

## Agenda – Finance Committee

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Meeting Venue:	For further information contact:
Video Conference via Zoom	Owain Roberts
Meeting date: 31 January 2023	Committee Clerk
Meeting time: 09.30	0300 200 6388
	<a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>

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At its meeting on 19 January 2023, 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

(09.30)

#### 2 Scrutiny of the Welsh Government Draft Budget 2023–24: Consideration of draft report

(09.30–10.30)

(Pages 1 – 78)

##### Supporting documents:

FIN(6)–03–23 P1 – Draft report

- Chapter 1 - Introduction
- Chapter 2 - Overview and Economic Outlook
- Chapter 3 - Fiscal Levers
- Chapter 4 - Budget Presentation
- Chapter 5 - Cost of living: tackling poverty and inequality
- Chapter 6 - Protecting Public Services



### **3 Second Supplementary Budget 2022–23 requests from Directly Funded Bodies**

(10.30–10.45)

(Pages 79 – 140)

#### **Supporting documents:**

FIN(6)–03–23 P2 – Cover paper

FIN(6)–03–23 P3 – Senedd Commission’s Budget 2022–23

FIN(6)–03–23 P4 – Public Services Ombudsman for Wales’ Supplementary Estimate 2022–23

FIN(6)–03–23 P5 – Audit Wales’ Supplementary Estimate 2022–23

FIN(6)–03–23 P6 – Response from the Public Services Ombudsman for Wales to the Committee's report on the Ombudsman's Annual Report and Accounts 2021–22; and Estimate 2023–24 – 19 January 2023

FIN(6)–03–23 P7 – Audit Wales: Response to the Finance Committee Annual Scrutiny of the Wales Audit Office – 19 January 2023

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Peredur Owen Griffiths AS  
Chair of Finance Committee  
Welsh Parliament  
Tŷ Hywel  
Cardiff Bay  
CF99 1SN

24 January 2023

Dear Peredur

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2022-23 budget through the Supplementary budget process.

In summary, the Commission is proposing a decrease to its resource budget of £1.075 million, the majority of which relates to the budget earmarked for the Independent Remuneration Board's Determination, and a decrease to its net cash requirement of £0.975 million.



The Commission is proposing the following changes:

- **Staffing costs** – a decrease of £130k in the overall budget and net cash requirement, to reflect the reversal of the increase in employer National Insurance contributions from 6 November 2022 and a decrease of £100k in the overall budget to reflect an anticipated reduction in the provision for accrued annual leave.
- **Reduction to the budget identified for the Independent Remuneration Board's Determination on Members' Pay and Allowances** – a decrease of £695k (£750k including £55k of employer National Insurance contributions) in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.
- **Reduction in the budget to support the administration of the Independent Remuneration Board and the Office of the Standards Commissioner** – a decrease of £150k in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.
- **International Financial Reporting Standard (IFRS) 16 – Leases** – an additional adjustment to reflect the accounting requirements of IFRS 16. There is no change in the overall budget and no change in the net cash requirement.



The Commission is therefore proposing a Supplementary budget for a total Budget of £63.928 million, a decrease of £1.075 million. The net cash requirement will be £58.592 million a decrease of £0.975 million as set out in table 2 of the Explanatory Memorandum.



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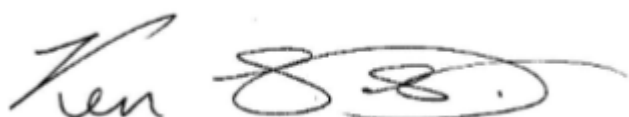
The effect on the overall Commission budget for 2022-23 is shown in the table below:

£M	Approved Budget	Proposed National Insurance Adj	Proposed IRB and other staffing adjustments	Proposed revised Budget
Resource Budget	£45.077	(£0.075)	(£0.100)	£44.902
Determination Budget	£17.552	(£0.055)	(£0.695)	£16,802
Standards Commissioner	£0.097	-	(£0.025)	£0.072
Remuneration Board	£0.477	-	(£0.125)	£0.352
AME Budget	£1.800	-	-	£1.800
<b>Total</b>	<b>£65.003</b>	<b>(£0.130)</b>	<b>(£0.945)</b>	<b>£63,928</b>

In accordance with Standing Order 20.32, following your Committee's consideration of this request, the Commission will be laying an explanatory memorandum noting this Second Supplementary Budget request.

A copy of this explanatory memorandum is attached for your convenience and includes greater detail on these proposed changes. If you need further information, please let me know.

Yours sincerely



Ken Skates MS  
cc Manon Antoniazzi

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English

# **Second Supplementary Budget 2022-23:** Explanatory Memorandum

January 2023



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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# **Second Supplementary Budget 2022-23:** Explanatory Memorandum

January 2023





Senedd Cymru  
Welsh Parliament

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# Background

The **2022-23 Commission Budget** was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 17 November 2021, following scrutiny by the Senedd's Finance Committee.

The budget motion provided the Commission with £62.942 million of Resource Budget in relation to:

- £43.425 million for Senedd services; and
- £17.552 million for the Remuneration Board's Determination for Members of the Senedd.

A further £1.800 million was provided for non-cash accounting adjustments in respect of the Members of the Senedd Pension Scheme, through the Annually Managed Expenditure budget and £0.165 million was provided for costs associated with the office of the Standards Commissioner.

In line with Standing Order 20.32 an **Explanatory Memorandum** was laid on 10 June 2022, supporting a variation to the Commission's 2022-23 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 12 July 2022 following scrutiny by the Senedd's Finance Committee.

This increased the Commission's budget to £65.003 million, primarily as a result of non-cash adjustments to reflect the implementation of International Financial Reporting Standard (IFRS) 16 – Leases.

This second Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of changes to be proposed to the Commission's approved 2022-23 supplementary budget, via a second Supplementary Budget Motion.

## Explanatory memorandum

The effect of the Commission's supplementary budget will be to decrease the overall Commission budget by £1.075 million and decrease the net cash requirement by £0.975 million. The following changes are proposed:

- A decrease to the staffing budget to reflect the reversal in the increase in employer National Insurance contributions and the likely reduction in the provision for accrued annual leave.
- A reduction to the budget identified for the Independent Remuneration Board's Determination on Members' Pay and Allowances.
- A reduction to the budgets to support the administration of the Independent Remuneration Board and the office of the Standards Commissioner's Office.

In addition, a further review of the accounting adjustments required during 2022-23, due to International Financial Reporting Standard (IFRS) 16 - Leases, has highlighted the need to amend three lines of the budget, there is no impact on the overall budget and no change in the net cash requirement.

## Staffing costs

The Commission's 2022-23 First Supplementary Budget **Explanatory Memorandum** (laid on 10 June 2022), proposed an increase of £175k in Commission staff costs, in response to the increase in employer National Insurance contributions by 1.25% from April 2022. This increased the net cash requirement by £175k.

In September 2022 the UK Government announced a reversal of this increase in employer National Insurance contributions from 6 November 2022.

The impact of the reversal on the Commission is in the region of a £75k reduction in Commission staff costs and around a £55k reduction in Member and Member staff costs – for the period 6 November 2022 to 31 March 2023.

The Commission is therefore proposing a supplementary budget which would decrease the budget for Commission staffing costs by £75k and decrease the costs earmarked for the Independent Remuneration Board's Determination by £55k. This will also decrease the net cash requirement by £130k.

## Independent Remuneration Board's Determination for Senedd Members

The Remuneration Board is the independent body that determines the pay and remuneration of Members and their staff and the system of financial support needed for Members to fulfil their responsibilities as elected representatives.

The Determination provides funds to cover the expenses associated with being a Member and / or an Office Holder, for example:

- running an office and engaging with constituents;
- salaries and travel expenses of the support staff;
- residential accommodation in Cardiff for Members whose home is a significant distance away (eligibility criteria apply); and
- support for the Party Groups and policy research.

The final costs cannot be calculated accurately until after 31 March 2023, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for salaries and other allowances are likely to be called upon.

The Commission is therefore proposing a supplementary budget for the Remuneration Board's Determination for Senedd Members of £16.802 million, a reduction of £0.750 million, which includes the £55k noted above. This provides sufficient contingency to manage any variation from the estimate in the final year-end figures.

## Costs to support the administration of the Independent Remuneration Board and the Office of the Standards Commissioner

In addition to the budget earmarked for the Remuneration Board's Determination, there are also ring-fenced amounts within the Commission budget for the costs identified to support the Independent Remuneration Board and for the Office of the Standards Commissioner.

The final costs cannot be calculated accurately until after 31 March 2023, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for salaries are likely to be called upon.

The Commission is therefore proposing a supplementary budget which reduces the budgets for costs identified to support the Independent Remuneration Board and the Office of the Standards Commissioner by £125k and 25k respectively. This will also decrease the net cash requirement by £150k.

## International Financial Reporting Standard (IFRS) 16 - Leases

The Commission's first supplementary budget for 2022-23 included adjustments to reflect the implementation of IFRS 16.

Following review, the three figures shown in the table below require adjustment to reflect the correct accounting treatment for irrecoverable VAT on rental payments. The net overall impact on the 2022-23 operational budget is £0.

Description	2022-23		2022-23
	Supplementary Budget (Laid)	Adjustments	Adjusted Total
Office Rentals	£40	£460	£500
Depreciation	£5,650	(£240)	£5,410
Interest	£1,100	(£220)	£880
<b>Total</b>	<b>£6,790</b>	<b>£0</b>	<b>£6,790</b>

The Commission is therefore proposing a supplementary budget which amends three lines of the budget, there is no impact on the overall budget and no change in the net cash requirement.

## Budget impact

The Supplementary Budget Motion proposes the following:

- A decrease in the Commission's budget of £1.075 million.
- A decrease in the net cash requirement of £0.975 million.



# Budget Ambit

This supplementary budget submission is laid in compliance with Senedd Standing Order 20 to assist in the compilation of the Budget Motion required by Section 126 of the Government of Wales Act 2006. This submission seeks to amend the resource and annually managed expenditure requirements of the Senedd Commission for the year ending 31 March 2023.

The Supplementary Budget Motion authorises the net resources to be used for the services and purposes of Members and Senedd Services. The motion includes the maximum income (or accruing resources) that may be retained for use on those services and purposes instead of being paid into the Welsh Consolidated Fund, and the cash amount that will need to be issued from the Welsh Consolidated Fund to meet the anticipated net amounts falling due for payment by the Commission.

The amended 2022-23 Budget for the Senedd Commission, addressing the revised requirements, is set out in Table 1 below.

<b>Table 1</b>	<b>Revised £000</b>
<p>Resources other than accruing resources for use by the Senedd Commission (“the Commission”) on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Senedd or the Commission.</p> <p>Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Members of the Senedd Pension provision.</p>	63,928
<p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission:</p> <ul style="list-style-type: none"> <li>▪ from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets; or</li> <li>▪ rental income; gifts; grants; interest on working balances, recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd.</li> </ul>	220
<p>Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT.</p>	58,592

Table 2 below reconciles the net resource requirement to the cash drawing requirement from the Welsh Consolidated Fund.

<b>Table 2: Cash requirement</b>	<b>£'000</b>	<b>£'000</b>
	<b>2022-23</b>	<b>2022-23</b>
	<b>Laid</b>	<b>Revised</b>
Members' net revenue requirement	17,552	16,802
Office of the Standards Commissioner	97	72
Independent Remuneration Board Costs	477	352
Commission net revenue requirement	44,561	44,386
Net capital requirement	516	516
Annually Managed Expenditure	1,800	1,800
<b>Subtotal</b>	<b>65,003</b>	<b>63,928</b>
<b>Adjustments</b>		
Depreciation	(5,650)	(5,410)
Interest charges/Capital adjustments	(1,116)	(896)
Rental payments	2,780	2,320
Movements in provisions	(1,800)	(1,700)
Movement in debtors and creditors	350	350
<b>Subtotal</b>	<b>(5,436)</b>	<b>(5,336)</b>
<b>Net cash requirement from the Welsh Consolidated Fund</b>	<b>59,567</b>	<b>58,592</b>
<b>Decrease</b>		<b>£0,975</b>

## Public Services Ombudsman for Wales

### 2<sup>nd</sup> Supplementary Budget Motion 2022/23

#### Explanatory Memorandum to the Chair of the Finance Committee

This Supplementary Budget submission has been completed consistently with Standing Orders 18A.2 and 20.36 of the Welsh Parliament dated September 2022.

#### Background

The UK Government implemented a 1.25% increase in employers' National Insurance contributions for 2022/23. This resulted in an additional annual cost of £38k to PSOW which we requested via a Supplementary Budget in April 2022. This was approved.

However, the UK Government decision was reversed during the year, meaning that from 6 November 2022 the increase would no longer apply. This Supplementary Budget returns the unspent funding that relates to the period November 2022 to March 2023 and accords with recommendation 8 of the Committee's Annual Scrutiny of the Public Services Ombudsman for Wales - November 2022.

#### Variation of Resources Sought

We propose a variation to the annual budget motion in compliance with Standing Order 20.36 in respect of:

- A reduction of £16k to reflect the unspent funding arising from the reversal of the increase to employers' National Insurance contributions from 6 November 2022.

The impact of this change is shown in the attached table.

2 <sup>nd</sup> Supplementary Budget 2022/23			
PSOW Expenditure	Budget Laid (1 <sup>st</sup> Supp) £000s	Changes £000s	Revised Budget (2 <sup>nd</sup> Supp) £000s
Staff salaries and related costs	4,222	(16)	4,206
Premises and facilities, including leases	171		171
Professional fees	234		234
IT costs	250		250
Office costs	119		119
Travel, training and recruitment	60		60
Communications	65		65
<b>Total Revenue Expenditure</b>	<b>5,121</b>	<b>(16)</b>	<b>5,105</b>
Total Income	(19)		(19)
<b>Net Revenue Expenditure</b>	<b>5,102</b>	<b>(16)</b>	<b>5,086</b>
Capital Expenditure	5		5
<b>Total Resources Required</b>	<b>5,107</b>	<b>(16)</b>	<b>5,091</b>
Depreciation and amortisation charges	70		70
Depreciation – leased assets	204		204
Interest charges – IFRS 16	7		7
<b>Total Resource Expenditure</b>	<b>5,388</b>	<b>(16)</b>	<b>5,372</b>
Depreciation – total	(274)		(274)
Interest charges – IFRS 16	(7)		(7)
Change in working capital – IFRS 16	198		198
Other non-cash movements	20		20
<b>Cash Requirement from WCF</b>	<b>5,325</b>	<b>(16)</b>	<b>5,309</b>

# 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 CO<sub>2</sub>e (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.

Our ref: MAM/CV/mm

Ask for: Michelle Morris



Date: 19 January 2023



Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru

By email only:  
SeneddFinance@senedd.wales

Dear Peredur

### Annual Scrutiny of the Public Services Ombudsman for Wales

I refer to the Committee's recent scrutiny of my Annual Report & Accounts and my Estimate for 2023/24. I am pleased to attach my response to each of the Committee's recommendations. I hope that these detailed responses are helpful but would be very happy to discuss them further with you or the Committee.

I particularly welcome the Committee's positive comments about my open and constructive engagement with the Committee and I will work to continue and develop this positive relationship during my tenure.

Yours sincerely

*M.A. Morris*  
**Michelle Morris**  
Public Services Ombudsman

## Welsh Parliament Finance Committee

### Annual Scrutiny of the Public Services Ombudsman for Wales - November 2022

#### Recommendations and Conclusions

##### **Recommendation 1:**

*The Committee recommends that the Ombudsman provides further information on nosocomial complaints, including; when she expects to start receiving complaints; when complaints are anticipated to be submitted; and the resources being directed to this area within her office.*

##### **Response:**

Public Health Wales data indicates that there have been more than 20,000 hospital-acquired Covid infections recorded since the start of the pandemic. The Welsh Government has said that investigations will take two years, that all NHS organisations are required to report their progress and that an interim national learning report will also be produced and published by the end of March 2023.

Our experience to date is that, as at 31 December 2022, we have received 17 complaints involving Nosocomial Covid. As the National Nosocomial COVID-19 Programme is due to run for two years (i.e. until summer 2024). Whilst we generally expect complaints to be raised with the Ombudsman promptly after the Health Board's final response, in accordance with the terms of the PSOW Act 2019 complainants must generally make their complaint to my office within one year of becoming aware of the events complained about. Assuming that the Programme is completed by summer 2024, we would therefore expect the majority of any Nosocomial Covid complaints to reach us over the next 2 years. These complaints would then be assessed and investigated as appropriate. On that basis, the likelihood is that we will be undertaking work on Nosocomial Covid complaints during the financial years 2022/23, 2023/24, 2024/25 and, where these require investigation, work may continue into 2025/26.

My Estimate submission indicated that we are anticipating 800 enquiries that will progress to 400 complaints over the next 2 years. Health Boards still have considerable work to do on such cases, and complainants can approach the Ombudsman once they have their response from the relevant Health Board, which could be any time in the next two years.

As the Committee will recall, my initial Estimate sought funding for 2 additional staff to help us manage workload pressures, in particular the increases in casework expected to arise from nosocomial Covid complaints. The Committee was unable to support this, meaning that there are no resources available specifically for this additional work.

In order to manage this potentially heavy workload, my office will be assessing complaints to ensure that only cases where it appears that serious service failure and injustice has occurred, and where there is no alternative remedy available to the complainant, are investigated. We are developing clear messages for our website and for health boards to provide to complainants so that they are clearly informed on which cases will be accepted for investigation by my office. In addition, we will use the powers available to the PSOW under the 2019 Act to ensure that, if there is evidence of systemic maladministration or service failure, lessons are learned quickly in order to improve the quality of the reviews being undertaken under the NHS Framework by individual health boards. This could be done for



example, by using the framework of our Complaints Standards liaison network with health boards to provide feedback on any good and poor practice we see and when appropriate by using my Own Initiative power of investigation to remedy wide injustice if there is evidence of systemic service failure.

We will keep this under review and update the Committee after the financial year-end in our Annual Report, but at this stage the estimate of cases included in the Estimate submission remains my best estimate.

***Recommendation 2:*** *The Committee recommends that the Ombudsman provides further information on the restructuring that has been undertaken.*

**Response:**

As I indicated during the Committee's scrutiny, we have been working to maximise the number of staff engaged in our core business of assessing and investigating complaints. There have been two small changes to our staff structure in recent months – one is an ongoing change, the other is an experimental change that is to be reviewed shortly.

The ongoing change was to re-designate four Investigation & Improvement Officer posts as Investigation Officers, meaning that they no longer devote around 20% of their time to working with public bodies to improve complaints handling and learning from complaints. This improvement work is now picked up by our Complaints Standards staff, and the time freed up is being directed to complaints assessment and investigation work.

The second change is a temporary one, to allow me the opportunity to review and assess how well the change is working before making any ongoing change. Our staff structure previously included three Investigation Manager posts. When one of these Managers secured a promotion elsewhere, I took the opportunity to combine teams, create a (temporary) Assistant Investigation Manager post and free up the balance of budget for casework staff. I will be reviewing this arrangement during the next few months and will then make a decision as to whether to make this permanent, revert to previous arrangements or introduce an alternative approach.

***Recommendation 3:*** *The Committee recommends that the Ombudsman provides information on any future plans she may have to alleviate workload pressures.*

**Response:**

The original Estimate included limited investment to help us manage increasing numbers of complaints. The Committee was unable to support this investment in two additional members of staff and the development of a new website to provide potential complainants with more support and guidance at the initial point of contact and first steps towards an improved case management system. Whilst the decision is understood, that does limit the office's scope to manage and alleviate workloads.

Nonetheless, I and my colleagues will be working, to the extent that resources allow, on a number of strands of work that will, I hope, help us address the growing pressures on my office. These include:

- Work to improve our website so that it is clearer as to complaints that we will not consider, and better at directing such complaints to the most suitable alternative

- Further developing our work to ensure we consistently assess cases, so we are able to focus resources on delivering fair and proportionate outcomes for complainants and ensure that only the most serious complaints are investigated fully
- Continuing to develop our support for staff and maintaining high expectations of our staff
- Working to equip our staff with the tools to do the job – including making improvements to or replacing our case management system, subject to funding
- Reviewing, with external support, our work processes and practices with a view to increasing efficiency and improving service users' experiences
- Working with advice and advocacy bodies to support better use of our services and greater ability to secure positive outcomes without our involvement.

**Recommendation 4:** *The Committee recommends that the Ombudsman provides information on the outcome of the benefits realisation review into the first use of the own initiative investigation powers under the Public Services Ombudsman (Wales) Act 2019.*

**Response:**

We have a detailed Benefits Realisation Plan prepared as part of the Own Initiative Investigation and Report. Of course, the nature of the Ombudsman's role is that we are not in a position to make changes ourselves, but rather to recommend and encourage others to make positive change.

The benefits identified in the plan are:

- Improved decision making by homelessness officers throughout Wales
- Training provided to homelessness officers to improve investigations and decision making
- Officers empowered to admit mistakes and rectify inappropriate decisions without the need for a formal review
- Improved communication with service users
- Overt consideration of Human Rights and equality by homelessness officers by using an equalities and human rights decision framework
- Improved accessibility to homelessness services and access to justice
- Timely access to translation services
- Improved collaboration between local authorities
- Improved collaboration between local authorities, stakeholders and partners e.g. Take Notice project
- Improved consistency across Wales in review decisions
- Improved engagement between local authorities and third-party organisations
- Review and update of HWA and accompanying Code of Guidance
- Standardised review documentation throughout all 22 local authorities
- Housing Regulator appointed in Wales

The Benefits Realisation Plan (BRP) maps out the anticipated long-term benefits of the Homelessness Reviewed investigation. The realisation of the majority of the benefits of the Homelessness Reviewed report is reliant on updated data relating to the number of reviews requested and the number of decisions overturned at review and upon allowing time for local authorities to improve their performance. The Ombudsman's office will be working with local authorities and third sector organisations to obtain updated data to allow measurable comparisons to be made.

Homelessness Reviewed made very specific and measurable recommendations to the 3 investigated authorities, Cardiff Council, Carmarthenshire County Council and Wrexham County Borough Council. We are pleased to report that the 3 investigated authorities have complied with the recommendations made in the Homelessness Reviewed Report. Improvements have been made in terms of regular reviews of casework to monitor casework and identify training needs, increased use of alternative communication methods (e.g. WhatsApp) to improve communication with service users, reviews of factsheets and correspondence to ensure they are available in accessible formats, further collaboration with third sector organisations, training for assessment and review staff in relation to psychologically informed environments (PIE) training and equality and human rights training.

Homelessness Reviewed also invited the 19 non-investigated authorities and the Welsh Government to consider our findings and recommendations. We have followed this up, to establish what action has been taken by them following the publication of the Homelessness Reviewed Report.

17 of the 19 local authorities have responded. All have made some changes and have indicated that further improvement work is planned, though they have stressed that homelessness services remain under severe pressure. We are pressing the remaining 2 local authorities to respond.

The Welsh Government has reflected the findings of Homelessness Reviewed in its Ending Homelessness Action Plan and in the reform of homelessness services. The Relationship Manager role, established by Welsh Government during the pandemic, will continue to work with local authorities to strengthen partnership working and to support and improve the delivery of services. The Welsh Government is not considering appointing a housing regulator as it considers that this would risk increasing the complexities of governance and administrative costs and it would not necessarily improve housing supply or causes of homelessness.

The real goal here is, of course, not just procedural improvement but actual improvement in the handling of homelessness reviews and appeals. My staff will continue to work with local authorities and homelessness charities to identify the extent of change. This will include reviewing latest data on homelessness assessments and reviews with input from Shelter whose data informed the selection of homelessness reviews as the subject of our first Own Initiative Investigation. We will provide an update on this work in our Annual Report.

Both the Welsh Government and individual local authorities have stressed the significant pressures on homelessness services and have commented that these pressures are resulting in slower progress. Whilst this may be unavoidable, we will continue to encourage and promote implementation of the changes and improvement we identified and will seek to quantify benefits through gathering of quantitative data and qualitative feedback.

***Recommendation 5: The Committee recommends that the Ombudsman updates the Committee on the work being undertaken with housing associations in relation to signing up to the Complaints Standards Authority***

**Response:**

Welsh Government records show that there are 35 main housing associations in Wales, excluding those that are considered 'de minimis'. The resources we have available to apply complaints standards and support organisations to improve complaints handling processes

are limited, and we are therefore prioritising the organisations where we can have greatest impact. This is guided by the size of the housing association and the number of complaints made about them to the Ombudsman.

The Complaints Standards Authority (CSA) started engaging with an initial tranche of 8 Housing Associations in summer 2021 following our work with Local Authorities and Health Boards. Complaints Standards for these Housing Associations were officially launched in October 2021, with compliance required from April 2022. Complaints Standards were launched with a further 6 Housing Associations in April 2022, with compliance required from October 2022. Engagement with a further 5 Housing Associations is ongoing with a view to launch officially in the summer of 2023. We will then proceed with a further 5 housing associations with a view to securing their compliance with the standards in early 2024. At that point we will then have 24 out of 35 housing associations covered by standards, with those covered being the larger housing associations and those that generate most complaints.

In addition to supporting improvement in complaints handling processes, we will continue to provide training and support to housing association staff. During 2023 we will, for the first time, publish quarterly housing association complaints data for those organisations that are subject to the standards.

***Recommendation 6:*** *The Committee recommends that the Ombudsman continues to quantify the cost of the new powers in the Public Services Ombudsman (Wales) Act 2019 and data about them in the Annual Report to inform the statutory review of the Act in 2024.*

**Response:**

Agreed. We will continue to publish details of these costs in our Annual Report & Accounts.

***Recommendation 7:*** *The Committee recommends that the Ombudsman provides evidence on the cost avoidance benefits arising from the Public Services Ombudsman (Wales) Act 2019 in future Annual Reports and Accounts and Estimates. This should include additional evidence on efficiencies and improvements arising from the legislation, as part of future disclosures.*

**Response:**

Agreed. We will continue our work on costs and benefits, including cost avoidance, and will include summaries of this work in our Annual Report & Accounts and Estimate.

***Recommendation 8:*** *The Committee recommends that the Ombudsman returns the unspent funding for National Insurance contributions from 2022-23 to the Welsh Consolidated Fund and adjusts the baseline for 2023-24 accordingly.*

**Response:**

Agreed. A Supplementary Budget has been prepared and submitted to the Committee to achieve this in the 2022-23 financial year. The 2023-24 figures were adjusted in the revised Estimate scrutinised in November 2022.

**Recommendation 9:** *The Committee recommends that the Ombudsman provides an update on the review of accommodation once completed.*

**Response:**

Following our review of accommodation requirements, we are now looking to concentrate our activities on the ground floor of our current offices, with a view to vacating space on the first and second floors. Minor changes are planned to the ground floor this financial year to facilitate this change. The space on the first and second floors is currently being marketed. As indicated during the scrutiny hearing, savings are dependent on securing alternative tenants for the first and second floors.

**Recommendation 10:** *The Committee recommends that the Ombudsman provides an update on the Code of Conduct case that is seeking leave to appeal, as more information becomes available.*

**Response:**

There is little further news on this since my letter to the Committee in October. Consideration of the application for leave to appeal was to have been in October, but the applicant asked the court to delay its consideration of the application. We have not yet heard when the hearing will now take place. I will let the Committee know when we hear more.

**Conclusion 1:** *The Committee welcomes the Ombudsman's commitment to ensure that the majority of members on the Advisory Panel are independent of the members on the Audit and Risk Assurance Committee.*

**Response:**

By way of update, I have now made further appointments to the Advisory Panel and Audit & Risk Assurance Committee. Each new appointment is **either** to the Audit & Risk Assurance Committee **or** to the Advisory Panel (rather than to both). This means we have gone further to improve the independence of the Advisory Panel, and indeed of the Audit & Risk Assurance Committee, than was required by the Public Accounts Committee's recommendations as part of its scrutiny of accounts (March 2019). With these recent appointments, the majority of members of the Advisory Panel are independent of the members on the Audit and Risk Assurance Committee.

**Conclusion 2:** *The Committee notes the detail in the revised "Public Services Ombudsman for Wales: Estimate 2023-24" and considers the Estimate acceptable. Subject to the comments and recommendations in this report, the Committee supports the overall request for resource.*

**Response:**

I am grateful for the Committee's continued support. I have responded to each of the Committee's recommendations here and will also make sure that the recommendations are taken into account and reflected in our future Annual Report and Accounts / Estimates, as appropriate.

Peredur Owen Griffiths MS  
Chair of the Finance Committee  
Senedd Cymru

Via email

**Reference:** LF23001/AC/343/caf  
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Dear Peredur

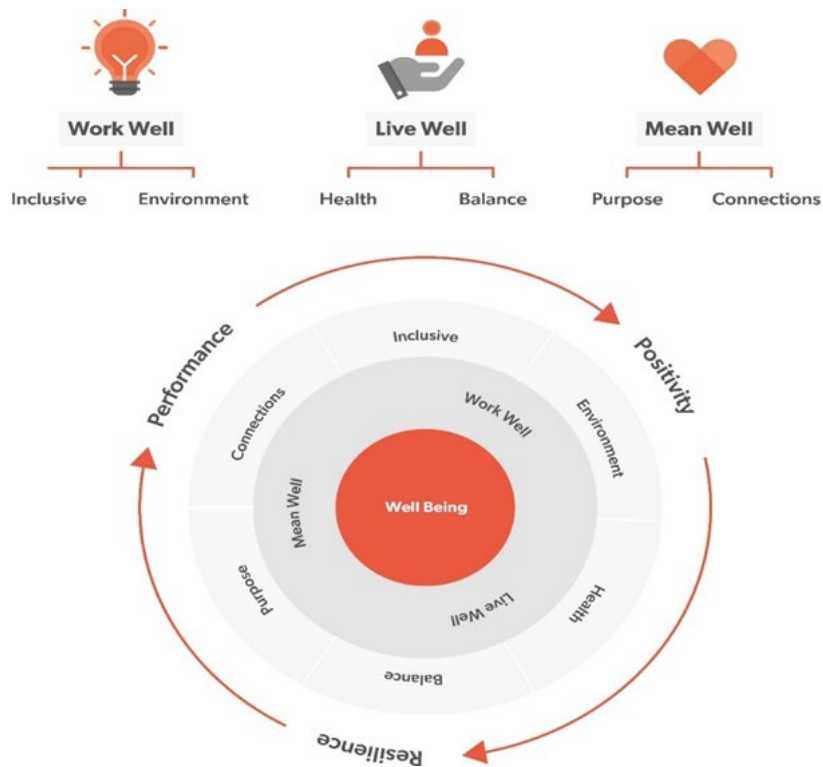
### Finance Committee Annual Scrutiny of the Wales Audit Office

Further to your report - the *Annual scrutiny of the Wales Audit Office and the Auditor General for Wales* - we are writing to set out our responses to the Committee's recommendations.

We accept all of your recommendations and set out how we intend to address each one below:

#### **Recommendation 1. The Committee recommends that Audit Wales provides details of its new 'Work Well, Live Well and Mean Well' Strategy and its implementation.**

The Well-Being Strategy was approved by the Remuneration and HR Committee along with the underlying action plan in November 2021. The aim of the strategy is to "create and maintain a positive and resilient workforce whilst fostering an environment that supports and enables our people to be healthy and maintain a work life balance". There are six pillars that support Work Well, Live Well and Mean Well and the supporting action plan is based around these pillars.



We have appointed 17 Well-Being Champions from across the organisation, including a Board Champion, who are working with the Head of HR to implement the strategy. Each pillar has been assigned a Well-being Champion as a lead to co-ordinate the activities that are associated with the pillar and the pillar leads meet with the Head of HR regularly to identify areas that need to be joined up and have a strategic context. The implementation of the strategy, through the action plan, is tracked and monitored by the Executive Leadership Team and reported quarterly to the Board via the Remuneration and HR Committee.

**Recommendation 2. The Committee recommends that Audit Wales includes details of its performance against the previous Key Performance Indicator target for employee engagement and employee experience alongside its revised targets in 2022-23.**

We stated in our Annual Plan for 2022-23 that our target for employee engagement and employee experience would be at least the median benchmark score for the latest CSPS. We have just received the findings from the 2022 People Survey and are preparing our management response. The employee engagement score is 60%. We do not yet have the benchmark information from CSPS for 2022 and this is expected early in 2023. We have seen some areas of improvement across the other 11 themes, most notably in perceptions of inclusion and fair treatment, organisational objectives and purpose, and my team. Disappointingly we have seen drops in levels of satisfaction related to resourcing

and workload. The Board and ELT are preparing to engage more visibly across the whole organisation to get a deeper understanding of the underlying causes of changes in levels of engagement during quarter four of 2022/23.

**Recommendation 3. When considering its future staff survey arrangements, the Committee recommends that Audit Wales considers retaining the Civil Service People Survey; assesses other tools to enhance its effectiveness and reports back to the Committee on alternative survey models evaluated.**

We are currently developing our overview of requirements ahead of beginning a procurement exercise to assess how we can enhance our ability to gather, analyse and respond to feedback from staff. Within the overview of requirements, we have stated the need to maintain trend data relating to engagement and employee experience to provide continuity for both Audit Wales and the Committee. Depending on the outcome of the procurement exercise, we will make decisions on alternative models. We hope to have arrangements in place in early 2023-24 so that we can more frequently track the perceptions of staff and home in on, and address, areas of concern more rapidly.

**Recommendation 4. The Committee recommends that Audit Wales provides further information on the work undertaken to improve audit quality, including details of the specific quality assurance activity undertaken since the 2021-22 score and the number of audits assessed for quality assurance.**

Information about our audit quality is set out in our annual quality reports, available on the [Openness and Transparency](#) page of our website.

We summarise below key points from this report, which we would be happy to discuss further with the Committee.

#### Work undertaken to improve audit quality

Recent key initiatives include (references are to the Audit Quality Report):

- enhancing our audit approaches through:
  - the first-time application of standards / principles for performance audit issued by the International Organisation of Supreme Audit Institutions (INTOSAI) (paragraph 36);



- the introduction of a new far-reaching standard on audit risk assessment<sup>1</sup> for our 2022-23 audits (paragraph 38) (this work has been undertaken jointly with the Northern Ireland Audit Office to make more effective use of our collective resources);
- development of in-house, SharePoint-based audit platforms to increase consistency in documentation, application of audit approaches and to build in quality checks within our systems (paragraphs 43-45);
- ongoing investment in learning and development (paragraphs 46-52), which include significant initiatives to support the audit approach developments and audit platforms;
- ongoing development of our data analytics work to gain richer insights to support our audit work (paragraph 41);
- new initiatives to enhance the support we receive from external experts in complex areas, such as property valuations (paragraph 23);
- expansion of our external quality monitoring programmes, including extension of the regime to performance audit and increasing the numbers of files reviewed (Part 3);
- introduction of a new root cause analysis process to identify core learning needs where issues arise (paragraphs 52 and 81);
- development of a revised system of quality management (paragraphs 73 – 75); and
- investment in our ‘technical team’ to support our audit quality and the developments and initiatives outlined above (see the Adequacy of Resources section in the Independent Commentary – page 9).

### Quality assurance arrangements

As our Audit Quality Report sets out, we use a three lines of assurance model to describe how we achieve audit quality.

The third line of assurance (pages 21-24) consists of those arrangements that provide independent assurance over the effectiveness of the first two lines of assurance and help to identify opportunities for continued improvement.

Those arrangements cover other quality activities other than those formally reported as part of our KPI reporting, including:

- unscored engagement quality reviews of audit files, or parts of audit files undertaken prior to the audit being completed (paragraphs 66 to 67);
- unscored themed reviews that look at particular issues across several audits (paragraphs 64 to 65);

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<sup>1</sup> [ISA 315 Identifying and Assessing the Risks of Material](#)

- peer reviews of performance audit reports by other UK audit agencies (paragraph 63); and
- cold reviews of whole files after the audit work has been completed (paragraphs 55 to 63).

It is the cold reviews that are scored and captured in our formal KPI reporting. These reviews are cyclical and recently have followed the audit of accounts cycle. The outcomes of the most recent round of reviews based on 2020-21 accounts is reported in Part 3 of the Audit Quality Report. The next round of reviews (for 2021-22 accounts audits) has commenced in recent weeks (although as noted under recommendation 8, local government audits have yet to complete). The results of these reviews will be reported in our next audit quality report and in our annual plan KPIs.

**Recommendation 5. The Committee recommends that the Auditor General formally notifies the Chair of the Finance Committee in writing if he is unable to complete an audit within the four-month statutory deadline.**

We will notify the Chair of the Finance Committee in writing if we are unable to complete an audit within the four-month statutory deadline applicable to the accounts of the Welsh Government. We will also work with the Finance Committee and the Public Accounts and Public Administration Committee to develop a protocol for reporting in relation to late accounts of other organisations, where different statutory deadlines apply.

**Recommendation 6. The Committee recommends that Audit Wales:**

- **explains the rationale it intends to adopt regarding the sharing of the additional costs associated with the audit of the Welsh Government Consolidated Accounts 2020-21; and**
- **once the final position is determined, provides details of the total cost of the audit of the Welsh Government Consolidated Accounts 2020-21, including how much is additional to the fee estimate, how the additional costs have been shared and an explanation if the approach differs from the rationale.**

The audit of the 2020-21 Welsh Government accounts cost £161K more than the estimated fee. We will be issuing an additional invoice to the Welsh Government for just over half of this amount (£81K). This relates to additional staff time required to complete the audit. The remaining cost of £80k (for drafting of the Auditor General's Report) is funded from the WCF funding we have received for that purpose this year.

**Recommendation 7. The Committee recommends that Audit Wales provides further details of how it is implementing change in the organisation and specifically on the outcome of the post-project learning exercise for the Travel Allowance changes, including how the lessons learned will be applied to the forthcoming Cardiff office relocation.**

Audit Wales has a small, dedicated change programme team<sup>2</sup> that supports the implementation of major, cross cutting changes to ensure business benefits are realised. The team are all qualified change and project managers who work alongside senior managers and teams across the business. Following the implementation of the travel allowance changes, a post project learning exercise was carried out and the findings from this were used in shaping the implementation of the 'Our Future Workplaces' project and the deployment of the new Time and Resource Management system.

Key learnings highlighted:

- the importance of being clear on the reasons for change;
- having a timeline for the whole change process to ensure sufficient time is available for all elements including staff engagement;
- ensuring that plans are developed for different scenarios to retain focus on the desired outcome;
- being agile in execution, communication, and engagement;
- utilising all aspects of leadership across the organisation; and
- ensuring the Board is engaged in all aspects of the change process.

Each of these learning points has been incorporated into the approach for the Our Future Workplaces project.

All large change projects are governed through a Change Programme Board that considers business cases and resourcing implications, tracks progress and monitors the realisation of benefits.

**Recommendation 8. The Committee recommends that Audit Wales provides further information on the technical issue concerning infrastructure assets and the potential impact on the delivery of its audit work.**

Further information

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<sup>2</sup> 4 members of staff

This is an issue that is impacting the accounts and audit of local government bodies in Wales, England and Scotland. It has resulted in Welsh Ministers making on 29 November 2022 [The Local Authorities \(Capital Finance and Accounting\) \(Wales\) \(Amendment\) Regulations 2022](#).

Paragraphs 4.3 to 4.5 of the Explanatory Memorandum to the Regulations (available through the link above) provide the following background:

“4.3 Until 2022, the accounting treatment of infrastructure assets has not generally been an issue. There has, however, been increased scrutiny of the audits of local authority accounts in recent years, particularly on the accounting for property, plant and equipment. As a consequence, there is an increased requirement for local authorities to provide auditors with evidence in respect of infrastructure assets, specifically in terms of how the replacement of a component of an infrastructure asset is accounted for. In accordance with proper practices, when a component of an infrastructure asset is replaced, an amount representing the remaining value of the replaced component should be removed (derecognised) from the balance sheet. This may be nil if there is no residual value.

“4.4 The issue is that, due to significant historical information deficits, many authorities are unable to provide sufficient evidence of the value of replaced components of infrastructure assets when they are derecognised. This is particularly the case in relation to roads. Some of these issues date back to 1994, when these assets were first brought onto local government balance sheets. Furthermore, the reporting requirements have not been consistent over time: it is only since 2010-11 that the Code has required all replacement costs to be capitalised and replaced components to be derecognised.

“4.5 This issue has contributed to delays in the completion of 2021-22 local authority audits as both local authorities and auditors have sought a resolution. Without resolution, there is a significant risk that many local authority financial statements could be subject to qualified audit opinions in this area, whereby the auditor is unable to give an opinion that the accounts are not misstated. It is anticipated that this may also lead to delays to future audits.”

### Impact on audit delivery

The issue has had a significant impact on the completion of 2021-22 audit work, as CIPFA<sup>3</sup> sought unsuccessfully to develop a remedy to address the issue. The Regulations outlined above, provide a short-term answer while CIPFA seeks to develop a longer-term solution.

Upon making these Regulations, the Welsh Government has suggested to local government bodies that they ‘...should seek to achieve publication of final audited accounts by 31st January 2023.’ This is two months later than the original 30 November 2022 target.

Unfortunately, late completion of 2021-22 audits will inevitably impact 2022-23 audits as they will be started later than would normally be the case.

We are taking steps to bring the reporting and audit timetable back to the historical position. These efforts are however complicated by the introduction of a new audit approach for 2022-23 audits in line with professional auditing standards<sup>4</sup>, which brings uncertainties in terms of the level of work effort and staff input required in the first year of implementation.

We are happy to keep the Committee updated on progress across the local government sector in bringing the accounts completion and auditing timetable back to the historical position.

### **Recommendation 9. The Committee recommends that Audit Wales provides a breakdown of the non-cash items within its resource baseline and a reconciliation between cash and resource baselines identified in Part 2 of the Estimate for its Welsh Consolidated Fund funding for 2023-24 and in future Estimates**

As requested, please see below a summary of the movements between the first Supplementary Estimate for 2022-23 and our Estimate for 2023-24 in cash and resource terms including both revenue and capital expenditure and movements in working capital. We will include this additional analysis in future Estimates.

In carrying out this reconciliation we have identified an error in Part 1 of our Estimate in relation to the adjustments required for IFRS16. As a result of this

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<sup>3</sup> See for example: [Urgent Infrastructure Assets Task and Finish Group | CIPFA](#)

<sup>4</sup> Please refer to paragraphs 47 to 51 of our publication ‘Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024’ (October 2022).

error, our net cash requirement was overstated by £280,000 (there is no change in resource requirement). A corrected Part 1 Estimate is provided alongside this letter.

	Cash £'000	Resource £'000
<b>Estimate 2022-23</b>	<b>8,684</b>	<b>8,254</b>
Increased staff costs (pay)	702	702
Increased staff costs (ISA315)	800	800
Reduced non-staff costs	-203	-203
NFI cyclical costs	-130	-130
IFRS16 impact	0	80
Increased fee income	-1,051	-1,051
Movements in working capital	-160	-
<b>Estimate 2023-24</b>	<b>8,642</b>	<b>8,452</b>

**Recommendation 10. The Committee recommends, for all future Estimates, Audit Wales provides the same level of detail for the support it is seeking on a resource and cash basis, including information on its baseline position and any changes to its budgets**

We will ensure that the breakdown of changes provided in future Estimate will be shown for both resource and cash.

**Recommendation 11. The Committee recommends that Audit Wales considers how the presentation of the Estimate can be improved in future years to:**

- **compare the resource and cash requested with the approved budget for the previous financial year, and where this is not the case, this should be clearly set out in the Estimate, with reasons to explain why it was not possible to do so;**
- **provide further detail and a breakdown of how increases in specific elements of funding will be spent.**

We will reflect on the presentation of the financial information in the Estimate to consider how we can clearly differentiate between changes in resource and cash budgets. Additional information on reasons for increases over and above that already provided will be included in future Estimates.

**Recommendation 12. The Committee recommends that Audit Wales:**

- **provides a breakdown of the £550,000 movements in working capital figure; and**
- **includes more information on movements in working capital in future Estimates, including detailing their purpose and to what each movement relates to.**

Movements in working capital included in the Estimate make provision for expected changes in year end balances on debtors, creditors and provisions. It is extremely difficult to estimate the actual movements 5 months before the end of the financial year and hence a notional requirement of £100,000 to £200,000 is generally allowed for in our Estimates. Any resulting cash balance is returned to WCF at year end by way of an administrative adjustment.

For 2022-23 this adjustment was increased to £710,000 to allow for the known movement in a provision for the Travel Allowance buy out included within our 2021-22 accounts.

For 2023-24 we have estimated a movement of £550,000 to allow for normal year end changes in debtors and creditors but also the requirement to utilise part of our provision for dilapidations (total £650,000) when we vacate our Cathedral Road offices. This amount is subject to commercial negotiation and hence cannot be disclosed in full at this point.

**Recommendation 13. If Audit Wales wishes to pursue the proposed funding switch for local performance audit work, the Committee recommends that it:**

- **provides further information on the queries raised by the Welsh Government and progress of those discussions, as these happen; and**
- **defers the proposal until the Estimate 2024-25.**

Accepted. We have had initial discussions Welsh Government Officials over the last few weeks regarding the proposed funding switch. These discussions centred mainly on their concerns about the level of fee increase next year and the steps we have been taking in recent years to reduce our cost base and secure efficiencies internally. We have agreed to continue these conversations in the New Year and will keep the Committee updated

**Recommendation 14. The Committee recommends that Audit Wales considers further ways in which it could provide additional support for lower paid staff and/or staff who may experience difficulties as the effects of the increases in living costs are felt and takes steps to evaluate its package of support to ensure it reaches those who need it most.**

We will be exploring with the Trade Unions through our pay negotiations potential underpins for lower pay bands and any other mechanisms that we could put in place to support lower paid staff. However, we have yet to receive their pay claim for 2023-24 and will consider this in due course.

A review of non-paid benefits has recently been undertaken and through that review we will be implementing support for all staff on money matters and cost of living impacts. The advice and support will be provided through the Cabinet Office and will be available for staff to access. In addition, financial well-being advice can be accessed through our Employee Assistance Programme. We also offer a staff shopping discount scheme through our benefits provider, Edenred, which we are proactively promoting to staff and encouraging them to use.

**Recommendation 15. The Committee recommends that Audit Wales returns the unspent funding for National Insurance contributions from 2022-23 to the Welsh Consolidated Fund and adjusts the baseline for 2023-24 accordingly.**

We have estimated that the savings related to changes in the National Insurance contributions will amount to £51,000 in 2022-23. We are working hard to realise our income projections for the year though this has been affected recently due to higher than anticipated levels of Covid-related sickness. It would be further affected if industrial action takes place before the year-end. With these caveats in mind, it is our intention to return this, along with any other unspent funds at the end of the financial year. As explained to the Committee, the timing of our Estimate for 2023-24 allowed us to reflect these changes in the Estimate that the Committee considered in November. This is reflected in the increase in staff costs shown in Exhibit 1 of Part 2 of the Estimate as follows:

	WCF £'000	Fees £'000	Total £'000
Provision for pay award	307	482	789
Other changes <sup>5</sup>	22	37	59
Reduction in NI rates	(57)	(89)	(146)
Total	272	430	702

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<sup>5</sup> Staff increments and increased vacancy management savings



**Recommendation 16. The Committee recommends that Audit Wales provides further detail on the feedback received on its performance work and updates it on the process of adopting international standards of best practice in this area, including its expectations of what this will deliver.**

Currently, we do not disaggregate stakeholder feedback between audit of accounts and performance audit work. Figures in our 2021-22 annual report show that we perform well in terms of what stakeholders think about our work:

- 95% consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.
- 96% thought our work provided useful insight that they would not have acquired otherwise.
- 91% believe our work has led to improvements in the provision of public services.

Performance audit encourages audited bodies to focus on their role as custodians of public money, spending it wisely on behalf of citizens and being held accountable for that. Our work promotes economy, efficiency and effectiveness, as well as accountability and transparency.

Our quality arrangements aim to ensure that all performance audit work seeks to achieve the benefits above. Adopting INTOSAI guidance will support us to do that and introduces a quality regime that puts more emphasis on impact rather than process compliance. For example, ensuring that:

- we pick the right topics to audit that add value and can achieve impact;
- audit teams have the skills needed and are appropriately supervised;
- clear objectives are established for the audit;
- audit evidence is robust and has been suitably challenged ;
- outputs meet our internal standards and are impactful;
- we think about how to maximise the impact and uptake of our outputs; and
- we reflect on our work, capture that information and feed it back into our performance audit practice.

We launched our new INTOSAI performance audit standards on 30 November 2022. We have designated December 2022 as a familiarisation month for colleagues. Throughout December we are providing compulsory training sessions to introduce the main changes. We expect all audits to begin following the new INTOSAI standards from January 2023. The transition to the new INTOSAI standards is a significant change and because of this we expect that it will take most of 2023 to embed the changes. We are supporting colleagues through this transition with a programme of learning and development activities that covers all of 2023.

**Recommendation 17. Following the tendering for professional accountancy training, the Committee recommends that any surplus funds are returned to the Welsh Consolidated Fund and removed from the baseline**

Any funding not required will be returned at the end of 2023-24 and reflected in the baseline for future Estimates.

**Recommendation 18. The Committee recommends that Audit Wales provides further detail and a breakdown of how specific elements of its capital funding will be spent in 2023-24 and also includes the same level of detail in all future Estimates.**

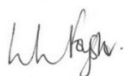
The funding for the remainder of our 5-year rolling capital programme is indicative at present, and more detail will be provided as we work through the delivery plan for our strategy in future Estimates.

**Recommendation 19. The Committee recommends that Audit Wales provides an update on developments with the potential extension of duties associated with the Well-being of Future Generations (Wales) Act 2015, as and when it becomes apparent what the implications will be for Audit Wales**

Audit Wales staff are engaged in dialogue with Welsh Government officials about the Welsh Government's next steps following its consultation. This includes providing information on the options and estimated costs associated with work to discharge the Auditor General's duties at any new bodies, with a particular focus on arrangements for discharging the duties during the remainder current reporting period (to early May 2025). As set out in our response to the consultation, we would also welcome further discussion with the Welsh Government about the Auditor General's section 15 responsibilities as part of the Welsh Government's planned post-legislative evaluation and with a view to enabling us to optimise the proportionality, economy and impact of our approach, especially in the context of a larger number of bodies being subject to the well-being duty. We hope that the Welsh Government's post-legislative evaluation work can proceed in time to enable reflection ahead of the next five-year reporting period. As we noted in our consultation response, ideally perhaps, this evaluation would have been undertaken in advance of or alongside consideration of extending the well-being duty.

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**

# **Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024**

October 2022

Jointly prepared and laid before the Senedd under  
Section 20(1) of the Public Audit (Wales) Act 2013

**Lindsay Foyster**

Chair, Wales Audit Office

**Adrian Crompton**

Auditor General for Wales

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For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the Senedd at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the Senedd may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- The Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the Senedd under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

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# Foreword

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Audit Wales exists to give the Senedd and the people of Wales confidence in a high-performing and accountable public sector.

Our Estimate for 2023-24 is the Budget Ambit contained in this document. We will provide separate supporting information on the Estimate for Finance Committee to understand how we will use the funding requested.

The Minister for Finance and Local Government set out the continuing uncertainty around future spending in her letter of 14 July 2022. We recognise this; but are also cognisant of inflationary pressures most notably on staffing costs and the need to respond to a new auditing standard – ISA315 – which we expect to have a significant impact on the cost of our audit work and consequently the fees that we will need to charge for that work. It was recently announced that audit fees in England for local government bodies could rise by as much as 150%.

For these reasons, our Estimate allows for an increase in our call on WCF for Audit Wales of just under 3% but a more significant increase in our audit of accounts fees associated with the implementation of ISA315. Taken together our total budget for the year will increase by 5.4%.

Our wide-ranging programme of value for money work is vital to robust parliamentary accountability through the Senedd Public Accounts and Public Administration, Finance and other Committees. We audit the accounts and governance of over 800 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed. From the Welsh Government itself to the smallest community council, through almost every area of public service delivery, the Auditor General can follow the public pound wherever it is spent.

We are acutely aware of our responsibility to other parts of the public sector to contain our own operating costs and the fees we charge, provided that does not risk audit quality and the assurance we can provide. Our supporting information sets out details of the savings we expect on our travel and accommodation costs which help to offset expected increases in staff costs.

For 2023-24 we have once again set challenging savings targets from both staff vacancy management and other areas of expenditure.

Our Annual Report and Accounts for 2021-22 sets out our record of achievement for the last financial year. In March this year we laid our Annual Plan for 2022-23 at the Senedd. This Estimate secures funding for our forward priorities for 2023-24 and provides indicative funding requirements to 2027-28. Our Annual Plan for 2023-24 will be laid before the Senedd before March 2023.

We look forward to discussing our Estimate with the Finance Committee in due course.



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**Lindsay Foyster**

Chair, Wales Audit Office



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**Adrian Crompton**

Auditor General for Wales

# Budget Ambit 2023-24

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## Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2024

- 1 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the Senedd to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 2 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2024, the Budget Motion will authorise:
  - the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
  - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
  - the amount which may be paid out of the WCF to the Wales Audit Office.
- 3 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 1**.
- 4 Details of how we propose to use this funding to deliver public audit in Wales in 2023-24 are set out in our supporting information.



**Exhibit 1: summary of the estimated 2023-24 budget requirements**

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office:	
• Revenue	8,142
• Capital	310
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	16,133
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	8,642

- 5 **Exhibit 2** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2024.

**Exhibit 2: reconciliation of resource requirement to cash drawing requirement from the WCF**

	£'000
Net request for resources – revenue and capital	8,452
Non-cash adjustment – depreciation and interest charges	(640)
Lease rental payments	280
Non-cash adjustment – movements in working capital	550
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,642



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