low growth has been further exacerbated by the worsening outlook for inflation. At the time of the OBR's March 2022 forecast the Welsh Government's settlement was already worth £600 million less than in Autumn 2021 as a result of higher-than-expected inflation. It is possible that the Welsh Government's resource budget in both 2023-24 and 2024-25 will be worth less in real terms than in the current year.

The increasingly bleak outlook for both inflation and economic growth is likely to generate additional pressures right across the Welsh Government's budget, from the wage bill to procurement of goods and services to the capital programme. It is possible that the UK Government will make further announcements which affect the Welsh Government's settlement for future years. However, these could result in reductions as well as increases. We have already seen a reduction of £30m in our capital settlement this year to help finance military equipment for Ukraine.

Turning to prices and pay, the OBR's March forecast shows the GDP deflator increasing by 4.1% in the current financial year, 2.4% next year and then around 2% each year beyond that. The Consumer Prices Index (CPI) is expected to see a bigger increase of 8.0% in 2022-23 according to the OBR's March forecast. (The latest Bank of England assessment shows CPI inflation peaking at around 11% later this year.) UK average earnings are expected to increase by 5.1% in the current financial year and 2.4% next year. It should be noted that we are not expecting any increases in our settlement to finance increases in public sector pay – the pay bill will have to be managed within existing resources.

We have a settlement covering 3 years, which provides a clearer picture of the short-term prospects for the Welsh Government Budget than we have been used to in recent years. This shows the Welsh Government will see very little growth in resources over the next two years. In addition to that, the economic outlook is uncertain and has probably deteriorated since the OBR's March forecast. With that in mind, we cannot be sure that the settlement we have will be maintained, with the possibility of the UK Government diverting further resources away from programmes which are devolved in Wales.

Yours sincerely,



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.3

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/740/22

Peredur Owen Griffiths MS
Chair of Finance Committee
Welsh Parliament

20 July 2022

Dear Peredur,

As ever I am grateful for the contributions of the Finance Committee in the vital role of scrutiny of the Welsh Government's budgets. During the scrutiny of the draft Budget 2022-23, the Finance Committee proposed the following recommendation:

'Recommendation 17. The Committee recommends that the Welsh Government provides information regarding the remit and membership of the Welsh Government's Finance Committee, established as a result of the Co-operation Agreement, and provides further information about its role, including its terms of references, in the formulations and monitoring of the Welsh Government's Budget.'

The Welsh Government accepted this recommendation and I acknowledge the Finance Committee's interest in the role, membership, and remit of the Co-operation Agreement Finance Committee.

On the 1st December 2021, the Welsh Government published a document entitled '[The Co-operation Agreement: mechanisms](#)'. This document outlines how the Welsh Government and Plaid Cymru will work together during the Agreement, detailing the remit, membership, and frequency of Co-operation Agreement Committees. The information regarding the Co-operation Agreement Finance Committee can be found below.

The Co-operation Agreement

You will be aware that 'the Welsh Government and Plaid Cymru share a joint objective to deliver an agreed, shared programme of work through a Co-operation Agreement over a three-year period.' This agreement sets out the 46 policy areas that the two partners have agreed to work on including: free school meals, council tax reform, the future of social care and a net zero energy company among many other issues.

The mechanisms document presents how the Co-operation Agreement will function, noting 'Committees comprising Welsh Ministers and designated members of Plaid Cymru Senedd Group will be established and meet regularly and reach agreement by consensus on issues

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covered by the Co-operation Agreement.’

The Co-operation Agreement Finance Committee: Remit

On the Co-operation Agreement Finance Committee’s remit, the mechanisms document states that ‘the Co-operation Agreement will be resourced as agreed and oversight of the delivery and budget allocations will be jointly monitored through a Finance Committee.... The Welsh Government has well established procedures for monitoring and reporting the use of funds allocated through the budget process. These procedures will apply equally to funds allocated under this agreement.’

The Co-operation Agreement Finance Committee: Frequency of Meetings

The mechanisms document notes that ‘the frequency of meetings shall be determined but they will be regularly convened in the period leading up to the Senedd’s Annual Budget procedure, and any discussions on Supplementary Budgets.’

The Co-operation Agreement Finance Committee: Membership

The Co-operation Agreement Finance Committee’s ‘membership shall include the Welsh Minister responsible for Finance and the relevant Plaid Cymru designated member’ as detailed by the mechanisms document.

Yours sincerely,



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.4

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/743/22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
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26 July 2022

Dear Peredur,

I am writing to provide further information on a few issues that were raised during the scrutiny session on 30 June of the first supplementary budget.

Free school meal provision – unit costs

In order to develop funding allocations to local authorities to support the rollout of universal primary free school meals in Wales, it has been essential to agree a unit rate. This is the rate per pupil, per meal that the Welsh Government intend to fund local authorities in delivering the offer.

Calculating this rate is not straightforward but has considered a number of factors as my response will go on to outline. However, in the first instance, I can confirm that indicative allocations for 2022-23 and offers of grant have now been made to all local authorities on the following basis:

- Local authorities will retain the duty¹ related to the provision of food for those eligible for a free school meal under benefits-related criteria.
- The Welsh Government grant funding will support the expansion of a free meal offer to all those newly eligible as a result of the commitment.
- The unit rate per meal provided through the grant has been set at £2.90.

¹ Local authorities are required to provide a free school lunch for eligible pupils under the existing 1996 Education Act free school meals provisions. In rolling out the universal offer this requirement will remain. This means that those currently eligible for free school meals through income/benefit related criteria (eFSM) will continue to be funded by local authority budgets (including the Revenue Support Grant) when the universal offer begins. The “new” pupils outside of the 1996 Act provisions who receive a meal will be funded through a Welsh Government grant to local authorities.

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- Funding allocations are based on 86% uptake of the offer among newly eligible learners according to each local authority's plans for rollout in the first year of delivery (calculations are based on the difference between all pupils on Pupil Level Annual School Census (PLASC) 2021 minus those eligible for free school meals under income/benefit-related criteria or through Transitional Protection arrangements which represents the anticipated total expansion).
- A fee to cover additional administration costs incurred as a result of their administration of the offer is also included in grant allocations. For the first year, it has been agreed that this will be set at 6% of each local authority's grant allocation. This is normal with programmes of this scale and reflects the complexity in rolling out this offer.
- Funding will be distributed as part of the Local Authority Education Grant on a demand-led basis. Local authorities will need to prepare termly claims on the actual numbers of meals served. Any variances less than or greater than 86% meals served will be adjusted in the allocation for the next term.
- A review of the unit rate will be undertaken during the first year of delivery, using real-time data on costs/uptake provided by local authorities, in order to develop a deeper understanding and, where appropriate, refine the rate for future years.

As I set out, calculating a unit rate at this stage of delivery of an offer of this scale is not straightforward and in agreeing a rate of £2.90 a number of factors have been considered by the Minister for Education and Welsh Language and his officials. These include the current free school meal unit rates across local authorities, evidence of rising costs, the priority and expectation placed on quality and local sourcing of ingredients, sustainability of the offer, and affordability within the overall funding envelope.

The Welsh Government are, of course, aware of the risk that this rate may prove insufficient as the offer rolls out, and are cognisant of the potential for further pressures being introduced as a result of rising costs generally. We also remain aware that some local authorities will be able to deliver meals at a lower unit rate. However, and at this stage in the rollout of this offer, it is felt that the grant allocations made available to local authorities at this time provide an appropriate basis on which to plan and begin delivering their offer.

The rate that has been set compares favourably with the unit rate of £2.41 in England for universal infant free school meals. Nevertheless, as identified above, the Welsh Government are committed to working with partners from the outset of delivery to better understand actual costs associated with the rollout of this commitment. A review of the unit rate will therefore be undertaken during the first year of delivery.

Funding allocated to NHS recovery to address workforce pressures

We are developing a Workforce Plan to set out our multistranded approach to building and deploying our workforce to support recovery. We must ensure that we support and retain our existing workforce to support recovery over the coming years, focussing on their health and wellbeing to enable them to recuperate and also support recovery of the wider system.

Audit Wales were very positive about the approaches used across Wales during the pandemic and we must build upon this work in the coming years.

At the same time, our record investment in training and education of new members of the workforce will ensure that we are able to deliver increased numbers of new qualified staff into the NHS in the coming years.

We will also continue to recruit additional workforce including from overseas where this is ethical.

However, we have to accept in a very tight labour market we will not simply be able to recruit our way through this. We will also need to ensure that we deploy our existing workforce effectively. This will include encouraging and supporting multi-disciplinary team working, adopting value-based principles with people working at the top of their license with appropriate support and developing and deploying people in new roles.

We also need to think differently about how we organise our services to deliver services which best support service users and make the best use of limited staff time and work in different ways that harness new technology and digital delivery.

Robust workforce planning and effective deployment will be key to underpinning these changes and ensuring we make the best of the workforce resources we have available to us.

Funding allocated to reduce NHS waiting times

The Planned Care Recovery Plan was published on 26 April which sets out our ambition for transforming the way planned care is delivered to ensure patients receive the care and treatment they deserve. The plan was developed in collaboration with clinicians and has a number of challenging, but achievable, ambitions contained within it. The first of these is to have no open pathways over 52 weeks for first outpatient appointment by the end of 2022, followed by having no open pathways over 104 weeks by the end of March 2023.

We expect these targets to be achieved and progress is being closely monitored via the National Director for Planned Care Recovery.

As well as reducing the number of open pathways over 104 weeks, the funding will be used to address transformation and be used to support patients whilst they wait for treatment to ensure that if they do require surgery, they will be fit enough for it.

As you know, we provided £170 million recurrent funding to support this plan, but in addition, there is also £15 million available for planned care transformation and £20 million for value-based healthcare pathways.

We are starting to see some progress in this area. At the end of April, the number of open pathways over 104 weeks fell for the first time since the start of the pandemic.

It is also worth noting that Health boards have developed detailed transformational plans as part of their integrated medium-term plans. These have been scrutinised to ensure that they are effective and offer value for money. Health boards will be expected to demonstrate the additionality that this extra investment has delivered.

The concept of 'no detriment' in relation to relocating civil service jobs to Wales

The 'no detriment' concept, in broad terms, means that no government within the UK will be financially disadvantaged as a result of the decisions or actions of another. In respect of devolved governments, the guidance applying the 'no detriment' concept can be found in the [Statement of Funding Policy](#) (para 2.5; sub-para 10) and the [Fiscal Framework](#) agreed between the Welsh and UK governments (paras 34 – 39).

In most cases, it is expected that the application of the Barnett formula makes sufficient provision to mitigate the impact of differing decisions being taken by respective governments.

In respect of the UK Government's announcement that it would cut 91,000 civil service jobs – all of these relate to UK Government departments. However, the majority of civil service jobs in Wales are within UK Government departments, therefore, there is the strong possibility that a proportion of these cuts would fall in Wales. This would not have a direct impact on the Welsh Government's budget as these jobs are in non-devolved areas.

We will continue our communications with the UK government and strongly oppose any decisions which would lead to a loss of jobs in Wales.

'Welsh Government 2025'

The UK Government's announcement that it will cut civil service staff numbers over the next three years has been widely anticipated and trailed although the scale of the contraction is greater than expected.

Staff terms and conditions below SCS level are devolved. The UK Government has confirmed that the announcement made by the Prime Minister on staff reduction targets does not apply to the devolved administrations.

As with many other aspects of EU exit and the pandemic response, the Welsh Government took very different decisions on our priorities and had to make difficult decisions about how best to manage within very limited resources. We took the deliberate decision not to increase staff numbers in the Welsh Government in the same way as Whitehall - so we will not be making the same reductions. We are not expecting to be penalised through reductions in the money that comes to Wales for having managed so efficiently during the unprecedented challenges of the past four years.

Although we aren't planning to make our workforce smaller, we are always focused on how we can use the capacity and skills we have within the Welsh Government - and the wider public service – as efficiently and effectively as possible for the future. The Permanent Secretary's **Welsh Government 2025** programme will be focusing on developing the organisation to be as efficient and effective as possible over the next three years and for the longer term.

This includes a focus on our workforce, workplace and digital strategies, as well as a continuous improvement drive led at a group level. Some early action, like the group realignment to better reflect Ministerial priorities, has already been put in place to bolster resources in critical areas.

Legal Services

The Legal Services Department has 162 lawyers at present. This number will increase over coming months by the addition of further lawyers to the department. Additionally the filling of some current lawyer vacancies from a recent recruitment exercise will be added and both these things together will mean increased departmental capacity over the coming year.

The Legislative Programme and Legislative Consent Memorandums work is demanding, complex and often time consuming and has to be balanced with other business as usual work for delivery from the department. The department has to date been able to meet the legislative demands placed on it, albeit that some of the work was unplanned and required a quick

response which brought with it significant challenges and Ministers have had to decide on their priorities to assist delivery.

The department is currently in the process of undergoing a reset consultation process to ensure even closer alignment with Ministerial portfolios to assist with delivery.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive, flowing style.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol

Minister for Finance and Local Government

Hannah Blythyn AS/MS
Y Dirprwy Weinidog Partneriaeth Gymdeithasol
Deputy Minister for Social Partnership

Agenda Item 2.5



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair of the Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

5 August 2022

Dear Peredur,

Social Partnership and Public Procurement (Wales) Bill

Following my appearance at the Finance Committee on the 30th June where the Social Partnership and Public Procurement (Wales) Bill was scrutinised, I agreed to update the Committee on the Well-being of Future Generations (Wales) Act 2015 consultation.

As the Committee may now know, we have published a [consultation](#) which seeks views on extending the well-being duty on named public bodies in Part 2 of Well-being of Future Generations (Wales) Act 2015. The consultation also seeks views on the opportunities for public bodies not subject to the Act.

The consultation will run from 14 July to 20 October 2022. The Minister for Social Justice published a [Written Statement](#) to launch the consultation.

I hope this information is useful to the Committee.

Yours sincerely,

Hannah Blythyn AS/MS
Y Dirprwy Weinidog Partneriaeth Gymdeithasol
Deputy Minister for Social Partnership

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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.

Agenda Item 2.6

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair
Finance Committee
Senedd Cymru
Cardiff Bay
Cardiff
CF99 1NA

5 August 2022

Dear Peredur

The Welsh Government's audited Consolidated Annual Accounts for 2020-21 were signed off by the Permanent Secretary on 4 August following a lengthy delay in the clearance process by the Auditor General for Wales.

I am now able to provide the Finance Committee with a written report on the 2020-21 final outturn for the Welsh Government, set against spending plans approved in the Third Supplementary Budget 2020-21, in line with my commitment to good practice and transparency.

As provided in previous years, 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 would like to draw the committee's attention to one particular issue in the report. The pandemic and the funding made available for our response made 2020-21 an extraordinary year. Significant funding was provided to the Welsh Government by the UK Government very late in the 2020-21 financial year. To make the most effective use of this funding and secure best value for the taxpayer, we made decisions to maximise expenditure wherever possible, including bringing forward progress on our capital plans.

As a devolved government, we operated within the overall DEL budgetary control set by HM Treasury and should have been allowed a reasonable level of flexibility in respect of the individual revenue and capital controls. Our decisions to maximise capital expenditure were made having regard for the rules within HM Treasury's Consolidated Budgeting Guidance that revenue budgets can be switched to capital – a practice we have utilised in the past to

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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.

manage the financial position.

Against our final agreed budgetary control totals, our outturn has produced variances of an underspend against RDEL of £357.9m and an overspend against CDEL of £149.1m – a net underspend of £208.8m.

Following a protracted exchange with the Chief Secretary to the Treasury and HM Treasury officials that have only recently concluded, we have been denied the flexibility to offset the capital overspend with some of the revenue underspend. This is despite understanding that the revenue and capital imbalance could be managed after the year-end via an outturn adjustment.


This outcome led to a reduction in our capital budget for 2021-22 of £149.1m to offset the “overspend” in 2020-21. It has also led to an underspend on revenue which cannot be accommodated within the headroom available within the Wales Reserve.

I have pressed the Chief Secretary to the Treasury repeatedly to allow additional flexibility for this excess to be made available to Wales going forward, with a number of reasonable and pragmatic suggestions for how this could be achieved. I have made it very clear that I view this decision as a completely arbitrary application of the Consolidated Budgeting Guidance which does not fully recognise the arrangements agreed with devolved governments in their respective financial frameworks. However, all these requests have been denied. As a result, Wales will be deprived of £155.5m which we should have been able to carry forward - a position I have expressed to the Chief Secretary as wholly unacceptable.

It should be noted that the total underspend in 2020-21 by all UK government departments was £25bn¹ which represents almost 6% of the total provision made available to those departments in that year. All underspends by UK departments were returned to HM Treasury. The Department for Health and Social Care alone underspent by over 9%, returning £18.6bn to the Treasury – a Barnett share of which would have amounted to over £1bn for Wales. In contrast, the underspend in Wales represented only 1% of the available resources, demonstrating the effectiveness with which our resources were managed during 2020-21 under extremely challenging circumstances and continues the Welsh Government’s record of being amongst the best UK departments and devolved governments in terms of utilising our budget.

I am happy to respond to questions or make the finance director and his staff available to the committee to discuss this issue and the detail of the report, if that would be helpful.

Yours sincerely,



Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Welsh Government

Report on Outturn 2020-21

A report from the Minister for Finance and Local Government to the Senedd Finance Committee on the outturn of the Welsh Government 2020-21 set against the planned expenditure contained in the Third Supplementary Budget 2020-21. Published in August 2022.

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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 2020-21.

1.5 The Third Supplementary Budget for 2020-21, was approved by the Senedd on 9 March 2021. The final outturn follows signature of the Welsh Government's Consolidated Annual Accounts on 4 August 2022.

1.6 There were no additional budget allocations from reserves between the publication of the budget and the end of the financial year.

1.7 The outturn is reported on the basis of the Welsh Government budget structure in force at the year end and expected to be reported in the audited annual accounts.

2. Main Expenditure Group¹ Outturn 2020-21

- 2.1** The Consolidated Accounts of the Welsh Government contain a Summary of Resource Outturn against the control totals approved in the Third Supplementary Budget motion of 2020-21.
- 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 Third Supplementary Budget 2020-21.
- 2.3** In line with previous years, 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).
- 2.4** The outturn has been analysed further to the level published in the Third Supplementary Budget 2020-21. The tables published with the budget show a break-down into Budget Expenditure Lines or 'BELs'. The outturn against the budget is provided on this basis in the Annexes to this report.

Resource (Revenue) DEL Outturn

Fiscal Resource DEL²

- 2.5** The Fiscal Resource outturn for the year resulted in an underspend of £214.9m representing a 1.1% variance to budget.
- 2.6** The spend in this budget classification was greatly affected by the pandemic and the Welsh Government's response to it. The UK

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

² Fiscal Resource DEL is a control total set by HM Treasury, is a subset of Resource DEL and is also referred to as 'revenue'.

government provided an additional £5,705m in funding for pandemic response in the year. Of this HM Treasury allowed £485m to be carried forward outside of normal arrangements.

2.7 The Welsh Government allocated £5,432m to MEGs in 2020-21, of which £5,116m was Fiscal Resource DEL. The outturn is reflected in the figures reported below.

2.8 Table 2.1 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.1: Fiscal Resource Outturn by MEG	Budget £000	Outturn £000	Under/ Over(-) Spend £000	%
Health & Social Services	9,493,029	9,356,253	136,776	1.44
Housing & Local Government	5,103,774	5,023,291	80,483	1.58
Economy & Transport	2,671,959	2,630,567	41,392	1.55
Education	1,657,843	1,707,832	-49,989	-3.02
Environment, Energy & Rural Affairs	476,505	476,409	96	0.02
Mental Health, Wellbeing & Welsh Language	308,424	302,555	5,869	1.90
Central Services & Administration	413,770	413,450	320	0.08
TOTAL	20,125,304	19,910,357	214,947	1.07

2.9 The main element of the £136.8m underspend reported in the Health and Social Services MEG was an underspend of £115m on funding allocated for pandemic response. This is reflective of an extraordinary budget management period where an additional £1.5bn was allocated to the NHS in Wales in addition to core funding. The level and pace of the response was often dictated by the ever-changing circumstances of the pandemic. The principal reason for the underspend is simply that actual costs for demand-led areas fell at the lower end of the range of estimated costs, rather than activities not being delivered. The remaining underspend of £22m was incurred on non-pandemic funding and included a contingency of £30m allocated in the Third Supplementary Budget for central budget management purposes which was not needed. Other offsetting overs and unders were also reported.

- 2.10** The underspend in the Housing and Local Government MEG included £69m attributable to the Local Authority Hardship Fund and £21m in relation to the Non-Domestic Rates (NDR) Relief Scheme. Allocations were made to the Hardship Fund in the Third Supplementary Budget based on scenario planning for potential activity to the end of the financial year. Due to the uncertain environment of the pandemic maximum capacity to provide support was budgeted for. Actual demand was lower than anticipated generating underspends in some areas of the Hardship Fund. The NDR Relief Scheme budget benefited towards the end of the financial year when several large companies returned relief they had received to Welsh Government. Actions were taken within the MEG to manage underspends arising. These underspends are partially offset by approved post budget additional spend of £12m on roads maintenance.
- 2.11** The Economy and Transport MEG revenue budget underspend was largely attributable to the technical budgetary treatment for the £43m impairment of the investment in Cardiff International Airport Limited scoring to Non-Fiscal Resource DEL and not Fiscal Resource DEL as originally expected.
- 2.12** There was an overspend of £50m in the Education MEG. Approval for unplanned spend of £88.2m was given after the supplementary budget to utilise the contingency of £30m allocated to the MEG as well as underspends reported across the Welsh Government as a whole. This included £33m of additional funding to support pandemic recovery in teaching and learning across the education system, £45m for schools revenue maintenance, £6.5m for the international learning exchange programme and £3.7m for further education maintenance.
- 2.13** An underspend of £5.9m was reported by the Mental Health, Wellbeing and Welsh Language MEG. This reflects the impact of the pandemic and associated restrictions on the postponement of activity in the portfolio related to events, tourism, and workplace-based campaigns such as

“Healthy Weight, Healthy Wales”. It also includes a £3.5m accounting adjustment for Sport Wales sponsored body delivery activities.

Non-Fiscal Resource DEL³

2.14 The Non-Fiscal Resource DEL budget was underspent by £236.7m or 18.3% of budget. 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 and provision for write-off of student loans.

2.15 Table 2.2 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.2: Non-Fiscal Resource Outturn by MEG	Budget £000	Outturn £000	Under/ Over(-) Spend £000	%
Health & Social Services	220,137	215,303	4,834	2.19
Housing & Local Government	213	279	-66	-30.98
Economy & Transport	344,400	384,319	-39,919	-11.59
Education	682,291	413,713	268,578	39.36
Environment, Energy & Rural Affairs	18,675	18,604	71	0.38
Mental Health, Wellbeing & Welsh Language	8,974	7,374	1,600	17.83
Central Services & Administration	16,835	15,247	1,588	9.43
TOTAL	1,291,525	1,054,839	236,686	18.33

2.16 The Health and Social Services underspend reflects revisions to the final funding requirements of the NHS organisations because of delays in purchases and scheme slippage, predominately due to the pandemic. There was also a technical reassessment relating to an expected impairment which did not materialise.

2.17 The Economy and Transport MEG revenue budget overspend is largely attributable to the budget of £43m for the impairment of the investment in Cardiff International Airport Limited being included in Fiscal Resource DEL

³ Non-Fiscal Resource DEL is control total set by HM Treasury that covers annual accounting adjustments for student loan write offs, other write offs and depreciation charges.

and not Non-Fiscal Resource DEL as originally expected. This resulted in spend in this classification without the corresponding budget.

2.18 Most of the Non-Fiscal Resource DEL underspend related to student loans provision within the Education MEG (£268.6m). The valuation of new and historic loans is determined by a statistical model which provides the amount of annual 'write-off'. This is significantly impacted by social and economic factors. The budget included contingency in the valuation model consistent with other UK administrations in respect of the potential economic impacts of the pandemic. When the valuation was undertaken, this contingency was not required.

2.19 The underspend of £1.6m against the Mental Health, Wellbeing and Welsh Language MEG arose due to delays in CADW conservation work and major projects as a consequence of pandemic restrictions.

2.20 The Central Services and Administration MEG included provision for the depreciation of the Welsh Government estate. The underspend of £1.6m has arisen due to differences in the annual changes to forecast after property indices are applied, which are driven by market and economic factors.

Capital DEL Outturn

2.21 An overspend of £147.5m was reported against Capital budgets representing a 4.7% variance against budget. Capital DEL is split between General Capital and Capital Financial Transactions.

General Capital⁴

2.22 The Capital DEL outturn for 2020-21 resulted in an overspend of £147.8m, a 5.3% variance against budget.

⁴ General Capital DEL is a control total set by HM Treasury that covers capital grants and asset additions.

2.23 The spend in this budget classification was affected by the additional funding received from the UK government for pandemic response late in the financial year. The decision was taken to bring forward capital schemes with the expectation that unspent revenue budget could be utilised for this purpose.

2.24 Table 2.3 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.3: General Capital Outturn by MEG	Budget £000	Outturn £000	Under/ Over(-) Spend £000	%
Health & Social Services	443,641	442,918	723	0.16
Housing & Local Government	725,480	797,821	-72,341	-9.97
Economy & Transport	982,705	1,048,997	-66,292	-6.75
Education	400,306	411,055	-10,749	-2.69
Environment, Energy & Rural Affairs	154,658	154,580	78	0.05
Mental Health Wellbeing & Welsh Language	78,909	78,326	583	0.74
Central Services & Administration	22,137	21,981	156	0.70
TOTAL	2,807,836	2,955,678	-147,842	-5.27

2.25 The largest element of the overspend (48.9%) was against the Housing and Local Government MEG. This is due to approval to bring forward planned delivery of capital schemes including Help to Buy Wales Phase 3 (£48.2m), support for strategic sites (£12m), town centre loans (£10m) and support for credit unions (£1.5m).

2.26 The Economy and Transport MEG reported an overspend of £66.3m. This was due to approval to bring forward delivery of capital schemes including strategic project opportunities with local authorities to support rail and regeneration activity totalling £120m which utilised reported underspends within the MEG as well as contributed to the overall management of the Wales DEL.

2.27 The overspend of £11m reported in the Education MEG included approval to bring forward spend on innovation projects from 2021-22 (£5.6m) and defer receipt of EU income for innovation projects (£6.4m).

Capital Financial Transactions⁵

2.28 There was an underspend of £0.4m on the Capital Financial Transactions (FT) budget equating to a 0.1% variance against the budget.

2.29 Table 2.4 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.4: Capital FT Outturn by MEG	Budget £000	Outturn £000	Under/ Over(-) Spend £000	%
Housing & Local Government	184,342	194,208	-9,866	-5.35
Economy & Transport	155,910	145,676	10,234	6.56
Education	155	154	1	0.65
Mental Health Wellbeing & Welsh Language	-227	-227	-	-
Central Services & Administration	1,000	1,000	-	-
TOTAL	341,180	340,811	369	0.11

2.30 The budget overspend in the Housing and Local Government MEG was due to approval to bring forward planned delivery of Phase 3 of the Help to Buy scheme (£51.1m) which utilised underspends within the MEG of £48.2m and utilised the underspend reported against the Economy and Transport MEG (paragraph 2.31 below).

2.31 The Economy and Transport underspend of £10m included £5m in funding for planned property interventions which could not be used as well as £4m in relation to a planned but unused allocation for buses.

⁵ Capital Financial Transactions DEL is a control total set by HM Treasury that covers repayable capital (loans and equity).

Annually Managed Expenditure (AME) Outturn

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

2.33 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. Most of the Welsh Government AME budgets cover accounting adjustments and examples include asset impairments, increases in provisions and pension valuations of sponsored bodies. Student loans issued and repaid are also within this classification. The Welsh Government is unable to recycle underspends against AME programmes.

2.34 Table 2.5 sets out the year end position. Explanations for variances as determined in paragraph 2.3 follow.

Table 2.5: AME Outturn by MEG	Budget £000	Outturn £000	Under/ Over(-) Spend £000	%
Health & Social Services	311,019	153,089	157,930	50.78
Housing & Local Government	717,360	687,579	29,781	4.15
Economy & Transport	48,500	48,623	-123	-0.25
Education	834,568	826,529	8,039	0.96
Environment, Energy & Rural Affairs	0	279	-279	-
Mental Health Wellbeing & Welsh Language	17,500	10,232	7,268	41.53
Central Services & Administration	2,999	-1,198	4,197	139.95
TOTAL	1,931,946	1,725,133	206,813	10.70

2.35 The Health and Social Services AME budget was £157.9m underspent, which represents 76.4% of the total AME underspend. The budget included NHS provisions including the Wales Risk Pool which are demand driven, highly variable and involve large sums. The other element of the AME underspend related to anticipated impairments for NHS capital build

schemes, which were impacted by project slippages and variances between forecast and actual valuations on scheme completions.

2.36 The Housing and Local Government MEG AME budget underspent by £29.8m. This arose from Help to Buy Wales fair value adjustments. The valuation for 2020-21 resulted in a significant gain to the loan book which could not be anticipated at the time of the Third Supplementary Budget.

2.37 The Education AME underspend of £8m relates to the student loans budget which covers issues and repayments. The outturn is determined by the Student Loans Company whose calculation of loans issued was lower than we had anticipated at the time of the Third Supplementary Budget.

2.38 An underspend of £7.3m was reported against the Mental Health, Wellbeing and Welsh Language AME budget. This was principally due to variances in external valuations of pension liabilities in sponsored bodies including the National Museum of Wales and the National Library of Wales, and associated budget alignment adjustments for sponsored bodies.

2.39 The Central Services and Administration MEG reported an AME underspend of £4.2m. As in previous years this variance was attributable 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.

3. Carry Forward within the Wales Reserve

- 3.1** A separate Wales Reserve exists to help manage fluctuations in tax revenue and 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 DEL and £50m Capital DEL.
- 3.2** Table 3 shows the movements on the Wales Reserve in the 2020-21 financial year which are described in the following paragraphs.
- 3.3** Following agreement of the final Wales Reserve balances for 2019-20 with HM Treasury the Fiscal Resource balance opening balance subsequently increased by £1.8m and the Capital FT opening balance decreased by £0.1m.
- 3.4** The full available drawdown of £125m Fiscal Resource was included in the Final Budget 2020-21. The available balance brought forward of £40.2m on General Capital and £9.8m on Capital FT was also drawn down in the Third Supplementary Budget. These drawdowns are reflected as movements within the Wales Reserve.
- 3.5** In the Third Supplementary Budget 2020-21, the Welsh Government reported unallocated Fiscal Resource DEL of £101m, General Capital DEL of £1m and Capital FT DEL of £0.5m. These amounts were unused and so have been added to the Wales Reserve for use in future years.
- 3.6** The Welsh Government outturns for Fiscal Resource, General Capital and Capital FT DEL documented in this report above are reflected as movements in the Wales Reserve.

- 3.7** The outturns of the other bodies funded from the Wales DEL are also taken account of. These relate to the Senedd Commission, the Public Services Ombudsman for Wales and the Wales Audit Office.
- 3.8** Devolved taxes were anticipated in the Third Supplementary Budget of £2,374.3m. The actual taxes collected amounted to £2,411.9m. The Wales Reserve benefited from the surplus of £37.6m.
- 3.9** Planned borrowing repayments were less than anticipated which led to a surplus of £2.4m which increased the reserve balance accordingly.
- 3.10** An adjustment of £2.4m was made to the Capital DEL between General Capital and FT due to the discovery of a classification error which was not material enough to be adjusted in the accounts but was reflected in the reserve.
- 3.11** Repayable Capital FT DEL is returned to HM Treasury by a reduction of the Wales Reserve balance in accordance with the repayment profile agreed with HM Treasury. For 2020-21 the effective repayment was £3.3m.
- 3.12** The final adjustments to the Wales Reserve were made following discussion and advice from HM Treasury. In the UK Supplementary Estimate the Welsh Government made a reserve claim for flood damage and coal tip safety of £31m. Of this claim, £6m was for revenue costs, but as there was sufficient revenue DEL available, the £6m has been reclaimed by HMT.
- 3.13** HMT agreed for £9m relating to voluntary payments of Non-Domestic Rates received in 2020-21 to be carried forward into 2021-22 in addition to normal Wales Reserve limits.

3.14 The overspend for General Capital was offset against the CDEL for 2021-22 in the UK Supplementary Estimates for 2021-22. These adjustments are reflected as movements in the Wales Reserve.

3.15 Unallocated and unspent Non-Fiscal Resource DEL lapses and cannot be carried forward within the Wales Reserve.

Table 3 Wales Reserve balance including carry forward resulting from Wales DEL outturn 2020-21

Wales Reserve	Fiscal Resource £m	Capital £m	Capital FTs £m	Total £m
Balance at 1 April 2020	228.6	40.2	67.1	335.9
Adjustment to opening balance	1.8	0	-0.1	1.7
Drawdown from the reserve	-125.0	-40.2	-9.8	-175.0
Unallocated DEL in Third Supplementary Budget 2020-21	101.0	1.0	0.5	102.5
Welsh Government outturn	214.9	-147.8	0.4	67.5
Other bodies outturn	2.0	0.1	0	2.1
Devolved taxes outturn	37.6	0	0	37.6
Principal repayments of borrowing	2.4	0	0	2.4
Capital to Capital FT adjustment	0	-2.4	2.4	0
Repayment of repayable capital to HM Treasury	0	0	-3.3	-3.3
Reclaim of reserve claim (flood & coal tips)	-6.0	0	0	-6.0
Voluntary payments of business rates carried forward to 21-22	-9.0	0	0	-9.0
Overspend offset in 2021-22	0	149.1	0	149.1
Balance at 1 April 2021	448.3	0	57.2	505.5

3.16 The total balance within the Wales Reserve at 1 April 2021 was £505.5m which exceeds the limit by £155.5m. The Chief Secretary to the Treasury has rejected the Welsh Government's request to carry forward funds in excess of the Wales Reserve limit. As a result, the Fiscal Resource balance of £448.3m will absorb the deficit. This will reduce the opening

balance at 1 April 2021 to £292.8m on Fiscal Resource and £350m overall.

3.17 During 2021-22, the Welsh Government drew the maximum £175m (£125m revenue and £50m Financial Transaction Capital) to support spending plans.

ANNEX 1: Resource DEL⁶ Outturn by BEL

HEALTH & SOCIAL SERVICES RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend £000s	%
Core NHS Allocations	8,441,048	8,420,431	20,617	0.24
Other Direct NHS Allocations	449,906	427,992	21,914	4.87
Health Education Improvement Wales	244,228	230,833	13,395	5.48
Public Health Wales	156,568	149,223	7,345	4.69
Workforce (NHS)	34,528	33,013	1,515	4.39
A Healthier Wales	93,240	83,112	10,128	10.86
Other NHS Budgets	41,065	-11,298	52,363	127.51
Education and Training	19,534	18,212	1,322	6.77
Workforce Development Central Budgets	1,775	2,221	-446	-25.13
Health Promotion	11,094	7,316	3,778	34.05
Targeted Health Protection & Immunisation	15,570	13,003	2,567	16.49
Health Emergency Planning	6,025	13,446	-7,421	-123.17
Safeguarding & Advocacy	3,985	3,597	388	9.74
Older People Carers & People with Disabilities	4,077	4,600	-523	-12.83
Partnership & Integration	227	215	12	5.29
Care Sector	299	86	213	71.24
Sustainable Social Services	53,215	52,533	682	1.28
Social Care Wales	20,613	20,713	-100	-0.49
Older People Commissioner	1,589	1,470	119	7.49
Support for Childcare and Play	86,351	72,726	13,625	15.78
Support for Children's Rights	800	729	71	8.88
Supporting Children	9,933	10,503	-570	-5.74
Children's Commissioner	1,580	1,700	-120	-7.59
Support for Families and Children	3,764	3,114	650	17.27
CAFCASS Cymru	12,152	12,066	86	0.71
Total	9,713,166	9,571,556	141,610	1.46

⁶ The published budget tables report the Resource DEL total i.e. Fiscal and Non Fiscal.

HOUSING AND LOCAL GOVERNMENT RESOURCE BELS				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Local Govt General Revenue Funding	3,499,147	3,505,721	-6,574	-0.19
Non-Domestic Rates Rates Relief	376,781	356,187	20,594	5.47
City & Growth Deals	10,000	10,000	-	-
Police General Revenue Funding	86,600	91,600	-5,000	-5.77
Local Govt PFI Revenue Consequences	3,124	3,124	-	-
Transformation & Legislation	7,717	7,083	634	8.22
Non-Domestic Rates Collection Costs	5,172	5,172	-	-
Emergency Financial Assistance	698,993	630,258	68,735	9.83
Valuation Office Agency Services	8,561	8,561	-	-
Valuation Tribunal for Wales	1,040	952	88	8.46
Local Taxation Research & Analysis	100	79	21	21.00
Sponsorship of the Local Democracy and Boundary Commission for Wales	598	631	-33	-5.52
Expenditure to Promote Local Democracy	50	39	11	22.00
Improvement & Support	2,429	2,372	57	2.35
Academi Wales	804	478	326	40.55
Community and Town Councils	95	90	5	5.26
Public Services Boards	-	-34	34	-
Supporting Communities	1,422	1,199	223	15.68
Children and Communities Grant	142,042	143,392	-1,350	-0.95
Housing Support Grant	126,763	126,538	225	0.18
Financial Inclusion	28,142	26,183	1,959	6.96
Digital Inclusion	2,310	2,872	-562	-24.33
Fire & Rescue Services	8,425	8,429	-4	-0.05
Fire & Rescue Services - Communication Systems	3,315	3,299	16	0.48
Community Fire Safety	848	1,073	-225	-26.53
Homelessness	20,615	20,422	193	0.94
Housing Policy	4,939	4,955	-16	-0.32
Social Housing Grants (SHG)	-	60	-60	-
Housing Finance Grant	13,100	13,084	16	0.12
Land for Housing	-	-56	56	-
Housing Programme Revenue Funding	1,073	1,086	-13	-1.21
Help to Buy Wales Fund and Other Schemes	-	231	-231	-
Regeneration	8,557	8,835	-278	-3.25
Cardiff Harbour Authority	6,000	6,168	-168	-2.80
Planning & Regulation Expenditure	5,070	4,433	637	12.56
Care Inspectorate Wales	14,576	14,542	34	0.23
Healthcare Inspectorate Wales	4,376	4,046	330	7.54
Estyn - Programme Expenditure	11,203	10,466	737	6.58
Total Resource	5,103,987	5,023,570	80,417	1.58

ECONOMY AND TRANSPORT RESOURCE BELS				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Business and Regional Economic Development (Enabling Initiatives)	1,617,535	1,653,966	-36,431	-2.25
Entrepreneurship	9,171	10,077	-906	-9.88
Social Enterprise and Economy	730	553	177	24.25
Business Wales	10,975	11,033	-58	-0.53
Tech Valleys	2,250	2,352	-102	-4.53
Valleys Task Force	100	619	-519	-519.00
Export, Trade and Inward Investment	3,154	2,492	662	20.99
Business Finance Funds	70,000	79,015	-9,015	-12.88
Public Sector Broadband Aggregation	10,480	10,544	-64	-0.61
Strategic Infrastructure Development	250	2,270	-2,020	-808.00
ICT Infrastructure Operations	1,277	1,794	-517	-40.49
ICT Infrastructure Operations - Non Cash	2,309	1,991	318	13.77
Property Infrastructure	4,026	3,203	823	20.44
Strategic Policy Development	-	-155	155	-
Healthy Working Wales	531	435	96	18.08
Corporate Programmes & Services	198	574	-376	-189.90
Strategic Business Events and Communications	100	44	56	56.00
Network Asset Management	3,246	3,134	112	3.45
Network Operations	64,324	66,793	-2,469	-3.84
Network Operations Non Cash	302,691	216,041	86,650	28.63
Aviation	1,705	89,144	-87,439	-5,128.39
National Transport Infrastructure	127,200	84,464	42,736	33.60
Rail Ancillary	850	1,662	-812	-95.53
Transport for Wales	362,600	369,757	-7,157	-1.97
Transport for Wales Non Cash	38,000	37,622	378	0.99
Bus Support	112,466	107,251	5,215	4.64
Smartcards	1,116	351	765	68.55
Local Transport Priorities	1,100	502	598	54.36
Concessionary Fares	31,172	33,915	-2,743	-8.80
Youth Discounted Travel Scheme	2,000	1,907	93	4.65
Sustainable & Active Travel	630	602	28	4.44
Road Safety	4,064	3,124	940	23.13
Work Based Learning	132,396	123,830	8,566	6.47
Marketing Skills	600	558	42	7.00
Skills Policy Engagement	1,676	1,240	436	26.01
Employability and Skills	58,915	57,678	1,237	2.10
Parents, Childcare and Employment	1,500	1,590	-90	-6.00
Communities for Work	14,612	13,655	957	6.55
Better Jobs Closer to Home	-	289	-289	-
Careers Wales	19,010	17,665	1,345	7.08
Careers Wales - Non cash	1,400	1,305	95	6.79
Total Resource	3,016,359	3,014,886	1,473	0.05

EDUCATION RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Literacy & Numeracy	4,256	4,099	157	3.69
Curriculum & Assessment	4,605	4,913	-308	-6.69
Curriculum Review	5,950	4,807	1,143	19.21
Foundation Phase	148	160	-12	-8.11
Teacher Development and Support	41,732	40,076	1,656	3.97
Qualifications Wales	9,463	8,210	1,253	13.24
Further Education Provision	540,958	547,734	-6,776	-1.25
Digital Transformation Programme	1,979	328	1,651	83.43
International Learning Exchange Prog	-	6,511	-6,511	-
Education Infrastructure	-	46,902	-46,902	-
HEFCW Programme Expenditure	244,193	238,082	6,111	2.50
HEFCW Capital	90	90	-	-
School Governance	-	-20	20	-
School Improvement Grant	148,684	187,388	-38,704	-26.03
Raising School Standards	25,030	24,263	767	3.06
School Standards Support	994	657	337	33.90
Emergency Funding - COVID-19	30,000	-	30,000	100.00
Pupil Development Grant	113,500	112,272	1,228	1.08
Supporting Digital Learning in Education	4,279	4,411	-132	-3.08
Additional Learning Needs	17,691	17,414	277	1.57
Food & Nutrition in Schools	4,065	3,814	251	6.17
Post 16 Specialist Placements	13,881	13,458	423	3.05
Whole School Approach to Wellbeing	2,000	1,874	126	6.30
Vulnerable Groups	550	220	330	60.00
Student Support Grants	393,542	380,000	13,542	3.44
Student Loans Company / HMRC Administration Costs	8,797	18,606	-9,809	-111.50
Student Loans Resource Budget Provision	681,986	413,422	268,564	39.38
Targeted Student Support Awards	6,297	6,859	-562	-8.92
Tackling Disaffection	784	993	-209	-26.66
Offender Learning	6,628	6,628	-	-
Youth Engagement & Employment	11,026	10,646	380	3.45
Education Communications	233	488	-255	-109.44
Research Evidence and International	768	815	-47	-6.12
Welsh in Education	12,325	12,710	-385	-3.12
Business Innovation	500	524	-24	-4.80
Science	1,000	587	413	41.30
Life Sciences	2,200	1,604	596	27.09
Total Resource	2,340,134	2,121,545	218,589	9.34

MENTAL HEALTH, WELLBEING AND THE WELSH LANGUAGE RESOURCE BELS				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Mental Health	28,948	28,513	435	1.50
Substance Misuse Action Plan Fund	33,950	33,912	38	0.11
Food Standards Agency	3,737	2,901	836	22.37
Research and Development	-	-	-	-
Health Improvement & Healthy Working	7,283	5,323	1,960	26.91
Tourism and Marketing	6,492	6,035	457	7.04
Events Wales	1,908	1,508	400	20.96
Arts Council of Wales	49,842	48,855	987	1.98
Amgueddfa Cymru - National Museums of Wales	25,660	23,529	2,131	8.30
National Library of Wales	11,694	12,249	-555	-4.75
Support for Local Culture and Sport	63,275	60,356	2,919	4.61
Creative	2,978	2,637	341	11.45
Books Council of Wales	3,730	3,730	-	-
Cadw	17,751	21,165	-3,414	-19.23
National Botanic Garden of Wales	834	834	-	-
Royal Commission on the Ancient and Historical Monuments of Wales	1,791	1,629	162	9.05
Sport Wales	34,947	32,386	2,561	7.33
Welsh Language	19,310	21,232	-1,922	-9.95
Welsh Language Commissioner	3,268	3,135	133	4.07
Total Resource	317,398	309,929	7,469	2.35

ENVIRONMENT, ENERGY AND RURAL AFFAIRS RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Environment Legislation & Governance	120	85	35	29.17
Fuel Poverty Programme	3,312	2,040	1,272	38.41
Welsh Government Energy Service	3,536	3,504	32	0.90
Strategy and Government Relations	2,834	2,586	248	8.75
Radioactivity & Pollution Prevention	3,415	1,035	2,380	69.69
Clean Energy	3,835	3,993	-158	-4.12
Climate Change Action	-	252	-252	-
Flood Risk Management & Water Revenue	27,197	28,375	-1,178	-4.33
Local Environment Quality	649	333	316	48.69
Landfill Disposals Tax Communities Scheme	1,500	1,521	-21	-1.40
Enabling Natural Resources	274	1,976	-1,702	-621.17
Biodiversity, Evidence and Plant Health	3,282	1,850	1,432	43.63
Forestry	1,274	1,757	-483	-37.91
Natural Resources Wales	52,142	52,577	-435	-0.83
Environment Management (Pwllperian)	38	-4	42	110.53
New Farm Entrants	-	-27	27	-
Agriculture Strategy	100	1,133	-1,033	-1,033.00
Local Authority Framework Funding	200	205	-5	-2.50
Agriculture Customer Engagement	250	250	-	-
County Parish Holdings Project	712	794	-82	-11.52
EID Cymru	2,641	801	1,840	69.67
Livestock Identification	1,647	1,527	120	7.29
Technical Advice Services	358	504	-146	-40.78
Commons Act	-	109	-109	-
Environment Act Implementation	791	861	-70	-8.85
Agriculture EU Pillar 1 Direct Payments	243,000	243,466	-466	-0.19
Common Agriculture Policy IT	-	17	-17	-
Single Payment Scheme Administration	14,070	15,136	-1,066	-7.58
Old RDP Programme	-	-14	14	-
Rural Development Plan 2014-20	19,502	13,816	5,686	29.16
Research & Evaluation	520	616	-96	-18.46
EU Funded Fisheries Schemes	565	114	451	79.82
Marine & Fisheries	3,349	2,688	661	19.74
Promoting Welsh Food and Industry Development	17,385	21,209	-3,824	-22.00
Animal Health & Welfare Framework	58	1,141	-1,083	-1,867.24
TB EU Income	-1,300	-1,483	183	-14.08
Animal and Plant Health Agency	15,281	13,776	1,505	9.85
TB Slaughter Payments Costs & Receipts	10,110	15,940	-5,830	-57.67
TB Eradication	7,500	6,223	1,277	17.03
Resource Efficiency and Circular Economy	43,992	43,353	639	1.45
Landscape & Outdoor Recreation	11,041	10,978	63	0.57
Total Resource	495,180	495,013	167	0.03

CENTRAL SERVICES AND ADMINISTRATION RESOURCE BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Staff Costs	215,411	223,032	-7,621	-3.54
General Administration Expenditure	26,413	26,452	-39	-0.15
General Administration Expenditure (Capital Charges - Non cash)	16,000	14,286	1,714	10.71
IT Costs	15,366	15,778	-412	-2.68
Enabling Government	2,062	1,297	765	37.10
Improve Economic & Labour Market Statistics	1,246	1,253	-7	-0.56
Geographical Information	589	947	-358	-60.78
Data Science	500	312	188	37.60
Central Research	1,925	1,773	152	7.90
Future Generations Commissioner Wales	1,509	1,382	127	8.42
Land Release Fund	276	-7	283	102.54
Tribunals	4,192	3,583	609	14.53
Justice Commission in Wales	490	217	273	55.71
Public Policy Institute	450	450	-	-
Chwarae Teg	360	360	-	-
Welsh Revenue Authority	6,196	5,964	232	3.74
Welsh Revenue Authority (Non cash)	835	835	-	-
Devolved Taxes	531	516	15	2.82
Cost of Borrowing	2,474	2,465	9	0.36
National Procurement Service	1,220	1,190	30	2.46
e-procurement	3,000	3,000	-	-
Events & Corporate Communications	356	473	-117	-32.87
Elections	765	648	117	15.29
Investigations	300	303	-3	-1.00
Economic Research	46	37	9	19.57
Central EU Transition Costs	22,987	21,898	1,089	4.74
Invest to Save	-3,471	170	-3,641	104.90
Invest to Save Fund Repayment	6,594	-	6,594	100.00
Programme Support	2,954	3,167	-213	-7.21
Match Funding	2,750	2,864	-114	-4.15
Violence against Women, Domestic Abuse and Sexual Violence	6,825	6,686	139	2.04
Community Cohesion	1,600	1,146	454	28.38
Equality and Community Cohesion	5,130	5,403	-273	-5.32
Advice Services	11,007	10,463	544	4.94
Support for the Voluntary Sector and Volunteering	41,355	41,395	-40	-0.10
Community Support Officers	18,518	18,518	-	-
Female Offending and Youth Justice Blueprints	678	648	30	4.42
Cyber Resilience	2,318	2,169	149	6.43
International Development	2,210	2,349	-139	-6.29
International Relations	6,638	5,275	1,363	20.53
Total Resource	430,605	428,697	1,908	0.44

ANNEX 2: Capital DEL⁷ Outturn by BEL

HEALTH & SOCIAL SERVICES CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Under/ Over(-) Spend £000s	%
Core NHS Allocations	430,800	439,009	-8,209	-1.91
Other NHS Budgets	829	-	829	100.00
Health Emergency Planning	4,492	-2,605	7,097	157.99
Social Care Wales	20	20	-	-
Support for Childcare and Play	7,500	6,494	1,006	13.41
Total Capital	443,641	442,918	723	0.16

HOUSING AND LOCAL GOVERNMENT CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Local Govt General Capital Funding	197,837	197,837	-	-
Local Govt Gen Rev Funding	-	426	-426	-
City & Growth Deals	52,000	52,000	-	-
Emergency Financial Assistance	17,559	13,859	3,700	21.07
Supporting Communities	1,000	1,000	-	-
Financial Inclusion	515	1,912	-1,397	-271.26
Digital Inclusion	743	563	180	24.23
Fire & Rescue Services	1,000	1,000	-	-
Fire & Rescue Services - Communication Systems	210	-	210	100.00
Community Fire Safety	670	670	-	-
Rapid Response Adaption Programme	5,660	5,268	392	6.93
Housing Policy	10,500	7,941	2,559	24.37
Integrated Care Fund	32,470	31,333	1,137	3.50
Help to Buy Wales Fund and Other Schemes	-	48,200	-48,200	-
Major Repairs Allowance and Dowry Gap Funding	108,000	104,199	3,801	3.52
Social Housing Grants (SHG)	280,242	245,082	35,160	12.55
Land for Housing	10,000	10,000	-	-
Help to Buy Wales Fund and Other Schemes	105,827	158,547	-52,720	-49.82
Regeneration	85,308	112,132	-26,824	-31.44
Estyn - Programme Expenditure	281	60	221	78.65
Total Capital	909,822	992,029	-82,207	-9.04

⁷ The published budget tables report the Capital DEL total i.e. General Capital and Capital Financial Transactions.

ECONOMY AND TRANSPORT CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Business and Regional Economic Development (Direct Support)	50,738	29,105	21,633	42.64
Tech Valleys	7,750	4,972	2,778	35.85
Entrepreneurship Del Start Up & Bus Wales	-	468	-468	-
Valleys Task Force	19,500	10,416	9,084	46.58
Business Finance Funds	379,000	379,000	-	-
ICT Infrastructure Operations	25,768	24,042	1,726	6.70
Strategic Infrastructure Development	6,200	60,753	-54,553	-879.89
Property Infrastructure	31,786	19,946	11,840	37.25
Network Operations	125,021	136,517	-11,496	-9.20
Aviation	6,800	8,074	-1,274	-18.74
National Transport Infrastructure	116,373	107,051	9,322	8.01
Rail Ancillary	-	69,707	-69,707	-
Transport for Wales	234,799	224,241	10,558	4.50
Bus Support	-	1,000	-1,000	-
Smartcards	1,000	-	1,000	100.00
Local Transport Priorities	64,260	77,683	-13,423	-20.89
Concessionary Fares	-	-	-	-
Sustainable and Active Travel	60,840	32,224	28,616	47.03
Road Safety	7,400	7,351	49	0.66
Communities for Work	180	180	-	-
Careers Wales	1,200	1,943	-743	-61.92
Total Capital	1,138,615	1,194,673	-56,058	-4.92

EDUCATION CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Education Infrastructure	317,530	316,696	834	0.26
Further Education Provision	23,725	24,537	-812	-3.42
Qualifications Wales	-	285	-285	-
HEFCW Programme Expenditure	44,000	44,120	-120	-0.27
Business Innovation (Economy Futures Fund)	8,782	19,731	-10,949	-124.68
Science	5,743	5,743	-	-
Life Sciences	681	97	584	85.76
Total Capital	400,461	411,209	-10,748	-2.68

MENTAL HEALTH, WELLBEING AND THE WELSH LANGUAGE CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Substance Misuse Action Plan Fund	1,158	1,149	9	0.78
Food Standards Agency	100	100	-	-
Research and Development	42,400	41,820	580	1.37
Tourism (Economy Futures Fund)	4,700	5,149	-449	-9.55
Arts Council of Wales	4,702	4,301	401	8.53
Amgueddfa Cymru - National Museums of Wales	4,267	3,857	410	9.61
National Library of Wales	3,095	3,067	28	0.90
Support for Local Culture and Sport	2,513	2,168	345	13.73
Creative (Economy Futures Fund)	5,989	6,747	-758	-12.66
Books Council of Wales	780	630	150	19.23
Cadw	5,011	5,063	-52	-1.04
National Botanic Garden of Wales	195	195	-	-
Royal Commission on the Ancient and Historical Monuments of Wales	35	44	-9	-25.71
Sport Wales	3,579	3,595	-16	-0.45
Repayment of Sports Capital Loans Scheme	-227	-227	-	-
Welsh Language	-	148	-148	-
Welsh Language Commissioner	385	293	92	23.90
Total Capital	78,682	78,099	583	0.74

ENVIRONMENT, ENERGY AND RURAL AFFAIRS CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Fuel Poverty Programme	23,000	21,500	1,500	6.52
Green Infrastructure	1,402	2,244	-842	-60.06
Welsh Government Energy Service	-18,170	-11,088	-7,082	38.98
Strategy and Government Relations	-	1,125	-1,125	-
Radioactivity & Pollution Prevention	7,595	2,058	5,537	72.90
Flood Risk Management & Water Revenue	44,000	36,365	7,635	17.35
Enabling Natural Resources	5,273	925	4,348	82.46
Biodiversity, Evidence and Plant Health	16,031	16,652	-621	-3.87
Forestry	5,153	3,455	1,698	32.95
Natural Resources Wales	2,225	2,753	-528	-23.73
EID Cymru	1,716	1,175	541	31.53
Commons Act	1,200	1,402	-202	-16.83
Common Agriculture Policy IT	1,505	4,189	-2,684	-178.34
Old RDP Programme	-	-16	16	-
Rural Development Plan 2014-20	10,918	8,022	2,896	26.53
EU Funded Fisheries Schemes	233	321	-88	-37.77
Marine & Fisheries	-	13	-13	-
Promoting Welsh Food and Industry Development	3,000	9,967	-6,967	-232.23
Resource Efficiency and Circular Economy	40,677	44,652	-3,975	-9.77
Landscape & Outdoor Recreation	8,900	8,867	33	0.37
Total Capital	154,658	154,581	77	0.05

CENTRAL SERVICES AND ADMINISTRATION CAPITAL BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
General Administration Expenditure	3,922	5,665	-1,743	-44.44
IT Costs	2,768	6,336	-3,568	-128.90
Enabling Government	489	395	94	19.22
Land Release Fund	5,560	4,752	808	14.53
Equality and Community Cohesion	-	15	-15	-
Staff Costs	-	-1	1	-
Welsh Revenue Authority	170	175	-5	-2.94
Invest to Save	2,862	473	2,389	83.47
Invest to Save Fund Repayment	-5,631	-5,631	-	-
Violence against Women, Domestic Abuse and Sexual Violence	3,169	3,167	2	0.06
Gypsy Traveller Sites	3,200	1,044	2,156	67.38
Community Facilities Programme	5,838	6,000	-162	-2.77
Support for the Voluntary Sector and Volunteering	150	-	150	100.00
Cyber Resilience	140	93	47	33.57
International Development	500	499	1	0.20
Total Capital	23,137	22,982	155	0.67

ANNEX 3: Annually Managed Expenditure (AME) Outturn by BEL

HEALTH & SOCIAL SERVICES AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
NHS Impairments and Provisions	311,019	153,089	157,930	50.78
Total AME	311,019	153,089	157,930	50.78

HOUSING AND LOCAL GOVERNMENT AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Non-Domestic Rates Distributable Amount	692,000	699,021	-7,021	-1.01
Fire Service Pensions	23,824	23,824	-	-
Help to Buy Wales	1,536	-35,266	36,802	2,395.96
Total AME	717,360	687,579	29,781	4.15

ECONOMY AND TRANSPORT AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Property Related Infrastructure Impairment	31,500	37,361	-5,861	-18.61
Roads Impairment	-	-	-	-
Transport For Wales	2,000	2,973	-973	-48.65
Careers Wales	15,000	8,289	6,711	44.74
Total AME	48,500	48,623	-123	-0.25

EDUCATION AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Student Loans	834,568	826,529	8,039	0.96
Total AME	834,568	826,529	8,039	0.96

MENTAL HEALTH, WELLBEING AND THE WELSH LANGUAGE AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
Amgueddfa Cymru - National Museums of Wales Pension Provision	9,000	-	9,000	100.00
National Library of Wales Pension Provision	5,000	8,455	-3,455	-69.10
Sport Wales Pension Provision	2,000	-	2,000	100.00
Business Support	1,500	1,777	-277	-18.47
Total AME	17,500	10,232	7,268	41.53

ENVIRONMENT, ENERGY AND RURAL AFFAIRS AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
NRW Provision for Pensions	-	279	-279	-
Total AME	-	279	-279	-

CENTRAL SERVICES AND ADMINISTRATION AME BELs				
Budget Expenditure Line	Budget £000s	Outturn £000s	Variance £000s	%
CSA Pensions Provisions	2,999	-1,198	4,197	139.95
Staff Costs Provisions	-	-	-	-
Total AME	2,999	-1,198	4,197	139.95

Agenda Item 2.7

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-RE-2458-22

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

22 August 2022

Dear Peredur,

Thank you for your Committee's scrutiny of the First Supplementary Budget 2022-23 and the report that followed.

I attach a written response to the recommendations made which I hope you find useful.

In addition, further to your recent correspondence in regard to the Finance Committee's Inquiry into Post-EU Funding Arrangements, I can confirm as noted in my letter to the Committee of 1 July, that an item on post-EU funding arrangements has been included in the draft agenda for the next Finance: Inter-ministerial Standing Committee (F:ISC) meeting scheduled to take place in September. It is also intended that the Parliamentary Under Secretary of State (Minister for Levelling Up, The Union and Constitution) will be invited to join the meeting. I will write to you with further detail in due course, as part of the arrangements set out in the Inter-Institutional Relations Agreement between Senedd Cymru and the Welsh Government.

Yours sincerely,

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

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

Bae Caerdydd • Cardiff Bay
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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.

WELSH GOVERNMENT RESPONSE TO RECOMMENDATIONS FROM THE FINANCE COMMITTEE REPORT:

SCRUTINY OF WELSH GOVERNMENT FIRST SUPPLEMENTARY BUDGET 2022-23

AUGUST 2022

Recommendation 1

The Committee recommends that the Welsh Government provides an assessment of how inflationary pressures have impacted on its spending plans for 2022-23, including details of actions taken by the Welsh Government where expectations of outcomes have been deferred or reappraised as part of the next supplementary budget.

Response: Accept

As a result of unprecedented inflation, our three-year spending review settlement is now worth at least £600m less than it was at the time we received it last October.

There are limits to how far we can mitigate the impact of inflation unless the UK Government increases public spending.

We are not in the position of UK Government whereby we can borrow large amounts to address the very challenging issues that inflation and is having on our budgets. What we have is a relatively fixed budget, largely determined by decisions in HM Treasury, and choosing to make additional funding available for one area has to be found from another.

Recognising inflationary context is putting pressures on all budgets we will continue to prioritise funding for vital frontline public services and our Programme for Government commitments.

We are carefully monitoring emerging pressures across Government to ensure that we allocate resources most efficiently. Difficult choices will be required and considered as part of the upcoming budget process. Any budgetary impacts will be reflected in the next Supplementary Budget and set out in subsequent budget documents.

Recommendation 2

The Committee recommends that, given the exceptional inflationary pressures which are likely to persist and may worsen this financial year, the Welsh

Government considers bringing forward its second supplementary budget so that funding can be allocated to priority areas as a matter of urgency.

Response: Accept

The budget protocol agreed by the Finance Committee and the Welsh Government sets out the commitment to publish two supplementary budgets each year. Consideration is given to the timing of each supplementary budget to ensure it reflects changes to budgets as a result of decisions of the Welsh Government, but also to capture changes that arise as a result of decisions by the UK Government.

The first supplementary budget of a financial year is normally published following the conclusion of the UK Government's Main Estimate which may also confirm changes arising from the UK Government's Spring Statement in March and which were notified too late to include in the Welsh Government's Final Budget.

The second supplementary budget is normally published following the conclusion of the UK Government's Supplementary Estimate. Because this supplementary budget is the last opportunity during the financial year to regularise changes as a result of UK Government decisions, the timing is critical to ensure spending proposals approved by the Senedd include those changes. The UK Supplementary Estimate is usually concluded in early February.

Allocative decisions, either from the Welsh Government reserve or reprioritised within MEGs to address emerging pressures, can be made in advance of a supplementary budget and regularised in a forthcoming supplementary budget.

Recommendation 3

The Committee recommends that the Welsh Government provides details of consequential funding made to Wales by the UK Government and publishes any differences between figures provided by the Welsh and UK Governments in light of any UK autumn fiscal event and following receipt of UK supplementary estimates.

Response: Accept

All details of consequential funding will be provided to the Committee and set out within the Welsh Government's supplementary budget published toward the end of the financial year.

Recommendation 4

The Committee recommends that the Minister continues to press the UK Government to commit to providing continued funding to support local authorities, households hosting Ukrainian refugees and the education sector for the next financial year and beyond, as soon as possible.

Response: Accept

We have raised concerns directly with the Chief Secretary to the Treasury and the Chancellor to the Exchequer regarding the funding arrangements for Ukrainian resettlement schemes.

Ahead of the forthcoming UK Budget, we will continue to press that these arrangements are reviewed to ensure they can meet the escalating demands, with additional funding provided to help meet the costs of accommodating people fleeing the war in Ukraine. Urgent certainty of funding beyond the current financial year is also needed to enable us to plan ahead with our partners to ensure all the necessary public services can be provided.

There should also be parity across the two visa schemes to meet the additional pressures on public services. Financial support must continue for those hosts who have welcomed Ukrainian people into their homes, to ensure this vital source of accommodation and community continues to be available. We are also pressing for support this year and beyond for those arriving under the Family Scheme where no funding has been provided.

Recommendation 5

The Committee recommends that the Minister provides a breakdown of funding being provided by the UK and Welsh Governments to support and host Ukrainian refugees, within future annual and supplementary budgets.

Response: Accepted in part

We will include information on Welsh Government provision and on specific provision from UK to the Welsh Government for supporting and hosting provision for people seeking sanctuary from the war in Ukraine in future annual and supplementary budgets.

We cannot provide information on funding UK Government is making to people in Wales for hosting people from Ukraine as these payments are being made direct from UK Government to Local Authorities in Wales.

Recommendation 6

The Committee regrets the UK Government’s approach of using contributions from devolved budgets towards funding its military support for Ukraine and calls on the Minister to raise this issue with counterparts elsewhere in the UK to ensure that devolved budgets are protected from being used to fund non-devolved areas in future.

Response: Accept

A Written Statement¹ was published on 30th June 2022, outlining the Welsh Government’s position on this funding. We have already made a substantial contribution to the humanitarian effort in Ukraine and will continue to provide support to the Ukrainian people.

It is right the UK should continue to provide much-needed military support. However, defence and foreign affairs are reserved matters. The UK Government’s approach of using contributions from devolved budgets towards funding its military support for Ukraine is a novel, worrying and potentially divisive approach by HM Treasury. Funding for these areas should rightly be met by UK Government.

Ultimately, because of the exceptional circumstances, we have accepted this situation in light of our ongoing commitment to support Ukraine and the Ukrainian people but we have been clear that this should not set a precedent.

We continue to make representations to UK Government, a letter issued on 27th June 2022 to the Chief Secretary to the Treasury conveying disapproval at the way in which UK Government has sought to use contributions from devolved budgets in this way. These are concerns shared with the Scottish Government and Northern Ireland Executive which they have also raised separately with the Chief Secretary to the Treasury.

We will continue to work with the other devolved governments to ensure that devolution settlements are respected and that devolved budgets are protected from being used to fund non-devolved areas.

Recommendation 7

The Committee recommends that the Minister provides details of the potential impact of the UK Government’s broader efficiency review of the Civil Service,

¹ [Written Statement: Funding for Military Support for Ukraine \(30 June 2022\) | GOV.WALES](#)

including any assessments made by the Welsh Government of likely cuts to UK Civil Service workers in Wales, so that its impact on well-paid and secure jobs can be measured and mitigated.

Response: Accept in principle

The budget for the Welsh Government civil service is set by the First Minister and Cabinet as part of the annual budget process and the efficiency targets announced by the UK Cabinet Office do not therefore apply. The planned reductions, which were not discussed with the First Minister, follow a period of substantial growth over the past six years. Headcount figures from the Annual Civil Service Employment Survey for Welsh Government, Scottish Government and UK Government Departments show that between 2016 and 2021, Civil Service headcount figures increased across all the administrations. However, while both UK Departments and Scottish Government saw substantial percentage increases of up to 45% growth, Welsh Government saw the smallest increase at 5%.

The UK Government announced its efficiency review and reduction of civil service numbers by 90,000 without providing any information in either last autumn's spending review or the subsequent Spring Statement regarding the impact of this reduction. If UK Government goes ahead with its plan to cut 90,000 civil service jobs, there will inevitably be negative consequences for public sector workers in Wales, the delivery of public services and the wider economy given the significant numbers of civil servants based in Wales from UK Government departments and agencies.

These consequences will be felt at a time when the economy will, according to the Office for Budget Responsibility and the Bank of England, still be struggling to recover from the pandemic, the ongoing costs of Brexit and negative productivity performance.

The Welsh Government would seek to minimise the impacts of any proposal to cut civil service jobs in Wales, working in social partnership with our trade union colleagues. A substantive analysis of the impact will require greater information from UK Government in relation to its formal proposals, and this is as yet not forthcoming.

Recommendation 8

The Committee recommends that the Minister makes representations to the UK Government to ensure that any decisions to cut Civil Service staff will not have a detrimental impact on Welsh public services.

Response: Accept

Wider public sector pay issues were discussed with the Chief Secretary to the Treasury at a meeting of the UK Finance Ministers on 14th June. Subsequently devolved government Finance Ministers wrote to the Chancellor on 18th July 2022.²

We will continue to make representations to UK Government through the established channels, to ensure any decisions taken by UK Government to cut civil service staff does not have a detrimental impact on Welsh public services.

Recommendation 9

The Committee recommends that a further breakdown of the funding provided to local authorities to support the Welsh Government's free school meals policy is provided in future budgets so that its implementation can be evaluated in future budget rounds.

Response: Accept

A breakdown of top level capital and revenue funding allocations by Local Authority will be provided in future budgets, where available.

The revenue funding allocations will include the methodology of calculations including the agreed unit rate. This is the rate per pupil, per meal that Welsh Government intend to fund local authorities in delivering the Universal Primary Free School Meal offer.

As set out to the Committee by the Minister for Finance and Local Government in her letter of 26 July, indicative revenue grant funding allocations for 2022-23 and offers of grant have been made to all local authorities on the following basis:

- Local authorities will retain the duty related to the provision of food for those eligible for a free school meal under benefits-related criteria. The Welsh Government grant funding will support the expansion of a free meal offer to all those newly eligible as a result of the commitment.
- The unit rate per meal provided through the grant has been set at £2.90.
- Funding allocations are based on 86% uptake of the offer among newly eligible learners according to each local authority's plans for rollout in the first year of delivery (calculations are based on the difference between all pupils on Pupil Level Annual School Census (PLASC) 2021 minus those eligible for free school meals under income/benefit-related criteria or through Transitional Protection arrangements, which represents the anticipated total expansion).
- A fee to cover additional administration costs incurred as a result of their administration of the offer is also included in grant allocations. For the first year, it has been agreed that this will be set at 6% of each local authority's grant

² [Joint Devolved Finance Ministers' letter to Chancellor of the Exchequer Nadhim Zahawi MP | GOV.WALES](#)

allocation. This is normal with programmes of this scale and reflects the complexity in rolling out this offer.

- Funding will be distributed as part of the Local Authority Education Grant on a demand-led basis. Local authorities will need to prepare termly claims on the actual numbers of meals served. Any variances less than or greater than 86% meals served will be adjusted in the allocation for the next term.
- A review of the unit rate will be undertaken during the first year of delivery, using real-time data on costs/uptake provided by local authorities, in order to develop a deeper understanding and, where appropriate, refine the rate for future years.

To date, capital funding has been provided on a formula basis. The formula ensures equitable distribution of capital across Wales and provides local authorities with the freedom to prioritise locally, according to greatest need. This also ensures that the funding is made available at the earliest opportunity and the amount of funding sets the parameters in which to deliver the ambition.

Recommendation 10

The Committee recommends that the Welsh Government develops a strategic long-term approach to workforce planning and training across the public sector to mitigate future staffing pressures with the long-term aim of making public services sustainable and affordable.

Response: Accept in principle

The Workforce Partnership Council (WPC) brings together social partners across the devolved public sector with the purpose of enabling employers and trade unions to look constructively at workforce matters. The WPC is developing their current work programme which includes driving forward work on agile and flexible working and strengthening equality action plans, whilst appreciating local autonomy and local delivery practices. The WPC continues to be a forum for disseminating good practice and sharing learning across organisations.

The current challenges in recruiting and retaining staff in many roles across private and public sector are recognised, as are the differing needs across such a diverse public sector. Academi Wales is the centre of excellence in leadership development for the public and third sectors in Wales and operates squarely against the First Minister's ethos of One Welsh Public Service. Academi Wales has developed a shared set of values and behaviours for public sector leaders, aimed at developing a future where the sectors can all work together with a joint purpose, vision and values. The values and behaviours are firmly based on the Wellbeing of Future Generations Act; and aim to create a stronger Welsh public service.

Whilst a single approach is not considered appropriate, strategic, long-term approaches to workforce planning and training within the various sectors of public service are being developed. Some examples include:

Local Government

In relation specifically to local government, workforce planning and training are matters for individual local authorities reflecting their responsibilities for determining local service delivery. Local Authorities may have a range of approaches to service delivery and to securing efficiency within these approaches, including in house delivery, working with other authorities, contracting or commissioning services or where appropriate moving to digital approaches.

Local Authorities are able to work and plan together jointly through a range of approaches joint committees, corporate joint committees and do so where they identify synergies and efficiencies, for example the Shared Regulatory Services for Vale of Glamorgan CBC, Bridgend CBC and Cardiff CC.

Social Care

In the social care sector, Social Care Wales has worked with Health Education and Improvement Wales (HEIW) to develop a first-ever [workforce strategy](#) across health and social care that can meet the future needs of people in Wales. This is a 10 year strategy and was launched in 2020.

The Social Care Fair Work Forum, convened by Welsh Government in 2020, is looking at how the definition of fair work should be applied for social care workers in Wales and will, through collective discussions between unions, employers and government, set out what good working practices should look like in social care, including in regard to pay, working conditions, employee voice and training, to support attracting more workers to social care.

Introducing the Real Living Wage for social care workers has been a priority for the Welsh Government and a key commitment in the programme for government. Creating a stronger and better-paid workforce is key to delivering better services, and the Real Living Wage provides an important starting point for improved terms and conditions.

Welsh Government

In respect of Welsh Government staff, as part of the Permanent Secretary's WG 2025 organisational development programme, the Welsh Government will be developing a new Workforce Strategy for the organisation which will incorporate a forward-looking, long-term approach to workforce planning. Welsh Government has already invested in a programme of workforce planning and organisational design training for its HR professionals and will be developing a toolkit, guidance and training package for its senior leaders over the next year.

Recommendation 11

The Committee recommends that the Welsh Government provides information about how the additional funding for NHS recovery will be used and the expected outcomes for the additional funding it has committed to provide over this Senedd term.

Response: Accept

We are investing over £200m in the NHS in 22-23 to help in the recovery of services from the impact of the Covid pandemic. Of that, £170 million is recurrent funding covering a range of initiatives and additional capacity, along with £15 million for planned care transformation and £20 million for value-based healthcare pathways.

The Planned Care Recovery Plan was published on 26th April 2022 which sets out our ambition for transforming the way planned care is delivered to ensure patients receive the care and treatment they deserve. The plan, developed in collaboration with clinicians, has a number of challenging but achievable ambitions contained within it. The first of these is to have no open pathways over 52 weeks for first outpatient appointment by the end of 2022, followed by having no open pathways over 104 weeks by the end of March 2023.

We expect these targets to be achieved and progress is being closely monitored via the National Director for Planned Care Recovery.

As well as reducing the number of open pathways over 104 weeks, the funding will be used to address transformation and be used to support patients whilst they wait for treatment to ensure that if they do require surgery, they will be fit enough for it.

A link to the plan is here:

[Transforming and modernising planned care and reducing waiting lists | GOV.WALES](#)

Recommendation 12

The Committee recommends that the Welsh Government provides further information to explain why local health boards were not able to fully utilise the additional funding provided in 2021-22 to support NHS recovery and reduce the waiting times backlog, as well as set out what actions it is taking to address them to ensure current year and future allocations can be appropriately targeted to deliver its ambitions and provide value for money.

Response: Accept

During 2021-22, Welsh Government allocated nearly £250 million to help health boards and the wider NHS address the recovery from the pandemic.

However, the impact of the Omicron wave, during December and into the early part of 2022, affected both the amount of activity health boards were able to carry out locally and the capacity of the independent sector to provide the capacity health boards had secured to support recovery. Both of these factors were acknowledged by the Auditor General for Wales in his report “Tackling the planned care backlog in Wales”.

It is worth noting that despite the increase in Omicron levels, activity did increase during the latter part of the year, though did not reach pre-pandemic levels.

We will monitor progress against our recovery targets through the work of the National Director for Planned Care Recovery. Health boards have developed detailed transformational plans as part of their integrated medium-term plans. These have been scrutinised to ensure that they are effective and offer value for money. Health boards will be expected to demonstrate the additionality that this extra investment has delivered.

Our ref: MAM/AR/mdm

Date: 7 September 2022

John Griffiths MS
Chair of Local Government and
Housing Committee
Welsh Parliament
Cardiff Bay Cardiff
CF99 1SN

By email only:
SeneddHousing@senedd.wales

Dear John

During the year we have continued our work as Complaints Standards Authority for Wales. For the first time, we now have data on complaint handling practices of the Welsh Local Authorities for a full financial year.

Since the Committee has indicated an interest in our Complaints Standards work in the past, I am pleased to attach a briefing presenting the 2021/22 data that we collected from the Welsh Local Authorities.

I trust that you will find this publication useful and that it will be of interest to the Committee. Please do not hesitate to contact me if you would like to discuss this publication in further detail.

Our Complaints Standards work commenced with Local Authorities but is being extended to include Health Boards and Trusts and larger Housing Associations. We will publish data on these separately in due course.

Yours sincerely

M.M. Morris
Michelle Morris
Public Services Ombudsman for Wales

CC - Peredur Owen Griffiths MS, Chair of the Finance Committee

Page 1 of 1

Ombwdsmon Ombudsman

OMBWDSMON GWASANAETHAU CYHOEDDUS CYMRU
PUBLIC SERVICES OMBUDSMAN FOR WALES

Briefing

Complaints Standards Authority

Complaints handled by Welsh Local Authorities
April 2021 to March 2022

September 2022



At Public Services Ombudsman for Wales, we have three main aims:

- we handle complaints about public service providers
- we handle complaints about breaches of the Code of Conduct by councillors
- we drive systemic improvement of public services.

We are independent of all government bodies and the service we provide is free of charge.

We can provide copies of this document in accessible formats including Braille, large print or hard copy.

To request, please contact us using the details below:

Public Services Ombudsman for Wales
1 Ffordd yr Hen Gae
Pencoed
CF35 5LJ

Tel: **0300 790 0203**

Email: **communications@ombudsman.wales**

Follow us on Twitter: **@OmbudsmanWales**

Mae'r ddogfen hon hefyd ar gael yn y Gymraeg.
This document is also available in Welsh.

About this briefing

The Complaints Standards Authority (CSA) was created by the Public Services Ombudsman (Wales) 2019 Act. The CSA works to support effective complaint handling by Public Bodies within our jurisdiction. The CSA achieves this by:

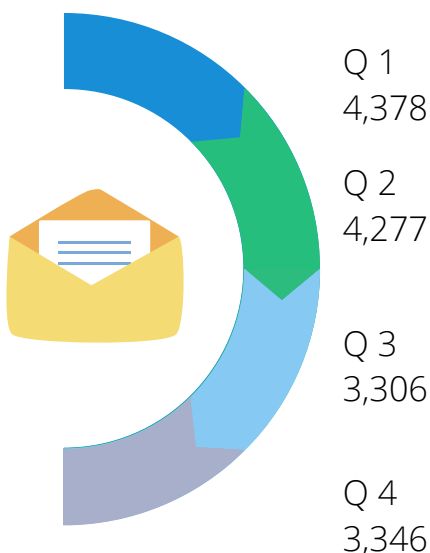
- setting model complaints policies and guidelines
- offering advice and delivering bespoke training packages
- collecting and publishing data on complaints handled by Public Bodies.

After every quarter of the year, the CSA requests complaint handling statistics from Welsh Local Authorities. This briefing paper firstly outlines the main trends in the **complaints handled by Welsh Local Authorities** in the reporting year April 2021 to March 2022. It then provides details of **complaints about Local Authorities made to us**, as well as numbers of **complaints about Local Authorities concluded by us** during the same period. These details indicate how satisfied complainants were with Local Authority responses and how sound the Local Authorities' complaints decisions were. More detailed data is available [on our website](#).

NOTE We report on information on complaints about Local Authorities that are made to us in more detail in our [Annual Report & Accounts](#) and in [Annual Letters](#) that we send to Local Authorities. The Annual Report & Accounts also discusses our work on setting model complaints policies and guidance, and on the provision of complaints handling training.

Our Complaints Standards work commenced with Local authorities but is being extended to include Health Boards and Trusts and larger Housing Associations. We will publish data on these separately in due course.

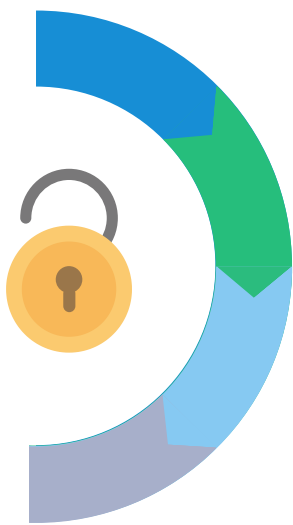
New complaints received by Local Authorities



In quarter 4, Local Authorities received 3,346 new complaints - **bringing the total for the year to 15,307.**

What this means: Complaint volumes are now higher than before the pandemic.

Complaints closed by Local Authorities



Q 1
3,987 - 78%

In quarter 4, Local Authorities closed 2,905 complaints. 77% of complaints were closed within 20 working days. **Overall, 14,187 complaints were closed in 2021/22 - 76% within 20 working days.**

Q 2
4,137 - 76%

This measure of performance is important to people who use complaints services. However, although it is important that complaints investigations are conducted promptly, we stress that investigations should not be cut short simply to meet a target.

Q 3
3,158 - 73%

Q 4
2,905 - 77%

The statistics for quarter 4 show the lowest number of closures. According to our data, during 2021/22 Local Authorities **received 1,120 more complaints than they closed.**

This suggests that Local Authorities now have larger backlogs than in the previous year.

Uphold rate of complaints closed by Local Authorities



Q 1
50%

In quarter 4, Local Authorities upheld 43% of complaints that they considered - **producing an overall uphold rate of 46% for the year - about the same as previous years.**

Q 2
48%

What this means: The uphold rates have been decreasing during the year. Our data does not show the reasons for this. Whilst upheld complaints show that something went wrong, they also show a willingness to acknowledge that and put things right.

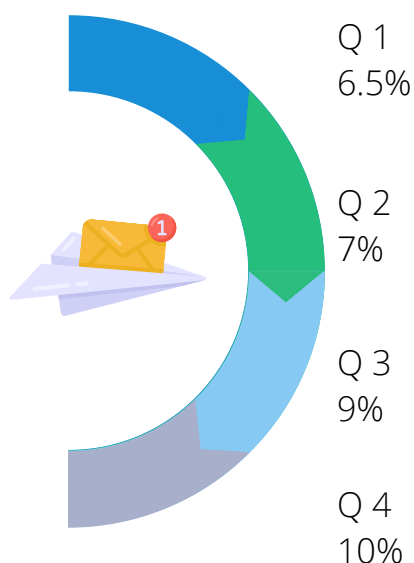
Q 3
39%

Q 4
43%

The lower uphold rate could be a result of improvements made by Local Authorities (for example, the complaints do not hold merit), or reduced willingness to acknowledge failings. The work of the CSA aims to support transparency.

Complaints about Local Authorities made to us

If people are not satisfied with the Local Authority's response to their complaint, they can refer that complaint to us.



In quarter 4, 10% of all complaints considered by Local Authorities were referred to us - bringing the **yearly figure to 8%**

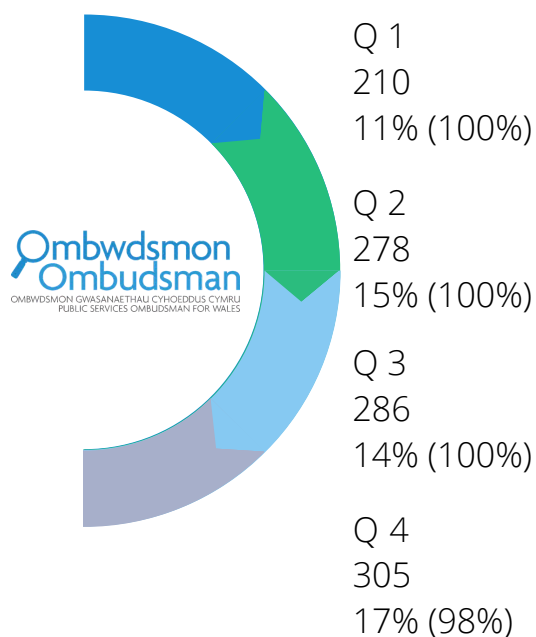
What this means: 8% of people who had their complaints considered by Local Authorities during 2021/22 still wanted to continue their complaint. This proportion has increased during the year.

This trend could be an indicator of how well complaints are being handled by Local Authorities. If so, the increase in the proportion of referrals is not necessarily a positive trend.

However, people are also more likely to refer complaints to us if they are unhappy with the outcome. Therefore, the lower uphold rate by Local Authorities could also lead to more referrals to us.

Trends in our complaints about Local Authorities

The volume of complaints handled, closed and referred by Local Authorities provides some context for our own caseload about those bodies.



In quarter 4, we closed 305 complaints about Local Authorities - making the total **1,092 for 2021/22**.* Some of those complaints would have been referred to us during the quarter; others would have been received before that period.

We **intervened in 17% of the cases in quarter 4**, by recommending Early Resolution or upholding a complaint after an investigation. The vast majority of the remaining cases were out of our jurisdiction, so our intervention rate was **98%** when taking this into account.

What this means: We continue to find opportunities to improve public services in the same proportion of cases.

* This total does not include our closed complaints about Rent Smart Wales.



Ombwdsmon
Ombudsman

OMBWDSMON GWASANAETHAU CYHOEDDUS CYMRU
PUBLIC SERVICES OMBUDSMAN FOR WALES

Agenda Item 3

Recruitment of Chair of the Board of the Welsh Revenue Authority

Vacancy Summary

1. On 9 May 2022 the Welsh Revenue Authority (WRA) advertised for a Chair of the Board.
2. The WRA is a Welsh Government, civil service, non-Ministerial Department. It was established in 2017. The Chair of the Board is a non-executive (non-civil service) Ministerial public appointment.
3. The WRA's functions are given by statute. The Tax Collection and Management (Wales) Act 2016¹, which established the WRA, states the functions as
 - providing to the Welsh Ministers information, advice and assistance relating to devolved taxes;
 - providing information and assistance relating to devolved taxes to devolved taxpayers, their agents and other persons;
 - resolving complaints and disputes relating to devolved taxes;
 - promoting compliance with the law relating to devolved taxes and protecting against tax evasion and tax avoidance in relation to devolved taxes.
4. The Chair's role was set out in the candidate information pack which accompanied the adverts published in May 2022.

“ As the WRA Board Chair, your role will be to:

- *lead the Board in a way that sets the tone for the organisation, serves as an example in behaviour and approach, and inspires the culture of the WRA*
- *lead in a way that values diversity, fostering and facilitating open discussion*
- *apply knowledge of cross-sectoral best practice to WRA challenges*
- *work closely with the Chief Executive and other Board members, to scrutinise robustly and seek assurance that the WRA's functions are being exercised effectively*
- *demonstrate the highest standards of personal integrity*
- *exemplify commitment to the The Seven Principles of Public Life (the Nolan Principles), as an ambassador for the WRA*
- *manage your own development, in line with the evolving requirements of the post ”*

¹ Tax Collection and Management (Wales) Act 2016, *Functions* [Tax Collection and Management \(Wales\) Act 2016 \(legislation.gov.uk\)](https://legislation.gov.uk)

5. The successful appointee will receive remuneration of £400/day, paid monthly in arrears. Time commitment is estimated at up to 4 days per month.

Publicity Summary

6. The role was promoted via the following websites and social media platforms
 - Welsh Government website
 - Cabinet Office Public Appointments website
 - Twitter
 - LinkedIn
7. Paid advertisements were placed with the following
 - The Guardian
 - The Western Mail (Wales Online)
 - Golwg 360
8. In addition, Audeliss Executive Search, appointed by the WRA for this recruitment campaign, supported the recruitment process by sourcing potential candidates and raising awareness within their own networks.

Recruitment Process Summary

9. Following a 4-week advertisement period, the advert closed on 5 June 2022. 6 applications were received. The Advisory Assessment Panel undertook a sift and as a result recommended 4 of the 6 applicants for further assessment by formal panel interviews.
10. The Advisory Assessment Panel:
 - Dr Andrew Goodall, Permanent Secretary, Welsh Government (panel chair)
 - Anna Adams, Deputy Director, Tax Strategy and International Relations, Welsh Government
 - Moawia Bin-Sufyan, Independent Panel Member

11. Diversity Data of Applicants:

	Applied	Short Listed
Number of Candidates	6	4
Gender		
Female	2	1
Male	4	3
Other gender		
Gender self-description		
Gender prefer not to say		
Disability		
Declared disability		
No declared disability	6	4
Disability prefer not to say		
Ethnicity		
White	5	3
Mixed / Multiple ethnic groups		
Asian / Asian British		
Black / Black British		
Other ethnic group		
Ethnicity self-description		
Ethnicity prefer not to say	1	1
Age		
16-24		
25-34		
35-44	1	1
45-54	3	1
55-64	1	1
65-74		
75-84		
85+		
Age prefer not to say	1	1
Sexual Orientation		
Bisexual		
Gay or Lesbian		
Heterosexual	6	4
Other sexual orientation		
Sexual orientation self-description		
Sexual orientation prefer not to say		
Religion		
Buddhist		
Christian	4	3
Hindu		
Jewish		
Muslim		
Sikh		
Other religion		
Atheist / No religion		
Religion prefer not to say	2	1
Principal Residence		

North East		
Yorkshire & Humberside		
East Midlands		
West Midlands		
East		
London		
South East	3	2
South West		
Wales	3	2
Scotland		
Northern Ireland		
Other residence		
Residence prefer not to say		
Principal Employment		
Mostly Civil Service		
Mostly Private Sector	2	2
Mostly Third Sector		
Mostly Wider Public Sector	1	
Mixed	3	2
Other principle employment		
Principle employment prefer not to say		
Public Appointments Held		
0 Public Appointments Held		2
1 Public Appointments Held	1	1
2 Public Appointments Held	1	1
3 Public Appointments Held		
4 Public Appointments Held		
5-9 Public Appointments Held		
10+ Public Appointments Held		
Public Appointments Held prefer not to say		
Political Activity		
Declared political activity		
No declared political activity	6	4
Political activity prefer not to say		
Conservative		
Green		
Labour		
Liberal Democrats		
Plaid Cymru		
Scottish National Party		
United Kingdom Independence Party		
Any other parties		

11. The four shortlisted candidates were interviewed on the afternoon of 14 July.
12. The panel reconvened on 15 July. They discussed the candidates' performance at interview and agreed relative scores. Performance against advertised criteria at the formal interview was the only evidence taken into consideration to score the candidates and place them in merit order.
13. Subsequently, the panel reported to the Minister that two of the four candidates were appointable, and two were not. Of the two appointable candidates, one scored higher, and therefore the panel recommended that candidate to the Minister as the preferred candidate.
14. On 13 July, each of the four shortlisted candidates had attended informal 15-minute discussions with the WRA Chief Executive and Accounting Officer, Dyfed Alsop. The sessions were observed by Anna Adams. The sessions were not a part of the selection process and did not influence the panel's decisions, nor the recommendations the panel subsequently made to the Minister.
15. The Minister accepted the recommendation on 28 July. The candidate was informed, and accepted the nomination as the Minister's preferred candidate, on 2 August.

Minister for Finance and Local Government's preferred candidate: Ruth Glazzard

Conflict of Interest

16. None

Political Activity

17. None

RUTH GLAZZARD

Experienced non-executive director, Board and Committee chairperson with technology expertise and board experience within digital and public sector organisations. Combines strategic, operational and digital experience with a strong understanding of financial oversight, audit and risk management.

Currently holding a portfolio of non-executive roles focusing on delivery of services to millions of customers across health, housing and public services in Wales, including the role of Vice Chair for Digital Health and Care Wales.

A professional background in the governance of large, complex organisations and delivery of services to consumers, gained whilst working in leadership roles in financial services regulation. Experienced in leading senior teams to develop governance and target operating models for regulatory functions of the Financial Conduct Authority, and global HR digital transformation for Standard Chartered Bank.

CURRENT BOARD APPOINTMENTS

CENTRE FOR DIGITAL PUBLIC SERVICES WALES, Non-Executive Director and Chair of Audit Committee

June 2021 – present

An interim role focusing on creation of CDPS as a new arm's-length body of Welsh Government responsible for delivering the Digital Strategy for Wales.

- Responsible for supporting the executive to develop governance structures and set strategy
- Set up and developed new Audit Committee

DIGITAL HEALTH AND CARE WALES, Vice Chair of Board

April 2021 – present

Appointed as Vice Chair of new Board upon the creation of DHCW as a new, national, Special Health Authority focused on the transformation and delivery of digital services for patients and the public.

- Member of Audit Committee and Chair of National Psychological Therapies Management Committee
- Chaired recruitment panels for the appointment of new executives, including CEO
- Supported new Executive Directors and CEO in building effective working relationships at board level

COASTAL HOUSING GROUP, Non-Executive Director and Chair of Audit and Risk Committee

Aug 2020 - present

Coastal is a not-for-profit housing association which delivers social housing and develops property through a commercial property subsidiary.

- Supported Executive Directors and their teams in developing new suite of performance measures and benchmarks for the organisation
- Set up new Audit and Risk Committee following board governance review

GREENSTREAM COMMUNITY INTEREST COMPANY, Chair of Board

Mar 2020 – present

Greenstream is a social enterprise flooring company. It provides free and low-cost flooring to low-income households, giving employment/training opportunities to economically disadvantaged communities.

- Applying board governance and chairing skills outside area of expertise to support the growth of a social enterprise

OTHER APPOINTMENTS

INDEPENDENT REMUNERATION PANEL FOR WALES, Independent Member

April 2021 – present

The IRPW is responsible for determining the level of payments to elected members of councils, national park authorities and fire and rescue authorities in Wales.

- Stakeholder consultation with local politicians across Wales
 - Drafted and published Panel annual report 2022-23
-

PREVIOUS BOARD EXPERIENCE

LONDON BOROUGH OF NEWHAM, Chair of Audit Board and Chair of Standards Advisory Committee

Mar 2009 – May 2019

Appointed as an independent member to two of Newham's key governance forums to provide support and challenge to the officers and senior leadership of Newham on governance, treasury management and accounts.

- Gave independent advice and support on different aspects of organisational and financial strategy
 - As Chair of the Standards Committee was responsible for overseeing investigations and hearings of complaints brought against elected members under the Code of Conduct, and with reference to the Seven Principles of Public Life
-

PROFESSIONAL CAREER

STANDARD CHARTERED BANK, Head of Governance

Jan 2019 – Jan 2020

Head of Standard Chartered's global governance function within HR, led teams based in UK, India and Singapore.

- Responsible for the global alignment and governance of all people processes
- Responsible for coordinating annual Fit and Proper Certification, built on the use of digital channels to deliver an efficient service for certifying the fitness and propriety of the bank's most senior staff
- Member of the bank's global HR digital transformation steering group

FINANCIAL CONDUCT AUTHORITY, Manager/Senior Manager Strategy and Competition

Jan 2006 – Jan 2019

Held several roles within the financial services regulator, gaining extensive technical experience as a regulator before, during and after the financial crisis of 2008/9.

- Led the research team which delivered the FCA's first flagship consumer research survey, 'Financial Lives' in 2018 <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>
 - As Operations Manager, delivered new organisational design of Supervision Division (c1000 employees, c£150m budget)
 - Set up central programme management office, responsible for central governance of complex digital transformation across the organisation
 - Operations Manager of FSA Contact Centre
-

EARLY CAREER

1999 – 2006

Operational and branch manager roles within banks and building societies, both customer facing and in high-volume processing contact centre environments. Including:

- Telephone Lending Operations Manager, Santander
 - Branch Manager and Mortgage Advisor, Portman Building Society
-

RUTH GLAZZARD – SUPPORTING STATEMENT

The WRA is a fascinating organisation, both in terms of the role the organisation plays in funding public services in Wales, and the breadth of opportunity for doing things differently. I am excited by the opportunity to join the WRA at this point in its evolution and use my skills to support the organisation's development, working with executive and non-executive colleagues to set the direction for an organisation that is maturing whilst taking on new challenges and opportunities.

The role of Chair appeals to my board and governance background and the WRA's ethos appeals to my desire to work in organisations which innovate in public services. Throughout my career I have tried to do things differently and bring a different perspective to my work. For example, I did not have a 'traditional' background as a regulator, I was professionally qualified as a mortgage advisor as opposed to degree educated in a relevant field. As a result, I brought a relationships and consumer focused mindset into what was often an academic environment at the regulator. That experience shaped my subsequent career and I now hold a portfolio of non-executive roles which focus on improving outcomes for people across health, housing and public services in Wales.

Essential Criteria

- **Leadership experience in changing or complex organisations**
- **Experience of leading major projects from initiation, through development and to delivery**

I am an experienced non-executive director, board and committee chair with significant experience within digital, public and third sector organisations.

Throughout my career I have worked in complex organisations at various stages in their transformation journeys. I led and delivered successful change programs and major projects in complex environments, whilst in operational management roles with the Financial Conduct Authority, including as a project lead for the development and delivery of new supervisory and risk assessment models for UK banks and financial services firms following the financial crisis. In my final role with the FCA I was responsible for using data and consumer research to make sure the FCA's strategy included the consumer perspective, and I led the research team which delivered the first FCA 'Financial Lives' research survey in 2018.

As a global head of governance with Standard Chartered Bank I was responsible for reviewing the effectiveness of annual Fit and Proper Certification and moving admin of multiple elements to digital platforms. This was across multiple global locations and regulatory jurisdictions.

With Digital Health and Care Wales and the Centre for Digital Public Services, my non-executive career has a focus on organisations that deliver complex change in digital environments. Even in my smaller non-executive role for Coastal Housing there is a focus on leading transformation at board level, working in a systems-thinking environment and exploring new technologies for the innovative delivery of services and improving outcomes for Coastal's housing tenants.

- **An inclusive, collaborative leadership approach**

As I have mentioned, I did not have a 'traditional' background to my career as a regulator and I brought a different perspective into what was often an academic environment at the FCA. Bringing this perspective to my roles since has given me a collaborative leadership approach, which commands the confidence of colleagues and enables me to challenge effectively and constructively.

I began my board career alongside my professional career, gaining over ten years' experience as an independent member and chairperson of local government audit and standards boards with the London Borough of Newham. It was valuable experience in how to manage the differing roles of being both a board member (with Newham) and an executive in my 'day job' - where I had to engage with a different board on a regular basis.

My role on Newham Audit Board required me to hold the officers and executive leadership of Newham to account. As well as building collaborative relationships with fellow board members, the added dimension was negotiating political differences in an environment of political and financial uncertainty. As a result, I have hard won experience of building constructive relationships and being an inclusive chair and board colleague - and I continue to use this experience within my current roles.

- **Experience of risk, performance and financial management**

I have experience and knowledge of risk, performance and financial management at board and executive level in both the public and private sectors. As Vice Chair of DHCW I advise on risk, performance, and the financial management of the organisation, both as a member of the DHCW Board and Audit Committee. Since the creation of the organisation a year ago, I have worked with board and executive colleagues to embed effective governance mechanisms within the organisation. Similarly, at CDPS, I have been responsible for setting up and chairing the CDPS Audit Committee.

As a board member for Coastal Housing, I chair the Audit and Risk Committee. I help decide Coastal's strategy, assess risk, and monitor financial performance. Coastal also has a commercial subsidiary for which the main board provides oversight.

I have over ten years' experience as an independent member and chairperson of local government audit and standards boards. My roles on the London Borough of Newham Audit Board and Standards Committee required me to interpret the Borough's financial information and accounts, identify key issues and take decisions which challenged the officers and leadership of Newham on governance failures, treasury management, organisational and financial strategy.

- **Sound judgement and a high level of integrity, with a commitment to the seven principles of conduct in public life**

My non-executive career began directly because of the Nolan Principles and my wish to contribute to raising standards in public life. As Independent Chair of the Standards Advisory Committee for Newham I oversaw complaints against elected members brought under the Code of Conduct and with reference to the Seven Principles of Public Life. I spoke out about a lack of transparency and integrity amongst elected members and held them to account for their behaviour on behalf of Newham residents.

As a member of the Independent Remuneration Panel for Wales my role is to determine the appropriate levels of remuneration for Councillors and related holders of public office in Wales. This is a visible public appointment in which I make determinations and lead discussions in a manner that is independent of political interference, through open processes that provide transparent rationale and produce fair outcomes to both recipients of the payments and council taxpayers who funded them.

I passionately believe in the importance of openness and honesty in all aspects of public life and continue to challenge the boards I am a member of to conduct business with integrity and high ethical standards.



Board Chair Candidate Information Pack

Closing date: Sunday 5 June 2022



**The Commissioner for
Public Appointments**



Cydweithio | Cadarnhau | Cywiro

gov.wales/WRA

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About us

Croeso – welcome to the WRA



We're the tax authority for Wales, responsible for managing two devolved taxes – but we're probably not what you expect. We are of course passionate about the role that tax plays in society. But we're also just as passionate about digital and data, customer insight and strategy, employee engagement and organisation development. We're a young, dynamic organisation, with a highly engaged and multi-professional workforce, with a significant amount of change on the horizon.

We're looking for a new Chair to help us navigate our journey, as we mature into a more established organisation, and undertake a varied portfolio of new opportunities and challenges. If that sounds like something you'd like to be part of, then please read on. You can contact us for an informal conversation to find out more, if that would be helpful.

The WRA was formed in 2017. Since then, we've helped to raise over £1 billion to directly fund Welsh public services such as health, schools, and social care. We collect and manage the first two devolved Welsh taxes, designed and made for Wales:

- Land Transaction Tax (LTT), which is paid when you buy or lease a building or land over a certain price, and
- Landfill Disposals Tax (LDT), which is paid when waste is disposed of to a landfill site or elsewhere

Some key facts about us:

- we're small and multi-skilled, with around 85 people across 15 different professions
- we're highly engaged – you'll find us in the top 5 in the Civil Service People Survey each year ([Civil Service People Survey results](#))
- we're fully cloud-based, and we're learning how hybrid working will work for us
- we're an approved source of [National Statistics](#)
- we're a fun, relatively informal place to work, and we value colleagues who are expert, innovative, collaborative and kind
- we've had a successful first five years, delivering our objectives from our previous [Corporate Plan](#) (2019 to 2022)

We're a non-ministerial department of the Welsh Government. We were set up this way to ensure that individual taxpayer decisions are taken independently from ministerial input.

We've come a long way from our launch to where we are now, and while we're still a young organisation, learning in many areas, we are now more established. We know what has worked, and what has not worked so well, in how we deliver a Welsh way of doing tax, and we have made changes where needed. We support Welsh Government on the design of new revenue services, and changes to current services, and expect to experience significant change over the next few years.

We're looking for the second ever Chair of our Board, to join the nine other members of the Board: 5 other Non-Executives, our Chief Executive, Chief Operating Officer, Chief People & Communications Officer and our Staff Elected Member (our staff nominate a colleague to join our Board every 3 years).

We're not looking for someone with experience in tax – we have plenty of tax expertise. What we're looking for is someone who understands an organisation that wants to become fully digital, where data can be used for the benefit of citizens in Wales, and that's going to go through significant change, and can be a thoughtful leader to make sure we are the best we can be.

This is a unique opportunity to be a part of public life in Wales, and a unique candidate is needed. We hope that's you.



Dyfed Alsop, WRA Chief Executive and Accounting Officer



Kathryn Bishop, WRA Chair

You can find out more about us here:

- [A welcome video message from Dyfed Alsop and Kathryn Bishop](#)
- [Latest People Survey Results](#)
- [Corporate Plan 2019-22](#)
- [Annual Report and Accounts 2020-21](#)

You can also visit gov.wales/wra, our [Twitter](#), [LinkedIn](#) and [YouTube](#) accounts.

Our strategy

Our purpose is to:

→ Design and deliver Welsh national revenue services

→ Lead the better use of Welsh taxpayer data for Wales

We'll do this effectively by:



We'll develop two other areas to make the most out of our role:



Data

We will make the most of our data assets, and work with others holding Welsh taxpayer data to enhance the way we share, use and analyse those data, for the benefit of Wales



Design

We will use our experience and expertise to support the design of Welsh revenue services

A Welsh way of doing tax

We're committed to helping deliver a fair tax system for Wales through what we call Our Approach, a Welsh way of doing tax. By working together with solicitors and conveyancers, partners, taxpayers, and the public, we make sure taxes are collected in a way that is easy, fair and efficient.

Our Approach is inspired by three Welsh terms:



Cydweithio (keed-way-thee-o)

This literally means 'to work together' and carries a sense of working towards a common goal.



Cadarnhau (kad-arn-high)

This suggests a solid, robust quality that can be relied on. This is about providing certainty, being accurate and reinforcing trust.



Cywiro (kuh-wir-o)

This literally means 'returning to the truth' and is about the way we work with you to resolve errors or concerns.

About the role

Our Board's role

Our Board are accountable for the WRA's functions, given to them by statute. Their role is to provide oversight of the arrangements to exercise the duties that flow from the functions. Working with the Chief Executive (a Board member who is also the Accounting Officer) the Board provides assurance that the WRA is carrying out, and can continue to carry out its duties effectively.

Our Board is composed of Executive Members (the Chief Executive and two others), Non-Executive Members and a Staff Elected Member. Collectively they provide a healthy balance of challenge and support to the organisation. As a leadership group, they're also influential in guiding the culture and ways of working we want in our organisation, such as innovation, collaboration, and kindness.

As the Board of a non-ministerial department, the WRA's Board does not set the organisation's strategy. This is the role of the Minister. As custodians of the WRA's functions, the Board provide assurance and advice on strategy with respect to the WRA's functions.

Although the Non-Executive Members of the Board are not civil servants, the WRA is part of the Civil Service and therefore the Chief Executive, as the most senior civil servant in the department, reports to the Permanent Secretary of the Welsh Government - the Board does not select or manage the Chief Executive.

[Read more about the WRA and our Board here \(includes biographies of current Board members\)](#)

The Chair's role

As the WRA Board Chair, your role will be to:

- lead the Board in a way that sets the tone for the organisation, serves as an example in behaviour and approach, and inspires the culture of the WRA
- lead in a way that values diversity, fostering and facilitating open discussion
- apply knowledge of cross-sectoral best practice to WRA challenges
- work closely with the Chief Executive and other Board members, to scrutinise robustly and seek assurance that the WRA's functions are being exercised effectively
- demonstrate the highest standards of personal integrity
- exemplify commitment to the [The Seven Principles of Public Life](#) (the Nolan Principles), as an ambassador for the WRA
- manage your own development, in line with the evolving requirements of the post

Person specification

We're looking for someone with:

- leadership experience in changing or complex organisations
- experience of leading major projects from initiation, through development and to delivery
- an inclusive, collaborative leadership approach
- experience of risk, performance and financial management
- sound judgement and a high level of integrity, with a commitment to the seven principles of conduct in public life

We are particularly looking for candidates who have leadership experience and expertise in one or more of the following:

- the use of digital technology to drive transformation, innovation or process automation, leading to improved outcomes
- the use of data to inform decision making and/or improve services
- organisational development, or changing or complex operational environments

Welsh language

Welsh language skills are desirable for this role but are not necessary.

The WRA is a bilingual organisation. Welsh language skills are an asset to us, and we provide services to customers in English and in Welsh. We promote and facilitate the use of the Welsh language internally, we encourage and support our staff to learn, develop and use their Welsh language skills in the workplace, and we have recently developed our first Welsh Language Strategy. Around a third of our Board members are fluent Welsh speakers.

You do not need to speak Welsh for this role, but you do need to share in our passion for its use. You can do this as a Welsh speaker, or as someone willing to learn. If you don't yet speak Welsh, we'll provide you with the support you need to be able to reach what we call a 'cwrteisi' (courtesy) level of Welsh in your first year with us, so that you can welcome colleagues to a meeting, pronounce your colleagues' names, and close a meeting in Welsh.

Our commitment to equality, diversity and inclusion

As a public body, it's only right that we as an employer are representative of the people that we serve. We fully support the Welsh Government's commitment to encouraging as wide and diverse a range of people as possible to apply for appointments to public bodies. We're pleased to have a Board that is evenly represented by men and women, and has a more diverse age range than many.

We know that we make better decisions by having a Board which best reflects Welsh society – people from all different backgrounds – to help us understand the range of people's needs from us.

We'd particularly welcome applications from those under-represented on Boards, including women, people under 30, Black, Asian and minority ethnic people, disabled people, and lesbian, gay and bisexual people.

We offer an inclusive, supportive environment, so please do not hesitate to find out more about this role.

Terms of appointment

The appointment will be made by [Rebecca Evans MS, Minister for Finance and Local Government](#).

Duration

Your initial appointment will be for 3 years.

There may be potential for reappointment, subject to a Ministerial decision.

Time commitment

Typically an average of 2 to 4 days per month. We're happy to be flexible on the time commitment to ensure the right candidate, and would be happy to discuss this further.

The Board meets monthly. Meetings are a mix of formal quarterly meetings, strategy days and shorter board conversations in between. The Chair will also have ad-hoc calls with colleagues on specific matters outside of these meetings.

The calendar for the second half of 2022-23 is as follows:

- Full-day Quarterly Review Meetings: 28 September and 30 November 2022, 22 February 2023
- Board Conversations: 19 October and 14 December 2022, 22 March 2023

With dates in January for strategy meetings to be confirmed.

Location

We're a hybrid working organisation, working between our homes and our main offices in South East Wales. We're currently looking for a new permanent office base in that area.

We expect to hold Board meetings in person, generally in or near Cardiff.

Other meetings and calls will be a mixture of in person and online, with most of our work currently being online. We can provide IT equipment.

We're currently testing how we can best offer hybrid meetings.

Remuneration

£400 per day (pro rata).

Costs of travel from your home location (within the UK) can be reclaimed, as well as other reasonable expenses incurred in carrying out work for the WRA.

We can also help with costs if you are a parent or carer, and you incur costs for care when working for us.

Non-executive members of our Board are considered 'holders of an office' for tax and national insurance purposes. This means that your fees are subject to income tax and employees National Insurance contributions, and are not subject to VAT. We will deduct your tax and NI due through our payroll.

Induction and training

We offer full induction and training to help you understand the WRA and Welsh Government, and we'll also support you on what you need to know if you haven't been a Chair before.

Eligibility

Some individuals are disqualified from being appointed as a Chair or other Non-Executive Member of the WRA. The criteria are specified in the Tax Collection and Management Act (Wales) 2016.

Individuals are not eligible to take up this role if they are a member of:

- Welsh Parliament / Y Senedd
- House of Commons
- House of Lords
- Scottish Parliament or Northern Ireland Assembly
- the European Parliament
- a Local Authority
- a National Park Authority
- the Welsh Government

Or if they are:

- a minister of the Crown
- a member of the Scottish Government or a Northern Ireland Minister
- a police and crime commissioner
- a person holding office under the Crown
- a person employed in the civil service of the State

Additionally, individuals cannot be appointed as Non-Executive Members at the WRA if they are:

- insolvent
- subject to company director disqualification

Candidates should also note that membership of the WRA is a disqualifying office for membership of The Senedd Cymru under [The Senedd Cymru \(Disqualification\) Order 2020](#).

Security Clearance

Your appointment will be subject to security vetting. The level required will normally require you to have been resident in the UK for at least 5 years.

Conflicts of interest

If you or a close family member have any personal or business interest, or potential conflict of interest, with the WRA's activities, then we'd expect you to declare this in your application. Any conflict does not prevent your application being considered, but it may need to be explored further during the interview.

If you have any questions, such as whether an existing public appointment disqualifies you from appointment, then please check with us. We'd be happy to provide further advice on any question around eligibility.

Due Diligence

Given the nature of public appointments, it is important that the person appointed as Chair, as a member of a public body, maintains the confidence of the Senedd and the public.

As part of our due diligence checks we will consider anything in the public domain related to your conduct or professional capacity. This will include us undertaking searches of previous public statements and social media, blogs or any other publicly available information. This information may be made available to the Advisory Assessment Panel (the panel which interviews candidates and makes a recommendation to the Minister on the appointment of the Chair), and they may wish to explore issues with you should you be invited to interview. Information may also be shared with Ministers.

If there are any issues in your personal or professional history that could, if you were appointed, be misconstrued, cause embarrassment, or cause public confidence in the appointment to be jeopardised, it is important that you bring them to the attention of the Advisory Assessment Panel and provide details of the issue(s) in your application. In considering whether you wish to declare any issues, you should also reflect on any public statements you have made, including through social media.

Standards in public life

You'll be expected to demonstrate high standards of corporate and personal conduct. All successful candidates will be asked to subscribe to the [Code of Conduct for Board Members of Public Bodies - GOV.UK \(www.gov.uk\)](#)

How to apply

Timetable

- Applications open: Wednesday 4 May 2022
- Applications close: 16:00 on Sunday 5 June 2022
- Interviews and assessments: 13 to 15 July – please reserve these dates to ensure your availability, as it will not be possible to offer alternatives
- Anticipated start in post: October 2022, pending post-interview procedures

Applying

Please submit your application, including your CV and statement of suitability, to the Welsh Government recruitment portal here:

<https://gov.wales/public-appointments>

You are welcome to submit your application in English or Welsh. Please note that we may need to translate Welsh language applications for any non-Welsh speakers on the appointment panel. We'll contact you in advance for your permission to share your application with our translators, if that is the case.

In your application, please provide details of any activities which have helped you to develop the experience, behaviours and skills required in the Person Specification.

CV

- Brief details of current and previous roles or voluntary positions, and dates undertaken.

Please also include any past or present Ministerial appointments, and we'll also need to know about any political activity that you've undertaken in the last 5 years.

Personal statement

- No more than two A4 pages.
- Detailed examples that demonstrate how your knowledge and experience match the criteria on the Person Specification.
- Clearly state which evidence relates to which criteria.
- Be clear about your role in each example, and what result was achieved.

For fairness, we may not be able to accept applications longer than two pages.

Reasonable adjustments

We're committed to the employment and career development of disabled people. If you have an impairment or health condition, or use British Sign Language and need to discuss reasonable adjustments for any part of this recruitment process, please let us know. We'll ask you what you might need – and answer any other questions you might have – as part of the process.

Please feel free to ask any questions you have, or discuss your requirements, at the point of making your application.

The selection process

The Advisory Assessment Panel will assess your CV and personal statement to determine who they believe best meet the requirements of the role. The panel can only rely on the information provided in your CV and personal statement.

Interview and assessment

Candidates successful at sift will be invited for an interview and assessment. The assessment will focus on the skills and behaviours required for the role. Details will be provided in advance to those shortlisted for interview.

Each interview will involve the panel asking questions about your skills and experience, which can be in previous or current employment, or voluntary work, as well as your strengths and preferred ways of working. The questions will assess whether you meet the published criteria for this role.

Guaranteed interview scheme



We are a Disability Confident – Committed employer. We use the social definition of disability, which means that we recognise that people are disabled by barriers in society, not by their impairment or difference. These barriers can be physical, like a building that prevents access to a wheelchair user, or they can be caused by people's attitudes to difference. The social model helps us recognise the difficulty caused by these barriers, and that removing them creates greater equality for all.

We guarantee to interview anyone who is disabled and whose application meets the minimum criteria for the post. By 'meets the minimum criteria' we mean evidence you provide which demonstrates you generally meet the level of competence, skills and experience for the role.

The Advisory Assessment Panel

The panel will be responsible for making a recommendation of appointment to the Minister for Finance and Local Government, Rebecca Evans MS.

Andrew Goodall (Panel Chair)
Permanent Secretary and Principal Accounting Officer, Welsh Government

Anna Adams
Deputy Director, Tax Strategy and International Relations, Welsh Government

Independent Panel Member
To be confirmed

Appointment

Rebecca Evans, MS, Minister for Finance and Local Government, will make the appointment. Candidates assessed by the Advisory Assessment Panel as fit for appointment will be recommended to the Minister, who may then choose to meet the candidate(s), in the presence of the panel chair or a nominated representative, before making a final decision.

Pre-Appointment Hearing

If you are successful at interview, you may be asked to attend a Senedd Cymru – Welsh Parliament Committee hearing.

Pre-appointment scrutiny by select committees is an important part of the process for some of the most significant public appointments made by Ministers. It is designed to provide an added level of scrutiny of the overall process and verify that the recruitment meets the principles set out in the [Governance Code for Public Appointments](#). This scrutiny may involve the relevant select committee requesting and reviewing information from the Department and the Minister's preferred candidate. The select committee may also choose to hold a pre-appointment hearing.

Pre-appointment hearings are held in public and involve the select committee taking evidence from the Minister's preferred candidate. These public hearings take place before an appointment is confirmed, but after the selection process has taken place.

Where a public appointment is subject to pre-appointment scrutiny, it is a matter for the relevant select committee to decide whether to undertake such scrutiny, including whether to hold a pre-appointment hearing. Following a review of information provided by the Department about the recruitment process, the select committee may decide that a pre-appointment scrutiny hearing is not required before it publishes its report, if it agrees with the Minister's choice of candidate.

Your data

Your application information will be collected using the Welsh Government's secure recruitment portal, and shared securely with the Welsh Revenue Authority and the recruitment agency Audeliss. Your personal data will be handled in accordance with the UK General Data Protection Regulation and the Data Protection Act 2018.

Find out more

Questions

We welcome informal discussions about the role and the WRA to help you decide if this is for you.

Audeliss Executive Search has been appointed to support the WRA in this appointment, and are available to discuss the role informally and for advice on formal applications.

To discuss any aspect of this role, please contact Louise Gore at Audeliss:
louise@audeliss.com

[Follow this link for further information about public appointments in Wales](#)

If you are not completely satisfied

If you have any complaints about the way your application has been handled, please contact the [Public Appointments Team](#).

Document is Restricted

Agenda Item 6

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

Document is Restricted



UK Government
Llywodraeth y DU

Rt Hon Sir Robert Buckland KBE QC MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

Our ref: 123MISC22

T: 0292 092 4216
E: Correspondence@ukgovwales.gov.uk

Peredur Owen Griffiths MS

Chair, Finance Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

14th July 2022

Dear Peredur,

Post-EU Funding Arrangements

I am writing following the evidence session on 30th June in which you heard evidence from the Parliamentary-Under Secretary of State for Wales and my predecessor, the Rt Hon Simon Hart MP. I have set out a response to each of the Committee's questions below and enclose the information that was the subject of discussion during the session.

Post-Horizon Funding in Wales

The UK is continuing to push for association to Horizon Europe at the earliest opportunity, but unfortunately there have been persistent delays from the EU. We recognise these delays have led to uncertainty for researchers, businesses and innovators. However, to provide reassurance to UK applicants, the UK Government is guaranteeing funding for eligible, successful applicants to Horizon Europe who are expected to sign grant agreements with the EU. We have always been clear that our priority is to support the UK's research and development sector and we will continue to do this in all future scenarios.

UKSPF Underspend

In England, Scotland and Wales, lead local authorities will receive upfront UKSPF payments early in the financial year (with the exception of year one of the Fund when the allocation will be paid on approval of the area's investment plan). This will be subject to lead local authorities demonstrating in their investment plans and subsequent performance reports that a full annual payment will be spent and accounted for in-year (this includes expenditure invoiced and paid, as well as accruals, in line with financial accounting standards).

In the event of underspend, the UK Government would consider withholding the next annual instalment. There is, however, some flexibility here – funding could be released when credible plans are received setting out how the lead local authority will utilise

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underspends in the next year and how appropriate milestones and spend have been achieved for the previous year.

I hope these responses answer the Committee's questions.

*Yours ever,
Robert*

Rt Hon Sir Robert Buckland KBE QC MP
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru

Annex A

Combined UKG Funding to Wales

	2020/21	2021/22	2022/23	2023/24	2024/25
UKG Block Grant	£15.6 billion*	£16.9 billion*	£18.2 billion	£18 billion	£18.2 billion
UKSPF	£0	£0	£89 million	£153 million	£343 million
Farmers Payments	£0	£242 million	£252 million	£315 million	£337 million
UKG Local Growth Funds (UKCRF, LUF and COF)	£0	£167 million	TBA	TBA	TBA
City and Growth Deals	£18 million	£47.5 million	£53 million	£58 million	£65.5 million
TOTALS	£15.6 billion	£17.3 billion	£18.5 billion+	£18.5 billion+	£18.9 billion+

* Excludes Covid related funding which was £5.2bn in 2020/21 and £2.8bn in 2021/22.

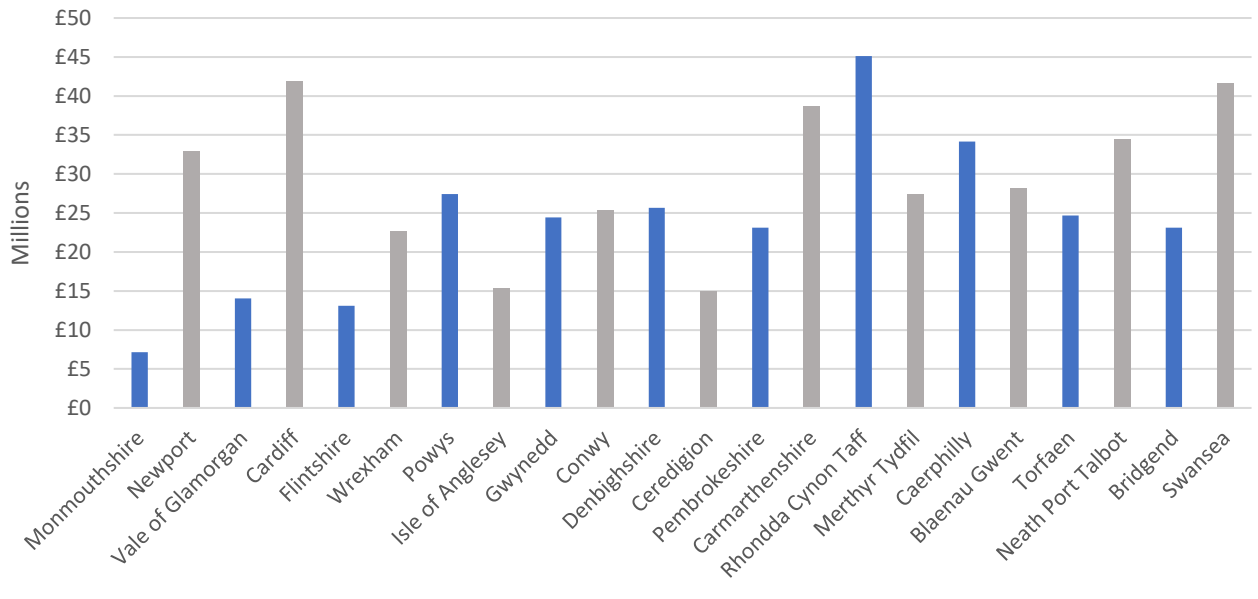
Agricultural Funding Breakdown

Defra and the DAs will still be in receipt of some Pillar 2 funding from the European Commission throughout the SR21 period. The UK Government will therefore provide the additional funding required on top of this funding to ensure that annual funding for each nation meets the same level as the 2019 ceiling, thereby meeting the manifesto commitment.

Exchequer spend				
(£m)	SR20	SR21		
	2021/22	2022/23	2023/24	2024/25
Scotland	570	584	595	595
Wales	242	252	315	337
Northern Ireland	316	313	327	329

Additional exchequer spend to meet 2019 ceiling levels

UKSPF Local Allocations - Wales



Agenda Item 7



Annual Report and Accounts 2021-22

The Annual Report for the year ended 31 March 2022 has been jointly prepared, and is laid before the Senedd, 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 HM Treasury.

The Annual Report demonstrates that, during 2021-22:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been broadly consistent with the [Annual Plan](#) prepared for the year under section 25 of the Public Audit (Wales) Act 2013, but with some changes made to planned work in response to the COVID-19 pandemic; and
- the priorities set out in the Plan for 2021-22 have been substantively achieved.

The Accounts for the year ended 31 March 2022 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 HM Treasury.

The report on compliance by the Auditor General for Wales and the Wales Audit Office with the Biodiversity and Resilience of Ecosystems Duty covers the period 1 April 2019 to 31 March 2022. It has been jointly prepared under section 6(7) of the Environment (Wales) Act 2016 and with regard to Reporting Guidance published by the Welsh Ministers.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Report, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

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.

Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Telephone 02920 320 500
Email info@audit.wales
Website www.audit.wales
Twitter @WalesAudit

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

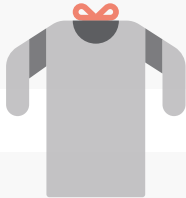
This document is also available in Welsh.

Snapshot of the year

April

Published a report looking at the procurement and supply of personal protective equipment (PPE) to health and social care in Wales during the COVID-19 pandemic

Outlined that financial pressures have led to councils reducing spending and cutting discretionary services, and that the pandemic has highlighted the importance of local government in protecting people and communities



July

Showed that the North Wales Economic Ambition Board has clear and established governance arrangements, and identified several external factors that may affect the success of the Growth Deal

Ahead of publication of our full report and data tool, shared the key themes raised in over 2,400 responses received from businesses and members of the public to our survey on the sustainability of town centres



May

Reported that governance at the Welsh Health Specialised Services Committee has improved, but decision making is likely to become more challenging as a result of COVID-19

Held a live webinar for prospective applicants for the new All Wales Public Sector Finance Apprenticeship Programme; a partnership aimed at developing finance leadership skills across Wales



August

Reported that the Welsh Government's day-to-day management of student finances is effective but, given the increasing costs involved, emphasised there is a need for more scrutiny

Issued a podcast, as part of our work on COVID learning, where we discussed the role of leaders during a crisis



Pack Page 161

June

Concluded that Wales had made excellent progress in vaccinating its population against COVID-19 but a clear plan was needed for the challenges which lay ahead

Updated our interactive tool that allows users to look at trends in NHS finances for the whole of Wales and at individual health bodies, and this year detailed the key areas of spending across the NHS in its pandemic response



September

Described the key trends in public finances since 2010 and the main challenges and opportunities facing future service delivery; the overarching report was underpinned by a suite of sector-specific summaries

Completed our 2020-21 accounts audit work at most local government, NHS, and central government bodies, despite the ongoing challenges of working remotely



October

Published several public interest reports highlighting inadequacies in governance, financial management and internal control arrangements at town and community councils

Reported on how NHS bodies have supported staff wellbeing during the pandemic, with emphasis on the arrangements put in place to safeguard staff at higher risk from COVID-19



January

Identified deficiencies in governance, oversight and decision-making at Pembrokeshire County Council and Blaenau Gwent County Borough Council, pointing to lessons that other public bodies could learn from

Outlined that 'blue light' emergency service collaboration is slowly growing but requires a step change in activity to maximise impact and make best use of resources



November

Concluded that the Welsh Government's Warm Homes Programme needs to be greener, clearer, and more tightly managed

Issued a call for evidence as part of a baseline review of what public bodies in Wales are doing to reduce their carbon emissions and meet the 2030 targets set by the Welsh Government



February

Blogged about our new data tool that can be used to compare and contrast the financial position of local government bodies, and about how Wales' schools face the alarming challenge of the lowest birth-rate in 100 years

Reflected on and raised awareness of the actions that public bodies have taken since we reported on cyber resilience arrangements in Wales

December

Highlighted that arrangements for commissioning older people's care-home placements are not resolving long-standing issues, and challenged the Welsh Government to consider whether its proposed policy reforms go far enough

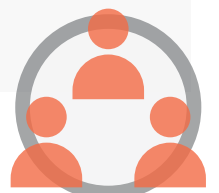
Hosted the Finance Skills Development Group's fifth annual Finance for the Future conference, during which influential speakers from across the public sector explored the theme of public services in a time of crisis



March

Launched a consultation inviting views on possible areas of focus for future audit work to inform the Auditor General's work programme for 2022-23 and beyond

Reported about our progress on encouraging beneficial changes in terms of equality through our audit work, and that our overall gender and ethnicity pay gaps have narrowed



Contents and readers' guide

Performance Report

A review of our work in 2021-22, including an analysis of our delivery and performance, and our position at the end of the year.

Performance overview

A summary of who we are, what we do, the key issues and risks we face, and how we have performed during the last year.

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An explanation of the composition and organisation of our governance structures and how they support the achievement of our ambitions.

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Performance Report

A review of our work in 2021-22, 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

9th June 2022

Performance overview

We are pleased to present our Annual Report and Accounts for 2021-22

Statement from the Auditor General

Alongside our financial and accountability statements, this Annual Report and Accounts provides a summary of the progress we made on delivering the audit work programmes set out in our Annual Plan for 2021-22.

The COVID-19 pandemic continued to cause interruptions to our on-site audit work throughout most of the year, but we were able to successfully manage the position successfully by adopting flexible working arrangements across teams and extending some of our planned completion deadlines. We continued to work and engage remotely with the public bodies that we audit, primarily using technology and video communication platforms.

Our audit of accounts work is vital in providing the Senedd, audited bodies and the wider public with an ongoing independent assessment of financial management and resilience across the public sector. We are pleased to report that we delivered our full programme of work in 2021-22 to a high-quality standard.

Our national studies programme has always retained a degree of flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern. With the continuation of the COVID-19 pandemic,

we continued to exercise that flexibility over the reporting period. Overall, we delivered 19 national report outputs in 2021-22, several of which had a COVID-related primary focus.

During the year, we again shaped our local performance audit work to concentrate on issues of the most relevance to the current and evolving situation, and our programme of good practice shared learning events focused on topics relevant across public services. We also continued to expand our use of different and novel methods of communicating our findings, including through data tools, interactive reports, infographics, and blogs.

Our success in continuing to deliver timely and good quality audits reflects a great collective effort by our staff and public body colleagues to embrace new ways of working and flexibility. A selection of case studies has been included in this Report to give more insight on some of our work and the contribution that it has made. I am indebted to all Audit Wales staff for their professionalism, hard work and commitment to public service throughout the last 12 months.



Adrian Crompton

Auditor General for Wales

Statement from the Chair

Over the last 12 months, we continued to closely monitor the evolving COVID-19 situation and operate in accordance with guidance issued by the Welsh Government. Our offices reopened from early April 2021 to a limited number of individuals who were prioritised after taking account of safety and wellbeing considerations. Since then, we have gradually increased the numbers of staff that may attend our offices, but many staff continue to carry out most of their work remotely from home.

Our priorities in terms of running the business continued to include adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we do the right thing by our people, keeping them safe and monitoring their wellbeing. The Board, its Committees and the Executive Leadership Team operated effectively over the reporting period mostly using online meeting platforms.

A priority for 2021-22 was to conclude a review of our T&S scheme. An internal audit that took place in 2018 highlighted that the current scheme was no longer offering value for money. This sensitive issue was drawn to a conclusion in January 2022 following extensive consultation on alternative proposals developed by a staff task and finish group. We are grateful to our Trade Union colleagues for working with management through formal negotiations in late 2021. All staff have now signed up to the new arrangements.

We have also been considering how best to utilise our estate. The impact of COVID has demonstrated that we can work in very different ways and during 2021-22 we took the opportunity to take stock and consider our needs. The options emerging will be considered in the early part of 2022-23.

In December 2021, we received the results of our annual People Survey. With the backdrop of the review of our T&S scheme plus the challenges of extended remote working, we were not surprised to see that employee satisfaction had dropped since the previous survey in 2020. Whilst many in the organisation felt that Audit Wales had managed the impact of COVID well, there are clearly areas of organisational life that require our attention. As a result, we agreed to focus on six improvement outcomes to shape actions throughout the organisation:

- a We have the right people, doing the right things with the right skills
- b People are clear about our direction of travel and their role in achieving our ambitions
- c Our leaders create the conditions for people to thrive and to be engaged with our overall purpose
- d Our people have the best possible development and ways of working to deliver high quality audits and grow in their roles
- e Employee interactions maximise individual and team performance at each stage of the employee life cycle
- f We respond to feedback and have a culture of continuous improvement

In 2021-22, the ELT and the Board agreed to develop a five-year strategy for Audit Wales, to provide a longer-term focus for our work than the Annual Plans we are statutorily required to produce. Following an extensive period of staff and external stakeholder engagement, the Board endorsed the direction of travel in March 2022. Underpinned by more detailed business plans, the strategy will knit together and guide our work for the next few years, with a particular focus on quality and impact.



Lindsay Foyster

Chair, Wales Audit Office

Who we are and what we do

Who we are

- 1 The Auditor General for Wales (the Auditor General) is the statutory external auditor of most of the Welsh public sector.
- 2 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 Senedd. Significant elements of this funding are passed by the Welsh Government to the NHS and local government.
- 3 The Wales Audit Office employs around 280 professional staff and uses other resources to enable the Auditor General to carry out his functions. Our [Publication Scheme](#) includes a diagram showing our organisational structure. The Corporate Governance Report section of this Report provides information on our governance framework and on memberships of our Board and Executive Leadership Team.

What we do

<p>Assure</p> 	<p>Explain</p> 	<p>Inspire</p> 
<p>the people of Wales that public money is well managed</p>	<p>how public money is being used to meet people's needs</p>	<p>and empower the Welsh public sector to improve</p>

- 4 Independent audit of the activities of government and public spending is an essential component of democratic accountability. The public and their representatives need information which is impartial, timely, accurate, comprehensive, and clear.
- 5 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.
- 6 Together, as Audit Wales, we audit around £21 billion of income and expenditure, which is over a quarter of Welsh GDP.

Our core work

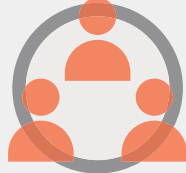
Audit delivery

 <p>Undertaking audit work at over 800 public bodies</p>	 <p>Delivering a programme of value for money examinations and studies</p>	 <p>Certifying grant schemes worth approaching £1.5 billion</p>	 <p>Approving around £1.5 billion of payments out of the Welsh Consolidated Fund every month</p>
 <p>Supporting effective scrutiny including the work of the Senedd Committees</p>	 <p>Sharing the good practice we see across Wales's public services</p>	 <p>Facilitating the detection of fraud and error through the National Fraud Initiative</p>	 <p>Participating with observer status on a range of key policy working groups</p>

Running the business



Setting the overall budget of **£23.7 million** and charging fees for audit work



Employing around **280 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

- 7 Our planned programmes of work retain a degree of flexibility to respond to changing circumstances and priorities, and new issues of public or parliamentary concern.

Key issues and risks that we face

- 8 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 priority actions for the next 12 months; and
 - e how we measure and report on our performance.



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



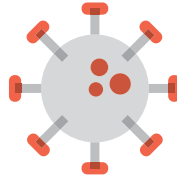
Be a model organisation for the public sector in Wales and beyond

- 9 As first set out in our [2019-20 Annual Plan](#), we have identified four broad ambitions for our business. Collectively, they describe the path we are taking towards reaching our full potential as a driver of change and improvement at the heart of public services and democratic accountability.
- 10 More recently, we have identified three building blocks where we believe we need to prioritise action if we are to achieve these ambitions. These building blocks will form the focus of our efforts for the next five years, alongside the delivery of our core statutory responsibilities.
- 11 As set out in our current [Annual Plan](#), we consider the following to be the key opportunities and challenges that will influence the way we fulfil our longer-term ambitions and deliver our programmes of work over the next few years. Towards the end of 2021-22, we used these themes as the framework for a [Consultation which invited views to inform our future audit work programme](#).



A changing world

- Climate change: achieving a fair and just transition
- Equalities: responding to demands for a fairer and more equal society
- Constitution: managing the opportunities and risks of new relationships within the UK



The ongoing pandemic

- Direct costs of response
- Economic hit knocks-on to public finances
- Legacy costs of long-term impacts



Transforming service delivery

- Systems and culture to support new approaches to service delivery
- Purposeful collaboration
- Long-term planning and prevention
- Harnessing technology where appropriate
- Using data to learn across the whole system

- 12 Our planned work broadly divides into two sections – audit delivery and running the business. For each section, our [Annual Plan for 2021-22](#) identified areas of focus to support us in the delivery of our ambitions. Progress in each of these focus areas has involved a wide range of staff from across the organisation and has been closely monitored by our Executive Leadership Team and Board. The Performance Analysis section of this Report summarises that progress.
- 13 The Governance Statement section of this Report provides an account of our risk management in 2021-22 and describes the key risks and uncertainties that engaged the time of the Board and the Executive Leadership Team. Further information on how those risks changed and were mitigated can be accessed via our published [Board minutes](#).

Performance summary and indicators

- 14 During 2021-22, the exercise of our functions was broadly consistent with the [Annual Plan](#) prepared for the year, but with some changes made to planned work in response to the COVID-19 pandemic.
- 15 In our [Interim Report](#), we had already provided a mid-year update on progress made over the period 1 April to 30 September 2021 towards delivering our planned programmes of work and associated areas of focus, and on achieving our key performance indicator targets.
- 16 The Performance Analysis section of this Report provides the full-year position in terms of:
 - a commentary on the delivery of our main work programmes in 2021-22;
 - b detail on the progress we made towards achieving the areas of focus set out in our Plan for 2021-22;
 - c case study examples of our work and its impact; and
 - d some high-level narrative on how we used our resources in 2021-22, which serves as our Sustainability Report.
- 17 Our Annual Plan for 2021-22 included a framework of key performance indicators (KPIs) and associated targets. Overall, in 2021-22 we achieved or were close to achieving our targets for 13 of the 18 indicators. Our performance against the remaining five indicators will be a focus for our improvement work in 2022-23.

End of year position on achieving our 2021-22 KPI targets

Audit delivery KPIs

No	Indicator	Description	Target	Performance
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.	100%	98%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	93%
3	Quality	Proportion of reviewed audits that are delivered in accordance with <u>Financial Reporting Council (FRC) quality standards</u> .	100% of sample assessed as satisfactory or above, and 90% as good or above	100% and 75%
4	Credibility	Proportion of stakeholders ¹ that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%	95%
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%	96%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	91%
7	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2019-2022	£35.6 million

● Achieved or close to achieving our target
 ● Improvement required
 ● Significant improvement required

1 We conducted a survey of audit bodies in March 2021 seeking their views on the value and impact of our work. 22 public bodies engaged with and responded to our survey. Our performance against indicators 4 to 6 is taken from the results of this survey.

No	Indicator	Description	Target	Performance
8	Good practice events	Proportion of attendees of our seminars and webinars who rated the events useful or very useful.	At least 90%	98% ²
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	25,000 each year	46,800
10	Social media	Number of social media engagements, ie, interactions with our posts such as a like, a comment, or a retweet/share.	1,300 each year	3,800
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year	61 ³

● Achieved or close to achieving our target

● Improvement required

● Significant improvement required

2 No face-to-face shared learning seminars were delivered in 2021-22 due to COVID restrictions. Instead, we delivered a programme of webinars and other on-line events during the year.

3 This figure does not include attendance at groups as part of our routine business nor for example, where we have attended several events in relation to one topic, which we have counted just once.

Running the business KPIs

No	Indicator	Description	Target	Performance
12	Employee engagement	Percent positive annual staff survey engagement index score, aligned with that for the Civil Service People Survey (CSPS).	At least the top 10% score for the latest CSPS	64%
13	Employee experience	Percent positive annual staff survey thematic employee experience scores ⁴ .	At least the top 25% scores for the latest CSPS	0 out of 10 theme scores in top 25%
14	Sickness absence	Average working days lost per member of staff per annum.	Less than six days	5.8 days
15	Financial balance	Level of variance in gross income and expenditure from that set out in our Estimate for the current year.	Within 2% of budget	1.7%
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.3 million in 2020-21	£1.7 million
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of electricity, and that are produced indirectly through our activities.	300 tonnes in 2020-21	500 tonnes
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	83%

● Achieved or close to achieving our target

● Improvement required

● Significant improvement required

4 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; and pay and benefits.

Performance analysis

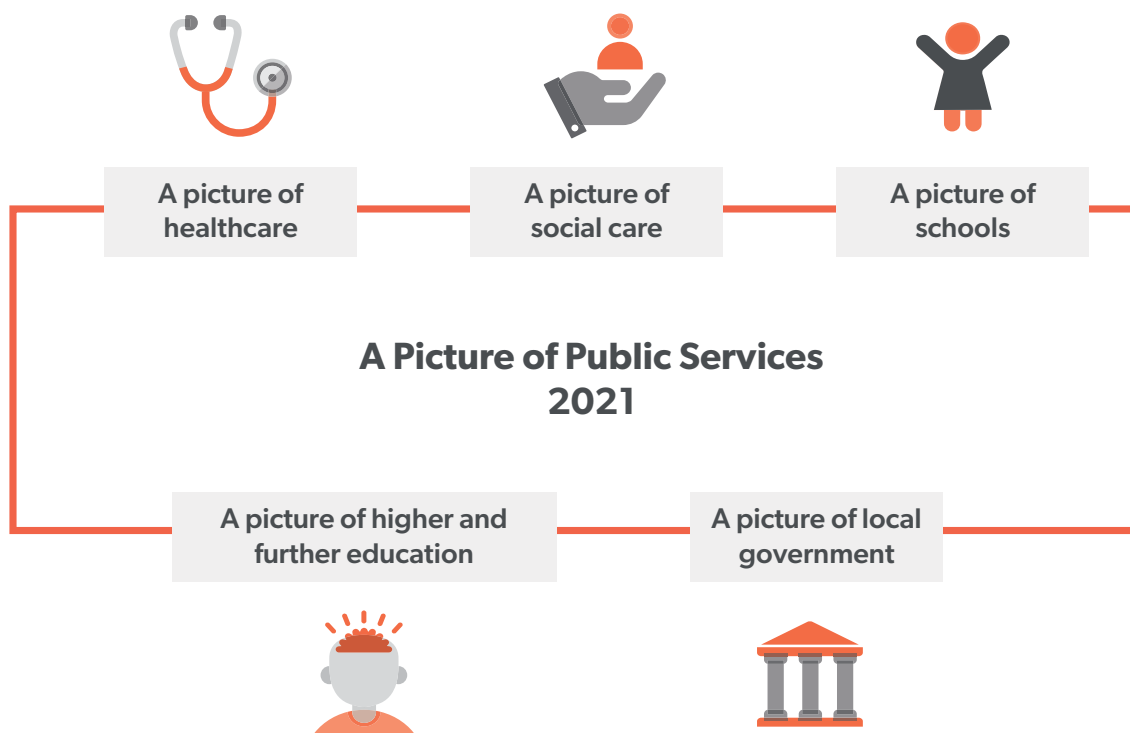
Commentary on the delivery of our work programmes

Local audit work

- 18 The COVID-19 pandemic continued to cause interruptions to our on-site audit work throughout most of the year, but we were able to manage the position by adopting flexible working arrangements across teams as well as extending some of our planned completion deadlines. We continued to work and engage remotely with the public bodies that we audit, primarily using technology and video communication platforms.
- 19 Our audit of accounts work is vital in providing the Senedd, audited bodies and the wider public with an ongoing independent assessment of financial management and resilience across the public sector. We are pleased to report that we delivered our full programme of work in 2021-22.
- 20 All our audits of NHS bodies' accounts were completed, and subsequent opinions provided by the Auditor General by 15 June 2021. Most of our audits of local and central government accounts were completed by the end of September 2021.
- 21 Delivering this work was not without its challenges. Our success in continuing to deliver timely and good quality audits again reflects a great collective effort by both our staff and public body officers to embrace new ways of working and remain flexible and responsive to an evolving situation.
- 22 We also completed our grant certification work and the auditing of around £90 million of European funds used to support farmers and agriculture across Wales by the end of January 2022.
- 23 During the year, we again shaped our local performance audit work to concentrate on issues of the most relevance to the current and evolving situation. This included the continued response to the pandemic and associated service recovery, Local Government and Elections (Wales) Act 2021, financial position, corporate and quality governance arrangements, workforce planning and staff wellbeing, use of buildings and carbon reduction plans.
- 24 A comprehensive list of the public bodies that we audit, and the types of audit work carried out at those bodies, is provided in **Appendix 1**.

National value for money examinations and studies

- 25 Our national work programme has always retained a degree of flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern. With the continuation of the COVID-19 pandemic, we continued to exercise that flexibility over the reporting period.
- 26 We published several reports with a COVID-related primary focus. These included:
 - a Procuring and supplying PPE for the COVID-19 pandemic
 - b Rollout of the COVID-19 vaccination programme in Wales
 - c Financial Sustainability of Local Government – COVID Impact, Recovery and Future Challenges
 - d Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic
- 27 Towards the end of 2021, we also published a series of Picture of Public Services 2021 outputs which summarise key trends in public finances and set out our independent perspective on some of the key issues for future service delivery, including the impact of the pandemic.



- 28 Overall, we delivered 19 national report outputs in 2021-22. **Appendix 2** provides an up-to-date list of work completed or commenced as part of our national programme.

Supporting effective scrutiny and accountability

- 29 Our work continued to play a key role in supporting the work of the new Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources and the discharge of public functions in Wales. During 2021-22, the outputs from our work supported ten formal meetings of the Committee.
- 30 Similarly, we continued to attend the Audit and other Scrutiny Committee meetings of most public bodies using video communication platforms to provide regular briefings and report on our audit work.
- 31 In **Appendix 3**, we provide more detail on how we supported the PAPAC evidence sessions, other committees and more generally on our support of effective scrutiny and accountability. **Appendix 3** also includes the Auditor General's report on disclosures of information.

Good practice work

- 32 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 experiences is shared. Increasingly we are bringing the views and experiences of service users and global experts to these conversations.
- 33 Over the course of the year, our programme of shared learning events focused on topics that are common across public services. We shared examples of innovation, new approaches and points of interest via a regular stream of tweets, [blogs](#), podcasts, fortnightly digests, and periodic online webinars.
- 34 Topics covered included:
 - a Town centre regeneration
 - b Equality impact assessments
 - c Misinformation
 - d Coming out of COVID
 - e The role of communities during the pandemic
 - f Crisis governance
 - g Direct payments provision
 - h Organisational resilience
- 35 All the material shared in 2021-22 can be accessed via the [Good Practice](#) section of our website.

Audit quality

- 36 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 how 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.
- 37 In 2021-22, we continued to invest in developing our audit methodologies and quality management arrangements. This work has included:
- a applying new auditing standards⁵ to our performance audit work – these internationally recognised standards require us to revise our audit approach, supported by a completely new online audit manual, which will integrate with our new cloud-based IT platform for audit work;
 - b implementing new auditing standards⁶ to support our accounts audit work in an exciting partnership project with the Northern Ireland Audit Office – these new standards place a greater focus on audit risk, and our approach will be supported using data analytic tools and a new bespoke cloud-based IT system;
 - c introducing new FRC quality standards, which will lead to the implementation of a new proactive system of quality management from December 2022; and
 - d strengthening our quality regime by piloting the use of external reviews of performance audits by the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW), alongside extending the programme of work QAD undertakes on our accounts audit work.
- 38 Taken together, these developments support our vision of improving the quality of our work while harnessing the potential of new technologies to help us do that. The introduction of the new standards will be augmented by a supporting programme of learning and development that will stretch throughout 2022-23.
- 39 We are disappointed to report that while our quality reviews in 2021-22 found that 100% of audit products were at least satisfactory, only 75% were assessed as good or above (being below our target of 90%). We are, however, satisfied that the findings of the reviews did not suggest that any of our opinions or conclusions were incorrect.
- 40 We set ourselves challenging targets for the quality of our work, which, as set out in the following table, we are largely successful in achieving.

5 Issued by the International Organisation of Supreme Audit Institutions (INTOSAI)

6 Issued by the Financial Reporting Council (FRC)

Annual Report Year	Percentage of reviews assessed as satisfactory or above	Percentage of reviews assessed as good or above
Target	100%	90%
2021-22	100%	75%
2020-21	100%	100%
2019-20	100%	87%

- 41 But we cannot stand still. Our stakeholders have a right to expect our audit quality to be of a good standard, while at the same time expectations on audit quality continue to rise. As a result, we have introduced a new root cause analysis process designed to identify barriers to audit quality and to support a culture of learning and continuous improvement across Audit Wales.
- 42 More Information about our audit quality arrangements can be found on the [Openness and Transparency](#) page of our website.

Running the business

- 43 Over the last 12 months, we continued to closely monitor the evolving COVID-19 situation and operate in accordance with guidance issued by the Welsh Government.
- 44 Our offices reopened from early April 2021 to a limited number of individuals who were prioritised after taking account of safety and wellbeing considerations. Since then, we have gradually increased the numbers of staff that may attend our offices, but many staff continue to carry out the majority of their work remotely from home.
- 45 The Board, its Committees and the Executive Leadership Team operated effectively over the reporting period using online meeting platforms.
- 46 Our priorities in terms of running the business continued to include adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we do the right thing by our people, keeping them safe and monitoring their wellbeing. Throughout the reporting period, our maxim continued to be ‘self, family, work ... in that order’.
- 47 Central to our continued response to the pandemic has been the use of technologies that allow us to connect, work and collaborate remotely and flexibly among our teams and with the public bodies that we audit. Another critical element has been the increased use of a wide variety of media and mechanisms to engage with our employees.
- 48 Approximately two-thirds of our funding comes from fees charged to audited bodies in accordance with a [Scheme of fees](#) approved by the Senedd. 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. The key priorities for our upcoming use of resources in 2022-23 were laid out in an [Estimate](#) and [Supporting Information](#), which was considered and approved by the Senedd Finance Committee in November 2021.
- 49 Information on how a range of risks have affected the organisation over the course of the year and how they may impact on our future plans can be found in the Governance Report section of this Report and in our published [Board minutes](#).

Areas of focus

50 In response to our operating environment and to help us in achieving our ambitions, for 2021-22 we identified nine areas of focus for our audit delivery and six areas of focus for our running of the business. This section summarises our progress.

Audit delivery

Area of focus	What has been delivered
<p>Deliver a programme of relevant and timely audit work that recognises and is sympathetic to the pressures faced by public bodies in their ongoing response to, and recovery from, the coronavirus pandemic.</p>	<p>Over the course of the year, we have continued to monitor, recognise and be sympathetic to the pressures faced by audited bodies. Taking these pressures into account, alongside ongoing constraints to our own capacity arising from the impact of the pandemic, we made several adjustments to our work programme.</p> <p>However, the overall scope and breadth of the programme remained broadly on track, and we have led the way among UK audit agencies in delivering timely accounts audits. We achieved this through adopting flexible working arrangements across our teams alongside extending some planned completion deadlines to ensure we were able to deliver successfully.</p> <p>We continued to give coverage to issues relevant to the impact of, and recovery from, the pandemic. Outputs from this work included the following reports:</p> <ul style="list-style-type: none"> • <u>Procuring and Supplying PPE for the COVID-19 Pandemic</u> • <u>Rollout of the vaccination programme in Wales</u> • <u>Picture of Public Services 2021 which summarises key trends in public finances, including the response to COVID-19</u> • <u>Taking Care of the Carers? looking at how NHS bodies supported staff wellbeing during the pandemic</u> • <u>An NHS Finance Data Tool showing NHS spending trends due to the pandemic and their current financial position</u> • <u>A new 'Springing Forward' project as part of our local government audit programme.</u>

Area of focus

What has been delivered

Place particular emphasis on the importance of sound financial management and good governance across the public sector, in light of the increased risks associated with public expenditure during the pandemic.

For the audits of accounts, we focused on risk areas arising from the pandemic, such as:

- potential breakdown in audited body quality monitoring arrangements and the impact of remote working;
- appropriate accounting for the increased funding streams and expenditure to deal with the COVID-19 pandemic;
- appropriate accounting for field hospitals;
- potential year-end valuation uncertainty of property, plant and equipment;
- estimation of accrued annual leave and bad debt provisions;
- verification of existence of property, plant and equipment and inventory; and
- focus on fraud, error and regularity risk particularly with increased expenditure.

We also provided updated analysis on COVID-19 expenditure and related risks in our year-end [NHS Finances Data Tool](#); our [NHS summarised accounts infographics](#), [Local Councils infographics](#) and [Welsh Government annual accounts](#).

In September 2021, we published a national summary report on the [Financial Sustainability of Local Government – COVID impact, recovery and future challenges](#), and a new supporting [data tool](#).

In addition, to follow up our [Picture of Public Services 2021](#) report, during October we published a series of sector specific summaries which included consideration of the response to the pandemic in different sectors; these are:

- [A picture of healthcare](#);
- [A picture of local government](#);
- [A picture of social care](#);
- [A picture of schools](#); and
- [A picture of higher and further education](#).

Our NHS Structured Assessment work at NHS bodies also maintained a focus on good governance and sound financial management in the context of the sector's ongoing response to the pandemic.

Area of focus

What has been delivered

Develop a streamlined approach for examining how public bodies have acted in accordance with the sustainable development principle when setting their wellbeing objectives and when taking steps to meet those objectives.

In September 2020, the Auditor General ran a [consultation inviting views on how we should deliver our sustainable development examinations in the second reporting period \(2020-2025\)](#). In July 2021, we subsequently wrote to the relevant Welsh Government sponsored bodies with further detail on how we would carry out our examinations.

Over the course of the year, we have put arrangements in place to ensure we successfully embed the sustainable development principle as part of our wider work programmes. This includes providing auditor guidance and a programme of training and development for staff. Audit teams have begun delivering in this way, with examples of work where the sustainable development principle is fully embedded. We are ensuring that we monitor how do this so that we can continue to learn and improve.

In addition, we have begun to deliver a programme of examinations focused on the extent to which public bodies have acted in accordance with the sustainable development principle when setting their well-being objectives. This work will be undertaken across the reporting period (2020-2025), as public bodies set new well-being objectives.

We continue to work closely with the Future Generations Commissioner for Wales and her team, who provide advice and support, including delivering training to our staff. A representative from Audit Wales is also an observer on the Commissioner's current [Section 20 Review](#) Steering Group.

Area of focus	What has been delivered
<p>Ensure that the development of our audit approach keeps pace with changes in best professional practice, fully exploits advances in technology and delivers high quality audits that meet the needs of our stakeholders.</p>	<p>Over the course of the year, we have restructured and recruited to our Audit Development and Guidance (AD&G) team. This team ensures we respond effectively to developments in auditing and accounting quality standards including through detailed and ongoing horizon scanning and analysis.</p> <p>The AD&G team checks that our internal guidance, methodologies and learning and development evolve to keep pace with important changes in the audit profession and, through membership of professional forums and bodies, that we influence, where we can, the development of accounting standards and practice. One example is the recent establishment of several new panels to support Chartered Institute of Public Finance and Accountancy (CIPFA) policy and technical work, as described in more detail in the case studies section of this Report.</p> <p>We view these panels and other forums such as the Public Audit Forum and Financial Reporting Advisory Board as opportunities to influence accounting standards and the Government Financial Reporting Manual.</p> <p>Where we consider our ability to influence justifies the resource input, we also respond to government consultations. An important example over the last year has been the Department for Business, Energy & Industrial Strategy White Paper – Restoring trust in audit and corporate governance, when we submitted an Audit Wales response as well as a joint response from the UK Auditors General. We continue to liaise with CIPFA and the Institute of Chartered Accountants in England and Wales (ICAEW) regarding developments in this area.</p>

Area of focus**What has been delivered**

Refine all aspects of the way we collect, analyse and present data, including through sourcing larger quantities on a more regular basis, greater use of automation, and improved methods of visualisation and storytelling.

During our audit of accounts work, we trialled a new electronic accounts platform and, for the first time, used a data analytics application on NHS audits. We also put in place a suite of data tools to support the work of our audit teams, including applications that enabled us to link to external data sources, to alleviate onerous tasks, automate some standard practices and to provide quick visual insights.

In a related development, we put in place a data storage solution to securely hold large scale external data and we are also working on a project to assess the feasibility of building an internal data warehouse for greater automation and improved visualisation of our internal management information and data.

Through continuing to implement projects such as these, we place data at the centre of our audit of accounts work and maximise the use of technology alongside our approach to developing audit quality.

Area of focus

What has been delivered

Improve how we communicate our audit work to achieve greater impact, including through expanding the range and reach of the channels we use, and the skills with which we equip our staff.

Over the reporting period we have continued to expand our use of different and novel methods of communicating our findings, including through data tools, interactive reports, infographics, and blogs.

The data tools published over the course of the year can be accessed via a [dedicated section of our website](#), and have included:

- [Local government financial sustainability](#)
- [Joint working between emergency services](#)

The blogs issued over the course of the year can be accessed via a [dedicated section of our website](#), and included:

- [How we'll support Wales in rising to the climate change challenge](#)
- [Student money worries: key facts and figures](#)

One report which maximised its impact by using a variety of communication channels was The Regenerating Town Centres in Wales report – [the report](#), [blog](#) and [press coverage](#) was supported by a [data tool](#) and [self-evaluation tool](#) and received a lot of media attention, including the author appearing on a Radio Wales phone-in show. We also held a related webinar which attracted an audience of over 90 people from across the third and public sectors.

Internally, we carried out a review of our end-to-end publishing process, to identify where the biggest impact changes can be made, especially from the perspective of the end users of our products. By streamlining and improving the process, we aim to free up resources to develop new and more innovative ways of communicating our audit work.

The Executive Leadership Team has also started to receive a monthly report on the range and extent of external communication channels to identify learning and where impact could be increased.

Area of focus

What has been delivered

Proactively engage with the Senedd following the May elections and refresh our relationship with members of the new Public Accounts and Public Administration Committee (PAPAC) and other committees to raise awareness of, and seek their views on, our work programmes.

Following the Senedd elections in May 2021, the Auditor General and Audit Wales staff maintained regular contact with the newly constituted PAPAC clerking team to discuss our work programme. The Auditor General wrote to all the Chairs of the new Committees to highlight the work of Audit Wales, our remit, and specific topics in our work programme of potential interest.

Our reports have informed the work programmes of committees other than PAPAC, one example being our report on [The Welsh Government's Warm Homes Programme](#), which was considered by the Equality and Social Justice Committee as part of their scrutiny work programme. We have engaged the clerks of the Health and Social Care Committee on areas of mutual interest and as part of that shared our NHS waiting times data tool to support their inquiry into waiting list backlogs.

We have recently sought views and input from the Senedd on our audit work programme for 2022-23 and the development of our medium-term strategy.

Area of focus

What has been delivered

Build on lessons from our COVID Learning Project to enhance the way that we share good practice, mainstreaming new approaches to capture learning on an ongoing basis and strengthen support for audit delivery.

We have taken the learning from the innovative sharing of good practice during the early stages of the pandemic to develop a new approach and our Good Practice Exchange has continued to share learning as organisations across the Welsh public sector and beyond respond to and recover from the pandemic.

This has included use of podcast, including – [COVID-19 and Behaviour Change](#); considering how the pandemic has required governments and the wider public sector to change their behaviour in both significant and small ways. And [Covid Perspectives](#) – a series of recorded conversations with Welsh public sector leaders on how their organisations have responded and adapted to the uncertainty and change since the initial pandemic emergency.

Over the last year a steering group was established to improve working with colleagues from across the organisation to identify and maximise opportunities to share learning throughout the development of the audit project or study, not just at the end when the final report has been produced. An example of this has been an online event – [Your Town, Your Future](#) – on the research leading up to our [Town Centre Regeneration report](#) and the follow-up event – [Part 2 – Your Town Your Future](#), after its publication.

The resources, including slides and presentations from our online events can all be accessed after the event from our website; this includes:

- [The role of communities during the COVID-19 pandemic](#)
- [Crisis Governance](#)
- [Dynamic strategy – the impact of COVID-19 and the response of Fire and Rescue Authorities](#)
- [The impact of COVID-19 on the workforce](#)
- [Communication and engagement](#)

Area of focus**What has been delivered**

Develop a more diverse and effective range of mechanisms for capturing the views of our stakeholders on the value and impact of our work.

In July 2021, Beaufort Research presented their recommendations to the Wales Audit Office Board on our future approach to gathering stakeholder feedback and how we could better gauge the impact of our work. On the back of these recommendations, we have developed a programme of varied quantitative and qualitative data gathering approaches with a wide cross section of stakeholders. The rich data gathered will provide more robust measures on achievements of our ambitions, as well as allowing more in-depth exploration of stakeholders' views and the awareness and impact of our audit work.

The intention is to run this programme of engagement over the time span of our newly launched five-year strategy and the findings will help us measure delivery of the strategic building blocks identified in the strategy, which we believe we need to prioritise if we are to achieve our ambitions.

Running the business

Area of focus	What has been delivered
<p>Prioritise ongoing support of the health and wellbeing of Audit Wales staff as we move from a 'response' to a 'recovery' approach with regards to the COVID-19 pandemic.</p>	<p>The health and wellbeing of our staff have continued to be a key priority over the last 12 months. This culminated in July 2022 with the Board endorsing our new Wellbeing Strategy which consists of three strands – 'Work Well, Live Well and Mean Well' – each underpinned by a suite of goals. Since then, work has been ongoing on clarifying the actions required and timelines to achieve each goal and developing these into a delivery plan.</p> <p>A group of Wellbeing Champions from across all parts of the organisation have attended team and cluster meetings to gather feedback from staff on what wellbeing should look like at Audit Wales. This group have actively supported the goals of the strategy using our intranet to promote wellbeing initiatives, podcasts, blogs, and activities to enable staff to easily relate to the strategy. A new dedicated Hub page is being launched which will include a calendar of planned wellbeing activities and initiatives for staff.</p>
<p>Undertake a review of the equality objectives set out in our Strategic Equality Plan to ensure they remain fit for purpose and fully align with our overall organisational ambitions.</p>	<p>We have taken account of the progress made against the equality objectives set out in our Strategic Equality Plan for the period 2018 to 2022; and developed a revised suite of objectives which we believe should underpin our work for the period 2022 to 2026.</p> <p>In February 2022 we published a consultation on these proposals; the outcomes of this consultation exercise will be reflected in the final objectives which will be published in our Strategic Equality Plan 2022-2026 later this year.</p>

Area of focus	What has been delivered
<p>Realise the benefits of a strengthened senior leadership by developing enhanced working relationships between the Board and the newly constituted Executive Leadership Team.</p>	<p>The reconstituted Executive Leadership Team (ELT) has been in place for just over a year. At the beginning of 2021-22, membership included four Employee Members. This arrangement ended in May 2021 and was succeeded by a newly formed Staff Panel. This change has ensured ELT has clear responsibility and accountability for strategic executive decisions whilst retaining the valuable input and perspective that staff members can provide.</p> <p>The ELT members have been invited to attend all Board meetings during the year, which has supported the development of closer working between the ELT and the Board and has played a key role in shaping and developing the new medium-term strategy for the organisation.</p> <p>There has also been an independent review of Board effectiveness carried out by Saxon Bampfyfde, and an internal audit review of corporate governance, which included the relationship between the Board and the ELT. The recommendations from these reports have been developed into an action plan which the Board has agreed and will monitor progress against throughout 2022.</p>
<p>Finalise our work on developing proposals for meeting our future accommodation needs, to enable a Board decision in 2022-23.</p>	<p>In June 2021 the Wales Audit Office Board considered how best to manage uncertainties and consider further options as our ways of working evolve post pandemic, including the possible extension of our lease at our Cardiff office for another year to March 2024.</p> <p>We continue to monitor the property market, to be involved in wider public sector discussions around the use of the public estate and to investigate further opportunities to pilot new ways of working including activity settings and hubs.</p>

Area of focus	What has been delivered
<p>Embed the sustainable development principle to a greater extent in all our decision-making processes, including when:</p> <ul style="list-style-type: none"> • undertaking a review of our staff travel and subsistence arrangements; • experimenting with and evaluating new, more efficient, and smarter ways of working; and • determining our route map for moving towards net zero greenhouse gas emissions. 	<p>The Wales Audit Office Board has made a commitment to embed the sustainable development principle in the way it makes decisions, and to help achieve this, the manager of our sustainable development examinations programme has developed a checklist and prompts for the Board, its Committees and the Executive Leadership Team to use when setting objectives and making decisions.</p> <p>To embed its understanding the Board carried out a workshop exercise in March 2022 and has undertaken to use the prompts in key decisions it makes during 2022-23.</p> <p>Our review of the travel and subsistence policy involved a staff task and finish group which considered the sustainable development principle as part of their proposals. After approval by the Board and ELT, the agreed package of proposals was consulted on extensively through a series of staff and trade union engagement events.</p> <p>One recommendation from the task and finish group was the development of a Travel Plan to reduce the impact of both business travel and commuting mileage as part of our commitment towards net zero greenhouse gas emissions. We are working closely with other audit bodies to share information and experiences around moving towards net zero emissions, including exploring the possibility of shared offsetting as well as work on emissions baselining. Against the background of the COP26 summit in Glasgow, we published a blog describing some of what Audit Wales is doing to scrutinise and inspire improvement in climate change action. The Auditor General wrote to around 50 public bodies to initiate a baseline review of the actions they are taking to reduce carbon emissions and meet the 2030 targets set by the Welsh Government.</p>

Area of focus**What has been delivered**

Modernise the way we work, including through making better use of digital technology to enable us to be more agile and adaptable in an evolving environment.

Since the start of the COVID pandemic our use of technologies has been central to how we have been able to connect, work and collaborate remotely and flexibly, both internally and with the public bodies we audit. For example, we have increased remote access to audited bodies' financial systems to carry out our audit work and completed cyber security improvements on our website.

Another development in modernising the way we work has been the establishment of a dedicated Research and Development function. This team ensures we are alert to developments in public audit and the wider audit profession and identifies how our audit programme and ways of working can adapt to increase impact and influence. Part of this involves making better use of technology to ensure we maximise the wealth of information and knowledge that we hold and create through our work to develop new products ensuring our work programme is focused in the areas that add the most value.

Work is also progressing on the development of a new time and resourcing system which will provide more robust management information on resourcing and enable us to resource audit projects in the most effective and agile way.

Case study examples of our work

51 In this section, we provide case study examples of the work we delivered during 2021-22 and the impact that work has had. Our case study examples are grouped together by their alignment with our overall ambitions.



Fully exploiting our unique perspective, expertise and depth of insight

Case study 1: A Picture of Public Services 2021

In September 2021, we published [A Picture of Public Services 2021](#). This was our fourth 'A Picture of Public Services' report since 2010. In the report, we draw on a range of evidence, including analysis and insight from across our performance and financial audit work, to provide an overview of the key trends in public spending and delivery, and the key issues for public services in Wales in the coming years.

The report shows that many parts of Wales's public services were already under pressure before the COVID-19 pandemic hit and covers key aspects of Welsh public services' response to the COVID-19 pandemic, including the extra £5.1 billion funding allocated during 2020-21.

While our separate reviews of key elements of the pandemic response – the supply and procurement of PPE, the Test, Trace and Protect programme and the roll-out of vaccinations – were broadly positive, we set out in the report that there are still lessons to learn, and that the findings from our specific reviews are not necessarily indicative of the broader response to COVID-19.

The overarching Picture of Public Services 2021 report was accompanied by a series of sector-specific reports which provide a more detailed overview of trends in funding, spending, and service delivery.



Case study 2: Care Home Commissioning for Older People

Care home commissioning costs Welsh public services several hundreds of millions of pounds each year and affects many thousands of people. In December 2021, we published our report [Commissioning of care-home placements for older people in North Wales](#) which called on North Wales councils and Betsi Cadwaladr University Health Board to address various issues to help drive improvement.

This project built on previous audit work on social services budgetary pressures in [Conwy](#) and [Denbighshire](#) councils and work on Continuing Healthcare arrangements at [Betsi Cadwaladr University Health Board](#).

We brought together a multidisciplinary audit team which conducted a range of interviews and workshops across North Wales. While we identified that partners are working hard both individually and collectively to provide care home placements for vulnerable service users, complex national processes are making this work more difficult. In particular, a significant focus on cost can cause division amongst partners and impact adversely on service users and their families.

Among other things, we recommended that the regional partners develop a regional strategy and delivery plan to drive positive change and better partnership working, especially in relation to complex and more specialist care.

Having identified issues of wider national significance from our regional work, we wanted to ensure these messages were not lost. We therefore published a sister report, [Care Home Commissioning for Older People with recommendations for the Welsh Government](#). We challenged the Welsh Government to reflect on what the findings from our work mean for its Rebalancing Care and Support policy proposals and whether these reforms will go far enough to tackle the root causes of the issues we identified and secure better outcomes for people across Wales. The Senedd Public Accounts and Public Administration Committee is now considering our key findings as part of its own inquiry.





Strengthening our position as an authoritative, trusted and independent voice

Case studies 3 and 4: Public interest reports

In January 2022, we published ‘public interest reports’ in respect of two Welsh councils, through which we highlighted to the public significant concerns regarding governance arrangements, and aimed to ensure that these matters were properly considered and addressed as a matter of priority.

While the reports relate to two specific councils, they contain messages which have relevance to public bodies across Wales on the importance of establishing robust governance arrangements.

Pembrokeshire County Council

This report related to a payment made to Pembrokeshire County Council’s former Chief Executive shortly before his employment ended in November 2020. We examined the circumstances that led to the Council arriving at its decision to make the payment.

We found that the Council had failed to address and resolve relationship difficulties between members and officers, and there was a lack of clarity on their respective roles and responsibilities. Some officers had failed to properly discharge their professional duties, external legal advice had been disregarded, and internal policies and procedures were not observed. In respect of decision-making, we found that the process was poor and lacked transparency, reasons for decisions were not documented, legal requirements were not complied with, and members of the Council were not given the opportunity to review and scrutinise the payment proposal.

The Auditor General made eight recommendations in his Public Interest Report designed to strengthen the Council’s governance arrangements going forward. The Council held a meeting open to the public on 1 February 2022 at which the findings of the report were accepted and Council members agreed with the Auditor General’s recommendations. The Council has now prepared an action plan to implement the recommendations.

Blaenau Gwent County Borough Council

This report related to deficiencies in Blaenau Gwent County Borough Council's governance and oversight arrangements for a Council wholly-owned waste disposal company. The audit commenced in 2017, after concerns were expressed by a whistle-blower regarding the relationship between the Council and Silent Valley Waste Services Limited (Silent Valley). The audit was protracted due to the complexity of some of the matters involved, the volume of historic documentation required to be examined and analysed, and the need to obtain external legal advice on several points of law. It was also necessary to put the audit on hold for 14 months while the Police carried out its own investigation.

We found that the Council had failed to put in place robust and effective arrangements in respect of its relationship with Silent Valley for many years. This resulted in:

- Deficiencies relating to the appointment, pay and pension arrangements for Council officers appointed to Silent Valley's Board
- Non-compliance with procurement regulations
- The Council not having robust arrangements in place to ensure that termination payments made to Silent Valley directors were lawful and that the recruitment process for the appointment of Silent Valley's General Manager was competitive and robust

Prior to publication of the Public Interest Report, the Council took firm action to address the deficiencies identified. The Auditor General therefore made only one recommendation; that the Council commission a review to seek assurance that its governance and oversight arrangements in respect of other companies in which it has an interest are adequate and effective, and that the deficiencies identified in this report were not more widespread.

The Council held a meeting open to the public on 7 February 2022 at which the Council accepted the findings of the report and agreed to implement the recommendation.





Increasing our visibility, influence and relevance

Case study 5: Participating in a seminar for trustees on governance and equalities issues

In November 2021, we hosted a good practice webinar entitled ‘How Boards understand Equality’ as part of [2021 Trustees’ Week](#). The audience for the event was mainly trustees and staff of third sector organisations.

We were invited to talk about the work that Audit Wales was undertaking as part of a study looking at Equality Impact Assessment (EIA) in public bodies.

We explained that EIA is an evidence-based process to test the impact of a decision or action on different groups of people. It helps decision-makers understand the results of a decision and avoid unintended consequences or discrimination. Undertaking a comprehensive EIA also helps public bodies show that they have considered the impact of their decisions on people with protected characteristics and avoid legal challenges.

We shared some of our early learning on what public sector organisations are doing and the difficulties they experience, much of which was relevant to the work of the voluntary sector. We also invited participants to tell us their views and experiences of EIA by taking part in our [Call for evidence](#) for the study, that ran from October 2021 – April 2022.

The webinar’s expert panel then discussed a range of issues including:

- How can decisions be made closer to the communities affected?
- How can all our communities contribute their ideas, knowledge, and experience?
- How can Trustees become more diverse?
- How do Boards understand equality and their role?

The information gathered from the event has added to our evidence base for the study, on which we are due to report later in 2022.

Case study 6: Sharing our audit learning

As set out earlier in this report, one of our key performance indicators (number 11) is focused on the number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.

Consequently, we keep track of instances where, beyond our 'business as usual' engagement with audited bodies and other stakeholders, we share our audit learning by feeding into other events, working groups, consultations and scrutiny. During 2021-22, there were 62 such examples, which included:

- a contributing our professional expertise as participants in several new forums established by the Chartered Institute for Public Finance and Accountancy (CIPFA), which consider specific financial management and governance issues as well as broader themes around the finance workforce, public policy and reform, and sustainability.
- b presenting on town centre regeneration at a Planning Aid Wales conference in June 2021; our findings, reported formally in September 2021, have informed the work of the Welsh Government's Ministerial Town Centre Action Group, and we also shared the learning from this work at an event on regeneration for elected members in local government.
- c in December 2021, the Auditor General giving the keynote speech (starts at 7 minutes 58 seconds) at ICAEW's inaugural public sector conference – The Road to Net Zero – a virtual event that attracted close to 250 delegates across the UK. He spoke about the profound challenges posed by the climate emergency and highlighted the baseline review we are undertaking of how public bodies are responding to 2030 decarbonisation targets. This baseline will inform our future work programme on the impact of climate change.
- d responding to Welsh Government consultations on topics including social care, social partnership and public procurement, local authority power to trade, town and community councils, race equality, homelessness, corporate joint committees, local authority publicity, and violence against women, domestic abuse and sexual violence. We also responded to UK government consultations on trust in audit and data protection.

Appendix 3 of this report provides details of other relevant activity through our input to various Senedd committees.





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

Case study 7: Adapting our audit of accounts work

The accounts audits completed during this year (those for the 2020-21 financial year) formed the second round of audits completed against the backdrop of the COVID-19 pandemic. Over the last 12 months, we built on what we had learned about working and auditing remotely during the 2019-20 audit round. We agreed revised targets for our local government and NHS audit work with the Welsh Government and performed very strongly in terms of completing audits on time against target deadlines.

Sector	Audit completion target date	Proportion of audits completed on target
NHS	11 June 2021	100%
Local Government (including police, fire, and national park authorities)	30 November 2021	97%

We do not have a single deadline for our central government audits, but our performance again was also very strong for these bodies with all audits completed against targets⁷.

Overall, it was an encouraging picture, but not one that was without challenge. We continued to apply our maxim of ‘self, family, work – in that order’ as we sought to prioritise the health and welfare of both our own staff and the staff of the bodies we audited. It should not be underestimated how difficult it was for so many to move to home working with a loss of in-person peer support. We are currently undertaking a safe and supported ‘return to office’ pilot for our early 2021-22 audits to explore hybrid working options that better enable the support and coaching which were inhibited under a full home working model.

We are also proud that the quality of delivery of our audit work was maintained despite the pressures of the pandemic. Of the files reviewed, 75% were assessed as ‘generally acceptable’ and 25% as ‘improvement required’. None of the quality review findings impact on the appropriateness of the audit opinions given. Further information about our audit quality arrangements is available in our Audit Quality Report available on the [Openness and transparency](#) section of our website.

⁷ Where applicable, this internal target takes account of statutory deadlines and administrative targets and may also reflect the need for additional time to complete the audit where deficiencies are identified in the accounts.

Case study 8: Developing a five-year strategic plan

In May 2021, the Executive Leadership Team (ELT) agreed that the development of a more detailed medium-term strategy for Audit Wales would provide greater clarity on our aims and direction of travel, and enhance connectivity among staff with our four overarching corporate ambitions.

ELT initially assessed the progress that had already been made towards the achievement of the four ambitions. This exercise helped us to both identify and celebrate the successes of recent years, but also served to identify some important gaps, outstanding priorities and further opportunities to enhance our approach and impact. Following this initial assessment, further work was undertaken jointly with the Board to reach a consensus of what the ideal future Audit Wales might look and feel like and what we would like our external stakeholders to be saying about us in 2027.

At the heart of the approach were Audit Wales's core values with a particular focus on collaboration, innovation, future focus, and integrity. In December 2021 all staff were then engaged in the development of the emerging strategy, including a 'roadmap' of priorities for the next five years. Due to the ongoing impact of the pandemic, this exercise was undertaken primarily through online forums, with our Employee Elected Board members and ELT staff panel representatives heavily involved throughout the process.

Overall, there was widespread support for and buy-in to the proposed direction of travel, and a wealth of ideas and insight which has helped shape the detail of the roadmap which in turn was sense checked with a range of external stakeholders.

The strategy development identified three building blocks and associated areas of focus:

- a strategic, dynamic, and high-quality audit programme
- a targeted and impactful approach to communications and influencing; and
- a culture and operating model that enables us to thrive now and in the future.



Our use of resources

- 52 We are fully committed to embedding the principle of sustainable development⁸ in the way we run our business, and in the way we resource our audit work. In this section we provide some high-level commentary on how we managed our use of resources during 2021-22.
- 53 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.
- 54 In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2021-22 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#).



8 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'.

Financial management and efficiencies

- 55 Financial management at Audit Wales in 2021-22 continued to be of paramount importance as we dealt with the continued impact of COVID-19 on our audited bodies and our own staff.
- 56 Whilst we made significant savings of over £1.2 million on staff costs in the year, this reduction in staff capacity impacted our ability to draw down fee income which was over £1.5 million less than had been allowed for in our Estimate.
- 57 Our total expenditure for the year was almost £2.3 million less than allowed for in the Estimate for the year and £1.2 million (5.7%) less than we spent in 2020-21 (before allowing for the one-off costs associated with the removal of the travel allowance from staff – thus reducing the costs of travel in future years).
- 58 Much of this reduction in expenditure is related to staff vacancies and the fact that our staff were still unable to travel to audited bodies during the year and events were unable to go ahead as planned.
- 59 The net impact of reduced fee income and reduced expenditure means that we are reporting an overall underspend of £772,000 against the approved resource Estimate for the year. Of this, £394,000 is in respect of unused Supplementary Estimate funding made available for the travel allowance costs.
- 60 We invested £212,000 of capital funding in the following areas:
- £31,000 in the development of new audit management systems and audit quality tools for our financial and performance audit work
 - £70,000 in new IT equipment to allow our staff to work as efficiently as possible both remotely and in the office
 - £53,000 in enhanced payroll provision
 - £37,000 in essential upgrade works for our offices including air quality and lighting improvements
 - £21,000 in new office activity settings as we trial new ways of using our office space

Staff engagement and the employee experience

- 61 During the year we used a variety of media and mechanisms to engage with our employees, providing them with essential updates on the evolving situation, information on how they could access resources and support, and gathering feedback on their experiences to help identify any areas of concern.
- 62 These included:
- a Regular messages to all staff from the Auditor General
 - b Hosting all-staff briefings and question and answer sessions via video communication platforms
 - c Undertaking periodic 'pulse' surveys
 - d Posting regular blogs from members of the Board and Executive Leadership Team (ELT)
 - e Providing regular information cascades to line managers
- 63 Each year, all staff are required to complete an annual independence return, through which they agree to abide by the requirements of our Code of Conduct, Code of Audit Practice and Information Security Policy. As part of this process, attention is drawn to a range of relevant documents, including our Money Laundering Guidance and Counter Fraud Strategy.
- 64 In October 2021, we again ran an all-staff survey to keep our finger on the pulse of the employee experience and identify where we need to improve. For the fifth year running, we based our survey on the core questionnaire 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. 84% of staff completed the survey.
- 65 At a thematic level, our survey results in 2021 had declined from the previous year and were generally below the CSPS average, most notably in the following areas:
- a Leadership and managing change
 - b Organisational objectives and purpose
 - c Learning and development

- 66 While most staff remained interested in their work and felt trusted to carry out their job effectively, their emotional commitment to the organisation and its success has dropped in the last year, resulting in a lowering of our overall engagement index score from 70% to 64%. A significant number of individual employee experience statement scores across the survey worsened to a similar extent in 2021.
- 67 The notable exceptions were staff views in the thematic area of 'inclusion and fair treatment' and on the organisation's response to the pandemic, which remained positive. Scores against general health and wellbeing indicators also remained relatively stable.
- 68 At its January 2022 meeting, the Board received presentations outlining the survey results and management's proposed response. The ELT confirmed that it would be seeking a deeper insight into three areas where the survey results reflected staff perceptions that Audit Wales was underperforming.
- 69 The research would include interviews to explore staff experiences so that the ELT can better understand what actions are needed at organisational, directorate and team levels. The Board confirmed that it was assured that management recognised and understood the issues raised through the survey, including recurrent themes and had planned an appropriate forward approach, taking account of key opportunities and challenges.
- 70 Our full survey results can be accessed on an interactive data tool which is available via our website. We will be repeating the survey in October 2022.

Health and well-being

- 71 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.
- 72 Our wellbeing policy is supplemented by guidance to support our commitments and ensure any staff health and wellbeing issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their wellbeing, including through an annual programme of events and through offering a health screening service.
- 73 In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility, which provides staff with professional advice and emotional support on a range of matters.
- 74 At an organisational level, in our staff survey we include four questions used by the Office for National Statistics as part of their Measuring National Well-being programme. We also calculate the Proxy Stress Index⁹ and PERMA index¹⁰ using questions in the CSPA questionnaire which have been shown as important elements of wellbeing. In October 2021, responses from our staff were typically similar to the CSPA median benchmark.
- 75 One notable exception was the proportion of staff reporting high levels of anxiety, which has gradually increased over the five years we have run the survey.
- 76 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 5.8 days per employee were lost to sickness absence during the reporting year ending 31 March 2022 (compared to 3.7 days per employee for the previous year).

3 GOOD HEALTH AND WELL-BEING



9 Which aligns to the Health and Safety Executive stress management tool.

10 Which measures the extent to which employees are 'flourishing' in the workplace -further information can be found in the [Civil Service People Survey Technical Guide](#)

Equality and human rights

- 77 The Auditor General is in a strong position to identify opportunities for helping to eliminate discrimination and promote equality of opportunity in the delivery of public services. In reporting on public bodies, and in making recommendations, he is able to encourage beneficial changes in terms of equality.
- 78 As the employer of staff at Audit Wales, the Wales Audit Office is 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. We fully support the rights of people to be treated with dignity and respect.
- 79 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.
- 80 While neither the Auditor General nor the Wales Audit Office are bound by the [Socio-economic Duty](#), we nonetheless seek to act in the spirit of the Duty. We are mindful of the need to reduce the inequalities of outcome that result from socio-economic disadvantage in our strategic decisions, both in relation to the way we run our business, and in the planning and delivery of our programme of audit work.
- 81 Our [Strategic Equality Plan](#) for 2018-2022 outlines our continued commitment to equality and our related objectives. Our [Equality Report](#) on progress made towards delivering our equality objectives in 2020-21 is available on our website and is accompanied by an [Interactive data tool](#) presenting our workforce diversity and pay gaps data. Our report for 2021-22 will be published later in 2022.

- 82 Towards the end of 2021, we developed initial proposals for what our equality objectives should be for 2022-2026, after reviewing the effectiveness of steps taken and progress made towards meeting our previous objectives. These new proposals were designed to build on progress to date and stretch our approach.
- 83 We then ran a public consultation on our proposals from 31 January 2022 to 4 March 2022. The [Consultation was published on our website](#) and promoted through social media and was circulated directly to a number of stakeholders representing individuals with protected characteristics. All responses to the consultation are being considered as we finalise the content of our new Strategic Equality Plan, which will be published later in 2022.

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

- 84 We take pride in providing a bilingual audit service. Our public documents are available in both Welsh and English, we have a fully bilingual website, and throughout 2021-22 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. Our Welsh Language Strategy outlines the steps we wish to take to strengthen our audit service through recruitment, learning and development, and understanding the language needs of our audited bodies.
- 85 We are committed to implementing and maintaining the Welsh Language Standards, which we see as a baseline level of a bilingual service, not a target. Our [Compliance Notices](#) can be found on our website, alongside our latest annual [Welsh Language Report](#).

Community and charity work

- 86 We recognise the benefits that community and charity work by staff can bring to the wider community and applaud our 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.
- 87 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.
- 88 Over the course of the year and in their own time, our staff held several fundraising and donation events.

Environmental stewardship

- 89 In 2021-22, we maintained our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management. We also continued our planning work for how we will contribute to achieving Wales's longer-term net zero carbon goals.
- 90 As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset¹¹ all our carbon dioxide equivalent emissions (tCO₂e), including those resulting from our business travel, by supporting tree planting and deforestation prevention initiatives.
- 91 Key areas of work over the last 12 months have included:
- a further reducing the amount of waste we produce, while increasing the proportion of our waste that is reused or recycled. Particular efforts have been made to ensure that our waste suppliers support our initiatives and minimise the amount of our waste going to landfill.
 - b continuing to reduce the amount of finite resources consumed, including paper, water, and energy use. Although our reductions in 2021-22 have been heavily influenced by the impacts of the pandemic and associated lockdowns where offices are utilised far less, we nonetheless made step change improvements by upgrading to more efficient LED lighting at our largest office.

11 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 and funding an equivalent carbon dioxide saving elsewhere.

- c piloting new desk arrangements and activity settings within our office spaces, as part of trials to enable hybrid working. As part of this work, we have repurposed existing furniture, used recycled paint, and donated furniture that was beyond its useful life to the Ministry of Furniture to be upcycled to produce lockers and benches for local schools.
 - d producing a guidance document (including a good practice checklist) to help us better perform the Biodiversity and Resilience of Ecosystems Duty when contracting for goods and services.
 - e reducing our intake of single use plastic packaging, and for many of our deliveries, opting out of packaging altogether.
 - f offering a cycle-to-work scheme to promote active travel, supporting a lease scheme for take-up of Electric Vehicles (EV), and improving EV charging point access at our offices.
 - g participating in 'net zero' networking groups and developing an action plan and systems for emissions reporting to support new reporting requirements in Wales.
- 92 This year, we have published a [new interactive data tool](#) which allows the reader to explore how we have performed over the last few years against our environmental sustainability measures. The tool has been prepared in alignment with the latest HM Treasury [guidance for public bodies on sustainability reporting](#).
- 93 However, at the time of preparing this report, the Welsh Government has yet to finalise the required reporting methodologies to support its [guidance on net zero carbon reporting](#). Consequently, for the time being, the figures we have reported in our data tool have been calculated using our previous methodology, which does not, for example, take account of the significant impacts of homeworking. The Welsh Government has indicated that it will finalise the related guidance for public bodies in Wales over the next few months, so it is our intention to publish our updated figures for 2021-22 in our Interim Report in October 2022.

94 In addition, we are committed to seeking to maintain and enhance biodiversity so far as is consistent with our functions. In December 2019, we published our first report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty, which covered the period 1 April 2016 to 31 March 2019. The report also set out six specific objectives to help us better perform the Duty in the future. Work towards achieving these objectives has continued throughout the last three years and our second report on compliance with the Duty, covering the period 1 April 2019 to 31 March 2022, is included as **Appendix 4** to this Report.

13 CLIMATE ACTION



15 LIFE ON LAND





Accountability Report

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

A handwritten signature in white ink, reading "Adrian Crompton".

Adrian Crompton
Auditor General for Wales and Accounting Officer

9th June 2022

Corporate governance report

Directors' report

Our Board



Adam Marshall
Elected employee member



Adrian Crompton
Auditor General for Wales



Alison Gerrard
Non-executive member



Anne Beegan
Elected employee member



David Francis
Non-executive member



Elinor Gwynn
Non-executive member



Ian Rees
Non-executive member



Kevin Thomas
Appointed employee member



Lindsay Foyster
Non-executive Chair of the Board

Our Executive Leadership Team



Adrian Crompton

Auditor General
for Wales



Anne-Louise Clark

Executive Director
of Communications
and Change



Ann-Marie Harkin

Executive Director
of Audit Services



Kevin Thomas

Executive Director of
Corporate Services

- 95 The exhibits in this section show the composition of the Board and Executive Leadership Team (ELT) as of 1 June 2022. For the full list of individuals that have been members of the Board, its committees, or ELT over the course of the year, please see the Attendance table in the Governance Statement.
- 96 Registers of interests for individual members of the Board and ELT can be accessed via the 'Read More' links on the [Who's who page of our website](#).

Auditor of the Wales Audit Office

- 97 RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Senedd Finance Committee since 1 March 2015, most recently for a period of 48 months commencing 1 November 2018.
- 98 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 Senedd.
- 99 Details of the cost of external audit services are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

- 100 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 Senedd.
- 101 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 the Government Functional Standard: Finance and Managing Welsh Public Money.
- 102 Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.
- 103 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
 - d Prepare the accounts on a going concern basis
- 104 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.

105 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

106 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. The systems and framework in this statement have been in place for the year under review and up to the date of approval of the annual report and accounts.

107 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

- 108 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.
- 109 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. The Board meets formally at least six times a year.
- 110 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 disclosures from whistle-blowers outside the normal line management chain; and overseeing the election of employee members to the Board.
- 111 The relationship between the Wales Audit Office and the Auditor General is governed by a Code of Practice which is approved by the Senedd and reviewed periodically.
- 112 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
 - b The Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member

Finance Committee of the Senedd

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.



Executive Leadership Team

Directs and oversees implementation of the strategic objectives and programmes of work described in the Audit Wales Annual Plan.
 Acts as a change management programme board, setting the programme’s direction and providing resources for its implementation.



- 113 The elected employee Board members are not members of the Executive Leadership Team 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.
- 114 I chair an Executive Leadership Team to direct, oversee and monitor the implementation of the ambitions and priorities set out in our Annual Plan. It meets at least once a month and comprises the Chief Executive and three Executive Directors. At the beginning of 2021-22, membership of the Executive Leadership Team also included four Employee Members who attended meetings on a rotational basis. Following a change to the terms of reference, those arrangements ended on 19 May 2021 and, during the remainder of 2021-22, members of a newly formed Staff Panel attended the meetings, again on a rotational basis¹².
- 115 The Board and its committees 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.
- 116 Further information on membership of the Board and Executive Leadership Team can be found in the Directors' Report.

12 From 20 May 2021 onwards, membership of the Executive Leadership Team was confined to the Auditor General and the three Executive Directors, with the staff panel bringing an employee perspective to better inform deliberations. The staff panel have arrangements in place to share any relevant information and intelligence, enabling them to contribute effectively to the Executive Leadership Team's discussions.

Attendance at Board and Committee meetings 2020-21

Table showing the number of Board and committee meetings held in 2021-22, and the number of meetings attended by members of the Board and its committees, and by members of the Executive Leadership Team (ELT) who are not Board members.

	Board ¹³	ARAC	RHRC	ELT
Number of meetings held	8	5	4	27
Members of the Board and its committees				
Adam Marshall ¹⁴	7	1	2	
Adrian Crompton ¹⁵	8	4	4	27
Alison Gerrard, Chair of the Remuneration and HR Committee (RHRC)	7		3	
Amanda Hughes ¹⁶	1		1	
Andrew Clark, Independent Member of ARAC ¹⁷	1	4		
Anne Beegan ¹⁸	8	5	1	
David Francis, Senior Independent Director ¹⁹	8	5	1	
Dianne Thomas ²⁰		1		
Elinor Gwynn	8		4	
Ian Rees, Chair of the Audit and Risk Assurance Committee (ARAC) ²¹	7	5	1	

13 On 3 September 2021, the Board also held a workshop to review the strategic risks facing Audit Wales, taking account of internal and external factors influencing its operating environment.

14 Adam Marshall was appointed as an elected employee member of the Board on 20 July 2021. He attended one ARAC meeting as an observer.

15 Adrian Crompton attended ARAC and RHRC meetings in his capacity as Chief Executive and Accounting Officer.

16 Amanda Hughes resigned from her position of elected employee member of the Board on 17 June 2021.

17 Andrew Clark was appointed as Independent Member of ARAC on 01 July 2021. He attended one Board meeting as an observer.

18 Anne Beegan attended one RHRC meeting as an observer in her capacity as an elected employee member of the Board.

19 David Francis attended one RHRC meeting as an observer in his capacity as a non-executive member of the Board.

20 Dianne Thomas's term of office as Independent Member of ARAC ended on 30 June 2021.

21 Ian Rees attended one RHRC meeting as an observer in his capacity as a non-executive member of the Board.

	Board ¹³	ARAC	RHRC	ELT
Number of meetings held	8	5	4	27
Kevin Thomas ²²	7	5	3	24
Lindsay Foyster, Chair of the Board	8		4	
Members of the Executive Leadership Team who are not Board members²³				
Anne-Louise Clark	8	4	1	25
Ann-Marie Harkin	7	3	2	25
Clare James, Employee Member				2
Emma Woodcock, Employee Member				3
Harrie Clemens, Employee Member				2
Matthew Edwards, Employee Member				3

²² Kevin Thomas attended ARAC meetings in his capacity as Director of Finance.

²³ The Executive Directors attended meetings of the ARAC and RHRC as appropriate to give briefings, participate in discussions or to take their advice. They have a standing invitation to attend Board meetings.

Account of corporate governance

- 117 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
 - c External audit reports
- 118 The level of assurance sought and provided is proportionate to the associated levels of assessed risk.
- 119 The Board is satisfied with the quality of the information it receives, although there is scope to improve both its focus and timeliness. Non-executive Board members and Executive Directors meet regularly to ensure that the work of the Board, its Committees and the Executive Leadership Team are aligned.
- 120 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 Executive Leadership Team, which are reviewed annually.
- 121 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. We publish the Registers on our website²⁴.
- 122 The Chair of the Wales Audit Office Board and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the [Senedd Finance Committee](#).
- 123 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.

24 Registers of interests for individual members of our Board and Executive Leadership Team can be accessed via the 'Read More' links on the [Who's Who](#) page of our website.

- 124 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 do 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
 - 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

- 125 In 2020-21, the Board commissioned an independent evaluation of its effectiveness in line with good practice and to meet a commitment made to the Senedd. The Board considered the results in September 2021. The review concluded that the Board was operating effectively, with areas of strength which had enabled it to steer the organisation through a uniquely challenging period. The report recognised the Board's commitment to continuous improvement and made recommendations for ongoing development to improve:
- a Its effectiveness as a team
 - b Engagement with stakeholders, both internal and external
 - c Board processes
- 126 The Board developed an action plan to address the key areas identified for improvement and agreed to conduct a self-assessment of its effectiveness later in 2022.
- 127 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.

- 128 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 August 2021. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle, with that appraisal completed in October 2021.
- 129 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 those identified through the performance appraisal process.

Report of the Audit and Risk Assurance Committee

- 130 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2022, summarising its conclusions from the work it had undertaken during 2021-22.
- 131 The Committee provided assurance that:
- a the risk assessment and risk management arrangements appear to be robust and operating effectively within a clear policy framework;
 - b financial reporting is consistent with the requirements of the Government's Financial Reporting Manual and reports are prepared in accordance with appropriate accounting policies;
 - c its strategic reviews of the risk register suggest that the internal control framework is operating effectively;
 - d the broader governance arrangements for identifying and reporting wrongdoing such as fraud and money laundering are robust and in line with good practice;
 - e counter-fraud arrangements are robust and the integration of fraud risks within the risk and assurance framework has been completed;
 - f practical cyber security arrangements are robust but further assurance has been provided through obtaining external certification with Cyber Essentials; and
 - g the internal and external auditors provide constructive challenge and positive contributions at Committee meetings.
- 132 The Committee appreciated the support it has received from management and from the internal and external auditors during the year and will continue to monitor any outstanding actions and track progress through its tracker.

- 133 On the strength of its work during the year, the Committee made the following recommendations to the Board and the Accounting Officer.
- a that the Committee monitor the delivery of the internal audit programme to ensure that it meets the agreed service levels, recognises the unique nature of our business, and provides an appropriate breadth and depth of assurance; and
 - b that the Committee monitor the application and operation of the updated strategic risk and assurance framework, and associated guidance and dashboard, to ensure that it provides a robust and fit for purpose control framework that reflects the operation and ambitions of Audit Wales.

Report of the Remuneration and HR Committee

- 134 In 2021-22, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. These included:
- a considering and recommending a pay strategy in a climate of increasing inflation and staff survey responses which showed a decrease in satisfaction with the Wales Audit Office pay and benefits package;
 - b considering final proposals for a revised travel and subsistence scheme which met the value for money parameters set by the Board;
 - c monitoring capacity constraints in the HR team which had impacted on the delivery of its work, in particular activities within the workforce strategy delivery plan; and
 - d conducting a review of learning and development arrangements to explore the reasons for low scores in the 2019 and 2020 staff surveys and whether the Audit Wales approach to learning and development remains fit for purpose.
- 135 The Committee appreciated that management had:
- a openly engaged with the Committee and actively sought the Committee's scrutiny and challenge; and
 - b had responded positively to the Committee's feedback and suggestions.
- 136 Overall, the Committee is broadly satisfied that the Wales Audit Office's 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.

- 137 However, the Committee considers that there is more to do to ensure that the benefits of these arrangements are fully realised, including:
- a monitoring the development and delivery of the workforce strategy and ensuring its alignment to the five-year strategy and its outcomes;
 - b monitoring the implementation and impact of the wellbeing strategy and delivery plan across the business to ensure a strong and secure workforce is in place to deliver the Auditor General's work programme;
 - c monitoring and benchmarking remuneration and developing a robust and attractive suite of staff benefits to attract and retain talented staff; and
 - d considering plans for line manager development to ensure staff are consistently well managed through strengthened leadership capabilities.
- 138 The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern.

Internal auditor's report

- 139 Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP were appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21. That contract was subsequently extended for a further year for 2021-22.
- 140 The Head of Internal Audit prepared an internal audit strategy and plan for 2021-22 which was endorsed by the Audit and Risk Assurance Committee at its meeting on 8 June 2021. During 2021-22, six internal audit reports were issued by PricewaterhouseCoopers LLP.
- 141 The Head of Internal Audit maintained a tracker to follow up on audit recommendations and agreed actions during the year.

Levels of assurance provided in internal audit report opinions

Table listing the internal audit reviews carried out in 2021-22 and providing the report classification in terms of levels of assurance for each review, alongside a summary of key observations.

Internal audit review	Report classification	Internal audit observations
Financial control: payroll and fixed assets	Low risk	<p>Audit Wales’ payroll and fixed asset processes are currently operating effectively, and we found no issues when testing payroll journals, capital expenditure, fixed asset reconciliations, fixed asset additions and disposals, and testing completed over the monitoring of expenditure.</p>
Resource management	Low risk	<p>Resource management is heavily dependent on two individuals, their experience and knowledge, leading to key person dependency within the organisation. If either were unavailable, this could result in a slowdown or disruption of the business process furthermore having an effect on engagement output and Audit Wales’ reputation.</p> <p>In addition, Audit Wales does not yet have a process to monitor actual performance by phase in each audit engagement to determine whether the original resource forecasts remain valid on a real time basis, although there is a Board-backed initiative to introduce monitoring which will do this.</p>
Cyber security	High risk	<p>The assessment consisted of two phases: a laptop assessment and a build review. The laptop assessment phase carried out 90 different tests, drawing on the Centre for Internet Security Windows 10 benchmark and the National Cyber Security Centre (NCSC) best practices: we note that if Audit Wales were to comply with all NCSC guidelines, it would exceed the standard required for Cyber Essentials Plus certification.</p> <p>Our review identified one high, three medium and three low risk findings, which are not unusual in the context of other organisations we have undertaken similar reviews for.</p>

Internal audit review	Report classification	Internal audit observations
Change management	Medium risk	<p>Audit Wales has successfully started to implement a Change Management team to enable the organisation to draw on a level of expertise on change projects. The Executive Leadership Team are implementing a long-term strategic plan that relies on a robust and integrated Change Management team, and a ‘Change-enabled’ organisation, in order to be successful. This is being hindered by some cultural challenges and resistance to change that is inhibiting the ability of the Change Management team to operate effectively.</p>
Procurement	Low risk	<p>We undertook interviews and testing in a number of areas, covering the key controls within the procurement process. Detailed templates are available relating to stages of the procurement process, from business case through to tender report.</p> <p>We found that the market engagement activities carried out prior to a procurement exercise commencing are sporadic and limited to only large projects. There is no defined methodology for what should be undertaken as part of this pre-engagement. The key documents setting out the main procurement requirements could also be enhanced to provide more or clearer information regarding the use of frameworks.</p>
Corporate governance	Low risk	<p>At an overall level, this review did not identify any significant or high-risk findings. The areas of corporate governance we reviewed appeared to be appropriately designed, functioned adequately, and had good rigour around areas of good practice.</p> <p>We note that practice in some instances is more thorough than we would expect for an organisation the size of Audit Wales. However, given Audit Wales’s role and profile in the Welsh public sector as an exemplar for other public sector bodies to follow, this may not be inappropriate.</p>

142 In his annual statement of assurance for 2021-22, 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/or 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/or effectiveness of the framework of governance, risk management and control.’

Risk appetite and management

143 In running our business, we are committed to applying the best practice principles and guidance set out in [Managing Welsh Public Money](#) and the [UK Government’s Orange Book](#) for the identification, evaluation, and cost-effective control of risks.

144 Risk appetite is the amount of risk that we are prepared to take in the effective pursuit of achieving our purpose and ambitions. Through establishing our risk appetite, we can ensure that the resource applied to mitigating risks is proportionate.

145 Given the nature of our business, our appetite for risk taking in areas such as audit independence and quality, ethical standards and propriety, information governance and cybersecurity, legality, business continuity, staff health and wellbeing, and our own financial stewardship, is relatively low.

146 In other areas, such as seeking to increase our relevance, influence and impact, and the professional development of our workforce, we are prepared to accept more risk to take advantage of opportunities to pursue our ambitions.

147 A high-level summary of our risk appetite is provided in the exhibit below, which provides the reference point against which we benchmark risk management and mitigation activity within the organisation.

Risk appetite categories	Risk appetite ratings			
	Averse	Cautious	Open	Hungry
Our appetite for taking actions or decisions (possibly in the pursuit of other benefits) that may impact on:	Avoidance of risk is a key objective. We are only willing to accept very limited risk.	Preference for safe options that have a low degree of residual risk. These options may only offer limited reward potential.	Willing to consider all potential options and choose one which balances residual risk with a desired level of reward.	Eager to be innovative and choose options offering high rewards despite greater inherent risk.
Audit independence and quality	✓			
Ethical standards and propriety	✓			
Information governance and cybersecurity	✓			
Legal compliance	✓			
Business continuity		✓		
Staff health and wellbeing		✓		
Financial stewardship and value for money		✓		
Workforce planning and development			✓	
Relevance, influence, and impact				✓

Risk management and control framework

- 148 The Board has oversight of risk management at Audit Wales 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.
- 149 The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:
- a Risk strategy, including the Audit Wales approach to setting risk appetite
 - b The overall risk assessment processes that inform executive decision making
 - c Management's responsiveness to risk assessment
- 150 The Executive Leadership Team is responsible for maintaining sound risk management and internal control policies and systems, and for day-to-day management of strategic risks that relate to the functions of the Auditor General and/or the Wales Audit Office. For each of the principal risks faced by the organisation, the Executive Leadership Team assesses the levels of residual risk that we are prepared to tolerate.
- 151 The Accounting Officer advises the Board and its committees on the system of internal control and is supported in doing so by the Executive Leadership Team.

Risk assessment

- 152 At each of its meetings in 2021-22, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed interactive strategic risk register report which:
- a provided an assessment of inherent levels of risk and assigned risk tolerances;
 - b described the key controls that had been put in place to mitigate risk likelihood and impact, alongside associated sources of assurance;
 - c provided an assessment of residual levels of risk and the levels of assurance;
 - 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.

- 153 Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Executive Leadership Team. These included risks associated with:
- a the development of a five-year strategic plan for achieving our ambitions;
 - b managing workload pressures and supporting staff resilience and wellbeing through the course of the pandemic;
 - c establishing a robust learning and development offering and more effective succession planning;
 - d cybersecurity, our IT infrastructure and ensuring business continuity; and
 - e finalising an alternative travel and subsistence scheme that is fit for purpose for 'new normal' ways of working and represents good value for money.
- 154 I am satisfied that these risks have been monitored and managed effectively during the year.
- 155 In 2021-22, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through testing individual risks, controls and sources of assurance, to determine whether, in the round, the risk management arrangements were robust. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.
- 156 Several risks were successfully managed and removed from the strategic risk register during 2021-22. The risks were either closed completely or reframed and de-escalated to the operational risk register for ongoing management by the relevant risk lead.

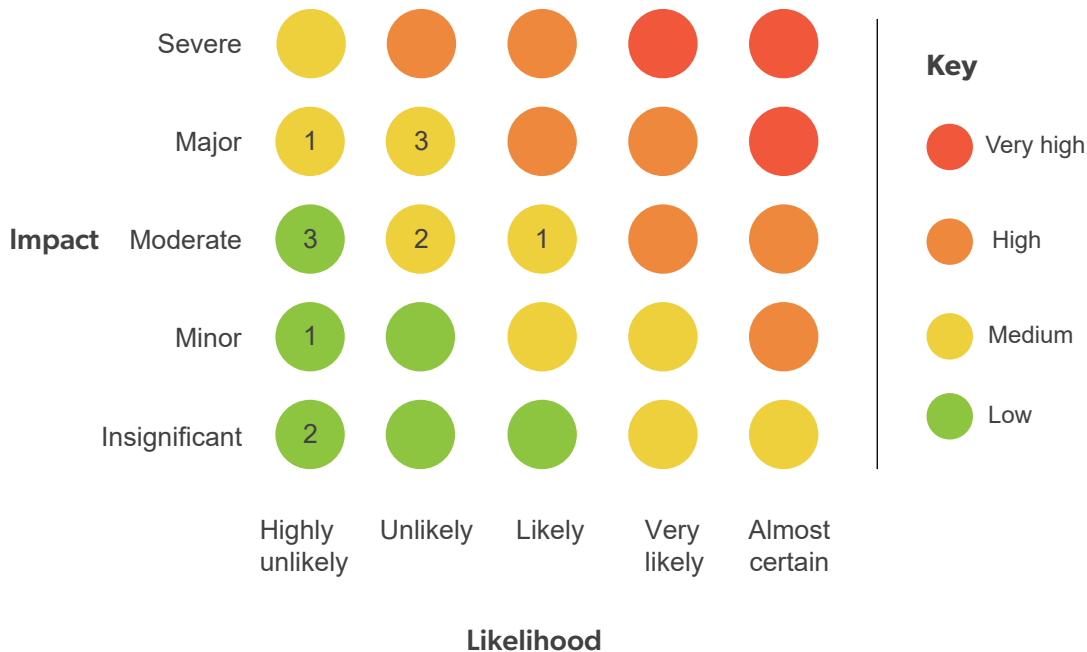
157 We also face several newly identified and ongoing risks going forward into 2022-23, which have been reflected in our strategic risk register. These include risks associated with:

- a learning from our remote working experiences, improving how we work as an efficient and connected Audit Wales, and maximising the opportunities for future ways of working;
- b ensuring our quality management arrangements comply with new quality management standards and our audit work remains in line with best professional practice;
- c ensuring that public audit arrangements in Wales are properly considered in any changes proposed for the wider UK audit profession; and
- d our ability to recruit and retain the required audit staff with the necessary skills at all grades, taking account of local, national, and international market shortages.

158 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.

Our strategic risk profile

159 A summary of our strategic risk profile as of 1 June 2022 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

- 160 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.
- 161 In my role as Chief Executive, I am accountable to the Board for the Wales Audit Office's information governance, as well as being a data controller myself as Auditor General. I have delegated both functions to the Executive Director of Corporate Services.
- 162 To help ensure that we meet data protection requirements and other responsibilities for safeguarding information, the Wales Audit Office has an Information Governance Policy and an Information Security Policy. These policies set out staff responsibilities, processing requirements, monitoring and reporting arrangements, and information on how staff can obtain further support and guidance.
- 163 The Senior Information Risk Owner's annual report for 2021-22 concluded that our overall information governance arrangements are effective. However, there are some weaknesses in understanding roles and responsibilities which could undermine that position. In particular, the role of the Information Asset Owner is an area of widespread lack of knowledge, and responsibility for data protection impact assessment needs to be more widely appreciated and understood. In June 2022, the Board endorsed a series of recommendations to address these weaknesses.

Data protection

- 164 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 – the UK General Data Protection Regulation (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 addressing compliance issues identified by the Data Protection Officer's monitoring programme; and
 - d carrying out data protection impact assessments on new forms and ways of processing data, including, for example, new approaches to accessing information for financial audit in line with developing accounting standards.

165 We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. All incidents in the year have been minor, and we have not needed to make any reports of high-risk breaches to the Information Commissioner's Office. We encourage staff to report as soon as they become aware of a breach, and we continue to work to maintain and improve our internal processes and strengthen our technical security to address potential weaknesses.

Openness and transparency

166 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, such as Board minutes, routinely available to the public.

167 In the 2021-22 financial year, we received 48 requests for information, including four requests by individuals exercising their right of subject access under data protection law. We met the statutory 20-working-day deadline for 39 requests that engaged the Freedom of Information Act. Two requests were delayed beyond the statutory timeframe because of staff absence and a delay internally in recognising correspondence as a freedom of information request. We did not respond to three requests as they fell within the vexatious exemption. We responded to three of the four subject access requests within one month. In the remaining case, our response was delayed by the volume and complexity of the material concerned, coupled with resourcing constraints.

168 While we understand that one requester has complained to the Information Commissioner's Office, we were not subject to any reviews by the Information Commissioner in 2021-22 in respect of our handling of requests.

Whistleblowing (internal)

- 169 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.
- 170 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.
- 171 In 2021-22 we received three disclosures of issues of concern, and these are at various stages of investigation.
- 172 To assess the effectiveness of our whistleblowing arrangements, we consider staff confidence in the arrangements, and what we have learned from previous disclosures.
- 173 For the fifth year running, we asked staff in our October 2021 staff survey (to which 84% 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 my organisation's whistleblowing arrangements it would be investigated properly.' 78% of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 13% responding 'neither agree nor disagree' (in the October 2019 survey, the equivalent figures were 79% and 14% 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.
- 174 Despite the pandemic requiring staff to work remotely for most of 2021-22, we continued to prioritise awareness raising for our whistleblowing arrangements within our new starter training programmes.

Remuneration and staff report

Remuneration report

Auditor General for Wales

175 The Auditor General's remuneration is determined by the Senedd 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 Auditor General is also the Chief Executive and Accounting Officer of the Wales Audit Office.

176 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.

Salary and pension costs of the Auditor General

	2021-22		2020-21	
	Gross salary £	Employer pension contributions £	Gross salary £	Employer pension contributions £
Adrian Crompton	150,000	45,450	150,000	45,450

Wales Audit Office Board

- 177 The Wales Audit Office Board comprises five non-executive members appointed by the Senedd, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Executive Director of Corporate Services.
- 178 The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the Senedd. 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.
- 179 The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot. 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.
- 180 The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

The information on pages 86 to 95 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 ²⁵		Single total figure of remuneration	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	£	£	£	£	£	£
Board Members at 31 March 2022						
Lindsay Foyster ²⁶ (Chair)	25,000	18,212	–	–	25,000	18,212
David Francis	12,500	12,500	–	–	12,500	12,500
Alison Gerrard	12,500	12,500		33	12,500	12,533
Elinor Gwynn ²⁷	12,500	6,250	–	–	12,500	6,250
Ian Rees ²⁸	12,500	5,712	59	–	12,559	5,712
Anne Beegan ²⁹	4,167	4,167	–	–	4,167	4,167
Adam Marshall ²⁸	2,912	–	–	–	2,912	–
Previous members of the Board						
Isobel Everett ³⁰ (Former Chair)	–	13,575	–	–	–	13,575
Bill Richardson ³¹	–	6,250	–	–	–	6,250
Amanda Hughes ³²	891	4,167	–	–	891	4,167
Total	82,970	83,333	59	33	83,029	83,366

25 Board and non-executive committee members can claim for travel and expenses for Audit Wales related business. The personal tax liability of these expenses is settled by the Wales Audit Office.

26 Lindsay Foyster was appointed as Chair of the Wales Audit Office on 17 October 2020. Her remuneration as a Board member (£6,787) was paid by the Wales Audit Office. Her remuneration as Chair (£11,425) was met from WCF directly.

27 Elinor Gwynn was appointed to the Board on 1 October 2020.

28 Ian Rees was appointed to the Board on 17 October 2020.

29 Anne Beegan and Adam Marshall are employee Board members. Allowances disclosed above relate solely to Board-member duties. Adam Marshall was elected as an employee Board Member in July 2021 following the departure of Amanda Hughes.

30 Isobel Everett's term of office as Chair came to an end on 16 October 2020.

31 Bill Richardson resigned from the Board on 30 September 2020.

32 Amanda Hughes was an employee Board member until she left Audit Wales in June 2021. Allowances disclosed above relate solely to Board-member duties.

Non-executive committee members

181 The Wales Audit Office Board 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	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	£	£	£	£	£	£
Dianne Thomas ³³	1,250	5,000	–	–	1,250	5,000
Andrew Clark ³⁴	3,750	–	–	–	3,750	–
Total	5,000	5,000	–	–	5,000	5,000

Wales Audit Office staff

182 The Wales Audit Office pay policy and details of pay ranges for all staff are available on our [website](#).

183 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).

184 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.

33 Dianne Thomas resigned as an independent ARAC member in June 2021.

34 Andrew Clark was appointed as an independent ARAC member on 1 July 2021.

- 185 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 until they reach the top of their pay band.
- 186 During 2021-22, no payments were made to previous members of staff whose remuneration would have been disclosable. (2020-21: Nil).

Single total figure of remuneration for senior managers

- 187 Details of the remuneration and pension interests of Director members of the Executive Leadership Team are provided in the following table. Employee members attend meetings of the Executive Leadership Team on a rotational basis, receive no additional remuneration for these duties and membership of the Executive Leadership Team does not form a substantive part of their role, and hence their salaries are not disclosed here.

Year to 31 March 2022

	Salary³⁵	Pension Benefit³⁶	Total single figure of remuneration
	Bands of £5,000	To nearest £100	Bands of £5,000
Kevin Thomas	120-125	21	140-145
Ann-Marie Harkin	100-105	93	195-200
Anne-Louise Clark	95-100	39	135-140

35 Salary includes monthly tax-free homeworking allowance of £26 paid to all employees.

36 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Year to 31 March 2021				
	Salary³⁷	Taxable Expenses³⁸	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Current members of Executive Leadership Team				
Kevin Thomas	120-125	1,400	53	175-180
Ann-Marie Harkin ³⁹	95-100	–	56	150-155
Anne-Louise Clark ⁴⁰	10-15	–	5	15-20
Previous members of Executive Leadership Team				
Anthony Barrett ⁴¹	60-65	–	27	85-90
Mike Usher ⁴²	50-55	–	28	80-85
Steve O'Donoghue ⁴³	85-90	–	81	170-175

188 Information on the expenses of Executive Leadership Team members is published on our [website](#).

37 Includes gross salary and travel allowance in 2020-21.

38 Being the tax-inclusive value of payments for travel to a main place of work (2020-21 only).

39 Ann-Marie Harkin was appointed as Executive Director of Audit Services on 1 March 2021. Prior to that date she was a Director member of ELT.

40 Anne-Louise Clark joined Audit Wales on 15 February 2021 (full-year equivalent salary in the range 95-100).

41 Anthony Barrett left Audit Wales in September 2020 (full-year equivalent salary in the range 120-125). In addition to the salary disclosed above, he received a voluntary exit compensation payment of £178,449.

42 Mike Usher left Audit Wales in September 2020 (full-year equivalent salary in the range 105-110). In addition to the salary disclosed above, he received a voluntary exit compensation payment of £140,000.

43 Steve O'Donoghue left Audit Wales in February 2020 (full-year equivalent salary in the range 100-105).

Pension entitlements for members of the Executive Leadership Team

189 Like all staff, members of the Executive Leadership Team have access to the Principal Civil Service Pension Scheme. Details of this scheme can be found at www.civilservicepensionscheme.org.uk.

190 Pension entitlements for members of the Executive Leadership Team are detailed below.

	Accrued pension at pension age as at 31 March 2022	Real increase in pension at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Kevin Thomas	70-75	0-2.5	1,220	1,151	3
Ann-Marie Harkin	40-45 plus lump sum of 105-110	2.5-5 plus lump sum of 5-7.5	922	791	80
Anne-Louise Clark	0-5	0-2.5	37	4	26

Cash Equivalent Transfer Value (CETV)

191 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.

192 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

193 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.

Fair pay disclosure

194 We are required to disclose the relationship between the highest paid Director in Audit Wales and the average remuneration of our workforce⁴⁴.

195 Total remuneration includes salary, travel allowance and home working allowance. It does not include employer pension contributions, severance payments or the CETV of pensions.

	2021-22	2020-21	% change
Mid point of highest paid director's total remuneration (£'000)	£113,631	£112,831	0.7%
Average total remuneration based on full-time equivalent staff	£47,938	£47,701	0.5%

196 The following table sets out the relationship between the remuneration of the highest paid director and the median, 25th and 75th percentile remuneration of our workforce

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021-22	4.10	2.62	2.00
2020-21	4.16	2.67	2.05

197 The reduction in pay ratios from 2020-21 to 2021-22 reflects a change to the remuneration of the highest paid director following a management restructure in February 2021.

198 In 2021-22, no employees received remuneration more than the highest paid director (2020-21: none).

199 For transparency, the Auditor General's total remuneration of £150,000 (excluding pension contributions) represented 3.18 times the median total remuneration for Audit Wales (2020-21: £150,000 ratio: 3.24).

Off payroll engagements

200 We had no contracts during 2021-22 which met the HM Treasury definition of off-payroll engagements (2020-21: none) ⁴⁵.

Redundancies, early retirements and severances

201 Voluntary-severance arrangements are operated in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

202 Applications for voluntary exit are considered using a business case template which scores anticipated payback, future workforce requirements and any potential business continuity risks. Business cases are considered and shaped by the Executive Directors before decision by the Executive Leadership Team. Applications from senior directors, and any applications proposed for approval with a cost of £95,000 or above, are subject to further scrutiny by the Remuneration and HR Committee and final approval by the Board.

203 The cost of the scheme in 2021-22 was £NIL (2020-21: £430,012).

204 During 2021-22, no employees (2020-21: eight) agreed approved exit packages as detailed below.

205 There were no compulsory redundancies in 2021-22 (2020-21: none).

Number of exit packages by cost band

	2021-22	2020-21
Less than £25,000	–	2
£25,001-£50,000	–	2
£50,001-£100,000	–	4
£100,001-£150,000	–	–
£150,001-£200,000	–	–
Total	–	8

Staff report

Senior leadership

206 The following table details the number of senior staff by pay band at 31 March 2022.

	31 March 2022	31 March 2021
Band A (£98,664-£122,275)	3	3
Band C (£75,418-£93,890)	7	6
Total	10	9

Staff numbers

207 The average number of staff employed during the year reduced by three reflecting an increase in the number of vacancies in the year.

	2021-22	2020-21
Average number of full-time equivalent, UK-based, permanent staff employed during the year	200	200
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	59	63
Audit and inspection contractors (average number of full-time equivalents in year)	4	3
Total	263	266

Staff and associated costs

	2021-22	2020-21
	£'000	£'000
Staff salaries	11,833	11,866
Seconded-in staff	–	–
Short-term contract staff	132	111
Non-executive committee remuneration	63	63
Social security costs	1,306	1,354
Pension costs (PCSPS)	3,223	3,130
Pension costs (stakeholder pensions)	32	40
	16,589	16,564
Travel allowance	1,735 ⁴⁶	642
Subscriptions ⁴⁷	59	66
	18,383	17,272
Audit and inspection contractors	59	185
	18,442	17,457
Redundancy, early retirement, and severance costs ⁴⁸	(20)	124
Less monies received in respect of outward secondments	–	(31)
	18,422	17,550

46 Includes £1.086 million upfront payment to remove entitlement to Travel Allowance from April 2022.

47 Fees for the membership of professional bodies (£42,000), life cover (£17,000) and health screening (£NIL).

48 Includes in-year payments and partial release of provision created in 2020-21 (see Note 11).

Bought-in services⁴⁹

	2021-22	2020-21
	£'000	£'000
Payments to private accountancy firms	(4) ⁵⁰	573
Research and other consultancy costs	161	242
	157	815

208 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2020-21, they also included additional bi-annual costs associated with the National Fraud Initiative⁵¹.

209 Consultancy costs for 2021-22 include⁵²:

- £41,000 in respect of payments to the Cabinet Office for costs associated with the National Fraud Initiative
- £56,000 for audit quality assurance

210 In 2019-20 and 2020-21 our external auditors completed a value for money review on our travel scheme. No expenditure was incurred in 2021-22. (2020-21: £11,000⁵³)

The following information on pages 95 to 100 in the Remuneration and Staff Report is not subject to audit

Staff policies, equality and diversity

211 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.

212 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.

49 Exclusive of VAT.

50 Reversal of prior-year accrual.

51 Not subject to audit.

52 Not subject to audit.

53 Full cost of £35,000 between 2019-20 and 2020-21

- 213 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual [Equality Report for 2020-21](#) provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2021-22 will be published later in 2022 and this will include details of the gender pay gap for the year.
- 214 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.

Staff composition (number of persons employed at 31 March 2022)

	Male	Female	Prefer not to say	Total
Senior leadership	7	3	–	10
Other employees	116	144	8	268
Total	123	147	8	278

Sickness absence

	2021-22 Days	2020-21 ⁵⁴ Days
Average working days lost per member of staff	5.8	5.6
• Due to short-term absence	2.5	2.1
• Due to long-term absence (periods \geq 21 days)	3.3	3.5

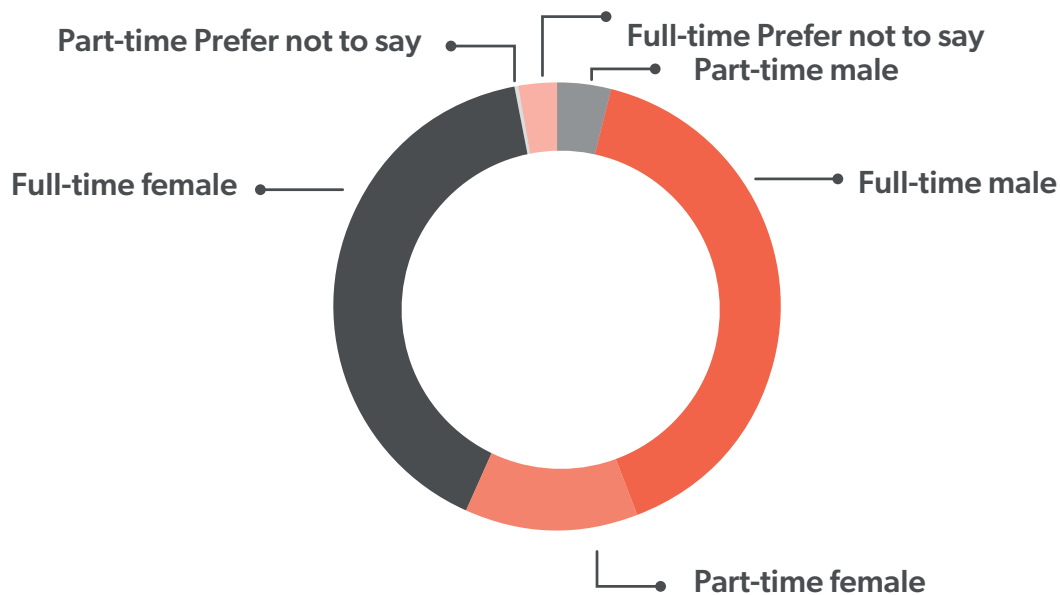
- 215 Staff sickness levels in 2021-22 increased slightly from 2020-21 to just within our target of six days. In particular we saw a rise in COVID-related absences (including the impact of long COVID) from 0.45 days per member of staff in 2020-21 to 1.36 days per member of staff in 2021-22.

- 216 To help our employees manage their health, we have in place Health Screening⁵⁵, annual flu vaccinations, an Employee Assistance Programme, Mental Health Champions, and a programme of wellbeing events.
- 217 During the last two years, acknowledging the impact of the pandemic on staff wellbeing, we put in place additional wellbeing support and stressed a mantra of 'self, family, work', in that order, for all staff.

Our workforce

	2021-22 %	2020-21 %
Working patterns		
Part-time employees as a percentage of the total by gender	16.9	17.1
<ul style="list-style-type: none"> • For men • For women • For those who prefer not to say 	<p style="margin: 0;">8.9</p> <p style="margin: 0;">23.8</p> <p style="margin: 0;">12.5</p>	<p style="margin: 0;">9.0</p> <p style="margin: 0;">24.0</p> <p style="margin: 0;">–</p>
Employment contract type		
Percentage of staff on permanent contracts	77.2	76.0
Turnover		
Annual staff turnover rate percentage	10.09	9.23

The following graph shows the relevant proportions of part-time and full-time employees by gender across the whole workforce.



- 218 The proportion of part-time employees has remained broadly the same as for 2020-21.
- 219 The percentage of staff on permanent employment contracts increased slightly in 2021-22. The proportion of staff with non-permanent contracts is mainly made up of graduate trainees and apprentices on fixed-term training contracts and our seasonal audit staff.
- 220 Our annual staff turnover rate in 2021-22 has increased to over 10%. Much of our turnover is in respect of graduate trainees and apprentices employed on fixed-term contracts coming to an end and being replaced with new starters along with voluntary exits agreed in 2020-21.

Trade Union Facility Time

- 221 The Wales Audit Office policy on Trade Union time, commits to paid time for trade union duties equivalent to 0.6 days per full-time equivalent employee⁵⁶.
- 222 For 2021-22, this equated to an allocation of 158 days for trade union activities. In 2021-22, actual time spent was the equivalent of 203 days. This additional time was in respect of work done by the Trade Unions to respond to a consultation on the removal of Travel Allowance for our audit staff.

223 Data on time and costs in 2021-22 as required by the Trade Union (Facility Time Publication Requirements) Regulations 2017 is provided below.

Relevant union officials

Number of employees who were relevant union officials during 2021-22	Full-time equivalent employee number
4	3.5

Percentage of time spent on facility time

Percentage of time	Number of employees
1-50%	4

Percentage of pay bill spent on facility time

Cost of facility time	£76,368
Total pay bill	£16.589 million
Percentage of total pay bill spent on facility time	0.46%

Resource out-turn and auditor's report

Summary of resource out-turn 2021-22

The information on pages 101 to 106 is subject to audit.

224 This statement provides a comparison of the Estimate⁵⁷ for 2021-22, as voted by the Senedd, with actual income and expenditure for the year.

Summary of resource out-turn 2021-22

Note	2021-22 Estimate			2021-22 Out-turn			2020-21 Out-turn		
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net out-turn compared to Estimate	Net Total	
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
SORO1 and 2	Revenue	23,739	14,461	9,278	21,448	12,942	8,506	(772)	7,633
SORO1	Capital	350	—	350	212		212	(138)	229
	Total Resources	24,089	14,461	9,628	21,660	12,942	8,718	(910)	7,862
SORO3	Net cash requirement	8,368	—	8,368	8,292		8,292	(76)	7,173

- 225 Arising from the operations of the Wales Audit Office for the financial year 2021-22:
- the net total out-turn on revenue resources was £772,000 less than the approved net resources of £9,278,000;
 - the out-turn on capital spending was £138,000 less than the approved capital budget of £350,000; and
 - the balance of cash held by the Wales Audit Office (£76,000) is shown as being due to the Welsh Consolidated Fund (WCF) and will be returned via an administrative adjustment in 2022-23.
- 226 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 50.
- 227 Audit fee income is governed by the [Fee Scheme](#) approved by the Senedd. A breakdown of this income is included in Note 1 to the Financial Statements.

Notes to the summary of resource out-turn

Note SORO1: analysis of net resource out-turn 2021-22

2020-21 Out-turn £'000		2021-22 Estimate ⁵⁸ £'000	2021-22 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
Expenses					
16,317	Staff costs	17,303	16,201	(1,102)	Includes savings from higher-than-expected staff vacancies
296	Contractor staff	311	191	(120)	
642	Travel allowance ⁵⁹	746	649	(97)	Includes savings from staff vacancies
	Travel allowance upfront payment	1,480	1,086	(394)	Lower-than-allowed-for take-up of upfront payment.
23	Travel and subsistence	257	33	(224)	Estimate anticipated some return to travel, but this was restricted due to COVID.
862	Accommodation	964	852	(112)	Savings due to office closure and lower than planned repairs and maintenance.
684	Private-sector firms	–			
461	Irrecoverable VAT	500	413	(87)	Linked to reduced spending on non-staff costs
575	ICT	602	493	(109)	Savings on software costs
295	Audit Wales Governance	295	295	–	
279	External training	278	245	(33)	
138	Legal and professional fees	222	204	(18)	
70	Translation of documents	120	87	(33)	Consequence of shorter, more data-driven reporting

58 Supplementary Estimate 2021-22.

59 Includes agreed up-front payment for 2021-22.

2020-21 Out-turn		2021-22 Estimate ⁵⁸	2021-22 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
953	Other supplies and services	661	699	38	
21,595	Total Expenses	23,739	21,448	(2,291)	
	Income				
(13,009)	Audit fees	(13,671)	(11,884)	1,787	Reduction in fee income associated with staff vacancies in-year.
(913)	Grant certification fees	(790)	(1,052)	(262)	Reflects additional work required on a number of grant claims.
(40)	Other income	–	(6)	(6)	
(13,962)	Total income	(14,461)	(12,942)	1,519	
7,633	Net revenue resources	9,278	8,506	(772)	
229	Capital resources	350	212	(138)	

Note SORO 2 – Supplementary Estimate 2021-22

The Senedd approved a Supplementary Estimate of £1.48 million for 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance. This was agreed following staff consultation in response to a value for money review of our Travel Scheme carried out in 2019 by our external auditors.

Staff were able to choose between an upfront payment or continued receipt of Travel Allowance until March 2024. The Supplementary Estimate made provision for all staff to receive this upfront payment with no contribution from any Audit Wales underspend. In the event, 67% of eligible staff opted for an upfront payment at a cost of £1.086 million and Audit Wales met £378,000 of the cost from underspends on other budget areas. The balance will be repaid to WCF by means of a Supplementary Estimate in 2022-23 and an adjustment to our Estimate for 2023-24 as set out below.

	£'000
Supplementary Estimate 2021-22	1,480
Upfront payments	(1,086)
Underspends on other Audit Wales budgets	378
WCF underspend 2021-22	772
Reduction in resource requests 2022-23 and 2023-24	708
Total	1,480

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

	Estimate	2021-22 Out-turn	Variance	2020-21 Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	9,278	8,506	(772)	7,633
Capital resources	350	212	(138)	229
Adjustments				
Non-cash items (depreciation and loss on disposal of asset)	(280)	(217)	63	(283)
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress	500	1,767	17	(866)
• (Increase)/reduction in payables and deferred income		(1,250)		(3)
• Reduction/(increase) in provisions	(1,480)	(726)	754	463
Total net cash requirement	8,368	8,292	(76)	7,173

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

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

230 Any special payments and disclosable losses in 2021-22 are disclosed in **Note 14** to the Financial Statements.

Independent auditors' report to the Senedd

Opinion of financial statements

- 231 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2022 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 including significant accounting policies. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.
- 232 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the Public Audit (Wales) Act 2013.
- 233 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 2022 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 the financial statements

- 234 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.
- 235 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

- 236 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.
- 237 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.
- 238 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

- 239 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

- 240 In auditing the financial statements, we have concluded that 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 appropriate.
- 241 Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Wales Audit Office to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.
- 242 Our responsibilities and the responsibilities of the Wales Audit Office and the Auditor General for Wales with respect to going concern are described in the relevant sections of this report.

Other information

- 243 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 contained within the performance report and the accountability report. 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.
- 244 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.
- 245 We have nothing to report in this regard.

Opinion on other matters

246 In our opinion:

- the Summary of Resource Out-turn 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

247 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 52, 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 Wales Audit Office and the Auditor General for Wales determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

248 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 Senedd intends to dissolve the Wales Audit Office without continuation of its operations.

249 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

250 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

251 Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

252 In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

253 However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

254 In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the role of the Wales Audit Office, including the legal and regulatory framework that the Wales Audit Office operates in and how the Wales Audit Office is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

- 255 As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are the HM Treasury directions issued under the Public Audit (Wales) Act 2013 encompassing the Government Financial Reporting Manual (FRoM 21/22) which applies UK- adopted International Accounting Standards. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.
- 256 The most significant laws and regulations that have an indirect impact on the financial statements are the Public Audit (Wales) Act 2013 and General Data Protection Regulations and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the Wales Audit Office is in compliance with these law and regulations, inspected committee minutes and reviewed financial statement disclosures for any potential breaches.
- 257 The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were the most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business, assessing and challenging the estimates made by management in terms of their assessment and determination of the percentage completion of contractual work and the adequacy of provisions for unrecoverable amounts, which includes reviewing whether events occurring up to the date of the auditor's report support the year-end recognition criteria and testing the accuracy and reliability of data upon which management has relied.
- 258 A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities for regularity opinion on the financial statements

259 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

260 This report is made solely to Senedd Cymru 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 Senedd 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 Wales Audit Office or the Senedd for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
14 June 2022
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.

03

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Statement of comprehensive net expenditure for the year ended 31 March 2022

	Note	2021-22 £'000	2020-21 £'000
Expenditure			
Staff and associated costs	Staff report ⁶⁰	18,422	17,550
Bought-in services	Staff report	157	815
Other operating costs	3	2,869	3,230
		21,448	21,595
Income			
Audit fee income	1	(12,936)	(13,922)
Other operating income	2	(6)	(40)
		(12,942)	(13,962)
Total comprehensive net expenditure for the year		8,506	7,633

The notes that follow on pages 120 to 137 form part of these financial statements

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

Statement of financial position at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Property, plant and equipment	4	352	390
Intangible assets	5	268	235
		620	625
Current assets			
Trade receivables and work in progress	6	4,070	2,375
Other receivables	7	580	508
Cash and cash equivalents	8	76	1,270
		4,726	4,153
Total assets		5,346	4,778
Current liabilities			
Trade and other payables	9	(2,019)	(2,051)
Deferred income	10	(3,635)	(2,353)
Provisions	11	(1,026)	(367)
WCF	SORO	(76)	(1,270)
Total current liabilities		(6,756)	(6,041)
Total assets less current liabilities		(1,410)	(1,263)
Non-current liabilities			
Provisions	11	(713)	(646)
Total non-current liabilities		(713)	(646)
Total assets less liabilities		(2,123)	(1,909)
Taxpayers' equity			
General fund		(2,123)	(1,909)
Total taxpayers' equity		(2,123)	(1,909)

The notes that follow on pages 120 to 137 form part of these financial statements

The financial statements on pages 115 to 137 were approved by the Wales Audit Office Board and authorised for issue on 9 June 2022 and are signed on its behalf by:

A handwritten signature in black ink, reading "Adrian Crompton". The signature is written in a cursive style and is underlined with a single horizontal line.

Adrian Crompton
Auditor General for Wales and Accounting Officer

9 June 2022

Statement of cash flows for the year ended 31 March 2022

		31 March 2022	31 March 2021
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(8,506)	(7,633)
Adjustments for non-cash transactions:		217	283
depreciation, amortisation and loss on disposal of assets	3		
(Decrease)/increase in provisions	11	726	(463)
Changes in working capital			
(Decrease)/increase in trade receivables, work in progress and other receivables	6,7	(1,767)	699
Increase/(decrease) in trade and other payables	9	(32)	8
Increase /(decrease) in deferred income	10	1,282	162
Net cash outflow from operating activities		(8,080)	(6,944)
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(128)	(96)
Purchases of intangible assets	5	(84)	(133)
Net cash outflow from investing activities		(212)	(229)
Cash flows from financing activities			
WCF		8,368	8,443
WCF repaid		(1,270)	(1,604)
Net financing		7,098	6,839
Movements in cash and cash equivalents		(1,194)	(334)

The notes that follow on pages 120 to 137 form part of these financial statements

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	£'000
Balance at 31 March 2020	(1,449)
Changes in taxpayers' equity 2020-21	
Total comprehensive net expenditure	(7,633)
WCF finance	8,443
	(639)
Due to WCF	(1,270)
Balance at 31 March 2021	(1,909)
Changes in taxpayers' equity 2021-22	
Total comprehensive net expenditure	(8,506)
WCF finance	8,368
	(2,047)
Due to WCF	(76)
Balance at 31 March 2022	(2,123)

The notes that follow on pages 120 to 137 form part of these financial statements

Notes to the financial statements

262 These financial statements have been prepared in accordance with the 2021-22 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

263 The accounting policies contained in the FReM apply UK-adopted International Accounting Standards as adapted or interpreted for the public sector context.

264 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.

265 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. The Public Audit (Wales) Act 2013 requires that the Wales Audit Office must provide resources for the exercise of the Auditor General's functions as required by the Auditor General. These resources will be made available by the Senedd (voted funding).
- the legislation further states that the Senedd must consider the Wales Audit Office's Estimate annually and must take into account any representations that the Wales Audit office makes if it wants to change this Estimate.
- any unplanned changes to income and expenditure in a financial year will be addressed by means of a Supplementary Estimate which must be considered by the Senedd.
- 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 Senedd in the autumn of the current year. It is, therefore, expected that the Wales Audit Office will have sufficient funds to continue in operation for the foreseeable future.

266 The Wales Audit Office received no income which would have been liable for corporation tax in 2021-22.

Critical accounting estimates and areas of judgement

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.

Income is recognised progressively as the performance obligations associated with audit engagements are satisfied over time.

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.

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.

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 along with the estimated cost of restoring alterations made to leased properties.

The provision for travel allowance represents, in the main, payments agreed in 2021-22 which will be paid in 2022-23. It includes a small estimated amount to provide for contractual changes post April 2022.

See **Note 11** for more information.

New accounting standards

267 The Wales Audit Office discloses accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements.

268 There is one standard not yet effective that will impact on the Wales Audit Office's accounts, which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position to increase the visibility of lease commitments and better reflect economic reality. Adoption of this standard by the FRoM is delayed until 2022-23. The anticipated impact for the Wales Audit Office is disclosed in Note 12 – Leases.

Note 1 (a): operating segments

- 269 The Wales Audit Office reports costs and income across its three operating segments based on direct expenditure with no overhead apportionment. The resulting net cost is funded directly from the Welsh Consolidated Fund (WCF).
- 270 From 2021-22, we are reporting income and expenditure in line with the management structure of Audit Services, Corporate Services and Communications and Change that came into place in February 2021 and as reported to the Executive Leadership Team.
- 271 Audit Services includes the direct costs associated with the former Financial Audit and Performance Audit divisions along with direct support functions such as Audit Development and Guidance.
- 272 Corporate Services includes our Business Services, Law and Ethics, HR, Finance, and ICT teams. It also includes the costs of office accommodation and ICT provision.
- 273 Communications and Change includes the Communications and GPX, Planning and Reporting, and Change teams.
- 274 Segmental reporting has been re-stated for 2020-21 to reflect this change.

2021-22

	Audit Services	Corporate Costs	Communications and Change	Total
	£'000	£'000	£'000	£'000
Audit fees ⁶¹	(12,936)			(12,936)
Other income		(6)		(6)
Total income	(12,936)	(6)		(12,942)
Staff costs	15,002	2,134	1,286	18,422
Non-staff costs	493	2,252	281	3,026
Total Expenditure	15,495	4,386	1,567	21,448
Net Expenditure	2,559	4,380	1,567	8,506

61 See note 1(b)

2020-21 (Restated⁶²)

	Audit Services	Corporate Costs	Communications and Change	Total
	£'000	£'000	£'000	£'000
Audit fees	(13,922)	–	–	(13,922)
Other income	(38)	(2)	–	(40)
Total income	(13,960)	(2)	–	(13,962)
Staff costs	14,713	1,652	1,185	17,550
Non-staff costs	1,277	2,518	250	4,045
Total Expenditure	15,990	4,170	1,435	21,595
Net Expenditure	2,030	4,168	1,435	7,633

Note 1 (b): Analysis of audit fee income

	2021-22			2020-21		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(4,791)	(2,328)	(7,119)	(5,410)	(2,367)	(7,777)
Local Government Grant Certification	(1,052)		(1,052)	(913)	–	(913)
NHS Audit	(1,921)	(1,147)	(3,068)	(1,888)	(1,396)	(3,284)
Central Government Audit	(1,697)		(1,697)	(1,948)	–	(1,948)
	(9,461)	(3,475)	(12,936)	(10,159)	(3,763)	(13,922)

62 To reflect the change in management structure effective February 2021.

- 275 Fees charged for audit work are set in accordance with a Fee Scheme agreed by the Finance Committee of the Senedd.
- 276 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.
- 277 Operating income 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**).
- 278 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.
- 279 The Wales Audit Office has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.
- 280 The Wales Audit Office has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in Letter of Engagement. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion: they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.
- 281 The Wales Audit Office has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the performance of the engagement does not create an asset with an alternative use to the Wales Audit Office and the Wales Audit Office has an enforceable right to payment for performance completed to date. The majority of audits are on an annual cycle. The fee (which is based on estimated costs) and invoicing schedule is agreed between the individual assignment teams and the client. The Wales Audit Office is entitled to recover costs in respect of work completed to date at any stage of the audit.
- 282 Revenue is recognised in relation to percentage completion against budgeted costs. Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

Note 2: Other operating income

	2021-22	2020-21
	£'000	£'000
Other operating income ⁶³	(6)	(40)
	(6)	(40)

Note 3: Other operating costs

	2021-22	2020-21
	£'000	£'000
Accommodation		
• Rent lease costs	473	457
• Other accommodation costs	379	405
Supplies and services ⁶⁴	1,351	1,539
Recruitment	21	103
Depreciation and amortisation	217	283 ⁶⁵
Professional fees		
• Internal audit services	61	42
• External audit services	46	45
• Other professional fees	43	54
Staff travel and subsistence	33	23
Staff learning and development	245	279
	2,869	3,230

63 Includes rebates and recharges for training costs and CJRS (furlough) income for seasonal contract staff (2020-21 only).

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

65 Includes £5,000 loss on disposal of assets (2020-21 only).

Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2021-22				
Cost				
At 1 April 2021	1,345	756	160	2,261
Additions	50	70	8	128
Disposals	(31)	(45)	(37)	(113)
At 31 March 2022	1,364	781	131	2,276
Depreciation				
At 1 April 2021	1,158	606	107	1,871
Charged in period	74	69	22	165
Disposals	(30)	(45)	(37)	(112)
At 31 March 2022	1,202	630	92	1,924
Net book value				
At 31 March 2022	162	151	39	352
At 1 April 2021	187	150	53	390
Asset financing				
Owned	162	151	39	352

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2020-21				
Cost				
At 1 April 2020	1,339	674	160	2,173
Additions	14	82	–	96
Disposals	(8)	–	–	(8)
At 31 March 2021	1,345	756	160	2,261
Depreciation				
At 1 April 2020	1,096	477	83	1,656
Charged in period	70	129	24	223
Disposals	(8)	–	–	(8)
At 31 March 2021	1,158	606	107	1,871
Net book value				
At 31 March 2021	187	150	53	390
At 1 April 2020	243	197	77	517
Asset financing				
Owned	187	150	53	390

283 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.

284 PPE is stated at historical cost less accumulated depreciation and impairment and is exclusive of VAT.

285 Depreciation is provided on all capital assets from the date the asset commences its useful life. This is calculated to write off the cost in equal annual instalments over its economic life for each asset as follows:

Furniture, fittings, and 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

- 286 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.
- 287 PPE assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Note 5: Intangible assets⁶⁶

	£'000
2021-22	
Cost	
At 1 April 2021	687
Additions	84
Disposals	(15)
At 31 March 2022	756
Amortisation	
At 1 April 2021	451
Charged in period	52
Disposals	(15)
At 31 March 2022	488
Net book value	
At 31 March 2022	268
At 1 April 2021	235
Asset financing	
Owned	268

66 Mainly computer software.

	£'000
2020-21	
Cost	
At 1 April 2020	572
Additions	133
Disposals	(19)
At 31 March 2021	<u>686</u>
Amortisation	
At 1 April 2020	410
Charged in period	55
Disposals	(14)
At 31 March 2021	<u>451</u>
Net book value	
At 31 March 2021	235
At 1 April 2020	<u>162</u>
Asset financing	
Owned	<u>235</u>

- 288 Intangible assets are stated at amortised historic cost exclusive of VAT. 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.
- 289 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.
- 290 Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Note 6: Trade receivables and work in progress

	31 March 2022	31 March 2021
	£'000	£'000
Trade receivables		
• Central Government	465	66
• Local Government	1,105	514
• NHS	1,233	308
• External to government	116	7
Work in progress		
• Central Government	455	813
• Local Government	652	577
• NHS	44	90
	4,070	2,375

Trade receivables

291 Receivables are valued at fair value on initial recognition and subsequently measure at amortised cost using the effective interest method, less any allowance for expected credit losses. For 2021-22 the figures are net of expected credit losses of £33,000 (2020-21: Nil).

292 The Wales Audit Office's clients are virtually all government departments or other public bodies which are funded in the main by Parliament – a reliable funding source with no history of defaults on audit fees. The Wales Audit Office is therefore not exposed to significant credit risks.

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

Work in progress

294 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 2022	31 March 2021
	£'000	£'000
Prepayments and accrued income ⁶⁷	570	504
Loans to employees ⁶⁸	10	4
	580	508

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

Note 8: Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	1,270	1,604
Net change in cash and cash equivalents	(1,194)	(334)
Balance at 31 March	76	1,270

	31 March 2022	31 March 2021
	£'000	£'000
Current account (Government Banking Service)	76	1,270
	76	1,270

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

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

67 Mainly advance payments for rent and other property-related costs.

68 Cycle to work scheme.

Note 9: Trade payables and other current liabilities

	31 March 2022	31 March 2021
	£'000	£'000
Trade payables (due within one year)	206	9
VAT	136	205
Taxation and social security costs	356	345
Accrual for holiday entitlement not yet taken ⁶⁹	585	666
Other accruals ⁷⁰	736	826
	2,019	2,051

298 These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured.

299 We aim to pay 90% of undisputed supplier invoices within ten working days of receipt. In 2020-21, 76% were paid within ten days, and 90% were paid within 30 days. This reduced performance was a result of remote working which meant that there was a delay in posted invoices being received.

Note 10: Deferred income

	31 March 2022	31 March 2021
	£'000	£'000
Deferred income	3,635	2,353
	3,635	2,353

300 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.

69 Based on individual holiday anniversaries.

70 Includes £391,000 in respect of invoices paid post year-end, and £345,000 in respect of pension contributions for March 2022 paid in April 2022.

Note 11: Provisions for liabilities and charges

	Dilapidations⁷¹	Early retirement and severance	Travel Allowance	Total
	£'000	£'000	£'000	£'000
As at 31 March 2021	646	367	–	1,013
Provided in-year	7		1,086	1,093
Utilised in-year	–	(346)	–	(346)
Released in-year	–	(21)	–	(21)
As at 31 March 2022	653	0	1,086	1,739

Analysis of expected timing

	Dilapidations	Early retirement and severance	Travel Allowance	Total
	£'000	£'000	£'000	£'000
Not later than one year	–	–	1,026	1,026
Later than one year and not later than five years	653	–	60	713
	653	–	1,086	1,739

301 Provisions are measured at the best estimate of the amounts required to settle a present (legal or constructive) obligation as a result of a past event.

302 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.

71 We use HM Treasury's discount rate as set out in PES(2021)10 for balances of zero to five years of 0.47% to calculate this balance.

Dilapidations

- 303 The dilapidations provision represents an estimate of the costs we may incur in making good its leased properties at the end of the leases.
- 304 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.
- 305 In addition, an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets is set aside to allow for general wear and tear on leased properties.

Early retirement and severance

- 306 The early retirement and severance provision represented the future liability in respect of members of staff who are contractually committed to leave under redundancy, early retirement and severance schemes. The provision at the end of 2020-21 has either been utilised or released during 2021-22. No provision is required for 2021-22.

Travel allowance

- 307 The Senedd approved a Supplementary Estimate of £1.48 million for 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance. This was agreed following staff consultation in response to a Value for money review of our Travel Scheme carried out in 2019 by our external auditors.
- 308 Staff were able to choose between an upfront payment or continued receipt of Travel Allowance until March 2024. The Supplementary Estimate made provision for all staff to receive this upfront payment with no contribution from any Audit Wales underspend. In the event, 67% of eligible staff opted for an upfront payment at a cost of £1.086 million.
- 309 Payments representing the bulk of this provision will be made to staff in April 2022. The balance of the provision (£88,000) is held pending changes to staff terms of employment.

Note 12: Operating leases

Aggregate minimum lease payments – operational offices

	31 March 2022		31 March 2021	
	£'000	Number of properties	£'000	Number of properties
Within one year	428	3	464	3
Between two and five years	89	1	503	3
Over five years			–	–
	517		967	

310 Leases are recognised as an expense on a straight line over the period of the lease.

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

312 Lease end dates for the three properties are as follows:

- Cardiff 25 March 2023
- Penllegaer 18 April 2023
- Abergele 21 March 2026 (Break clause at September 2023)

313 HMT have confirmed that IFRS16 issued in January 2016, became effective on 1 January 2022. This will require that all leases with a lease term of more than 12 months be recognised as assets and liabilities in the financial statements. Had this been effective in 2020-21, it would have required an adjustment for Right of Use assets⁷² and lease liabilities of £0.96 million.

Note 13: Capital commitments

314 There were outstanding capital commitments at 31 March 2022 of £5,580: (31 March 2021: £3,520).

Note 14: Losses and special payments

315 There were no reportable losses or special payments made in 2021-22: (2020-21: Nil).

Note 15: Derivatives and financial instruments

316 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 and no derivatives are held.

317 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.

318 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

319 Given the nature of our business and the funding of the bodies that we charge fees to, our tolerance of risk in areas of financial management is low.

320 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

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

Foreign currency risk

322 The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases in connection with foreign travel such as hotels are made. 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

323 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

324 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 2022 (31 March 2021: nil).

Note 16: Related party transactions

325 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.

326 During the year, no 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 86).

Note 17: VAT

327 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	The annual Estimate of Income and Expenses is approved in plenary by the Budget Motion. The Senedd 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 Senedd to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, Senedd 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

- 1 Local audit work
- 2 National value for money examinations and studies
- 3 Supporting effective scrutiny and accountability
- 4 Biodiversity and Resilience of Ecosystems Duty Report

1 Local audit work

The Auditor General carried out local work at most public bodies in Wales in 2021-22. The programme included audits of accounts, local performance audit work and well-being of future generations work.

Public body	Audit of accounts	Local performance audit work ⁷³	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁷⁴
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ ⁷⁵
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Corporate Joint Committees and City Deals	✓	✓	
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁷⁶		

⁷³ 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.

⁷⁴ Only for listed bodies under the Well-being of future Generations (Wales) Act 2015.

⁷⁵ Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

⁷⁶ On a limited assurance basis.

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 Senedd Public Accounts and Public Administration Committee (PAPAC) and other Senedd committees.

During 2021-22, we kept our plans under regular review, taking account of the wider COVID situation and our audit priorities, the context of our own resourcing and the capacity of our audited bodies to engage with us.

Work completed or substantially completed in 2020-21

<u>Procuring and Supplying PPE for the COVID-19 Pandemic</u>	<u>At your discretion – Local Government Discretionary Services</u>
<u>Welsh Health Specialised Services Committee Governance Arrangements</u>	<u>NHS Wales Finances Data Tool – up to 31 March 2021</u>
<u>Rollout of the COVID-19 vaccination programme in Wales</u>	<u>Student finances</u>
<u>Regenerating Town Centres in Wales</u>	<u>Picture of Public Services⁷⁷</u>
<u>Financial Sustainability of Local Government – COVID Impact, Recovery and Future Challenges</u>	<u>Welsh Government’s Warm Homes Programme</u>
<u>Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic</u>	<u>Care Home Commissioning for Older People</u>
<u>Joint working between Emergency Services</u>	<u>Local government financial sustainability data tool</u>
<u>Direct payments for Adult Social Care</u>	

77 This is a package of materials. The main report was published on 15 September 2021 and is followed by a series of five sector commentaries on [health](#), [social care](#), [local government](#), [schools](#), [higher and further education](#).

Work commenced in 2021-22 and in progress

Unscheduled Care – Whole System Review ⁷⁸	The new Curriculum for Wales
Tackling the planned care backlog in Wales (report and data tool)	Welsh Community Care Information System (update for the Public Accounts and Public Administration Committee)
NHS Wales finances data tool – up to 31 March 2022	COVID-19 response and recovery – third sector support (briefing for the Public Accounts and Public Administration Committee)
Climate change and decarbonisation	Welsh Government setting of well-being objectives
Welsh Government workforce	Welsh Government accounts commentary
General Equality Duty – Equality Impact Assessments	NHS quality governance
Orthopaedic services	Flood risk management
Cyber resilience	National Fraud Initiative (summary report)
Broadband infrastructure/digital inclusion	Complex needs and poverty – the challenge for local government
Building social resilience and self-reliance	Social enterprises
COVID-19 response and recovery – business support	Affordable housing

78 In April 2022, we published an initial commentary in the form of an extended blog and supporting data tool but with further work on this topic ongoing through 2022-23.

3 Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts and Public Administration Committee (PAPAC) and other Senedd Committees

Our work in 2021-22 continued to play a key role in supporting the work of the Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources and the discharge of public functions in Wales.

During the reporting period, the outputs from our work supported

During the reporting period, the outputs from our work supported 10 meetings of the Committee.

We also supported the Committee's evidence sessions and/or reporting on various topics, drawing where relevant on previous audit work.

Our work has also informed the work of other Senedd committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.

During 2021-22, we responded to five consultations launched by Senedd policy scrutiny committees, to support consideration of their future work programme priorities. Our November 2021 report on the Welsh Government's Warm Homes Programme also provided a starting point for an inquiry by the Senedd Equality and Social Justice Committee on fuel poverty and the Warm Homes Programme. We discussed our work with the Committee in February 2022.

Supporting the work of the audit and scrutiny committees of public bodies

Throughout the last year, we attended most meetings of the audit and scrutiny committees of the principal bodies that we audit, mainly via video communication platforms.

We continued to provide 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 2021-22, we received 79 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 27 individuals contacted us between 1 April 2021 and 31 March 2022 indicating that they wished to make a whistleblowing disclosure.

Where audit teams needed to do further investigative work in response to any concerns raised through correspondence or whistleblowing disclosures, this work typically took a little longer than would normally be expected in 2021-22 due to the need to work remotely. If we were not able to provide a final reply to the correspondent/discloser within 30 working days, we endeavoured to provide an interim response including an estimate of the timescale for providing a full reply.

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 disclosures⁷⁹.
- 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.
- 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 2021-22, 27 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 14 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 14 apparently qualifying disclosures, in seven 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 three of the other seven cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending. In one of the other four cases, audit staff are awaiting feedback from their initial enquiries before determining whether there are substantive matters on which the Auditor General would need to report or take other action.

Generally, where the Auditor General has received information that has been relevant to his functions, this has helped to inform his work, and in at least three cases, this information has led to the identification of issues meriting significant examination.

⁷⁹ 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.

4 Biodiversity and Resilience of Ecosystems Duty Report

The Auditor General's main functions involve examining and reporting on the stewardship of public money by Welsh public bodies. When undertaking this work, we consider how well public bodies are run and the effectiveness of their services. In reporting on public bodies, and in making recommendations, the Auditor General is therefore able to encourage beneficial changes in terms of maintaining and enhancing biodiversity in Wales and promoting the resilience of ecosystems.

The Wales Audit Office does not own or manage land and therefore has a smaller opportunity to carry out activities for biodiversity than organisations that do own or manage land. However, the Board fully recognises the need to support biodiversity and ecosystem resilience, including through:

- a Reducing and offsetting our greenhouse gas emissions.
- b Reducing the total distance we travel on business and choosing more sustainable travel options.
- c Minimising our consumption of paper and water.
- d Minimising our production of waste and maximising the proportion of our waste that is recycled.
- e Raising awareness among staff of biodiversity and sustainability issues.
- f Embedding the principle of sustainable development in the way we run our business, and maximising our contribution to achieving the seven Welsh well-being goals, including that of 'A resilient Wales'⁸⁰.

This Appendix constitutes our second report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty and covers the period 1 April 2019 to 31 March 2022.

80 Described in the Well-being of Future Generations (Wales) Act 2015 as 'A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example, climate change)'. **Pack Page 305**

Over the period 2019-20 to 2021-22, we took a broad range of steps that helped us perform the Biodiversity and Resilience of Ecosystems Duty. These included:

- Delivering several audit examinations and studies which included considerations and recommendations relevant to maintaining and enhancing biodiversity.
- Maintaining our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.
- Reducing our business travel, total greenhouse gas emissions, production of waste and consumption of paper and water, and undertaking carbon offsetting to compensate for our emissions by funding equivalent carbon dioxide saving projects elsewhere.
- Supporting an environmental champions staff group which promotes the sustainability principle and raises awareness of biodiversity initiatives.

In December 2019, we published a Plan consisting of six specific objectives to help us better perform the Biodiversity and Resilience of Ecosystems Duty. In the remainder of this appendix, we report on the effectiveness of steps taken and progress made towards meeting these objectives.

Over the next few months, in light of this Report, we will review our objectives and revise as appropriate, with sight of the [Nature Recovery Action Plan](#), which sets out national priorities for reversing the loss of biodiversity in Wales.

Biodiversity Objective

What has been delivered

We will have regard to The State of Natural Resources Report, and will engage with people and organisations with an interest in maintaining and enhancing biodiversity in Wales when considering:

- what programmes of value for money examinations and studies we will undertake; and
- the approach to be adopted in value for money examinations and studies that have a primary focus relevant to the Biodiversity and Resilience of Ecosystems Duty.

During the first half of 2021-22, we began a 'baseline review' as part of our commitment to a longer-term programme of audit work on climate change. We have been looking at how public bodies are taking action to reduce carbon emissions and meet the 2030 decarbonisation targets.

We engaged with the Office of the Future Generations Commissioner and representatives of the UK Climate Change Committee as we developed our work. Natural Resources Wales (NRW) is one of the bodies that we have gathered evidence from. We will publish a report on this work shortly and held a webinar in May 2022 to discuss our emerging headline messages.

Drawing in part on the baseline review, we will also be reviewing the carbon reduction plans of each of the 22 Welsh unitary authorities as part of our local performance audit programme. We have already undertaken more detailed local audit work in this area at the three fire and rescue authorities – [Mid and West Wales](#), [South Wales](#) and North Wales. In addition, we have recently discussed with the Welsh Government, NRW, WLGA, and the Chair of Wales's Flood and Coastal Erosion Committee, our plans for an overview report on flood risk management in Wales, for publication in autumn 2022.

During 2021-22, we completed local audit work looking at sustainable tourism in each of the three National Park Authorities in Wales – Snowdonia, Pembrokeshire Coast, and Brecon Beacons – and surveyed tourism businesses as part of our work. And we reported on the progress [Denbighshire County Council](#) was making in delivering its environmental ambitions. In September 2022, we also produced a report and data tool on [Regenerating Town Centres in Wales](#), which has informed ongoing policy development through the Welsh Government's Town Centre Action Group.

In March 2022, we launched a [formal consultation](#) to inform the development of our work programme for 2022-23 and beyond. We included as part of the consultation distribution various organisations with an interest in maintaining and enhancing biodiversity. Our consultation identified 'A changing world', including the climate and nature emergency, as one of the themes that we will be using to help shape our work programme and set out a number of potential related areas for future work.

Biodiversity Objective

What has been delivered

We will:

- include, in the next revision of the Auditor General's Code of Audit Practice and related guidance, prescription on how auditors should perform the Biodiversity and Resilience of Ecosystems Duty; and
- update our audit 'project initiation' document template so that it explicitly requires value for money examination and study teams to identify where a particular audit might support the Auditor General in discharging the Duty.

The Auditor General's Code of Audit Practice has not been substantively revised since we developed our Biodiversity and Resilience of Ecosystems Plan in 2019. It is, however, being reviewed during early 2022-23 and prescription on how auditors should perform the Biodiversity and Resilience of Ecosystems Duty will be developed as part that review.

Our audit 'project initiation document' for our larger value for money examinations and studies encourages audit teams to consider how such work might help discharge the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015, including potentially in the context of the goal of 'A Resilient Wales'. As noted below under the next Objective, we have also updated our audit guidance and provided additional training to staff to help embed WFG Act considerations in our work. However, our planning templates and supporting guidance are currently subject to a more fundamental review as part of a refresh of processes and procedures for our performance audit work as we formally adopt standards published by the International Organization of Supreme Audit Institutions (INTOSAI). Consideration of how auditors should perform the Biodiversity and Resilience of Ecosystems Duty will be reflected on as part that review which will be completed in early 2022-23, with training for relevant audit staff to follow.

Biodiversity Objective

In carrying out the Auditor General's examinations under the Well-being of Future Generations Act (Wales) 2015, we will consider whether public bodies are acting in accordance with the sustainable development principle so that they can contribute to the national well-being goals, including 'A resilient Wales'

What has been delivered

During the period April 2019 to May 2020, we completed a series of examinations across the public bodies covered by the Act, leading up to and informing our overall statutory report in May 2020, ['So, what's different? Findings from the Auditor General's Sustainable Development Principal Examinations'](#).

Our local audit examinations at individual bodies over that period included reports looking at issues of particular relevance to 'A resilient Wales'. These included:

- [Protect and enhance the natural environment – Flintshire County Council](#)
- [Strategic regeneration programmes – Neath Port Talbot Council](#)
- [Six Key Regeneration Projects – Pembrokeshire County Council](#)
- [Design of co-produced 'Area Statements' – Natural Resources Wales](#)
- [Household waste collection – Denbighshire County Council](#)
- [Improving access to and the quality of open spaces – Blaenau Gwent County Borough Council](#)
- [Develop and Launch a New Transport and Clean Air Vision for the City – Cardiff Council](#)
- [Regeneration in regeneration in Barry and Barry Island – Vale of Glamorgan Council](#)

For the reporting period, 2020-2025, we are looking to embed our sustainable development examination work within our broader programme of value for money audit work. We developed fresh audit guidance to support this ambition during 2021, supported by the rollout of a programme of training for relevant staff.

Biodiversity Objective

What has been delivered

We will extend the scope of our arrangements for assessing the likely impact of Wales Audit Office policies and practices (revised or new) to include biodiversity and resilience of ecosystems considerations where appropriate. Relevant upcoming projects include:

- the implementation of smarter and more flexible working arrangements;
- our strategy for estate rationalisation; and
- the recommendations of an external audit review of our travel scheme.

As set out in our published [Equality Report for 2019-20](#), during that year we incorporated screening questions and further analysis where relevant into our impact assessment arrangements to ensure due coverage is given to sustainable development and biodiversity and resilience of ecosystems considerations.

Over the reporting period, particular projects where biodiversity and resilience ecosystems impacts were given significant consideration in our planning and decision making processes included:

- our move towards smarter and more flexible working arrangements, including hybrid ways of working;
- our 'future workplaces' estate rationalisation project, where as part of a thorough review of office locations, environmental considerations and biodiversity were key scored criteria in helping develop an approach to identify suitable future office accommodation; and
- the review of our travel and subsistence scheme, where recommendations included allowing everyone access to a fleet scheme through which staff could purchase hybrid and electric cars, and putting in place a revised travel plan to reduce the impact of both business travel and commuting mileage, as part of our commitment towards net zero greenhouse gas emissions.

Biodiversity Objective

What has been delivered

When procuring services, we will:

- include requirements relevant to performance of the Biodiversity and Resilience of Ecosystems Duty in our tender award criteria; and
- comply with the Biodiversity and Resilience of Ecosystems Duty when stipulating the performance standards to be included in the contract.

We will continue to support the work of our environmental champions staff group on raising awareness across the organisation about how each role can impact and influence biodiversity

Over the reporting period, we developed a guidance document and good practice checklist which is now used when procuring goods and services that potentially have a biodiversity and resilience of ecosystems impact.

This guidance forms part of our broader approach to sustainable procurement where we give due regard to sustainability through the different stages of the procurement cycle.

One of the main themes of our new Procurement Strategy and associated action plan is responsible and sustainable procurement. Over the next five years, we aim to ensure that:

- procurement activity is sustainable and responsible, and that staff who participate in the procurement process have been appropriately trained;
- procurement measurably contributes to carbon reduction and our net zero aims;
- our Procurement activities follow a procurement hierarchy that prioritises avoidance, reuse, refurbishment, and recycling before purchasing new; and
- we demonstrate meaningful action and compliance with the Biodiversity and Resilience of Ecosystems Duty and other sustainability legislation.

Throughout the reporting period we have continued to raise awareness among staff on the importance of maintaining and enhancing biodiversity, but there is more to be done. We have recently established a net zero working group that will build resilience of ecosystems considerations into our action plans.

We have an active internal social media group entitled 'Blue Planet and Beyond' which has 78 staff members and acts as a forum for sharing ideas for reuse/recycling and other environmental matters, and posting regular news articles for awareness raising along with tips and information to support biodiversity.



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Wales Audit Office

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Audit findings report
year ended 31 March 2022

7 June 2022



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Executive Summary

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 2022.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit and Risk Assurance Committee with the required confidence that a thorough and robust audit has been carried out. Our audit work is substantially complete, and we anticipate issuing an unmodified audit opinion on the group's financial statements in line with the agreed timetable.

Final materiality

Materiality was confirmed at £439,000, using total expenditure incurred as the benchmark. Our materiality figure represents an effective rate of 2.0% of expenditure.

Unadjusted audit misstatements

One misstatement was identified during our audit however this related to a classification difference within payables. Further detail is included within the Appendix of this report.

Risks identified at the planning stage

Risk	Description	Response	Findings
Revenue recognition - WIP and deferred income	Revenue is a presumed risk under the International Standards on Auditing. 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.	<p>We will:</p> <ol style="list-style-type: none"> 1. 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 to determine that the revenue recognition is appropriate and, consequently, whether the WIP and deferred income are appropriately stated. 2. Review correspondence with audit managers and discuss any relevant matters directly with the engagement manager. We will do this 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. 3. Review assessments made in the prior financial period and compare the final total costs to the assessment made at year end, to assess the accuracy of the estimations made in the prior period. 4. Evaluate projects that are reasonably expected to be concluded at a deficit and confirm that an appropriate provision has been recorded in the financial statements. 	<p>Our work indicated that the organisation has appropriate systems and controls 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. We have followed up on our sample of engagements selected during the 2021 audit. We have noted differences between the 2021-year end cost to complete assessment and the final costs incurred. However, these differences were highly immaterial and supportive of the overall assessment taken at year end.</p> <p>We have compared the stage of completion based on costs completed to the stage of completion based on hours posted. There were only trivial errors noted which is expected given staff mix varies by engagement.</p> <p>We reviewed April 2022 audit assessments to confirm that there was no material indicators of a provision being required at year end.</p> <p>We have tested the reliability of the underlying time recording system and did not note any errors in our sample testing with the completeness or accuracy of the data.</p> <p>Where deficits are expected on audits, we have noted no errors on the calculation of such provisions.</p>

Management override of internal controls	The risk exists that the internal controls within the group could be overridden by management, resulting in transactions or judgements arising which have not received appropriate approval or consideration, and for significant transactions outside the normal course of business to distort the reported results.	<p>We will:</p> <ol style="list-style-type: none"> 1. Review controls over journal entries and, using data analytic software and based on our risk assessment, test a sample of journals to ensure they are valid and appropriately supported. 2. Obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside of the normal course of business or that appear to be unusual, given our understanding of the entity's operating environment. 3. Consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness. 	<p>We have tested journal entries posted during the year on a sample basis, using risk analysis and data analytics to identify 'at-risk' transactions. This did not highlight any erroneous entries, or any items indicative of undue management bias.</p> <p>We have reviewed the significant estimates adopted in the preparation of the financial statements, such as those relating to provisions. We have not identified any areas where there appears to be indication of management bias.</p>
Reputational risk	Given the public interest in the financial statements, there is a risk that accounting judgements may be influenced by the desire to demonstrate good financial management and remain within the Estimate.	<p>We will:</p> <ol style="list-style-type: none"> 1. Undertake internal specialist technical reviews of both the accounts and also our audit work, including regularity, given the increased reputational risk associated with the audit. 2. Review the judgemental aspects of year-end balances, particularly focusing on any round sum provisions, estimates, recoverability of debtors, disclosure of remuneration, and related party transactions. 	<p>During the course of our audit, we have not noted any areas of inappropriate activity, or areas where the Office has been acting inappropriately.</p> <p>Our internal technical reviews have been completed and subsequent conclusions are reflected in this report. Our regularity opinion is unmodified.</p>

Matters identified during the audit

Issue	Response
<p>Quorate of board meetings</p> <p>The Public Audit (Wales) Act 2013 states that in order for the board meeting to meet the Quorum requirement, the majority of members present at Board meetings must be non-executive directors (Schedule 1, part 7, section 28). During our regularity audit, we noted that at the October 2021 board meeting, one non-executive member was absent. In order to be quorate, employee board members recused themselves from any decisions on the Travel and Subsistence review, however they were still physically present during board discussions, leaving the meeting only for the decision and voting.</p> <p>We also noted that another non-executive member was absent from the board meeting on 16 March 2022. Therefore, Kevin Thomas attended the session in his capacity as EDCS to ensure the meeting was quorate.</p>	<p>The Board's terms of reference make provision for a quorum to be met in accordance with the legislation. A pre-meeting check is made for expected member attendance to establish whether the meeting is expected to be quorate. If this is not the case, arrangements are made for an employee board member to step down from that meeting as a Board member and attend in an executive/observer capacity only, which happened during October 2021 as noted opposite.</p> <p>Previous legal advice on similar matters concluded that the requirement per the Act is for the majority of non-executive members to be "Present" rather than "present and voting". The advice recommended that moving forward, the Wales Audit Office updates its procedures to ask one or more employee members not to attend each meeting if needed, to ensure that there is a majority of non-executive members present. However, given employee board members were still physically present during the discussions, there is a risk that any decisions may be invalidated by the presence of employee members (although they did leave the meeting for the decision and voting).</p> <p>We recommend that in such instances, the relevant persons are not present where relevant. But this does not impact our regularity opinion.</p>
<p>Classification of travel allowance provision</p> <p>A £1.086m provision has been made in the financial statements relating to compensation owed to employees for the removal of their contractual entitlement to a Travel Allowance. The amount was agreed with employees following a consultation and paid via payroll in April 2022.</p> <p>Under IAS 37, a provision represents a liability of uncertain timing or amount. However both the timing and amount of the Travel Allowance settlement was known as at 31 March 2022.</p>	<p>We have discussed the classification of this matter with management. There is a small variable element of the settlement which was not agreed as at 31 March 2022. Disclosure as a provision also allows additional narrative explanation as to what the amount represents and was therefore considered best practice to disclose as a provision and provide narrative detail for the £1.086m. As a material amount, given there is sufficient disclosure of the amount in the financial statements (specifically regarding timing and amount), we concur with the recognition and disclosure basis.</p>

Other matters to be reported

Management judgements and accounting estimates

The following areas are considered to be the principal accounting estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Estimates	Low impact	High impact	
Provision for bad debts	●		
Revenue recognition – stage of completion			●
Dilapidations provision		●	
Depreciation and amortisation	●		

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. Previous surveyor reports provided have not identified any significant issues that would necessitate a material increase in the value of the reported provision.

Receivable provision

Wales Audit Office has recognised a receivable provision of £33k in the current period, which is an immaterial amount and specific to one engagement. Therefore, no disclosure is made in the financial statements section “Key areas of estimate and judgement”. The financial statements also consider the impact of IFRS 9 but conclude that any expected credit loss model is not relevant for the above-mentioned reasons.

Fixed asset depreciation/amortisation

Each asset has a Useful Economic Life over which it is depreciated/amortised. These policies are disclosed in the financial statements as expected.

Going concern

The financial statements are prepared on a going concern basis. The accounting policies contain adequate consideration of the reasons behind this; specifically, that Wales Audit Office works to annual funding arrangements by statute, and those resources are made available by the Senedd for the exercise of the Auditor General's functions. We have considered the 2022-23 Estimate and any matters identified during the course of our audit which may impact the going concern assessment. No material uncertainty has been identified.

Recommendation on controls

We have identified no matters regarding internal controls which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all internal control matters 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.

Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking no specific representations from the Board.

Update on matters communicated at the planning stage

Matter communicated

Update

Fees

We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you.

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 including its related entities and persons in a position to influence the conduct or outcome of the audit and Wales Audit Office and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the Audit Plan.

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.

APPENDIX

Accounting misstatements

A summary of the unadjusted misstatements identified during the course of our work is set out below, analysed between misstatements 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 £22,000.

Adjustment	Type	Classification	Account	Value £'000	Description
1	Unadjusted	Reclassification	Accruals	71	Reclassification of supplier invoices received pre year end but recognised within accruals
			Trade payables	(71)	

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Confirmation of independence and objectivity	●	●
Significant matters in relation to going concern (if any)		●
Views about significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures (if any)		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit (if any)		●
Unadjusted accounting misstatements and material financial statement disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter (if any)		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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 FReM 2021-22.

The following disclosure matters were brought to your attention and subsequently adjusted/not adjusted in the revised financial statements.

Unadjusted
disclosures

Potential reclassification of provision into accruals (see other matters section)

Financial reporting updates

Important updates

A full list of financial reporting updates can be found by clicking the link below:



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Report is prepared solely for the confidential use of Wales Audit Office and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by Wales Audit Office for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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Annual Plan 2022-23

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

This Annual Plan covers the period from 1 April 2022 to 31 March 2023 and includes additional information on our longer-term ambitions and key performance indicators. It has been jointly prepared, and is laid before the Senedd, 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 Senedd has made provision for its Finance Committee to be responsible for considering and reporting to the Senedd on this Annual Plan.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Plan, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

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.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.
Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence and telephone calls in Welsh and English.
Corresponding in Welsh will not lead to delay.

[Mae'r ddogfen hon hefyd ar gael yn Gymraeg.](#)
[This document is also available in Welsh.](#)

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Foreword

Rydym yn falch o gyflwyno ein Cynllun Blynyddol ar gyfer 2022-23

We are pleased to present our Annual Plan for 2022-23

This document outlines our priorities for the next 12 months, both in terms of our audit work and our running of the business. 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. As we start to emerge from the pandemic, it is inevitable that its impact will continue to have a significant influence on our work in 2022-23. We will prioritise work that examines the additional money that has been spent in Wales and the value for money achieved.

Many of the challenges we face in Wales today – in areas such as inequality, public health, and the climate emergency – are complex, interconnected and span the remits of a range of organisations. During the pandemic we have seen public bodies working closely in partnership. Even before this, we were seeing an increase in the number of collaborative delivery models, such as partnerships, city regions and the increasing use of arms-length bodies and subsidiary companies to deliver services.

It is, therefore, imperative that our audit focus continues to evolve to reflect how public services are organising themselves to respond to the challenges we face. Over the course of the next 12 months, we intend to place a greater emphasis in our audit products on thematic reporting, comparisons across audited bodies and the identification of good practice to better support public services to improve. We will also continue to embed consideration of the sustainable development principle and the 'five ways of working' across our audit work.

The single biggest area of our work supports the delivery of annual opinions on financial statements. During 2022-23 we will focus on bringing forward the reporting timetable to pre-pandemic patterns without compromising our absolute commitment to audit quality. To enhance the impact of our audit products we will also be placing greater emphasis on ensuring that their form and presentation are more engaging and inspiring with clearer and bolder language to emphasise the messages we wish to convey.

None of our objectives for high-quality public audit can be achieved without having the right staff and resources in place. Over the coming year, we will implement changes to our operating model to support our audit objectives and maintain audit quality. Learning from our experience through the pandemic, we will return to a degree of office-based operation while maintaining the flexibility of remote working. In 2022 we will take decisions on our future office estate. Our aim is to find the sweet spot that delivers high-quality work, efficiency and an excellent learning environment whilst placing high value on the health and well-being of Audit Wales staff and contributing to a reduction in our environmental impact. Conscious of our responsibility to other parts of the public sector to contain our own operating costs, we have set challenging savings targets from both staff vacancy management and other areas of expenditure. We are in the process of finalising a significant review of our travel scheme which will deliver significant savings in future years.



Adrian Crompton

Auditor General for Wales



Lindsay Foyster

Chair, Wales Audit Office

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. 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 Senedd. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 2 The Wales Audit Office has functions of providing resources, such as staff, for the exercise of the Auditor General's functions, and of monitoring and advising the Auditor General.
- 3 Together, as Audit Wales, we audit around £21 billion of income and expenditure, which is over a quarter of Welsh GDP.

What do we do?



Assure
the people of
Wales that public
money is well
managed



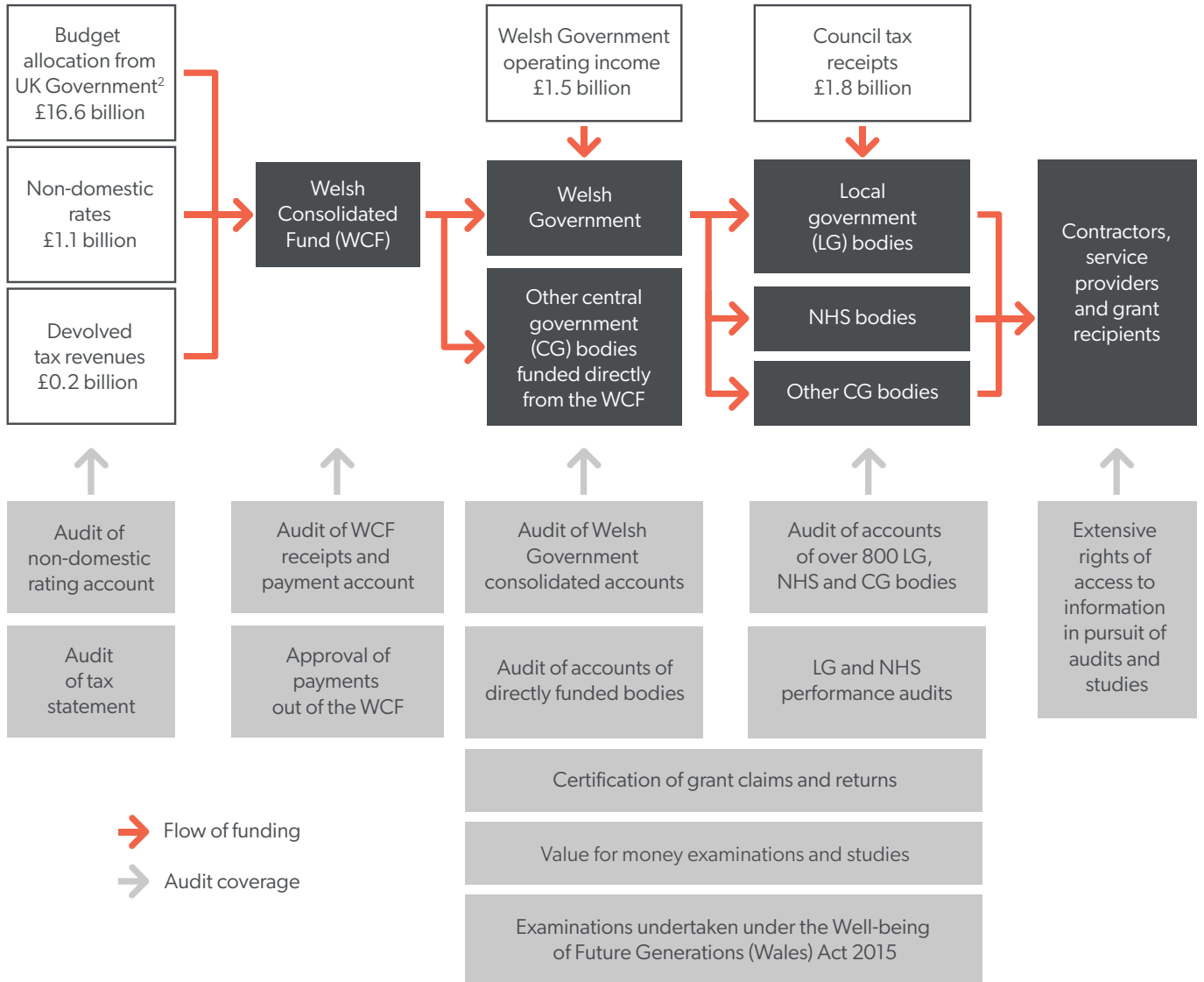
Explain
how public
money is being
used to meet
people's needs



Inspire
and empower
the Welsh
public sector to
improve

- 4 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 Senedd and locally elected representatives. We are entirely independent of government.
- 5 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.
- 6 Increasingly, we are considering the stewardship of human and natural resources alongside our consideration of financial resources and the way in which public bodies account for their use.
- 7 We identify good practice from across the full breadth of our audit work and disseminate this through a range of media, including blogs, podcasts and shared learning seminars and webinars.
- 8 We undertake our work in accordance with the [Auditor General's Code of Audit Practice](#). The Code prescribes the way in which audit and certain other functions are to be carried out and embodies what the Auditor General considers to be best professional practice.
- 9 We also work closely with 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 Wales¹



1 Funding sources highlighted in exhibit do not include income generation activities at individual public bodies.

2 Includes receipts from the Wales Office, HMRC Distribution from the National Insurance Fund in respect of Social Security, and the Welsh Rate of Income Tax.

◀ Our ambitions and how we plan to achieve them



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

- 10 As first set out in [our 2019-20 Annual Plan](#), we have identified four broad ambitions for our business. Collectively, they describe the path we are taking towards reaching our full potential as a driver of change and improvement at the heart of public services and democratic accountability.
- 11 More recently, we have identified three building blocks where we believe we need to prioritise action if we are to achieve these ambitions. These building blocks will form the focus of our efforts for the next five years, alongside the delivery of our core statutory responsibilities.

Strategic, dynamic and high quality audit programme

Strike the right balance in having a bank of pre-planned audit projects and sufficient flexibility to respond to emerging areas of interest

Establish research capability and capacity and use it to shape our audit programme

Take a more holistic approach to audit delivery, that draws on expertise and knowledge from across the organisation

Establish a rigorous and transparent process for managing our local and national audit programmes

Make more use of relevant previous work when responding to emerging areas of interest

Drive continuous improvement in the quality of our work through the application of all relevant international auditing standards

Targeted and impactful approach to communications and influencing

Adopt a campaign-style approach to external communication, built in from the start of projects

Sharpen our messaging and presentation and strengthen our digital presence

Proactively identify opportunities to showcase our work and repurpose our outputs accordingly

Equip staff to better exploit opportunities to influence a wide range of audiences

Take a more prominent role in shaping the future of public audit

Culture and operating model that enables us to thrive both now and in the future

Embed a culture where everyone feels they have a voice and are valued, and where successes are widely celebrated

Increase opportunities for collaboration, innovation and the sharing of ideas

Ensure our ways of working lead to quick and effective decision making that is open and transparent

Develop our workforce for the future through agile performance and talent management arrangements

Strengthen leadership capabilities across the organisation

Work in a smart and sustainable way where we maximise the potential of our people and physical assets

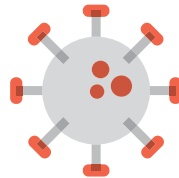
◀ Our operating environment

- 12 As set out in our [Consultation which invites views to inform our future audit work programme](#), and in our recent [Picture of Public Services](#) analysis, we consider the following to be the key opportunities and challenges that will influence the way we fulfil our longer-term ambitions and deliver our programmes of work over the next few years.



A changing world

- Climate change: achieving a fair and just transition
- Equalities: responding to demands for a fairer and more equal society
- Constitution: managing the opportunities and risks of new relationships within the UK



The ongoing pandemic

- Direct costs of response
- Economic hit knocks-on to public finances
- Legacy costs of long-term impacts



Transforming service delivery

- Systems and culture to support new approaches to service delivery
- Purposeful collaboration
- Long-term planning and prevention
- Harnessing technology where appropriate
- Using data to learn across the whole system

- 13 We will use these themes to help shape our work programmes, alongside our broader analysis of key risks facing public services, major policies and programmes, public service expenditure and performance.
- 14 We will consider the overall balance of our audit coverage across different policy areas set out by the Welsh Government in its [Programme for Government 2021-2026](#) and the broader context of the [seven well-being goals for Wales](#). We will also consider opportunities for our work to inform scrutiny by committees of the Senedd.



Our work programmes

- 15 Our planned work for 2022-23 can be broadly divided into two sections – audit delivery and running the business.
- 16 The first section on audit delivery comprises the Auditor General's work programme and priorities for 2022-23 in exercising his functions. The second section on running the business encapsulates the work programme and priorities for 2022-23 of the Wales Audit Office in exercising its functions .
- 17 For each section, some improvement priorities have been identified which will support us in the delivery of our ambitions over the coming year. Progress made towards delivery of these priority actions will be led by our Executive Leadership Team and closely monitored by our Board.
- 18 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 ending 31 March 2023, are to be used in delivering these work programmes.

Audit Delivery

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 **£1.5 billion**



Approving around **£1.5 billion** of payments out of the Welsh Consolidated Fund every month



Supporting effective scrutiny including the work of the Senedd Committees



Sharing the **good practice** we see across Wales's public services



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 1 – Local audit work

Appendix 2 – National value for money examinations and studies

Appendix 3 – Supporting effective scrutiny and accountability

- 19 Alongside legal and professional requirements, four widely recognised principles underpin our audit delivery:



- 20 The audit work that we do at individual public bodies involves:
- providing an opinion on the accounts.
 - considering how public money is being used for approved purposes (regularity).
 - considering how public business is being conducted (propriety).
 - examining whether proper arrangements are in place to secure value for money.
 - 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.

- 21 We are committed to working closely with the other UK audit agencies through the [Public Audit Forum](#), and with our colleagues at the other main external review bodies in Wales, 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 EURORAI³.
- 22 We can also arrange with certain types of bodies, both in the UK and overseas, to undertake commissioned work⁴. This includes auditing around £90 million of European funds used to support farmers and agriculture across Wales⁵ and acting as Chief Auditor to, and auditing the accounts of, the Government of Anguilla.
- 23 The bulk of our audit resources will continue to be focused on our core work. For example, the single biggest area of our work supports the delivery of the Auditor General's annual opinions on financial statements. During 2022 and 2023 we will focus on bringing forward our reporting timetable to pre-pandemic patterns without compromising our absolute commitment to audit quality.
- 24 However, in response to our operating environment and as part of our longer-term strategy for delivering our ambitions, we have identified six priority actions to support audit delivery work 2022-23.

3 [The European Organisation of Regional Audit Institutions](#) (EURORAI) is a co-operation project among public sector audit institutions across Europe.

4 Where we provide services to, or exercise the functions of, those bodies. 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.

5 On behalf of the Comptroller and Auditor General.

Priority actions to support audit delivery in 2022-23

Further develop our operating model, including by:

- establishing new operating structures at local, regional, and national levels;
- embedding a new research and development function; and
- clarifying the necessary adaptations to our ways of working in a post-pandemic world.

Develop our work programme, to include:

- setting out a more strategic medium-term programme, considering our current consultation and our response to emerging issues;
- consulting on possible changes to our funding model;
- adopting best professional standards, and incorporating a new audit quality management model;
- developing our audit outputs to ensure they are engaging and impactful.

Develop more efficient, accessible and, where appropriate, automated management information processes, including implementation of a new time and resource management system.

Develop the audit delivery element of our workforce plan so that it more effectively supports the delivery of our work programme and reinforces our learning and development strategy.

Maximise opportunities to influence the debate about the future of public audit in the UK and expand our input into other professional audit and accounting developments.

Use technology and data analytics to continue to modernise the way we deliver our audit work, increase our impact, improve quality, and keep pace with industry expectations.

Running the business

Core work



Setting the overall budget of **£23.7 million** and charging fees for audit work



Employing around **280 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 4 – Our Finances

- 25 Our 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.
- 26 The Executive Leadership Team, which includes three Executive Directors and is chaired by the Auditor General, advises him in his capacity as Auditor General, Chief Executive and Accounting Officer.
- 27 More detailed information on our governance arrangements can be found in the Governance Statement section of our [Annual Report and Accounts](#).

Inter-dependencies between our Annual Plan and other key internal plans and strategies for running the business, each of which form part of our overall strategy for achieving our ambitions



28 In response to our operating environment and as part of our longer-term strategy for delivering our ambitions, we have identified five priority actions to support our running of the business in 2022-23.

Priority actions for running the business in 2022-23

Determine what our 'new normal' ways of working will be as we move into a pandemic recovery phase, and in doing so continue to prioritise the ongoing health and wellbeing of Audit Wales staff.

Finalise our work on developing a five-year strategy and 'road map' for delivering our overarching ambitions, including ensuring:

- organisation-wide engagement with the development of the road map;
- that priority actions for the strategy are reflected and embedded within other organisation-wide, business unit and team level plans;
- appropriate alignment and integration with our risk and performance management arrangements; and
- there are clear linkages between the strategy and project and performance objectives agreed for individuals.

Finalise our work on developing proposals for meeting our future accommodation needs, to enable a Board decision later in 2022-23.

Embed the sustainable development principle to a greater extent in all our decision-making processes, including when:

- Implementing our revised staff travel and subsistence arrangements
- Experimenting with and evaluating new, more efficient, and smarter ways of working
- Determining our route map for moving towards net zero greenhouse gas emissions

Publish and implement a revised suite of equality objectives that are fit for purpose and form a key part of our strategy for achieving our overall ambitions.

Measuring and reporting on our performance

- 29 In 2022-23, we will continue to use a combination of quantitative and qualitative methods to measure, report and reflect on our performance, value for money and risks, and to seek evidence on the impact of our work. This includes regular reporting to our Executive Leadership Team and Board on progress made towards delivering our priority actions and achieving our key performance indicator (KPI) targets. It will also include internal audit reports to our Executive Leadership Team and Audit and Risk Assurance Committee.
- 30 For each of our work programmes, we have identified a suite of high-level KPIs that will help us to measure progress made towards delivering our overall ambitions. We will place emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 31 We will report on our performance externally through our Annual Report and Accounts and Interim Report, and by providing evidence at meetings of the Senedd Finance Committee. It should be noted that our KPIs are a subset of a broader suite of operational and corporate performance indicators, many of which are also reported on externally in our Annual Report and Accounts and other corporate publications.
- 32 When preparing this Plan, we reviewed our KPI targets with reference to current levels of performance and appropriate external benchmarks, to ensure alignment with our overall ambitions and our strategy for achieving them.

Audit delivery KPIs

No.	Indicator	Description	Target
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.	100%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%
3	Quality	Proportion of reviewed audits that are delivered in accordance with Financial Reporting Council (FRC) quality standards .	100% of sample assessed as in the highest two audit quality categories
4	Credibility	Proportion of stakeholders that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%
7	Savings identified	Value of potential savings, income, productivity gains and other financial benefits identified through our work.	At least £30 million during 2020-2023
8	Good practice events	Proportion of stakeholders who rated our good practice events useful of very useful.	At least 90%
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	35,000 each year
10	Social media	Number of social media engagements, i.e. interactions with our posts such as a like, a comment, or retweet/share.	3,000 each year
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year

Running the business KPIs

No.	Indicator	Description	Target
12	Employee engagement	Percent positive annual staff survey engagement index score (aligned with that for the Civil Service People Survey).	At least the median benchmark score for the latest CSPS
13	Employee experience	Percent positive annual staff survey thematic ⁶ employee experience scores.	At least the median benchmark scores for the latest CSPS
14	Sickness absence	Average working days lost per member of staff per annum.	Less than six days
15	Financial balance	Level of variance in gross income and expenditure from that set out in our Estimate for the current year.	Within 2% of budget
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.4 million
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions.	20% reduction on a recalculated ⁷ 2019-20 baseline
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%

6 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; and pay and benefits.

7 Which takes account of the latest [Guidance on net zero carbon reporting published by the Welsh Government](#).



Appendices

- 1 Local audit work
- 2 National value for money examinations and studies
- 3 Supporting effective scrutiny and accountability
- 4 Our finances

1 Local audit work

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.

Public body	Audit of accounts	Local performance audit work ⁸	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁹
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ ¹⁰
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Corporate Joint Committees	✓	✓	✓
City region growth deals	✓	✓	
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ¹¹		

8 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.

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

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

11 On a limited assurance basis.

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 Senedd Public Accounts and Public Administration Committee and other Senedd committees.

In our recent [Consultation which invites views to inform our audit work programme for 2022-23 and beyond](#), we set out potential areas of focus for future audit work from 2022-23 onwards alongside some description of work already undertaken or already in progress or planned. We also invite views on topics we have reported on previously that we could prioritise for follow-up work.

Some of the areas of focus we choose to take forward may lend themselves to different types of output – short briefings, blogs, data tools or facilitating an exchange of ideas and practice through other means – rather than a full report.

In 2022-23, we will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy.

As we look to work efficiently, minimise duplication of work and minimise demands on audited bodies, we will also have regard to work undertaken or planned by other external review bodies. This includes, for example, Healthcare Inspectorate Wales, Care Inspectorate Wales, Estyn, the various commissioners in Wales and the Public Services Ombudsman. We will also liaise with other bodies that focus on public services, such as the Wales Centre for Public Policy and the Wales Governance Centre.

3 Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts and Public Administration Committee and other Senedd Committees

Our work plays a key role in supporting the work of the Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources in the discharge of public functions in Wales. Our work can also, where applicable, inform the work of other Senedd committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.

In 2022-23 we will provide regular briefings to PAPAC on the contents 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:

- The development of members' briefings for evidence sessions with witnesses from the Welsh Government and other organisations
- The development of the Committee's reports
- Providing advice on the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports

We have included all Members of the Senedd and the clerking teams for most Senedd committees in the distribution of the [Consultation on proposals for our future work programme](#), and have discussed the consultation in more detail with PAPAC.

Supporting the work of the audit and scrutiny committees of public bodies

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.

We will also provide further advice and support to audit and scrutiny committees, where applicable, particularly in relation to:

- Providing support and guidance to committee chairs to support them in being more effective in their role
- Providing good practice learning opportunities and awareness raising sessions for committee members on particularly relevant issues.

Supporting the public and their local representatives

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 receiving whistle-blowing disclosures about the proper conduct of public business and fraud, value for money and corruption in relation to the provision of public services.

In 2022-23, we will continue to ensure that we:

- Respond to such concerns promptly and in a fair, objective, and professional manner
- Appreciate the importance of the issues to those who have taken the time to highlight them
- Issue audit reports where we consider these are merited
- 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

4 Our finances

The Senedd Finance Committee scrutinises our use of resources, including through consideration of this Plan, our Interim Report and Annual Report and Accounts.

Approximately two-thirds of our funding come from fees charged to audited bodies in accordance with a Scheme of Fees approved¹² by the Senedd. Most of the remainder comprises approved financing from the Welsh Consolidated Fund (WCF), our use of which is subject to scrutiny from the Board at regular intervals during the year.

The key priorities for our use of resources in 2022-23 are laid out in our most recent Estimate of Income and Expenses and Supporting Information, which was considered and approved by the Senedd Finance Committee in November 2021. £19.0 million of our planned expenditure relates to resources to be made available to the Auditor General to carry out his work programme¹³. A further £4.4 million provides a range of corporate services, including accommodation and other support services, such as legal advice, ICT and HR¹⁴.

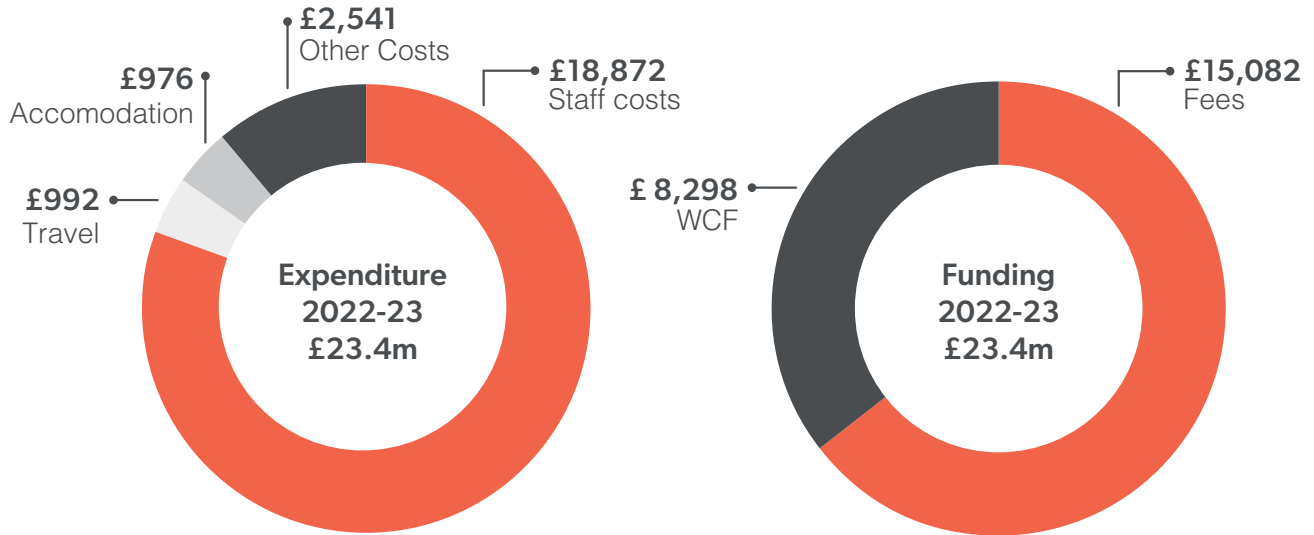
The Board reviews our financial performance each time it meets throughout the year. Each month, our Executive Leadership Team considers a risk assessment of our financial health with a view to ensuring value for money and a year-end outturn within budget.

12 Following a consultation exercise with the bodies we audit and other key stakeholders.

13 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.

14 This constitutes the resources required to support the Wales Audit Office's work programme.

Our revenue expenditure and funding 2022-23





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Consultation on Fee Scales 2023-24

August 2022

How to respond

Please respond by 16 September 2022.

Responses can be sent to the following address:

Fee scales consultation
Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Or completed electronically and sent by email to: info@audit.wales

If you require this publication in an alternative format and/or language please contact us using the details provided above or by telephone on 029 2032 0500.

Publication of responses – confidentiality and data protection

Information provided in response to this consultation may be published or disclosed in accordance with access to information legislation (chiefly the Freedom of Information Act 2000, but also data protection legislation, including the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want any information you provide to be treated as confidential, you should tell us why you regard the information you have provided as confidential. If we receive a request for disclosure of information we will take full account of your explanation, but we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Auditor General or Audit Wales.

Personal data will be processed in accordance with data protection legislation. Where such data falls within the scope of a request for information from another person, the provisions of data protection legislation and the Freedom of Information Act will need to be considered in the particular circumstances. While no situation can be prejudged, this is likely to mean that information concerning senior officials and public figures is likely to be disclosed while the names and addresses of ordinary members of the public are likely to be withheld.

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Consultation

You will be familiar with our annual consultation on fee scales, which we are required to do for Local Government bodies, but choose to consult on more widely so that all stakeholders have an opportunity to respond to our fee proposals.

Legislation requires that the fees we charge **may not exceed** the full cost of exercising the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work.

Audit Wales remain determined to minimise audit fees whilst ensuring that our audit quality continues to meet rigorous standards.

For 2023-24, we are facing significant cost pressures on both staff and non-staff costs, and whilst we have various initiatives in place to reduce our overall cost base, some of these increases will unfortunately need to be passed on as increased fees.

We have been working hard to identify efficiencies and have identified areas that will deliver savings of £2 million over the next 5 years on travel and accommodation costs.

We do, however, need to recognise cost of living pressures on our staff and need to make provision for pay increases in line with the rest of the public sector.

As set out in our [Estimate for 2022-23](#), we continue to make significant investment in audit quality to respond to recent UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit. To maintain this investment in 2023-24, and to respond to pay and price pressures, we will need to increase our fee rates by an average of 5.5% in 2023-24.

We also plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

1 Competition and Markets Authority Review; Kingman Review; and Brydon Review

Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2023-24

Grade	Rate (£ per hour) 2023-24	Rate (£ per hour) 2022-23
Audit Director	170	163
Audit Manager	130	122
Audit Lead	107	100
Senior Auditor	86	84
Auditor	62	60
Graduate trainee	54	51
Apprentice	40	39

The Senedd Finance Committee scrutinises us on our spending, performance and budget plans and the assumptions in this consultation are subject to their approval of our Estimate in autumn 2022 and our Fee Scheme early in 2023.

Further information on our work and our expenditure is provided in our [Annual Report and Accounts 2021-22](#).

Facilitating thematic and cross sector reviews

In the [supporting information for our 2022-23 Estimate](#), we set out that, as part of our emerging strategy, we would be asking the Finance Committee to switch the funding for some of our performance audit work in local government and health from audit fees to the Welsh Consolidated Fund (WCF) in our Estimate for 2023-24.

Specifically, this switch will apply to the 22 principal councils and seven health boards but not to other Local Government bodies or NHS Trusts and Special Health Authorities.

In its November 2021 [report](#) following scrutiny of the Estimate, the Finance Committee noted our proposal. However, it emphasised that ‘understanding the views of audited bodies will be crucial to gaining the Committee’s support’.

The elements of our performance audit fee that we are seeking to switch to WCF relate to delivery of 'thematic' or topic-specific reviews that typically involve audit work across a number of audited bodies (on an all-Wales and/or regional level) and often with a cross-sector or whole-system focus. We might also want to look at issues such as the Welsh Government's system leadership on the theme being examined, which cannot be funded from audit fees.

We see such reviews as adding value to our audit regime with their ability to give a whole-system view, helping improve the quality of services provided to taxpayers, and providing feedback on the Welsh Government's 'One Welsh Public Service' developments. We are therefore keen to make the delivery of these reviews as flexible and efficient as possible. The key constraints that we emphasised about the current funding model concerned:

- potential inflexibility in the way we disseminate findings – arising from any expectation from audited bodies paying fees that there would typically be an output specific to that body; and
- transactional complexity – given the need to balance time charging across multiple timesheet codes and with the 'charge no more than the full cost' requirements of the Public Audit (Wales) Act 2013, meaning we have to be careful that there is no cross-subsidisation from one body to another.

In determining how much funding we would look to switch to the WCF, we are looking to strike an appropriate balance between work funded locally and that funded through the WCF, and recognising that other existing WCF funding streams already provide opportunity for cross-cutting work. The key principles being:

- retaining sufficient local audit fee to support the delivery of work that is specifically focused on individual audited bodies, including risk assessment, examination of corporate governance and financial management issues (including WFG Act work), and individual bespoke audit projects arising from our local assessment of risks;
- ensuring sufficient local audit fee is retained to support our routine local engagement with audited bodies, including regular meetings with senior leaders in audited bodies, and attendance at board, council and committee meetings as necessary; and
- applying the proposal to larger audited bodies (principal councils and health boards) to which our thematic work more typically applies.

We anticipate that we will be reducing the fees for our local performance audit work by around a third (£1.3 million) and switching funding for this work to WCF. To hold the WCF harmless for this change, Welsh Government would be asked, assuming the changes proposed are agreed, to adjust budget decisions accordingly.

We believe a change to our funding model will support the direction of travel we want to take with our work programme by giving us improved flexibility to examine more cross-cutting and whole-system issues – and also make that journey more straightforward to administer from a financial management perspective.

We would welcome your views on whether you support this proposed approach.

ISA315 and audit quality

Our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.

Our initial assessment of the impact of this richer skills mix is a potential average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

We recognise the concern that this increase will cause but the new standards inevitably mean higher costs and whilst we will continue to do everything that we can to keep costs down, we must ensure that our audits remain of high quality. Our Engagement Directors will discuss audit-specific fees with each body as we complete our 2022-23 audit risk assessment.

Our draft fee scales for local government bodies

The remainder of this document provides the fee scales for local government bodies and the National Fraud Initiative. The scales show the range of fees we expect to charge for a typical audited body in that sector with actual fees being set in response to local circumstances. These scales are not required for any other sector.

I would very much welcome your response to this consultation by 16 September 2022, to inform the Senedd's review of our Estimate and Draft Fee Scheme for 2023-24.

Audit Wales are required to comply with Welsh Language Standards that provide for the Welsh language not to be treated less favourably than the English language. More information can be found on [our Welsh language arrangements on our website](#). When reviewing this consultation, we would welcome your views on whether you consider there to be anything in this consultation that undermines or supports this requirement. We would also welcome your thoughts on any revisions that could be made to support opportunities to use the Welsh language or ensure we do not treat the Welsh language less favourably than the English language.

Many thanks



Adrian Crompton

Auditor General for
Wales

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 1 We invite your views on continuing participation in the National Fraud Initiative (NFI) on a nil-fee basis.
- 2 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.
- 3 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. Our last biennial [report](#) identified potential savings and over-payments of £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996.
- 4 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2023-24
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

Fee scales for Local Government bodies

- 5 We invite your views on the proposed fee scales which will apply to Local Government bodies for the audit of accounts 2022-23 and for 2023-24 Performance audit work.
- 6 Our audit of accounts fee scale takes account of an average increase of 15% related to the implementation of ISA315 as discussed above. We are continuing to review the impact of this new standard and will reflect the outcome in our Fee Scheme for 2023-24 which will be published early in 2023.
- 7 Our proposed performance audit fee scale takes into account the proposed switch of funding for around one third of our local performance work at Unitary Authorities to the WCF from April 2023.

Unitary authorities

Exhibit 3: draft fee scale for the audit of 2022-23 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	182	139
200	162	191	219	167
300	181	212	244	186
400	195	229	264	200
500	207	243	280	213
600	217	255	294	223
700	226	266	306	233
800	234	276	317	241
900	242	285	327	249
1,000	249	293	337	256
1,100	255	300	345	262
1,200	261	307	353	268

Exhibit 4: draft fee scale for 2023-24 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	70	74	84	105

Local Government Pension Funds**Exhibit 5: draft fee scale for audit of 2022-23 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	36	48	57	41

Fire and Rescue Authorities**Exhibit 6: draft fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	40	46	53	41
40	48	56	64	49
60	53	62	72	54
80	57	67	77	59
100	61	71	82	62

Exhibit 7: draft fee scale for 2023-24 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	17	17	17	17

National Park Authorities**Exhibit 8: draft fee scale for audit of 2022-23 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	24	29	33	25
4	29	35	40	30
6	33	39	44	34
8	35	42	48	36
10	38	44	51	39

Exhibit 9: draft fee scale for 2023-24 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	27	21

Police and Crime Commissioners

- 8 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 10: draft fee scale for audit of 2022-23 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	68	78	89	69
100	80	92	105	81
150	88	102	116	90
200	94	110	125	96
250	100	116	132	102
300	104	121	138	106
350	108	126	144	111

Town and community councils with annual income or expenditure under £2.5 million

- 9 Town and community councils in Wales are subject to a limited assurance audit regime.
- 10 In October 2020, the Auditor General published a [paper](#) setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 11 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on page 5.
- 12 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.
- 13 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 range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2022-23 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£145 – £185	£170 – £200	£235 – £285	£360 – £440	£640 – £765	£850 – £1,100

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Limited procedures	£110 – £135	£140 – £165	£140 – £165	£210 – £265	£210 – £255	£210 – £255

Fee rates for other work in local government

- 14 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**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 15 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 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). 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.
- 16 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 and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.

Grade of staff	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
Audit Lead	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



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Document is Restricted

Agenda Item 8

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Reference: LF22005/AC/319/caf

Date issued: 7 September 2022

Dear Peredur

Our Future Workplaces

In our meeting with Finance Committee in May 2022, we discussed with members the likelihood that we would be seeking a Supplementary Estimate to fund the costs associated with relocating our Cardiff office to a smaller premises in line with our current and future requirements.

In July 2022, our Board approved a recommendation to relocate the office to Cardiff's Capital Quarter, located in the Enterprise Zone, which as well as delivering significant financial savings, will improve our environmental performance and meet our evolving business needs for modern and smarter working. We plan to make this move in March 2023.

To fulfil this recommendation, we will need to seek a Supplementary Estimate for 2022-23. This letter sets out the background to the Board's decision and quantifies the expected funding requirements along with the resulting cost savings for future years.

The need to seek a Supplementary Estimate, rather than funding through the principal Estimate for 2023-24, arises because it has not proved possible to negotiate a cost-effective extension to the Cathedral Road lease. The Supplementary effectively requests funding flagged for 2023-24 to be brought forward.

All the funding implications outlined in this letter – capital outlay, cash cover for dilapidations on Cathedral Road and the impact of IFRS16 – are those routinely associated with the beginning and end of leasehold agreements. They are faced by any organisation transitioning between rented properties.

Some background

Since 2008, Audit Wales has had its Cardiff base at 24 Cathedral Road. This property was held on a 15-year lease which comes to an end in March 2023. In recent years, it has become apparent that, at over 24,000 ft², the property is too large for our needs – even more so for our evolving hybrid working arrangements. The environmental performance of the property is also poor and would not enable us to meet our ambition of net zero carbon by 2030.

Audit Wales has two further offices – one in Abergele and one in Penllergaer. In comparison to the Cardiff office, these are much smaller, at 2,650 and 3,000 ft² respectively, and hence make up a less significant element of our overall accommodation costs and emissions. Leases on these properties are due to end in the next few years and we will continue to consider whether they represent good value for money, support our environmental aspirations and meet our business needs.

The case for moving

Audit Wales has long acknowledged that the cost of our Cardiff office could not be justified given low rates of occupancy pre-pandemic. In September 2019, the Board agreed an estates strategy which was highlighted with the Committee. The Our Future Workplaces project commenced in early 2020 and set a target of achieving annual savings of 20% (around £180,000) on our future accommodation costs as well as environmental and wellbeing improvements. Our proposed move will deliver annual savings estimated at £220,000 – exceeding the target set by the Board.

This project has been subject to rigorous governance since inception including the establishment of a project steering group, regular reporting to our Change Programme Board and consultation with staff and Trade Unions. The WAO Board has received regular updates on our plans and has provided robust scrutiny to three separate iterative options appraisals, to ensure that the final proposal met both the required financial savings target but also its ambitions for a more sustainable workplace – taking into account the environmental performance of the buildings we considered and also the impact on staff travel with access to public transport being a key criterion.

The alternative options considered are set out below.

Do we need an office?

Although most of our corporate staff are carrying out much of their work remotely, our experience over the last few years has taught us that our audit teams work better in person. This view is shared by each of the other UK audit offices and the wider accountancy and audit profession. Working in person, part of the time, helps to ensure we maintain high standards of audit quality and effectively support our trainees and apprentices. By using our own office accommodation, we can use

our resources more effectively – minimising both the cost and lost time associated with travel to audited bodies, which characterised our operational model pre-pandemic.

Since March this year our financial audit teams have been working in the office for on average 2 days per week. To maximise space utilisation this has been on a rota basis with different teams attending on different days. Survey feedback on this approach has been extremely positive with improvements in audit quality, the trainee experience and staff wellbeing reported.

Based on these pilot projects and through other occupancy review we have concluded that a space equivalent to around half of that available at Cathedral Road is required for the future. We are conscious that this may change as our new work patterns become embedded and are therefore looking at flexible lease arrangements at the new premises.

Could we remain in Cathedral Road?

Again, this option was considered, but for the reasons set out above was discounted. Increased energy costs along with an expected 12% increase in lease costs means that this would be a very expensive option and would not provide the improved environmental performance that we are aiming for. There would also be significant investment required of around £360,000 to ensure safety and compliance with legal requirements, including lift refurbishment, fire and security systems, and replacement of heating/HVAC systems.

An alternative option, to reduce the amount of space we utilise in Cathedral Road, was also considered but this would also require substantial investment, as the landlord would only undertake refurbishment in the space released and they expect capital contribution for the same, as well as failing to generate both the savings target set by the Board, and the environmental improvements we have committed to. It was also still more expensive than all other offices in our shortlist.

Could we relocate outside of Cardiff?

Since early 2020 we have considered various options across South Wales, including Merthyr Tydfil, Bridgend, Newport, and Swansea. These were discounted primarily due to the lack of suitable premises of the right sizes with good environmental performance and the significant impact on staff travel. Our original longlist considered 32 properties, but in working through our scoring criteria alongside associated wellbeing and travel impacts, properties in Cardiff were shortlisted.

Could we share with another public body?

Considerable thought has been given as to whether we could share office space with other public bodies who are also looking to reduce their accommodation requirements. We have reviewed surplus space, undertaken a trawl of the public estate through Ystadau Cymru, and Government Property Agency, and directly

approached several public bodies. Unfortunately, no suitable options are currently available, but we do not rule this out in the longer term and will be exploring options prior to a lease break as part of our plans. We will also need to take into account the Auditor General’s independence before considering entering into contractual relationships with any of our audited bodies.

Options considered

Over 30 available properties were considered as part of this process with scoring being applied for:

- Meeting business needs;
- Cost;
- Environmental performance; and
- Access to public transport and parking

The property which achieved the highest overall quality score was our chosen option of Capital Quarter. A ten-year lease for an office of just under 15,000 ft² (a 40% size reduction as compared to Cathedral Road) is planned – the space is over two floors, with a break on each at 5 years to provide flexibility to reduce the size of the office further if necessary.

The financial business case for this option is set out below and demonstrates that over the next ten years, moving to Capital Quarter will save around £2m as compared to remaining in Cathedral Road.

The financial case

To achieve these savings, upfront investment in required fit out of the Capital Quarter office will be required in the current financial year. Remaining in Cathedral Road for the longer term would also require some essential investment in 2023-24 (as set out above).

The costs and savings associated with each option are set out below. With annual savings of £220,000 from a move to Capital Quarter, the initial investment would be recouped in less than 3 years.

	Cathedral Road			Capital Quarter		
	2022-23	2023-24	On-going	2022-23	2023-24	On-going
Capital Investment	-	360	-	575	-	-
Running costs	874	930	930	100	710	710
Net	874	1,290	930	675	710	710

	Cathedral Road			Capital Quarter		
	2022-23	2023-24	On-going	2022-23	2023-24	On-going
Cost / Saving				675	(580)	(220)

The estimated £575,000 capital costs associated with the move to Capital Quarter include:

- Fit out and environmental upgrades £405,000
- Relocation and set up costs £60,000
- Stamp Duty Land Tax £40,000
- Legal and professional fees £40,000
- Additional staff costs £30,000

We are in negotiations with the landlord as to whether some of the fit-out costs will be funded by them in the first instance and then included in our on-going lease costs. If this option is confirmed any underspend against our capital budget would be returned to WCF at year end.

The environmental case

The Capital Quarter premises is rated very good by BREAAAM (Building Research Establishment Environmental Assessment Method) and has an Energy Performance Certificate (EPC) rated B for its environmental performance. We have reviewed expected benefits and estimated energy emissions savings to be in the region of £100,000 (excluding fixed charges) net present social value and 265 tonnes of Co2e (greenhouse gas emissions). The location will also improve use of public transport being close to Cardiff Central and Queen Street Stations and help encourage greener travel as we work towards our collective aim for net zero. Its proximity to a traffic free cycle and walking route, and cycles for hire and shower facilities will also encourage and promote active travel.

Capital budget 2022-23 to 2025-26

The Committee will recall that our Estimate for 2022-23 included an indication of additional costs for an office move in 2023-24 of £500,000. This was predicated on a move from Cathedral Road in March 2024 subject to agreeing a one-year extension to the lease on that premises.

Our 2022-23 Estimate included £200,000 for our Change Programme which included £50,000 for preparatory work associated with an office move, including changes to existing premises to pilot new office settings – this work has been on-going through 2022-23 and will inform the design of the new premises.

We have been unable to secure a one-year extension to the Cathedral Road lease at reasonable cost, and hence the Board have made the decision to move before

the current lease ends in March 2023. At the same time, as we highlighted with the Committee at our meeting in May 2022, construction costs have increased significantly so our estimated capital cost is now £575,000.

The following table reflects the changes in terms of both timing and overall quantum required to the capital budget set out in our 2022-23 Estimate. This excludes the impact of a new accounting standard (IFRS16) which is detailed later in this letter.

	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	Total £'000
Capital per 2022-23 Estimate	310	760	510	510	2,090
Proposed Supplementary Estimate 2022-23	885	310	510	510	2,215
Change	575	(450)	-	-	125

Revenue budget 2022-23

In addition to the capital costs set out above, we will also require a small amount of additional revenue funding in 2022-23 to meet costs associated with the move, including £60,000 for rental costs of the new office from December 2022. We have estimated an additional revenue requirement of £100,000 in this year only.

Provision for dilapidations

In line with standard accounting practice, we have been making provision over the lifetime of the lease for the cost of returning our office estate to its original state of repair (provision for dilapidations). Our balance sheet therefore now includes a £650,000 provision for dilapidations. Some of this will be utilised in 2023-24 to meet our obligations under the Cathedral Road lease and the Committee will see that reflected in the cash requirement identified in our 2023-24 Estimate. This will not require any additional resource funding.

IFRS16 considerations

Our First Supplementary Estimate for 2022-23 included non-cash adjustments required to reflect the impact of a new accounting standard, IFRS 16, which requires that future lease costs are included on our balance sheet as a 'Right of Use' Asset. Given the short amount of time remaining on our Cathedral Road lease the adjustments for Audit Wales were negligible.

For a new lease (either for Cathedral Road or Capital Quarter) we will need to include provision for the value of that lease and associated depreciation in our budgets for the year. The estimated IFRS16 impact of the move to Capital Quarter

is £2.85m in 2022-23 which includes the establishment of a provision for future structural dilapidations. Signing a new lease for our Cathedral Road office would require an IFRS16 adjustment estimated at £3.5m in 2022-23.

The IFRS16 implications for Capital Quarter are set out below. Note that these are accounting adjustments only and no additional cash will be required.

	Cash requirement £'000	IFRS16 Adjustments £'000	Total Resource £'000
2022-23			
Capital investment	575	2,850	3,425
2023-24 onwards			
Lease rental payments	261	(261)	-
Depreciation	-	258	258
Interest charges	-	3	3
Total	261	261	261

Summary of funding required

In summary, our proposed Supplementary Estimate for 2022-23 will be seeking to increase our call on WCF as follows:

Increased capital resource and associated cash:	£575,000
Increased revenue resource and associated cash:	£100,000
Increased resource only re IFRS16:	£2,850,000 (estimated)

Our Estimate for 2023-24 will seek cash cover associated with utilisation of the existing dilapidations provision (maximum of £650,000).

Please do not hesitate to contact us if there is any further clarification we can helpfully provide.

Yours sincerely



LINDSAY FOYSTER
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales



Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2023

Issued: September 2022

Document reference: 3139A2022

Submitted to the Finance Committee of the Senedd for consideration under Standing Order 20.35.

Adrian Crompton
Auditor General for Wales

Lindsay Foyster
Chair, on behalf of the **Wales Audit Office**

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Explanatory memorandum

Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the Senedd. The responsible committee must examine that Estimate and lay it before the Senedd after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2022-23 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 8 March 2022 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £15.082 million of accruing resources, generated through fees charged to audited bodies, and supplied a further £8.608 million of other resources in support of our expenditure plans for the year. Together, this £23.69 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 In June 2022, an Explanatory Memorandum to the Finance Committee reduced the call on other resources by £354,000 associated with changes to our travel and subsistence arrangements in 2021-22 and the implementation of International Financial Reporting Standard 16 – Leases (IFRS 16).
- 5 The Wales Audit Office now seeks to further amend the approved Estimate for the year ending 31 March 2023.

Reason for change

Changes to our office accommodation

- 6 Audit Wales has long acknowledged that the cost of our Cardiff office could not be justified given low rates of occupancy pre pandemic. In July 2022, following a detailed options appraisal, the Wales Audit Office Board agreed a recommendation to relocate the Cathedral Road office to significantly smaller premises in Cardiff's Capital Quarter.
- 7 Options considered included whether any office space was required in the future and whether there was a case to locate the office outside of Cardiff. Taking into account experience from our own pilot projects and that of other UK audit bodies, we agreed that office space was required to allow our audit teams to work more effectively, but that a smaller space would be more cost effective. The lack of suitable accommodation outside of Cardiff along with the cost and environmental impact of staff travel meant that a new office in Cardiff was the preferred option.
- 8 This move will deliver significant financial savings, will improve our environmental performance and meet our evolving business needs for modern and smarter working. We plan to make this move in March 2023.

- 9 Annual savings of around £220,000 are expected from this move. To achieve these savings, upfront investment in required fit-out of the Capital Quarter office will be required in the current financial year.
- 10 Estimated savings, as compared to remaining in the Cathedral Road office, are set out below. Based on these estimates, the initial investment will be recouped in less than three years.
- 11 Remaining in Cathedral Road would also require investment in essential safety enhancements but would not deliver future savings.

Exhibit 1: estimated savings

	Cathedral Road			Capital Quarter		
	2022-23	2023-24	Ongoing	2022-23	2023-24	Ongoing
Capital Investment	–	360	–	575	–	–
Running costs	874	930	930	100	710	710
Net	874	1,290	930	675	710	710
Cost/Saving				675	(580)	(220)

- 12 In addition, the Capital Quarter premises are rated very good by BREAAAM (Building Research Establishment Environmental Assessment Method) and have an Energy Performance Certificate (EPC) rated B for their environmental performance. We have reviewed expected benefits and estimated energy emissions savings to be in the region of £100,000 (excluding fixed charges) net present social value and 265 tonnes of CO₂e (greenhouse gas emissions). The location will also improve use of public transport being close to Cardiff Central and Queen Street Stations and help encourage greener travel, as we work towards our collective aim for net zero. Its proximity to a traffic-free cycle and walking route, and cycles for hire and shower facilities will also encourage and promote active travel.

Adjustments to resource budgets

- 13 As explained above, the Wales Audit Office is seeking to increase its capital and revenue resources for 2022-23 by £575,000 and £100,000 respectively and its net cash requirement by £675,000.
- 14 A non-cash adjustment in respect of IFRS16 of £2,585,000 is also required – this is for accounting purposes only.
- 15 The associated budget changes for 2022-23 are set out in **Exhibit 2**.

Exhibit 2: budget changes 2022-23

	First Supplementary Estimate 2022-23 £'000	Second Supplementary Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000
Revenue resource	7,944	100	8,044
Capital resource	310	575	885
Capital resource (IFRS16)	–	2,850	2,850
Accruing resources	15,082	–	15,082
Total expenditure	23,336	3,525	26,861
Net cash requirement	8,684	675	9,359

Appendix 1

Summary of the 2022-23 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 (the 2006 Act), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2023, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in **Tables 1 and 2** below.

Table 1: summary of the estimated 2022-23 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, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	8,044
• Capital	3,735
Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	15,082
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,359

Table 2: reconciliation of resource requirement to cash drawing requirement from the WCF

	First Supplementary Estimate 2022-23 £'000	Second Supplementary Estimate 2022-23 £'000	Net change £'000
Net request for resources – revenue and capital	8,254	11,779	3,525
Non-cash adjustment – depreciation and interest charges	(704)	(704)	–
Lease rental payments	424	424	–
Non-cash adjustment – movements in working capital	710	710	–
Non-cash adjustment IFRS16	–	(2,850)	(2,850)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,684	9,359	675



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Agenda Item 11

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

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