

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 4 Ty Hywel and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 20 September 2023	
Meeting time: 09.30	

Registration (09.00–09.15)

Private Pre-meeting (09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

2.1 PTN 1 – Letter from the Minister for Finance and Local Government: Budget timetable 2024–25 – 12 September 2023

(Pages 1 – 2)

3 Audit Wales – Scrutiny of the Annual Report and Accounts 2022–23 and the Annual Plan 2024–25: Evidence session

(09.30–10.30)

(Pages 3 – 243)

Adrian Crompton, Auditor General for Wales, Audit Wales

Kathryn Chamberlain, Chair of the Wales Audit Office, Audit Wales

Kevin Thomas, Executive Director of Corporate Services

Ann-Marie Harkin, Executive Director of Audit Services

Supporting documents:

FIN(6)–14–23 P1 – Audit Wales: Annual Report and Accounts 2022–23



FIN(6)-14-23 P2 – Audit Wales: Audit Findings report – Year Ended 31 March 2023

FIN(6)-14-23 P3 – Audit Wales: Annual Plan 2023–24
Research Service Brief

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting

(10.30)

5 Audit Wales – Supplementary Estimate 2023–24

(10.30–10.45)

(Pages 244 – 257)

Adrian Crompton, Auditor General for Wales, Audit Wales

Kathryn Chamberlain, Chair of the Wales Audit Office, Audit Wales

Kevin Thomas, Executive Director of Corporate Services

Ann-Marie Harkin, Executive Director of Audit Services

Supporting documents:

FIN(6)-14-23 P4 – Audit Wales – Supplementary Estimate 2023–24

FIN(6)-14-23 P5 – Letter from the Minister for Finance and Local

Government: Cost of living payment – 1 August 2023

FIN(6)-14-23 P6 – Letter to the Minister for Finance and Local Government:

Cost of living payment – 11 July 2023

6 Technical briefing on administering WRIT: HM Revenue & Customs (HMRC)

(10.45–11.15)

(Pages 258 – 267)

Jonathan Athrow, Director General of Customer Strategy & Tax Design, HMRC

Katherine Gross-Niklaus, Senior Policy Advisor for Devolved Income Tax,

HMRC

Supporting documents:

FIN(6)-14-23 P7 – HMRC

Research Service Brief

7 Technical briefing on administering WRIT: HM Revenue & Customs (HMRC) – Consideration of evidence

(11.15–11.30)

8 Audit Wales – Scrutiny of the Annual Report and Accounts 2022–23 and the Annual Plan 2024–25 / Supplementary Estimate 2023–24: Consideration of evidence

(11.30–11.45)

8.1 The Committee considered the evidence received and agreed to write to Audit Wales in relation to the Annual Report and Accounts 2022–23; and the Supplementary Estimate 2023–24.

9 Landfill Disposals Tax (Wales) Act 2017: Independent review

(11.45–12.00)

(Pages 268 – 275)

Supporting documents:

FIN(6)–14–23 P8 – Cover paper

FIN(6)–14–23 P9 – Letter from the Minister for Finance and Local Government – 6 July 2023

FIN(6)–14–23 P10 – Land Disposals Tax (Wales) Act 2017: Independent review – Executive summary

[Land Disposals Tax \(Wales\) Act 2017: Independent review](#) (PDF 2 MB)

10 Update on the Interparliamentary Finance Committee Forum

(12.00–12.15)

(Page 276)

Supporting documents:

FIN(6)–14–23 P11 – Update on the Interparliamentary Finance Committee Forum

11 Update on the Senedd Cymru (Members and Elections) Bill – Expert Adviser and evidence sessions

(12.15–12.30)

(Pages 277 – 278)

Supporting documents:

FIN(6)–14–23 P12 – Update on the Senedd Reform Bill

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



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: RE/205/2023

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA
SeneddFinance@senedd.wales

12 September 2023

Dear Peredur,

I am writing regarding the timetable for the 2024-25 Welsh Government Budget.

Before the summer recess, the Trefnydd and I indicated the Welsh Government's intention to publish the Budget on 12th December, with the proviso that the date was subject to the timing of the UK Government's Autumn Statement.

The Chancellor of the Exchequer confirmed in Parliament on 5th September that his Autumn Statement would not take place until Wednesday 22nd November. This is when we will learn details of our Budget settlement for the 2024-25 financial year. While I appreciate this will be disappointing to the Senedd, it is no longer possible for us to publish a Draft Budget within the timetable indicated previously.

We would judge that given the potential for significant changes arising from the UK Budget, it would not be possible to produce robust spending plans within the original timetable. Nor would we wish to set plans in advance of the Autumn Statement due to the risk of adverse impacts on delivery partners who may make their own plans based on incorrect assumptions.

The Trefnydd has written to Business Committee to seek the Committee's agreement to the draft Budget being published on Tuesday 19th December, which will provide Welsh Ministers with the absolute minimum of 3 weeks and 4 days needed to prepare spending plans and compile the Budget documentation and supporting tables. This timeframe seeks to achieve the most workable balance between the time required to produce the Draft Budget, for its scrutiny, and to ensure we provide funding certainty to our delivery partners and stakeholders before Christmas.

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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.

I am mindful of the impact this will have on the time available to scrutiny committees to scrutinise our spending plans. It will mean adopting a similar timeline to those in several of the years since the UK government moved to an Autumn fiscal event, with 6 weeks and 4 days being available for Members to scrutinise the Budget before Senedd Committees publish their reports on Monday 5th February. The scrutiny period will necessarily include 3 weeks of Christmas recess.

As we have discussed, the constrained timescale has a similar impact on the time available for Welsh Ministers to develop their spending plans, and this is especially relevant in a year featuring significant inflationary pressures. Nevertheless, Ministers will continue to provide the fullest explanations of their decisions and their impacts in the limited time available to them.

I intend to schedule the debate on the Draft Budget for Tuesday 6th February. The planned dates for the publication of the Annual Budget and for it to be debated will remain unchanged on 27th February and 5th March respectively.

I will make a statement as soon as possible on the Draft Budget in the first sitting week in the New Year. I would be very grateful for your cooperation in circumstances which are again influenced by factors beyond our control.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a large initial 'R'.

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



Annual Report and Accounts 2022-23

The Annual Report for the year ended 31 March 2023 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 2022-23:

- 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; and
- the priorities set out in the Plan for 2022-23 have been substantively achieved.

The Accounts for the year ended 31 March 2023 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 2023. 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.

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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 a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

Snapshot of the year

April

Published findings and a data tool on unplanned, urgent and emergency care provided by [healthcare services across Wales](#). The data tool confirmed a system under real pressure with patients having to wait for long period of times and high staff absence rates.

Undertook a [follow up review](#) of the Shared Resource Service collaboration across Blaenau Gwent, Monmouthshire, Newport, and Torfaen Councils, the Police and Crime Commissioner for Gwent and the Chief Constable of Gwent Police.



May

Ahead of implementation in September 2022, published our report on the Welsh Government's preparations for the [new Curriculum for Wales](#) highlighting that whilst the co-design had worked well, it was initially developed without assessing direct or opportunity costs.

Set out findings from a high-level review of how NHS Wales is [tackling the backlog of patients](#) waiting for planned care. The report highlighted that due to staff shortages and recruitment challenges, additional funding alone would not solve the problem.



June

Launched our new strategy - [Assure, Explain, Inspire Our Strategy 2022-27](#), setting out a five year vision to drive improvement and support Welsh public services at this critical time.

[Blogged](#) on our report - Direct Payments for Adult Social Care, the blog highlighted the vast variances in the systems and support across Wales and councils still grappling with limitations in data and evaluation to assess overall value for money.



July

Outlined the challenge for [National Parks in Wales](#) to balance encouraging tourism with conserving the natural environment.

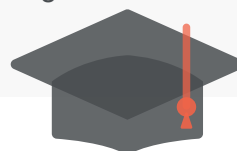
Provided an update on the implementation of the [Welsh Community Care Information System](#), including writing to the Chair of the Senedd Public Accounts and Public Administration Committee highlighting the programme was at a critical phase.



August

Published a public interest report highlighting serious failings of financial management and governance at [Maesteg Town Council](#).

Our updated [NHS Wales Finances data tool](#) reflected the impact of the pandemic on NHS funding and NHS bodies' current financial positions, with three health board breaching financial duties again.



September

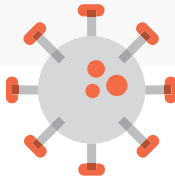
Following qualification on the Welsh Government's consolidated accounts for 2020-21, published a public interest report on [payment to the Welsh Government's former Permanent Secretary](#).

Set out our equality, diversity and inclusion objectives for the next four years, and the steps we plan to take to deliver these objectives in our [Joint Strategic Equality Plan 2022-2026](#).

October

Prepared a memorandum for the Public Accounts and Public Administration Committee setting out additional information on the [COVID-19 business support in 2020-21](#), and to support the scrutiny of the Welsh Government Consolidated Accounts 2020-21.

Identified £6.5 million of fraud and overpayments in the [National Fraud Initiative 2020-21 report](#); mainly related to council tax single person discount, housing benefit, applications for social housing and claims for COVID-19 business support grants.



November

Following on from two in person [shared learning events](#), published a report and data tool looking at the challenge of [poverty in Wales](#) and how the government is responding to the growing numbers affected.

The Auditor General spoke at CIPFA [Public Finance Live Cymru \(Wales\) 2022](#) about the future of public sector audit in Wales, the urgent need to invest to tackle decarbonisation and the role of Audit Wales in addressing the challenges faced by public services across Wales.

January

Hosted a successful shared learning event bringing together people from various different sectors to discuss issues on the topic of [Equality Impact Assessments](#) and how when done well they are more than a means to show compliance.

The Senedd Finance Committee appointed Dr Kathryn Chamberlain as a Non-Executive Member and the new Chair of the Wales Audit Office Board.



February

Through routine audit work highlighted that urgent action was needed to tackle dysfunctionality within the Board at [Betsi Cadwaladr University Health Board](#).

Attended the Senedd Public Accounts and Public Administration Committee to brief it on findings from our examination of the [Welsh Government's purchase of Gilestone Farm](#).

December

Published a report considering the challenge of alleviating and tackling poverty through how local authorities are working to grow and make the most of Social Enterprises - a [missed opportunity](#).

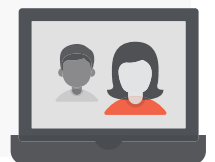
Summarised our findings in the areas where we have undertaken more detailed Assurance and Risk Assessment work at local authorities, including [Blaenau Gwent County Borough Council](#), [Rhondda Cynon Taf County Borough Council](#) and [Carmarthenshire County Council](#) – [progress update on carbon reduction](#).



March

Left our Cardiff offices in Cathedral Road to move to new offices in Capital Quarter, providing a more modern, cost-effective and environmentally friendlier workspace – reflecting our adoption of hybrid working, reducing our costs and our carbon footprint.

Published a [Digital inclusion report](#), a different style of report providing a high-level overview of Welsh Government policy, strategy and investment. The report was accompanied by a set of key questions for public bodies to support local planning and scrutiny.



Contents and readers' guide

Performance Report

A review of our work in 2022-23, including an analysis of our delivery and performance, and our position at the end of the year.

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

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Performance Report

A review of our work in 2022-23, including an analysis of our delivery and performance, and our position at the end of the year.

A handwritten signature in black ink, appearing to read 'Adrian Crompton', positioned above the printed name.

Adrian Crompton

Auditor General for Wales and Accounting Officer

8 June 2023

Performance overview

We are pleased to present our Annual Report and Accounts for 2022-23.

Statement from the Auditor General

I am pleased to present our Annual Report and Accounts for 2022-23.

Alongside our financial and accountability statements, this Annual Report and Accounts provides an overview of the progress we made on delivering the audit work programmes set out in our Annual Plan for 2022-23.

This year marked the first year of our new strategy and it has been rewarding to see the progress we have made towards achieving our strategic ambitions, underpinned by a relentless focus on improving the quality and impact of our work.

The bleak outlook for public finances in Wales combined with high inflation and the economic and social impacts for austerity has had a significant impact on the finances and spending power of public bodies in Wales.

This is why audit plays such a vital role in providing the public, politicians, decision makers and influencers with the information and assurance they need about how effectively public money is being spent.

Our core work – auditing the financial statements of public bodies - is more important than ever and improving the quality of our work is a priority. During the year we have continued to invest in applying new methodologies and quality management arrangements.

Our value for money studies work has continued to reflect the big challenges facing the country, and our new forward work programme was adopted to guide our work for the next three years with a focus on:

- tackling inequality
- responding the climate and nature emergency
- service resilience and access
- well-managed public services

We have sought to increase the impact of our work and reach new audiences by using data tools, interactive reports, infographics, webinars and blogs, while increasing our engagement online through our website and social channels and in the media.

I am pleased to present a selection of case studies designed to give greater insight into some of our work and the impact it has made.

As always, I must pay tribute to the professionalism, dedication and commitment of all Audit Wales staff throughout the last 12 months. Everything that we have achieved is thanks to them.



Adrian Crompton

Auditor General for Wales

Statement from the Chair

I would like to present this Annual Report and Accounts by first thanking everyone for their warm welcome as I begin my tenure as Audit Wales chair.

It has been reassuring to see the significant progress that has been made over the past 12 months and the leadership undertaken notably by my predecessor, Lindsay Foyster and fellow board colleagues.

Audit Wales is not immune to the funding pressures faced by the rest of the public sector. In the last few years, we have delivered significant savings through, for example, reform of our Travel & Subsistence arrangements, reduction in travel costs, and changes to our physical estate. With 84% of our budget being staff costs, the scope for further significant non-staff savings is limited and so the financial sustainability review we launched in 2022-23 aims to ensure the business is operating in the most efficient and effective way possible.

We will continue to ensure our ways of working embrace the opportunities of hybrid, flexible workplaces. It has been pleasing to see people return to more in-person working and I look forward to that continuing during the year ahead.

Our Future Workplaces project has seen the organisation move from its old premises on Cathedral Road in Cardiff to new base in Capital Quarter, providing our staff with a more modern, flexible office premises. Not only was the move expertly project managed, but the engagement with staff at all stages of the process was excellent and I am sure reflected in the overwhelmingly positive reaction from colleagues to the move.

The challenges that we have all faced in our personal and professional lives over the past few years will have had some influence on the disappointing feedback in the last year's People Survey. As incoming Chair, it is my number one priority to change that picture. Given that Audit Wales does vital, high-profile work, has a strong external reputation, and looks after its staff exceptionally well, I am confident we will do that. I have already seen the determination and positive work of many colleagues to respond to last year's Survey results and I will ensure that Board is very much involved in those efforts.



Dr Kathryn Chamberlain

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 285 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.

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

- 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.

6 Together, as Audit Wales, we audit nearly £26 billion of income and expenditure, which is over a quarter of Welsh GDP.

Our core work

Core work

<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 £1.8 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>

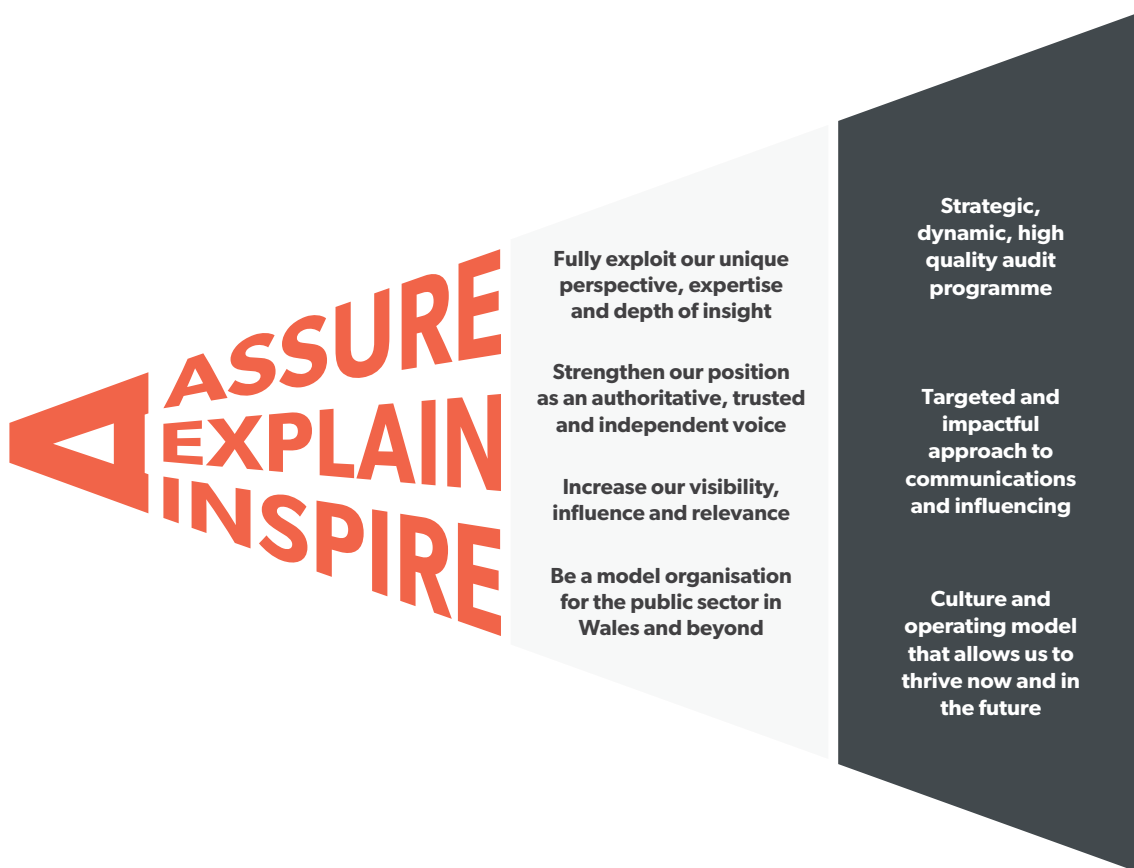
Core work

<p>Setting the overall budget of £24.3 million and charging fees for audit work</p>	<p>Employing around 290 staff and managing a diverse range of physical and information assets</p>	<p>Providing strong leadership and embedding our values and behaviours</p>	<p>Monitoring the exercise of the Auditor General's functions and providing him with advice</p>

- 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:
 - our role, purpose and strategic ambitions;
 - how we follow the public pound in Wales;
 - our operating environment;
 - our planned programmes of work, priorities and how we plan to achieve them; and
 - how we measure and report on our performance.



- 9 Assure, Explain, Inspire: Our Strategy 2022-27 describes 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 in Wales. It sets out our vision to increase our impact by:
- fully exploiting our unique perspective, expertise and depth on insight;
 - strengthening our position as an authoritative, trusted and independent voice;
 - increasing our visibility, influence, and relevance; and
 - being a model organisation for the public sector in Wales and beyond.
- 10 Our Annual Plan sets out the work programmes and priorities for the Auditor General and Wales Audit Office in three key focus areas:
- strategic, dynamic and high-quality audit programme;
 - targeted and impactful approach to communications and influencing; and
 - culture and operating model that enable us to thrive both now and in the future.
- 11 The breadth of our audit work across the Welsh public sector and devolved policy areas, our place as part of a wider UK and international accounting and audit profession, and the impact of wider changes in society, all contribute to a complex operating environment for Audit Wales.
- 12 Our Annual Plan 2023-24 sets out the key challenges and opportunities within this context. The Performance Analysis section of this report sets out the key risk areas outlining the impact to delivery of our work programmes. Further information on our risk profile, how those risks changed and were mitigated can be accessed via our published Board minutes.
- 13 Our planned work broadly divides into two work programmes – audit delivery and running the business. Our Annual Plan for 2022-23 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 monitored closely by our Executive Leadership Team and Board. The Performance Analysis section of this Report summarises that progress.

Performance summary and indicators

- 14 During 2022-23, the exercise of our functions was broadly consistent with the Annual Plan prepared for the year.
- 15 In our Interim Report, we had already provided a mid-year update on progress made over the period 1 April to 30 September 2022 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:
 - commentary on the delivery of our main work programmes in 2022-23;
 - detail on the progress we made towards achieving the areas of focus set out in our Plan for 2022-23;
 - case study examples of our work and its impact; and
 - some high-level narrative on how we used our resources in 2022-23, which serves as our Sustainability Report.
- 17 Our Annual Plan for 2022-23 included a framework of key performance indicators (KPIs) and associated targets. Overall, in 2022-23 we achieved or were close to achieving our targets for 11 of the 18 indicators.
- 18 This reflects the strategic risks and challenges highlighted in this report, and mitigating actions are being put into place to address performance in the areas where improvement is required.

End of year position on achieving our 2022-23 KPI targets

Audit delivery KPIs

No	Indicator	Description	2019-20 Target	2019-20 Return	2020-21 Target	2020-21 Return	2021-22 Target	2021-22 Return	2022-23 Target	2022-23 Return
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.			100%	98%	100%	98%	100%	84%
		Number of key audit products delivered on time.	95%	93%						
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.			90%	92%	90%	93%	90%	82%
		Number of national reports published.	18	18						
	Quality	Proportion of reviewed audits that are delivered in accordance with Financial Reporting Council (FRC) quality standards.			100% sampled assessed as satisfactory or above, and 90% as good or above	100% and 100%	100% sampled assessed as satisfactory or above, and 90% as good or above	100% and 75%	100% of sample assessed as in the highest two audit quality categories	86% ¹
		Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies	90%	98%						

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

¹ we are showing a combined quality score for both FA and PA. Quality for our accounts work is 100% and for Performance Audit is 67%.

No	Indicator	Description	2019-20 Target	2019-20 Return	2020-21 Target	2020-21 Return	2021-22 Target	2021-22 Return	2022-23 Target	2022-23 Return
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%	96%	At least 90%	95%	At least 90%	85% ²
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%	89%	At least 80%	96%	At least 80%	71% ²
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.			At least 80%	84%	At least 80%	91%	At least 80%	81% ²
		Percent positive stakeholder survey score for how well we are perceived to be delivering our ambitions	85%	61%						
	Potential financial impacts	Value of potential savings, income, productivity gains and other financial benefits identified through our work.	At least £30 million during 2018-2021	£17.7 million during 2018-2020	At least £30 million during 2018-2021	£42.2 million during 2018-2021	At least £30 million during 2019-2022	£35.6 million	At least £30 million during 2020-2023	£32.0 million

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

2 During quarter 1 of 2023 for the first time, we used an independent research company to obtain stakeholder feedback on our behalf. This included both quantitative and qualitative research resulting in a wider and deeper analysis of our impact than previous internal processes.

No	Indicator	Description	2019-20 Target	2019-20 Return	2020-21 Target	2020-21 Return	2021-22 Target	2021-22 Return	2022-23 Target	2022-23 Return
8	Good practice events	Proportion of stakeholders who rated the events useful or very useful					At least 90%	98%	At least 90%	100% ³
		Proportion of attendees of our seminars and webinars who rated the events useful or very useful	At least 90%	93%	At least 90%	100%				
		Proportion of website visits where at least one action is performed eg download a report, click on a video	At least 50%	25%						
6	Website visits	Number of visits to our website where at least one action is performed e.g. download a report, click on a video	30,000	32,955	25,000 each year	28,462	25,000 each year	46,800	35,000 each year	44,927
	Social media	Number of social media engagements i.e. interactions with our posts such as a like, a comment, or a retweet/share.			1,300 each year	4,890	1,300 each year	3,800	3,000 each year	4,170
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	60	50 each year	61	50 each year	65 ⁴

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

3 Since the Covid lockdowns less in person events have been held and it has been difficult to obtain qualitative feedback from attendees. The KPI figure is therefore based on a very small number of returns but is supported by positive qualitative feedback.

4 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	2019-20 Target	2019-20 Return	2020-21 Target	2020-21 Return	2021-22 Target	2021-22 Return	2022-23 Target	2022-23 Return
12	Employee Engagement	Percent positive annual staff survey engagement index score (aligned with that for the Civil Service People Survey)	Top decile score for CSPS	69%	At least the top 10% score for the latest CSPS	70%	At least the top 10% score for the latest CSPS	64%	At least the median benchmark score for the latest CSPS	60% ⁵
13	Employee Experience	Percent positive annual staff survey thematic employee experience scores	Top decile for the CSPS	Suite of scores were published separately	At least the top 25% scores for the latest CSPS	2 out of 10 themes scores in top 25%	At least the top 25% scores for the latest CSPS	0 out of 10 theme scores in top 25%	At least the median benchmark scores for the latest CSPS	2 out of 9 ⁶ themes scored higher than the benchmark
14	Sickness absence	Average working days lost per member of staff per annum	Less than six days	5.8 days	Less than six days	6.1 days	Less than six days	5.8 days	Less than six days	6.6 days
5	Financial balance	Level of variance in gross expenditure from that set out in our Estimate for the current year	Within 2% of budget	Within 0.5% of budget	Within 2% of budget	1.70%	Within 2% of budget	1.70%	Within 2% of budget	0.8%
6	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business	£574,000	£681,000	£1.3 million	£2.1 million	£1.3 million	£1.7 million	£1.4 million	£1.46m

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

5 The CSPS 22 median engagement score is 65%.

6 We scored higher than the benchmark in two of the themes: Pay and benefits and Inclusion and Fair treatment. The remaining themes are My work, Organisational objectives and purpose, My manager, My team, Learning and Development, Resources and workload and Leadership and managing change.

No	Indicator	Description	2019-20 Target	2019-20 Return	2020-21 Target	2020-21 Return	2021-22 Target	2021-22 Return	2022-23 Target	2022-23 Return
17	Greenhouse gas emissions	Total CO2 equivalent emissions	Less than 450 tonnes	345 tonnes	290 tonnes	96.4 tonnes	300 tonnes	500 tonnes	"20% reduction on a recalculated 2019-20 baseline (581.5 tonnes - outturn of 465.2 needed)"	287 tonnes ⁷ -
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%	86%	At least 90%	83%	At least 90%	68.4%

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

7 Supply chain emissions are not included for monitoring targets. Recalculated emissions for baseline include buildings, business travel, commuting, homeworking and waste, and well-to-tank emissions. Figures for commuting and homeworking were not measured in baseline year so we used Oct 22 travel survey outputs to estimate this data. Commuter emissions have also been estimated in 2023 due to insufficient data available. We amended figures in Q4 to reflect change in work patterns since the travel survey and to adjust for possible double-counting. We aim to make improvements to the reporting of these emissions in 2023-24.

Performance analysis

19 This section sets out a detailed view of Audit Wales’s performance in 2022-23. It provides commentary on the delivery of our work programmes alongside an overview of the key challenges and opportunities faced by Audit Wales. A detailed review of progress against our agreed areas of focus and selected case studies set out examples of our delivery.

Commentary on the delivery of our work programmes

Audit work programme

20 In spring 2022, we consulted on our work programme. We used the consultation to inform new work in 2022-23 and alongside our 2021 Picture of Public Services analysis, we used this insight to shape an indicative medium-term programme of performance audit work that sits alongside our annual audit of accounts at over 800 public bodies in Wales.

21 Our audit programme for 2023-26 will be focused on four themes:



Tackling inequality



Responding to the climate and nature emergency



Service resilience and access



Well-managed public services

Local audit work

- 22 Our audit of accounts work continues to be 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.
- 23 We are pleased that our 2022-23 programme was substantially completed in line with our targets for the year, despite this the programme was delivered against a challenging backdrop that impacted both ourselves and our audited bodies.
- 24 These challenges included high levels of demand for professional services staff resulting in volatility in recruitment market; ever increasing audit quality expectations of the work of auditors; different ways of working as society explores how we should operate in a post-pandemic environment; and severe financial pressures that impact the public sector and the whole economy.
- 25 All but one of our audits of NHS bodies' accounts were completed by our target of 17 June 2022. The one exception was the audit of Betsi Cadwaladr University Health Board, and further commentary on this audit is covered within a case study covered later in this report.
- 26 Our local government audits were completed later than in previous years as these audits were affected by a technical issue⁸ that impacted the accounts preparation and audit of local government bodies in Wales, England and Scotland. As a result, we agreed a revised target with the Welsh Government of 31 January 2023 for the completion of local government audits: 72% of those audits achieved that date. Where that target was not achieved, this was as a result of varying local circumstances rather than any single issue impacting our audited bodies or ourselves.
- 27 As in previous years most of our audits of central government accounts were completed by the end of September 2022, although there is no single target date for the completion of that work. In particular, the audit of the Welsh Government 2021-22 accounts was completed by 12 December 2022, which was significantly earlier than the audit of the 2020-21 accounts.
- 28 In the reporting period, we are undertaking grant certification audit work on £1.5 billion of government funding.

8 For further information please see [The Local Authorities \(Capital Finance and Accounting\) \(Wales\) \(Amendment\) Regulations 2022](#).

- 29 In overall terms, we experienced increasing pressure on audit teams as a result of wide-ranging accounting and audit issues and some significant governance issues which have had wider implications for financial reporting.
- 30 During the year, we again shaped our local performance audit work to concentrate on issues of the most relevance to the current and evolving challenges facing our audited bodies. This included work across health and social care in respect of timely discharge from hospital, use of performance information and digitisation of service delivery in local government, NHS workforce planning and the establishment of Corporate Joint Committees.
- 31 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

- 32 Our national work programme has continued to retain a degree of flexibility to respond to changing circumstances, priorities and issues of public or parliamentary concern.
- 33 Our [snapshot of the year](#) features examples of our national report outputs, and [case studies](#) feature our responsive public interest reports including on a payment to the Welsh Government's former Permanent Secretary on termination of employment, and the board effectiveness at Betsi Cadwaladr University Health Board. Our case studies also reference our work on poverty, on climate change, and on learning from cyber-attacks.
- 34 Other notable examples of work completed include:
- our work on the [NHS waiting list backlog](#) which provided fresh insight by modelling how long it will take to return the waiting list to pre-pandemic levels while also setting out clear areas for action by the NHS and Welsh Government to help accelerate waiting list recovery and create a more sustainable position. We also focused on the most challenging specialty in our report on [orthopaedic services](#).
 - our report on [Equality Impact Assessment](#), which looked across our audited bodies and drew out seven key improvement areas at a time when the Welsh Government was also embarking on a review of the Public Sector Equality Duty Wales specific regulations. We were pleased to hear positive feedback about our report from key stakeholders and followed it up with a well-attended and thought-provoking good practice event.
 - we provided a commentary on the [Welsh Government's purchase of Gilestone Farm](#) in Powys amid wider public and political interest. Our work focused on the process leading up to acquisition in March 2022 rather than the Welsh Government's ongoing consideration of plans for the site but is informing ongoing scrutiny by the Public Accounts and Public Administration Committee.
- 35 Overall, we delivered 25 national report outputs of various types in 2022-23. **Appendix 2** provides an up-to-date list of work completed during the period and work in progress at 31 March 2023.
- 36 We have published further details about national work in progress in a paper on our [work programme for 2023-2026](#). That paper also includes details about other work that we intend to start during 2023-24 and about indicative topics for work to start in 2024-25 or 2025-26.

Supporting effective scrutiny and accountability

- 37 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 2022-23, the outputs from our work supported 19 formal meetings of the Committee.
- 38 Similarly, we continued to attend the Audit and other Scrutiny Committee meetings of most public bodies. Some of these are being held in person, while many have continued to use video communication platforms.
- 39 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

- 40 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.
- 41 Over the course of the year, our programme of shared learning events focused on topics that are common across public services. We reinstated our in-person events which shared examples of innovation, new approaches and points of interest as well as via our regular streams of online events, podcasts, videos and blogs.
- 42 A core part of our work is to bring people together to share ideas and knowledge. To further this aim, we have created a series of monthly 'Sgwrs a Paned' sessions which provide an informal online space for people across public services to network, make connections and build relationships as well as learn something interesting from our guest speakers. Each month showcases different organisations and how they are making a difference to the people of Wales.
- 43 Good Practice events over the last 12 months have included:
 - Making Equality Impact Assessments more than a tick box exercise
 - Tackling Poverty in Wales: responding to the challenge
 - Responding to the Climate Emergency in Wales
 - Direct Payments Provision

- 44 All the material shared in 2022-23 can be accessed via the [Good Practice](#) section of our website.

Audit quality

- 45 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.
- 46 In 2022-23, we continued to invest in developing and applying our new audit methodologies and quality management arrangements. This work has included:
- adopting INTOSAI⁹ auditing standards to our performance audit work – these internationally recognised standards required us to revise our audit approach, supported by a completely new online audit manual. The adoption of these standards aims to support and enhance audit quality and contribute to long term change across public bodies. During 2023-24, we aim to align the new audit manual with our new cloud-based IT platform for audit work.
 - implementing a new audit of accounts approach in response to the revised International Standard on Auditing 315 (UK)¹⁰. We have worked in partnership with Northern Ireland Audit Office to develop the approach, sharing knowledge, skills, and resources. The revised standard aims to drive a more consistent risk assessment, improve audit quality, and promote the exercise of professional scepticism. Our approach, therefore, places a greater emphasis on audit risk, supported by data analytic tools and the full roll out of a bespoke cloud-based IT system.
 - introducing new Financial Reporting Council (FRC)¹¹ quality management standards. We have implemented a new system of quality management which involves much more of a robust quality risk assessment. We are making good progress with our ambitions to have joint audit of accounts and performance audit quality related policies and procedures.
 - strengthening our audit quality regime by extending 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) upon successful completion of the pilots during 202-22.

9 International Organisation of Supreme Audit Institutions.

10 International Standard on Auditing 315 (UK)- Identifying and Assessing the Risks of Material Misstatement (Revised July 2020).

11 The FRC regulate auditors, accountants, and actuaries in the UK. They set high standards of corporate governance, financial reporting, and auditing standards to serve the public interest.

- 47 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 2023-24.
- 48 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.

Annual Report Year	Percentage of reviews assessed as generally acceptable or above
Target	100%
2022-23	86%
2021-22	75%
2020-21	100%

- 49 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 are enhancing our project learning arrangements, embedding reflection within audit processes, and developing a new project learning interface. We are introducing 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.
- 50 More Information about our audit quality arrangements can be found on the [Openness and Transparency](#) page of our website.

Running the business

- 51 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 2022.
- 52 Our priorities over the last 12 months have focused on setting our strategic direction, implementing changes to our workplaces and adapting the ways we work to support staff to work flexibly, in their delivery of effective and efficient services. Conscious of our responsibility to other parts of the public sector to contain our own operating costs, we set out and subsequently met challenging savings targets and implemented significant changes to our travel scheme which is delivering significant savings, and environmental benefits.
- 53 In June 2022 we published Assure, Explain, Inspire: Our Strategy 2022-27 which sets out the priority actions we need to take to deliver our overarching ambitions. We have worked to ensure this strategic direction is reflected and embedded in our organisation wide, business unit and team plans.
- 54 Our future estate and ways of working has been a significant focus for the last 12 months. We have extended the lease on our West Wales office and relocated our Cardiff office to smaller, more energy efficient, and accessible premises in Cardiff. We have continued to assess how our assets around Wales are enabling us to deliver our best audit work while also making a significant contribution to our net zero ambitions. In March 2023 we agreed proposals to seek alternative arrangements for our North Wales office to better meet business need whilst delivering cost and environmental improvements.
- 55 We have invested in the training and development of our audit staff, supporting our trainees to achieve their qualifications, upskilling staff in preparation for the implementation of new professional standards and working practices and continued provision of an extensive L&D programme to further develop capability.
- 56 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](#).

Challenges and opportunities

- 57 We monitor wider developments relevant to our audit work programme and running of the business. This includes consideration of risks to our delivery but also areas of opportunity for our work programme. This year the Executive Leadership Team and WAO Board undertook a joint 'blank sheet' review considering the internal and external environmental, and topics identified through horizon scanning to identify threats or opportunities that could affect delivery of our strategic objectives and core business.
- 58 Challenges identified through that review and issues emerging or amplified over the past year include:
- The way our work is funded means that we must be mindful of our own costs while also managing the impact of inflationary pressures. However, it is vital that we maintain the high quality of our audit work, discharge effectively the various powers and duties placed on the Auditor General and meet the standards that the public and its representatives have a right to expect from an independent national audit body. Conscious of our responsibility to other parts of the public sector to contain our own operating costs, we have achieved challenging savings targets and established a financial sustainability review to ensure that the business is operating in the most efficient and effective way possible.
 - New auditing requirements require a change in our skill mix for our audit of accounts work and increase the costs of that work. However, we also face competition from the wider accounting and audit profession where we are seeing evidence of pay rates increasing markedly, particularly in the private sector. This continues to present significant challenges for our ability to recruit and retain suitably qualified staff within our funding constraints.
 - Like many public bodies, we have seen a significant and likely permanent change in the way we work and the balance between office-working, home-working, and on-site audit activity at other locations. In 2022-23 we returned to office-based operations while maintaining the flexibility of remote working and relocated our Cardiff office to smaller, more energy efficient and accessible premises. We continue to assess how our assets around Wales are enabling us to deliver our best audit work while also making a significant contribution to our net zero ambitions.

- The pandemic, combined with other resourcing pressures, has impacted on the timetable for the delivery of our annual accounts audit work and we will be dealing with the legacy of this through 2023-24 and beyond.
 - Audit quality is always a key focus for us, but especially over the reporting period as leading firms globally have been facing record fines for deficiencies in their audit quality. We have invested in our technical support function and have focused on developing our audit approaches through implementing new risk-based standards for our audit of accounts work and introducing new professional standards for our performance audit work. We are supporting these new approaches with bespoke IT platforms and are providing our audit teams with the learning and development programmes needed to use these tools and approaches to achieve high standards of audit quality.
 - In 2022-23, the Welsh Government consulted on extending the well-being duty under the Well-being of Future Generations (Wales) Act 2015 to a further eight public bodies. We have been liaising with the Welsh Government about the practical and resource implications of discharging the Auditor General's duties under the Act in the current (2020-2025) reporting period. Meanwhile, with EU funding programmes coming to an end in December 2023, we will continue to plan for the impact of no longer auditing the EU funds that support farmers and agriculture.
- 59 The Governance Statement section of this Report provides an account of our risk management in 2022-23 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](#).

Areas of focus

60 In response to our operating environment and to help us in achieving our ambitions, for 2022-2023 we identified six areas of focus for our audit delivery and five areas of focus for our running of the business. This section summarises our progress.

Audit delivery

Area of focus	What has been delivered
<p>Further develop our operating model, including by:</p> <ul style="list-style-type: none"> • 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. 	<p>As reported in our Interim Report, the new Research and Development team has supported us in our ambition of delivering a strategic, dynamic and high-quality audit programme. Among other things, the team has:</p> <ul style="list-style-type: none"> • brought together horizon scanning from across the organisation to inform potential areas where the impact of our work can add value; • analysed the responses to our work programme consultation; • strengthened its external networks; and. • supported development of our updated performance audit delivery manual. <p>Since the removal of COVID-19 restrictions in Wales, we adopted a hybrid working model and clarified how we expected our audit teams to operate. Teams trialled working in collaborative spaces, in activity settings in our regional offices, in hubs and from home, visiting client premises only when appropriate. We have continued to adapt, and our experience has informed decisions about future accommodation needs, including around the location, size, and design of our new Cardiff office in Capital Quarter – see case study 5, Cardiff office move.</p> <p>We have developed aspects of our operating model, including around our approach to regional risk assessment across health and local government and some streamlining of our relationship management model for audited bodies. We paused other prospective developments given wider staffing pressures and while we gave priority to bringing forward audit deadlines for our accounts work.</p>

Area of focus	What has been delivered
<p>Develop our work programme, to include:</p> <ul style="list-style-type: none"> • 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. 	<p>During the year, we shaped an indicative medium-term programme of performance audit work for the period 2023-2026 (see also paragraphs 32-36 and Appendix 2), informed by our consultation in spring 2022 and the generally positive responses we received.</p> <p>We set out proposals to change the way our work is funded as part of our consultation on fee scales for 2023-24. However, we decided not to pursue those proposals for 2023-24 but will continue to explore the opportunity for a change to give improved flexibility to examine more cross cutting and whole system issues.</p> <p>We also liaised with the Welsh Government around its consultation on extending the coverage of the well-being duty under the Well-being of Future Generations (Wales) Act 2015. The planned extended coverage has practical and resource implications for our work programme but was not enacted from 1 April 2023 as originally proposed. We await confirmation of the revised timetable for implementation.</p> <p>As outlined in more detail in case study 6, we developed our audit approaches through implementing new risk-based standards for our audit of accounts work – in accordance with ISA (UK) 315; and introducing new professional standards for our performance audit work – in accordance with INTOSAI quality standards. These revised audit approaches have been supported by bespoke audit platforms. The launch of these new approaches and platforms is being underpinned by extensive learning and development programmes to equip our audit teams with the knowledge and confidence they need to achieve high standards of audit quality.</p> <p>Although affected by wider resourcing pressures, work on our audit outputs focused on some of the products that are part of our annual audit cycle for individual audited bodies. We developed some new proof of concept designs, but these are still to be confirmed and rolled out.</p>

Area of focus	What has been delivered
<p>Develop more efficient, accessible, and where appropriate, automated management information processes, including implementation of a new time and resource management system.</p>	<p>Our main focus has been the development and implementation of a new software solution – ‘Hubplanner’ – to enable robust and efficient time and resource management. The system went live in October 2022.</p> <p>We are already seeing benefits from the system for our day-to-day financial reporting. The next stage of this project, reflected in one of our Annual Plan 2023-24 priorities, is focusing on embedding the system. This includes further consideration of how we use the system to best effect to support our forward planning. Alongside this we have been piloting an approach to track the delivery of audit projects using a Microsoft 365 app that we have developed for project teams.</p>
<p>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.</p>	<p>Our Audit Wales Workforce Strategy 2020-25 sets out a clear vision for our staff – ‘to develop a capable and diverse workforce that is motivated to deliver our purpose and ambitions and reach our full potential’. Work has progressed within Audit Services to develop a workforce plan that will support the achievement of these ambitions. Audit Services staff have also supported wider organisational developments around our recruitment approach.</p> <p>A key focus during the reporting period concerned planning for the different and additional staffing demands arising from implementing new risk-based standards for our audit of accounts work (see previous update above). We also started an internal review of our audit trainee scheme and piloted an approach to assess the knowledge and experience of our staff in some key areas to inform future planning.</p> <p>Our Audit Development and Guidance team has also been working closely with our HR team to develop a clearer forward plan for learning and development that encompasses audit skills alongside soft skills. As noted below, we have also developed a new Digital Skills Framework for the whole organisation.</p>

Area of focus	What has been delivered
<p>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.</p>	<p>Over the reporting period, we have worked with other UK audit agencies in the Public Audit Forum (PAF) to share knowledge and experience; this includes having;</p> <ul style="list-style-type: none"> • collaborated with colleagues from the NIAO as part of a joint project to develop a new audit of accounts approach for 2022-23 and beyond; • shared learning on developments in IT audit approaches and IT audit skills; • shared experiences, plans and priorities focused on measuring the impact of audit work and digital communications; • worked with the agencies on understanding, designing, and developing data analytic tools and processes; and • discussed our respective interest and the role of audit in the ‘net zero’ agenda, including working together on the preparation of a pan-UK overview of policy and delivery arrangements (see Case Study 4 – reporting on climate change). <p>The PAF jointly responded to the Department for Business, Energy, and Industrial Strategy (BEIS) consultation on the future of the UK audit profession; we have had a series of conversations with the Treasury and the Welsh Government on potential developments, including the possibility of the quality of Audit Wales work becoming subject to oversight by a committee of the Senedd.</p> <p>We continue to build our institute relationships and have staff members sitting on Chartered Institute of Public Finance and Accountancy (CIPFA) Panels, advising on topics including the Code of Practice on Local Authority Accounting for the UK (LASAAC).</p>

Area of focus	What has been delivered
<p>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.</p>	<p>In April 2023, we celebrated our Data Analytics team having been in place for five years. The team is at the heart of Audit Wales’s drive to modernise our audit approach.</p> <p>In addition to publishing various PowerBI data tools to increase engagement with our work, key developments in data analytics have included:</p> <ul style="list-style-type: none"> • analytics Assisted Audit (AAA) – a suite of tools to data-enable our audit of accounts work. AAA is now embedded in all NHS audits, giving auditors easy access to financial data and automatically performing initial audit tests. • Health Risks Tool (HeaRT) – an interactive data tool to inform risk assessments at local health boards and trusts. HeaRT aims to enable data-led decisions on which risks to explore in our audits. • an innovative Community Pharmacy data pilot which uses millions of lines of data on dispensed medicines to flag outliers in relation to high cost and potential fraud. • community councils audit tool – this tool has ensured a standardised audit approach and provides valuable management information to help oversight of our 740 community council audits. • Companies House/Charity Commission tool – now a standard part of our accounts work, using network diagrams to explore public officials’ involvement in companies and charities. • evidence database – a tool that collates the evidence from surveys and interviews. It streamlines analysis by enabling filtering by topic or survey question and facilitates comparisons across sectors or organisations. • recommendations database – scrapes our website to compile a list of all Audit Wales recommendations. This helps us keep track of previous recommendations and helps inform future recommendations. <p>Other digital developments have included:</p> <ul style="list-style-type: none"> • successfully piloting a secure collaboration portal to collate audit information as well as requests to and responses from audited bodies. The portal will now be made available for all audits. • launching a bespoke Digital Skills Framework for Audit Wales that provides a wealth of digital skills resources and sharing our learning with external stakeholders. • publishing a national report about Digital Inclusion in Wales and sharing with audited bodies a report on learning from cyber-attacks (see Case Study 1 – Learning from cyber-attacks). • progressing discussions with relevant stakeholders about the potential for other new data matching activity

Running the business

Area of focus	What has been delivered
<p>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.</p>	<p>During the pandemic much of our decision making around staff wellbeing was guided by the principle 'self, family, work' recognising that we have a responsibility to ensure our workplace culture encourages positive behaviours and provides support networks for our employees.</p> <p>Building on from this principle, in September we launched our staff Wellbeing Strategy; the Strategy is designed around three themes of wellbeing that are at the centre of our aims for Audit Wales – Work Well, Live Well and Mean Well. It is supported by a delivery plan, including a wide range of activities and support for staff and managers including training, vlogs, seminars, and online advice.</p>
<p>Finalise our work on developing a five-year strategy and 'road map' for delivering our overarching ambitions, including ensuring:</p> <ul style="list-style-type: none"> • 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. 	<p>As reported in our Interim Report; in June we published 'Assure, Explain, Inspire: Our Strategy 2022-27' a bold new strategy setting out our five year vision to drive improvement and support Welsh public services as they adapt to the challenges and opportunities of a changing world.</p> <p>The strategy contains three building blocks where we believe we need to prioritise action if we are to achieve our ambitions. These areas of focus and the outcomes for each were developed through a series of staff workshops and engagement activities across the whole organisation, together with feedback from various external stakeholders.</p> <p>The actions and activities required by each team at Audit Wales to deliver against these building blocks have been identified and set out in business plans. Progress is reported to the Executive Leadership Team and Wales Audit Office Board via a quarterly integrated performance report which brings together key performance information including strategic risks to monitor progress towards deliver of actions that support the strategy.</p>

Area of focus	What has been delivered
<p>Finalise our work on developing proposals for meeting our future accommodation need, to enable a Board decision later in 2022-23.</p>	<p>In March we relocated from our Cardiff offices in Cathedral Road to new offices in Capital Quarter, providing a modern, cost-effective, and energy efficient working space, meeting our hybrid way of working needs, reducing both our costs and our carbon footprint (See case study 5).</p> <p>As we continue to evolve our hybrid ways of working, we will review all our accommodation needs. We have recently extended the lease of our West Wales office until 2025 but have taken the decision to terminate the lease on our North Wales office later this year and to find premises that better suit our business needs, provide improved value for money, and with greater energy efficiency.</p>
<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"> • 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. 	<p>The Wales Audit Office Board has made a commitment to embed the sustainable development principle in the way it runs the business and makes decisions. We have focused on applying the principle in the development of key plans and strategies including our five-year strategy, our revised travel and subsistence arrangements, our office accommodation needs and our ambition to achieve net zero emissions by 2023.</p> <p>We have developed a Travel Plan which sets out ways to travel responsibly, and to develop and promote the use of green and active travel to reduce our impact on the environment and support our emissions target.</p>

Area of focus	What has been delivered
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.	<p data-bbox="502 383 1487 506">In September we published our Strategic Equality Plan 2022-26, which sets out a fresh suite of objectives for equality, diversity, and inclusion.</p> <p data-bbox="502 517 1487 808">We are pleased with the progress we have made in the first year of the Plan, which will be publicly reported in Summer 2023. but we recognise that we still have work to do. We are committed to being an employer of choice and increasing the diversity of our workforce. We are endeavouring to ensure our work is accessible and inclusive, and internally we want to provide a culture in which everyone can thrive.</p>

Case study examples of our work

61 In this section, we provide case study examples of the work we delivered during 2022-23 and the impact that work has had. Our case study examples are grouped together by their alignment with the strategic themes in our five-year strategy.

Strategic, dynamic and high-quality audit programme

Case study 1: Learning from cyber-attacks

Previously in 2021, we produced a high-level report looking at the arrangements for cyber resilience across the Welsh public sector. This showed that cyber-attacks were a common and growing threat to public bodies, and we highlighted scope to strengthen resilience through clearer responsibilities, better planning and increased awareness and skills.

Following feedback from stakeholders on that work, and comments that we should do more in this important area; we produced a further report in October 2022, called 'Learning from cyber-attacks'. We researched recent cyber incidents and spoke to key individuals in organisations directly affected by cyber-attacks. The report used narrative from these people and highlighted the stark impacts that organisations and individuals can suffer when cyber security is breached. Recent incidents highlight devastating impacts, including long-term or total loss of IT systems.

We encouraged bodies we audit to learn from these incidents and prioritise an organisation-wide approach to cyber resilience. To avoid the risk of our report provoking cyber-attacks on Welsh public bodies, we did not publicly publish the report but instead shared it in confidence to be considered in private sessions of committees. It included seven lessons for senior leaders and those who scrutinise them and we promoted these lessons through presentations at local audit committees. Again, feedback from audited bodies has been positive, highlighting that the impact of our work has been important in raising the profile of this live, significant risk for the public sector.

Case study 2: Uncovering organisational failures at Betsi Cadwaladr University Health Board

Our audit work at Betsi Cadwaladr University Health Board during this reporting period uncovered significant failings with internal control and governance arrangements and demonstrates how close and integrated working across our financial and performance audit disciplines and an ability to respond with agility and rigour highlighted a range of serious issues within Wales's largest health board.

During our audit of the Health Board's 2021-22 accounts, we weren't provided with sufficient audit evidence to demonstrate that £72 million of expenses incurred but not paid in the year and £122 million of expenditure had been properly accounted for in the correct accounting period. The Health Board's inability to support the further audit work necessary to fully explore these issues ultimately resulted in a "limitation of scope" qualification being placed on their accounts. We made recommendations for improvement, which led to the Health Board commissioning an external review to establish the reasons for the errors. The NHS Wales Counter Fraud Team have also undertaken necessary investigations.

In addition, in late autumn 2022, our growing concerns about the functionality of the board led us to undertake an urgent and focused review of board effectiveness. The findings from that work were published in a [report in the public interest](#) in February 2023 which described how a breakdown in working relationships within the board was fundamentally compromising its ability to tackle the significant challenges the organisation faced. We described clear and deep-seated fractures with the Executive Team, problems with the style of scrutiny and challenge at board and committee meetings, and an inability to use board development work to create a more unified and cohesive board. We concluded that the problems we described were unlikely to be resolved without some form of external intervention. Since we published our report, the Health Board has been placed back in special measures and has seen significant changes to its board composition.

Targeted and impactful approach to communications

Case study 3: Good Practice Exchange – Tackling Poverty in Wales: responding to the challenge events

In October we held our first in-person events since the pandemic. The events in North and South Wales followed on from the publication of our [‘Time for Change - Poverty in Wales’ report](#) and brought together nearly 100 people from public services across Wales to share ideas, learning and knowledge on how organisations can respond to the challenges caused by poverty.

During the events, we showcased examples of projects and people making a real difference in tackling poverty in Wales and the UK; this included:

- exploring the cyclical links between mental health and poverty;
- a practical workshop on how people can develop ideas to solve social problems in the community through social enterprise and sustainable projects;
- talks by Purple Shoots Business Lending and Cardiff Advice Hub;
- considering the psychological impact of poverty through work in Gwent developing new ways of working alongside children and families to help others in their lives create the right psychological conditions to help them thrive;
- looking at the struggles of food poverty and ongoing work by Can Cook Wales Ltd to help make sure everyone who is hungry can receive a good, nutritious meal;
- heard from the 2025 Movement formed in 2015 with over 600 people and organisations working together differently to achieve long term change in North Wales to end avoidable health inequalities; and
- learnt how the North Wales Public Service Lab works with leaders across North Wales to end social inequality by working in partnership to define problems, co-create solutions and learn and share knowledge.

All outputs and presentations are available to [view on our website](#).

Case study 4: Reporting on climate change

Since [announcing](#) in 2021 a long-term programme of work in this key topic, we have completed several studies, including work on decarbonisation in councils and fire and rescue authorities, a national report on flood risk management, and two national reports on the collective ambition for a [net zero public sector](#) by 2030.

Our reports on net zero had an intentionally different look and feel as we wanted to use plain English to ensure senior leaders and those who scrutinise them were left in no doubt about the need for urgent action. To target different audiences, we produced a [key findings report](#) alongside a [detailed evidence report](#) and instead of recommendations, we made five calls for action across the public sector. We have spread our impact, through blogs and social media, and by presenting at numerous forums, including the Senedd's Climate Change, Environment and Infrastructure Committee.

Our report [A Picture of Flood Risk Management](#) also had a different look and feel; with several previous, ongoing, or planned reviews, we felt more recommendations would not be the best way to secure impact. Instead, we brought together key evidence to provide an overview of the main issues, including how significant long-term investment and difficult decisions will be needed; in some areas, the costs of maintaining flood defences could outweigh the benefits.

We presented our findings to the [Flood and Coastal Erosion Committee](#) and were pleased with the response from experts in the field. The Welsh Government said our report was incisive and balanced, bringing clarity to the key issues. We will consider revisiting this area over the next few years to see how well the Welsh Government, Natural Resources Wales and local authorities are responding to the issues we identified.

Culture and operating model that allows us to thrive now and in the future

Case study 5: Cardiff office move

In March 2023, we moved from our office in Cathedral Road to a new office in Capital Quarter, Cardiff. The move was part of our estates strategy and designed to find premises that better met our business needs, improved environmental performance to help towards our net zero ambitions, and realised cost savings. Our aim being to provide a flexible space to meet our evolving hybrid working, support audit quality, teamwork, and collaboration, as well as supporting staff wellbeing.

Alongside our formal options appraisal process, and review of a long list of over 30 properties, we engaged with staff to help select the office itself, consider wellbeing needs, and support the layout and design. We established an internal design panel, drawn from staff from across Audit Wales, who developed plans for our workspace to meet our evolving needs. We now have a range of workspaces including traditional banks of desks, creative collaborative spaces, and meeting places with high quality video conferencing facilities.

As a result of our move to a smaller premises with better environmental performance, we anticipate savings of over £200,000 per annum. We've supported our local economy, using Welsh firms to carry out the fit out works, and donated most of our surplus furniture and equipment to the charitable sector and to public bodies involved in community initiatives. To minimise cost, and reduce environmental impact and waste, we retained the previous tenants' fitout, reused furniture and equipment from the new and previous office, and sourced furniture and supplies from excess public sector stock or refurbished items. Our estates strategy includes a commitment towards net zero, including encouraging active and green travel. The new office is close to bus and train stations, and includes EV chargers as well as showers, changing and drying facilities for those choosing to walk, run or cycle to work. Our staff are delighted with the new office, which meets current business needs and still provides sufficient flexibility so that we can adapt it as our needs continue to evolve.

Case study 6: Preparing the organisation for working with new quality standards

Our audits of accounts for the year ended 31 March 2023 will be completed under a completely new audit methodology due to a revised International Standard on Auditing (ISA315 (UK)).

The standard became effective during a time in which high profile corporate failures brought the audit profession into greater public focus and scrutiny, with firms receiving record fines from the Financial Reporting Council. This, combined with the increasing complexities of audited bodies and the need to modernise the standard, for example in the use of IT and automated tools and techniques, positioned the revision of ISA 315 as a mechanism for significant change in audit process. The revised standard, aims to drive a more consistent risk assessment, improve audit quality and promote the exercise of professional scepticism by placing more risk assessment requirements on auditors as well as enhancing and clarifying existing requirements.

We knew that changes to such a foundational auditing standard would have significant and far-reaching impacts on how auditors undertake their work. ISA 315 is a complex but critical standard in the audit process; the understanding and implementation of which required significant input and stretched our capacity. To address the challenge, we worked collaboratively with the Northern Ireland Audit Office (NIAO) to develop the audit approach, guidance, and training. We were both starting from the need to completely re-design our approaches to be compliant and we shared knowledge, skills, and resources to work more efficiently in the implementation of the new standard. Working in partnership with NIAO allowed us to support each other, decipher the language of a complex auditing standard and minimise the risk of misinterpreting the standard by sharing knowledge and experience.

We are now implementing the revised approach for the 2022-23 accounts audits having delivered extensive training sessions. Whilst the main phase of developing the approach is complete, the working relationship has, by no means, ended. We continue to meet with each other to discuss implementation and where the approach can be enhanced.

Looking back, the task in hand seemed overwhelming but by working collaboratively, we developed a new audit approach more aligned with the modern world and increasing complexities of audited bodies and technology. The approach allows teams to exercise more professional judgement and scepticism with risk driving the scope of our audits – the fundamental objective of ISA 315 and audit of accounts.

Our use of resources

- 62 We are fully committed to embedding the sustainable development principle¹² 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 2022-23.
- 63 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 prosperous Wales
 - a resilient Wales
 - a healthier Wales
 - a more equal Wales
 - a Wales of cohesive communities
 - a Wales of vibrant culture and thriving Welsh language
 - a globally responsible Wales.
- 64 In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2022-23 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#).



12 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

- 65 In line with our strategic vision to be a model organisation, we continue to explore areas for savings and efficiencies across Audit Wales. In 2022-23 we exceeded our savings target for the year delivering savings of almost £1.5 million as compared to the £1.4 million anticipated in the Estimate.
- 66 Our net revenue underspend for the year of £140,000 represented 0.6% of our gross expenditure budget – well within our KPI target of a 2% variance.
- 67 We are delivering the savings on Travel Allowance anticipated in our Supplementary Estimate for 2021-22 and will deliver further savings from 2023-24 from our Cardiff office move which was completed in March 2023 at a significantly lower cost than was originally estimated.
- 68 We have established a Financial Sustainability Review group which has a remit to identify additional savings for 2023-24 and future years to ensure that Audit Wales remains financially sustainable in the future.
- 69 We invested £555,000 of capital funding in the following areas:
- £351,000 in our new Cardiff office (as compared to our original estimate of £575,000). This cost reduction was achieved through effective procurement and by recycling furniture and equipment where possible. The office move will deliver savings estimated at £200,000 per year going forward – achieving payback in less than 2 years. We are returning the balance of unused funding to WCF.
 - £110,000 in new IT equipment to allow our staff to work as efficiently as possible both remotely and in the office.
 - £78,000 in improvements to our management information systems.

Staff engagement and the employee experience

- 70 During the year we used a variety of media and mechanisms to engage with our staff, providing information and creating opportunities for two way communication on issues which are likely to impact their interests and ways of working

- 71 These included:
- the launch of a new staff newsletter 'Pobl' with a specific focus on celebrating the people of Audit Wales. Including regular messages from the Auditor General the publication spotlights specific teams and key business information.
 - hosting all-staff briefings and question and answer sessions for key organisation-wide projects such as the launch of [Our Strategy 2022-27](#)
 - undertaking an interim temperature check survey and deep-dive engagement to better understand staff views and drive improvement
 - posting regular blogs from members of the Board and Executive Leadership Team (ELT).
 - gathering feedback through surveys and staff focus groups, to inform changes such as the design of our offices and new travel plan.
 - providing regular information cascades to line managers.
- 72 In October 2022, we 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 sixth 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. 76% of staff completed the survey – a decrease on last year.
- 73 At a thematic level our survey results in 2022 indicated a drop in employee satisfaction across a number of areas when compared to the previous year's scores. While most staff felt treated with respect and supported by their team or line manager, their emotional commitment to the organisation and its success has dropped in the last year. This resulted in a lowering of our overall engagement index score from 64% to 60%.
- 74 Other notable aspects of organisation life remained positive or improved. Particularly pleasing were staff views in the thematic areas of 'inclusion and fair treatment' and 'my team' where staff felt they could rely on their team members when things get difficult, and managers felt supported to deliver their responsibilities.
- 75 At the January 2023 meeting, the Board received presentations outlining the survey results and the response from Management. The ELT confirmed that considering both the quantitative and qualitative feedback, it planned to focus efforts on three critical areas:
- senior leadership visibility
 - resourcing
 - pride in the organisation

- 76 This focus will augment work already being delivered through our People and Organisational Development strategy. The Board were assured that management recognised and understood the issues raised through the survey and had planned an appropriate forward approach, taking account of key opportunities and challenges.
- 77 Our full survey results can be accessed on an [interactive data tool which is available via our website](#). We have reviewed our approach to the delivery of staff surveys and are considering a new approach as we tender for the delivery of future staff engagement surveys.

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.

Health and well-being

- 78 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.
- 79 In September 2022 we launched our Well-Being Strategy which is designed around three themes which are at the centre of our aims for Audit Wales – Live Well, Work Well and Mean Well. Our well-being strategy has been developed by Audit Wales' staff working together collaboratively and iteratively to create something which is meaningful to them and their colleagues and has clear outcomes and measures of success.
- 80 Striving to have a happy, healthy and motivated workforce is paramount. The themes and actions underpinning these in our well-being strategy aim to create an inclusive, safe and positive work environment with good leadership and people united by a sense of collective purpose, who are supported to achieve their potential.

- 81 We have introduced a Well-Being Champion role and we now have 18 colleagues undertaking this role across the organisation. These champions assist in the delivery of the strategy and engage with colleagues to promote a range of inclusive activities, encouraging access to relevant health and wellbeing opportunities, collating activity data, and sharing best practice and stories of success.
- 82 An employee assistance programme provides staff with access to professional advice and emotional support on a range of matters via either a 24-hour telephone service or through an online facility. In addition, our Well-Being Champions are trained Mental Health First Aiders available to staff on a daily basis.
- 83 We monitor closely rates of sickness absence and whilst we have seen a higher rate of sickness absence this year, which exceeds our target, however our long-term absence rates have fallen. COVID-19 has still been a prominent sickness absence reason for our staff as well as anxiety and stress. Through our well-being activities we regularly address these topics and signpost our staff to areas of support. We work with our Occupational Health providers to support staff to return to work where there are periods of long-term absence.



Equality and human rights

- 84 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.
- 85 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.
- 86 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.
- 87 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.
- 88 Our [Strategic Equality Plan](#) for 2022-26 outlines our continued commitment to equality and our related objectives. The objectives laid out in our Strategic Equality Plan were decided up on in [consultation with key stakeholders and members of the public](#) and was published on our website.
- 89 Our [Equality Report](#) on progress made towards delivering our equality objectives in 2021-22 is available on our website and is accompanied by an [Interactive data tool](#) presenting our workforce diversity and pay gaps data.
- 90 Our report for 2022-23 will be published later in 2023. This report will include progress made against the objectives in the first year of the Plan, along with our workforce diversity data.

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

- 91 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 2022-23 we communicated with the public, audited bodies, and the media in both languages. Our new Welsh Language Strategy outlines the steps we wish to take to deliver on our ambitions as a bilingual organisation through recruitment, learning and development, and understanding the language needs of our audited bodies.
- 92 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

- 93 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.
- 94 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.
- 95 Over the course of the year and in their own time, our staff held several fundraising and donation events, including our annual carol concert supporting adults with learning difficulties, a staff auction and bake sales.

Environmental stewardship

- 96 In 2022-23, 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.
- 97 Key areas of work over the last twelve months have included:
- relocation of our Cardiff headquarters into smaller more modern premises with significantly improved environmental performance and close proximity to two main train stations, as well as being near to traffic free cycle and walking routes. The office includes EV charge points, showers and changing space.
 - as part of the relocation project, a key aim was to reduce the amount of waste produced and encourage reuse wherever possible where we reused the previous tenant's fitout, reused/recycled furniture, and donated surplus items.
 - over the period we have continued to develop our approaches to support the achievement of net zero aims, including our approach to procurement and the supply chain, having delivered procurement training on circular economy and sustainable procurement.
 - in 2021 we produced 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. That guidance is applied along with a sustainable risk assessment for our procurement and contracting activity.
 - reducing our intake of single use plastic packaging, and for many of our deliveries, opting out of packaging altogether.
 - offering a cycle-to-work scheme to promote active travel, supporting a lease scheme for take-up of Electric Vehicles (EV), and development of a travel plan to support staff and for making greener choices.
 - participating in 'net zero' networking groups and developing an action plan and systems for emissions reporting to support reporting requirements in Wales.

- 98 In 2022, we 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](#) and is updated periodically. As the Welsh Government reporting tool was not yet available at last financial year end, we republished figures for 2021-22 in our Interim Report in October 2022.
- 99 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](#). 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 third report on compliance with the Duty is included as **Appendix 4** to this Report. At the end of the financial year, we developed a new Biodiversity Plan which will take us through to 2026.

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.

Adrian Crompton
Auditor General for Wales and Accounting Officer

8 June 2023

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Corporate governance report

Directors' report

Directors

100 The Directors of Audit Wales are the Executive Leadership Team and non executive board members whose details are set out in our [Governance Statement](#).

Register of interests

101 Members of the board and the Executive Leadership team must complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities and no member of the board had any other related party interests which conflicted with their responsibilities.

102 Registers of interests can be accessed via the 'Read More' links on the [Who's who page of our website](#).

Auditor of the Wales Audit Office

103 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 2022.

104 Details of the cost of external audit services, including any additional reports when appropriate, are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

- 105 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:
- keep proper accounts and proper records in relation to them; and
 - prepare a statement of accounts in the form and on the basis set out in the Accounts Direction issued by the Senedd.
- 106 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.
- 107 Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.
- 108 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:
- observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
 - prepare the accounts on a going concern basis.
- 109 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.
- 110 As Accounting Officer, I confirm that:
- 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;
 - 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
 - as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware.

Governance Statement

- 111 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 sound system of risk management and internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
 - 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

- 112 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.
- 113 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.
- 114 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.
- 115 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.
- 116 The Board has established two committees which operate in an advisory capacity:
- the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member; and
 - 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.



- 117 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.
- 118 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. Members of a Staff Panel also attend the meetings, on a rotational basis¹³.
- 119 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.
- 120 Further information on membership of the Board and Executive Leadership Team can be found in the Directors' Report.

Attendance at Board and Committee meetings 2022-23

Table showing the number of Board and committee meetings held in 2022-23, 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 ¹⁴	ARAC	RHRC	ELT ¹⁵
Number of meetings held	9	5	5	
Members of the Board and its committees				
Adam Marshall ¹⁶	9	-	4	
Adrian Crompton ¹⁷	9	5	5	20

13 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, membership of the panel was refreshed in February 2023. 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.

14 A separate meeting of the non-executive members was held on 17 June 2022 to approve the re-appointment of Anne Beegan for her second term as an elected employee member of the Board. The Board met informally in May, July and December 2022 for learning and development workshops, including a session dedicated to cyber resilience. The Board also met with the Branch Chairs of the PCS and Prospect trades' unions in July 2022.

15 The ELT meet 24 times during the year.

16 Adam Marshall attended one Board meeting as an observer in his capacity as Audit Lead for the purpose of managing the quorum.

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

	Board ¹⁴	ARAC	RHRC	ELT ¹⁵
Number of meetings held	9	5	5	
Alison Gerrard, Chair of the Remuneration and HR Committee (RHRC) ¹⁸	9	2	5	
Andrew Clark, Independent Member of ARAC	1	5	-	
Anne Beegan	9	5	-	
Darren Griffiths ¹⁹	4	1	1	
David Francis, Senior Independent Director	8	4	-	
Elinor Gwynn ²⁰	8	1	5	
Ian Rees, Chair of the Audit and Risk Assurance Committee (ARAC)	8	4	-	
Kathryn Chamberlain ²¹	2			
Kevin Thomas ²²	8	5	5	19
Lindsay Foyster ²³	8	1	3	
Members of ELT who are not Board members ²⁴				
Anne-Louise Clark	8	4	-	22
Ann-Marie Harkin	8	2	-	20

18 Alison Gerrard attended part of two meetings of the ARAC in her capacity as non-executive member and Chair of the RHRC.

19 Darren Griffiths replaced Kevin Thomas as appointed Board member from 1 January 2023. He attended one Board meeting and one meeting of each of the ARAC and RHRC as an observer in his capacity of appointed member designate. Darren attended one Board meeting as an observer in his capacity as Audit Manager for the purpose of managing the quorum.

20 Elinor Gwynn attended part of one meeting of the ARAC in her capacity as non-executive member.

21 Kathryn Chamberlain's appointment as non-executive member and Board Chair commenced on 16 March 2023. Kathryn attended two Board meetings as an observer in her capacity of non-executive member and Board Chair designate. She attended one meeting of the RHRC as an observer in her capacity as non-executive member and Board Chair.

22 Kevin Thomas attended ARAC meetings in his capacity as Director of Finance. From 1 January 2023 he attended Board meetings in his capacity as an Executive Director.

23 Lindsay Foyster's appointment as non-executive member and Board Chair ended on 15 March 2023. Lindsay attended part of one meeting of the ARAC in her capacity as non-executive member and Board Chair.

24 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

- 121 The Board receives assurance that its objectives are being met through:
- internal management reports, performance reports and topical briefings;
 - independent internal reports, including internal audit reports and the reports of the Audit and Risk Assurance Committee and the Remuneration and HR Committee; and
 - external audit reports.
- 122 The level of assurance sought and provided is proportionate to the associated levels of assessed risk.
- 123 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.
- 124 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.
- 125 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 website²⁵.
- 126 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](#).
- 127 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.

25 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.

128 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:

- the Wales Audit Office is not a ministerial department, nor does it report to or receive instructions from ministers or their officials;
- the role and responsibilities of the Board and its membership are set in statute; and
- 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

129 In 2022-23, the Board completed a self-assessment of its effectiveness and considered the results in December 2022. The review concluded that the Board was operating effectively and cohesively in the delivery of its functions. The report recognised the Board's commitment to continuous improvement and made recommendations for ongoing development to improve:

- its monitoring of performance, risk, finances and resources using an integrated performance report; and
- engagement with stakeholders, both internal and external.

130 The Board developed an action plan to address the key areas identified for improvement and agreed to conduct a further self-assessment of its effectiveness during 2023-24.

131 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.

- 132 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 2022. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle, with that appraisal completed in October 2022
- 133 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

- 134 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2023, summarising its conclusions from the work it had undertaken during 2022-23.
- 135 The Committee provided assurance that:
- the risk assessment and risk management arrangements appear to be robust and operating effectively within a clear policy framework.
 - financial reporting is consistent with the requirements of the Government's Financial Reporting Manual and reports are prepared in accordance with appropriate accounting policies.
 - its strategic reviews of the risk register suggest that the internal control framework is operating effectively.
 - the broader governance arrangements for identifying and reporting wrongdoing such as fraud and money laundering are robust and in line with good practice.
 - counter-fraud arrangements are robust and the integration of fraud risks within the risk and assurance framework has been completed.
 - practical cyber security arrangements are robust but further assurance has been provided through obtaining external certification with Cyber Essentials.
 - the internal and external auditors provide constructive challenge and positive contributions at Committee meetings.
- 136 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.

- 137 On the strength of its work during the year, the Committee made the following recommendations to the Board and the Accounting Officer.
- that the Committee continue to 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.
 - that the Committee continue to 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

- 138 In 2022-23, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. These included:
- 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.
 - considering final proposals for consultation on revised travel centres following the implementation of the updated travel and subsistence scheme.
 - reviewing the development and delivery of the People and Organisation Development and Wellbeing Strategies.
 - conducting reviews of key policies and processes relating to performance management, recruitment, industrial action and smarter working.
- 139 The Committee appreciated that management had:
- openly engaged with the Committee and actively sought the Committee's scrutiny and challenge; and
 - responded positively to the Committee's feedback and suggestions.
- 140 Overall, the Committee is broadly satisfied that the Wales Audit Office's remuneration and HR arrangements:
- support the Board's strategic aims;
 - enable the efficient, effective, and economic conduct of business including the recruitment, motivation, and retention of staff; and
 - comply with regulatory requirements, including ensuring that the disclosures in the annual remuneration report are in accordance with legal requirements.

141 However, the Committee considers that there is more to do to ensure that the benefits of these arrangements are fully realised, including:

- reviewing revised Corporate and Director Team structures to ensure they provide sufficient resources and a robust structure for running the business and the delivery of the AGW's work programme.
- monitoring arrangements for resourcing to ensure a strong and secure workforce is in place to deliver the Auditor General's work programme, including plans and processes to attract, retain and develop staff and consider succession planning where relevant.
- monitoring the impact of the line manager development programme to ensure staff are consistently well-managed through strengthened leadership capabilities.
- reviewing policies and processes for performance management to ensure these are robust and consistently implemented.

142 The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern.

Internal Auditor's report

143 Following a tender exercise conducted under the Audit and Assurance Services (RM6188) framework. TIAA were appointed as the internal auditors of the Wales Audit Office for the three-year period 2022-23 to 2024-25.

144 The Head of Internal Audit prepared an internal audit strategy and plan for 2022-23 which was received by the Audit and Risk Assurance Committee at its meeting on 7 June 2022. During 2022-23, three internal audit reports were issued by TIAA, together with one follow up report reviewing implementation of recommendations from previous reports and one advisory report.

145 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 2022-23 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
Budget Management	Reasonable Assurance	Budget Management responsibilities are clearly documented with capital and revenue budgets monitored regularly following scrutiny by budget holders and Finance. The new TRM system is providing better information which is assisting the management of budgets and further enhancements are planned.
Key Financial Controls: revenue recognition and employee expenses	Reasonable Assurance	Processes are in place to ensure that recording, invoicing and collection of income is effective, though recovery of income for some historic projects was not administered in a timely manner. Testing of employee expenses identified no issues with claims being submitted in a timely manner, with evidence of expenditure as appropriate and approved by a recognised budget holder.
Internal Stakeholder Engagement	Limited Assurance	Issues were identified within the culture and lack of engagement between areas of Audit Wales's organisational structure. While messages are being issued appropriately, improvements are required to define and standardise their delivery, using an appropriate platform to ensure that staff engage with the material that is relevant to them.
Management Information: performance management	Advisory	Reporting is evolving with the development of an integrated report which aims to provide a holistic overview of Audit Wales' business.

The definitions of the assurance assessments are

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls

146 In her annual statement of assurance for 2022-23, the Head of Internal Audit reported that:

‘TIAA is satisfied that, for the areas reviewed during the year, Audit Wales has reasonable and effective risk management, control and governance processes in place. One area was reviewed by internal audit, Internal Stakeholder Engagement where it was assessed that the effectiveness of some of the internal control arrangements provided ‘limited assurance’. Recommendations were made to further strengthen the control environment in this area and the management responses indicated that the recommendations had been accepted.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Audit Wales from its various sources of assurance.’

Risk management and control

- 147 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.
- 148 The responsibilities for risk management are laid out in our Risk Management and Assurance Framework which is reviewed by the Executive Leadership Team, the Audit and Risk Assurance Committee and Board annually. This framework also contains our risk appetite statement.
- 149 Risk appetite is the amount of risk that we are prepared to take in the effective pursuit of achieving our purpose and ambitions. The level of risk appetite for each category is reviewed and set annually by the Board; through establishing our risk appetite, we can ensure that the resource applied to mitigating risks is proportionate.
- 150 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 well-being		✓		
Financial stewardship and value for money		✓		
Workforce planning and development			✓	
Relevance, influence, and impact				✓

- 151 The Board has oversight of risk management at Audit Wales and receives and considers the strategic risk register at each of its meetings. The relationship between strategic risks, achievement of key performance indicators, and delivery of our Strategy and Annual Plan is reported to Board quarterly as part of an Integrated Performance Report.
- 152 The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:
- risk strategy, including the Audit Wales approach to setting risk appetite
 - the overall risk assessment processes that inform executive decision making
 - management’s responsiveness to risk assessment
- 153 The Executive Leadership Team is responsible for maintaining sound risk management and internal control policies and systems, and for day-to-day management of all strategic risks. 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 taking account of the risk appetite as detailed in the previous exhibit.
- 154 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.
- 155 At each level of monitoring, review and assurance, a detailed interactive report provides for each risk:
- an assessment of inherent levels of risk and the risk tolerance.
 - the key controls that had been put in place to mitigate risk likelihood and impact, alongside associated sources of assurance for those controls.
 - an assessment of residual levels of risk and the levels of assurance;
and
 - Any action planned to mitigate the risk further.

156 Several strategic risks have particularly engaged the time of the Board and Executive Leadership Team through the reporting period. These included risks associated with:

- being able to effectively demonstrate value for money in how we run our business
- managing workload pressures and supporting staff resilience and well-being
- 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.
- ensuring our quality management arrangements comply with new quality management standards and our audit work remains in line with best professional practice.
- the risk that staff are less chargeable than profiled in budgets.
- cybersecurity, our IT infrastructure and ensuring business continuity.

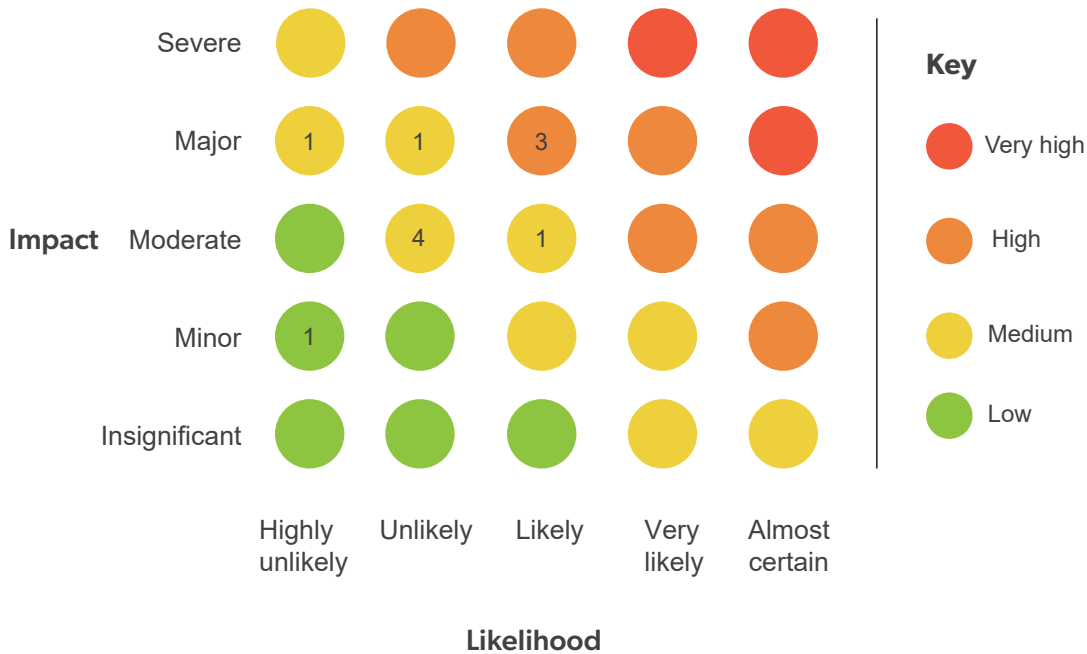
157 I am satisfied that these risks have been monitored and managed effectively during the year.

158 In 2022-23, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through undertaking deep dives into individual risks, testing the 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.

159 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

160 A summary of our strategic risk profile as of 1 June 2023 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

161 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.

162 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.

163 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.

164 The Senior Information Risk Owner's annual report for 2022-23 concluded that our overall information governance arrangements are effective. However, as reported in the previous year there are some weaknesses in understanding roles and responsibilities which could undermine that position. In particular, the role of the Information Asset Owner was an area of widespread lack of knowledge, and responsibility for data protection impact assessment needed to be more widely appreciated and understood. In June 2022, the Board endorsed a series of recommendations to address these weaknesses and good progress has been made in their implementation. The SIRO intends to undertake an Information Governance Return exercise to assess progress and inform next steps in the summer of 2023.

Data protection

- 165 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:
- providing data protection training and guidance to staff across the organisation.
 - 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.
 - addressing compliance issues identified by the Data Protection Officer's monitoring programme.
 - 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.
- 166 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, particularly in terms of risk to rights and freedoms of individuals, and so 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

- 167 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.
- 168 In the 2022-23 financial year, we received 45 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 40 requests that engaged the Freedom of Information Act. One request was delayed beyond the statutory timeframe because of staff absence. We responded to three of the remaining four subject access requests within one month. In the remaining case, the response was delayed by the volume and complexity of the material concerned.
- 169 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 2022-23 in respect of our handling of requests.

Whistleblowing (internal)

- 170 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. During 2022-23, however, we received no disclosure of issues of concern.
- 171 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. New starters are informed of the arrangements on induction. To assess the effectiveness of our whistleblowing arrangements, we consider staff confidence in the arrangements, and what we have learned from previous disclosures.

172 For the sixth year running, we asked staff in our October 2022 staff survey (to which 76% 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.' Seventy-six per cent of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 15% responding 'neither agree nor disagree' (in the October 2021 survey, the equivalent figures were 78% and 13% 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.

Remuneration and staff report

Remuneration report

Auditor General for Wales

173 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.

174 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

	2022-23		2021-22	
	Gross salary	Employer pension contributions	Gross salary	Employer pension contributions
	£	£	£	£
Adrian Crompton	150,000	45,450	150,000	45,450

Wales Audit Office Board

- 175 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.
- 176 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.
- 177 The two elected employee members are 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.
- 178 The appointed Board member from 1 January 2023 received an allowance in line with that received by the elected employee members.
- 179 The Auditor General and Executive Director of Corporate Services²⁶ received no additional allowances for their Board-related duties.

The information on pages 79 to 88 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 ²⁷		Single total figure of remuneration	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£	£	£	£	£	£
Board Members at 31 March 2023						
Kathryn Chamberlain (Chair) ²⁸	1,075	-	-	-	1,075	-
David Francis	12,500	12,500	-	-	12,500	12,500
Alison Gerrard	12,500	12,500	200	-	12,700	12,500
Elinor Gwynn	12,500	12,500	662	-	13,162	12,500

²⁶ Appointed Board member until 31 December 2022.

²⁷ 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.

²⁸ Kathryn Chamberlain was appointed Chair of the Wales Audit Office on 16th March 2023.

	Remuneration/ Allowance		Tax-inclusive expenses ²⁷		Single total figure of remuneration	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£	£	£	£	£	£
Ian Rees	12,500	12,500	1,420	59	13,920	12,559
Anne Beegan ²⁹	4,167	4,167	-	-	4,167	4,167
Adam Marshall ²⁹	4,167	2,912	-	-	4,167	2,912
Darren Griffiths ³⁰	1,042	-	-	-	1,042	-
Previous members of the Board						
Lindsay Foyster ³¹	23,925	25,000	57	-	23,982	25,000
Amanda Hughes ³²	-	891	-	-	-	891
Total	84,376	82,970	2,339	59	86,715	83,029

Non-executive committee members

180 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	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
	£	£	£	£	£	£
Dianne Thomas ³³	-	1,250	-	-	-	1,250
Andrew Clark ³⁴	5,000	3,750	-	-	5,000	3,750
Total	5,000	5,000	-	-	5,000	5,000

29 Anne Beegan and Adam Marshall are employee Board members. Allowances disclosed above relate solely to Board-member duties.

30 Darren Griffiths was the appointed Board member from 1 January 2023. The allowance disclosed above relates solely to Board-member duties.

31 Lindsay Foyster was Chair of the Wales Audit Office from 17 October 2020 until 15th March 2023. Her remuneration was met from WCF directly

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.

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.

Wales Audit Office staff

- 181 The Wales Audit Office pay policy and details of pay ranges for all staff are available on our [website](#).
- 182 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).
- 183 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.
- 184 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.
- 185 During 2022-23, no payments were made to previous members of staff whose remuneration would have been disclosable. (2021-22: Nil).

Single total figure of remuneration for senior managers

186 Details of the remuneration and pension interests of Director members of the Executive Leadership Team are provided in the following table.

Year to 31 March 2023			
	Salary	Pension Benefit³⁵	Total single figure of remuneration
	Bands of £5,000	To nearest £1,000	Bands of £5,000
Kevin Thomas	125-130	(33)	90-95
Ann-Marie Harkin	110-115	24	135-140
Anne-Louise Clark	105-110	34	140-145

Year to 31 March 2022			
	Salary	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £1,000	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

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

35 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 increases or decreases due to a transfer of pension rights.

Pension entitlements for members of the Executive Leadership Team

188 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.

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

	Accrued pension at pension age as at 31 March 2023	Real increase in pension at pension age	CETV at 31 March 2023	CETV at 31 March 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Kevin Thomas	75-80	0	1,321	1,220	(45)
Ann-Marie Harkin	45-50 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0	1,048	922	9
Anne-Louise Clark	0-5	0-2.5	69	37	22

Cash Equivalent Transfer Value (CETV)

190 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.

191 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

192 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

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

194 Total remuneration includes salary, travel allowance and home working allowance³⁶. It does not include employer pension contributions, severance payments or the CETV of pensions. The increase in average salary for 2022-23 includes a one-off lump sum payment made to employees as compensation for loss of future entitlement to travel allowance.

	2022-23	2021-22	% change
Mid-point of highest paid director's total remuneration (£'000)	£117,040	£113,631	3%
Average total remuneration based on full-time equivalent staff	£50,979	£47,938	6.3% ³⁷

195 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	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2022-23	3.99	1.90	2.55
2021-22	4.10	2.62	2.00

196 The reduction in pay ratios from 2021-22 to 2022-23 reflects the lump sum payment made to employees in 2022-23 as compensation for loss of future entitlement to travel allowance.

197 In 2022-23, no employees received remuneration more than the highest paid director (2021-22: none).

198 For transparency, the Auditor General's total remuneration of £150,000 (excluding pension contributions) represented 3.02 times the median total remuneration for Audit Wales (2021-22: £150,000 ratio: 3.18).

36 2021-22 only.

37 Includes impact of one-off compensation payment to travel allowance.

Off payroll engagements

199 We had no contracts during 2022-23 which met the HM Treasury definition of off-payroll engagements (2021-22: none)³⁸.

Redundancies, early retirements, and severances

200 Severance arrangements (including voluntary exits) are operated in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

201 The cost of severance payments in 2022-23 was £152,403 (2021-22: £NIL).

202 During 2022-23, 3 employees (2021-22: None) agreed approved exit packages as detailed below.

203 There were no compulsory redundancies in 2022-23 (2021-22: none).

Number of exit packages by cost band

	2022-23	2021-22
£25,001-£50,000	1	-
£50,001-£100,000	1	-
£20,000-£25,000	1	-
Total	3	-

Staff report

Senior leadership

204 The following table details the number of senior staff by pay band at 31 March 2023.

	31 March 2023	31 March 2022
Band A (£102,448-£126,767)	3	3
Band C (£78,457-£97,531)	7	7
Total	10	10

Staff numbers

205 The average number of staff employed during the year increased by 13 reflecting a reduction in the number of vacancies as compared to 2021-22.

	2022-23	2021-22
Average number of full-time equivalent, UK-based, permanent staff employed during the year	207	200
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	66	59
Audit and inspection contractors (average number of full-time equivalents in year)	3	4
Total	276	263

Staff and associated costs

	2022-23	2021-22
	£'000	£'000
Staff salaries	12,766	11,833
Seconded-in staff	21	-
Short-term contract staff	308	132
Non-executive committee remuneration	64	63
Social security costs	1,499	1,306
Pension costs (PCSPS)	3,520	3,223
Pension costs (stakeholder pensions)	34	32
	18,212	16,589
Travel allowance	110 ³⁹	1,735 ⁴⁰
Subscriptions ⁴¹	102	59
	18,424	18,383
Audit and inspection contractors	27	59
	18,451	18,442
Redundancy, early retirement, and severance costs	193	(20)
Less monies received in respect of outward secondments	(92)	-
	18,552	18,422

39 In respect of staff who opted to continue to receive the allowance until March 2024.

40 Included £1.086 million upfront payment to remove entitlement to Travel Allowance from April 2022.

41 Fees for the membership of professional bodies (£45,000), life cover (£18,000) and health screening (£25,000).

Bought-in services⁴²

	2022-23	2021-22
	£'000	£'000
Payments to private accountancy firms	-	(4)
Research and other consultancy costs	268	161
	268	157

206 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2022-23, they also include bi-annual costs associated with the National Fraud Initiative.⁴³

207 Consultancy costs for 2022-23 include⁴⁴:

- £158,000 in respect of payments to the Cabinet Office for costs associated with the National Fraud Initiative
- £65,000 for audit quality assurance

208 No payments were made to our external auditors for additional services in 2022-23. (2021-22: £NIL)

The following information on pages 88 to 91 in the Remuneration and Staff Report is not subject to audit.

Staff policies, equality and diversity

209 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.

210 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.

211 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual [Equality Report](#) for 2021-22 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2022-23 will be published later in 2023 and this will include details of the gender pay gap for the year.

42 Exclusive of VAT.

43 Not subject to audit.

44 Not subject to audit.

212 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 2023)

	Male	Female	Prefer not to say	Total
Senior leadership	8	2	-	10
Other employees	120	146	9	275
Total	128	148	9	285

Sickness absence

	2022-23 Days	2021-22 Days
Average working days lost per member of staff	6.6	5.8
Due to short-term absence	3.0	2.5
Due to long-term absence (periods > 21 days)	3.6	3.3

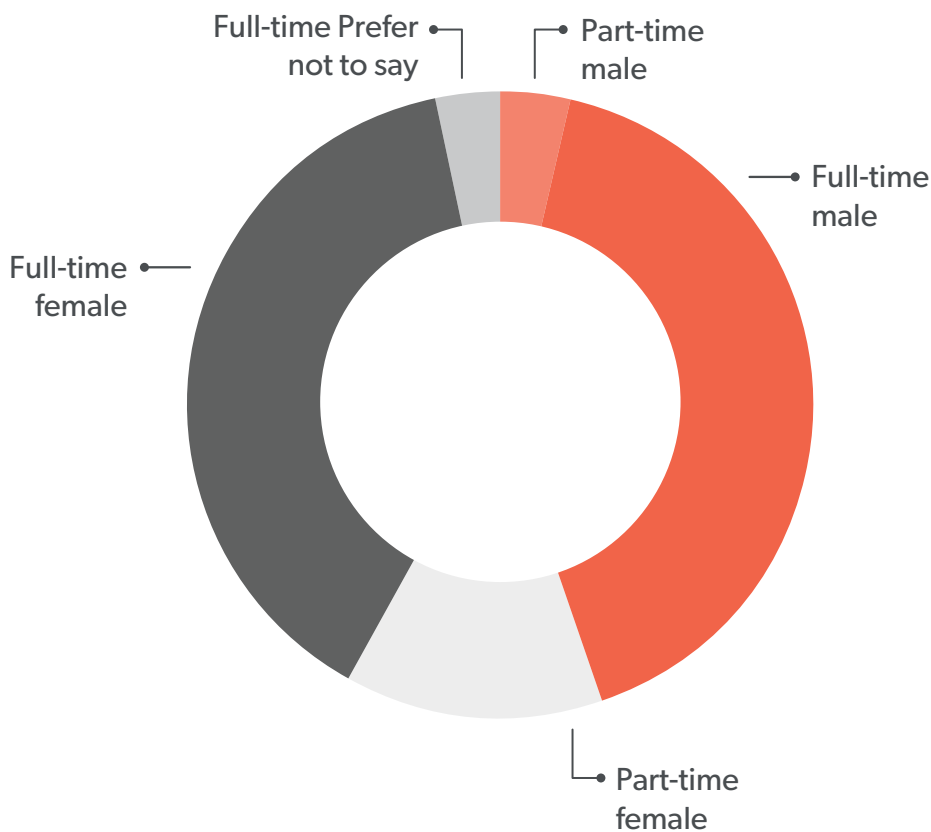
213 Staff sickness levels in 2022-23 increased slightly from 2021-22 to just over our target of six days. Sickness absence peaked during the third quarter of 2022-2023 due to a high number of short-term absences related to cold, flu and COVID-19.

214 To help our employees manage their health, we have in place Health Screening, annual flu vaccinations, an Employee Assistance Programme, Mental Health Champions, and a programme of well-being events with 18 Well-Being champions across the organisation providing day to day support to employees.

Our workforce

	2022-23	2021-22
	%	%
Working patterns		
Part-time employees as a percentage of the total by gender	17.2	16.9
• for men	8.6	8.9
• for women	25.7	23.8
• for those who prefer not to say	-	12.5
Employment contract type		
Percentage of staff on permanent contracts	74.0	77.2
Turnover		
Annual staff turnover rate percentage	10.56	10.09

The following graph shows the relevant proportions of part-time and full-time employees by gender across the whole workforce.



- 215 The proportion of part-time employees has increased slightly as compared to 2021-22 with an increase in the proportion of women choosing part time contracts offset by a reduction in men and those who prefer not to say working part time.
- 216 The percentage of staff on permanent employment contracts reduced slightly in 2022-23. 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.
- 217 Our annual staff turnover rate in 2022-23 has increased slightly from 10.09% to 10.56%. 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. During 2022-23 we also saw an increase in the number of our qualified audit staff leaving the organisation.

Resource out-turn and auditor's report

Summary of resource out-turn 2022-23

The information on pages 92 to 96 is subject to audit.

218 This statement provides a comparison of the Estimate⁴⁵ for 2022-23, as voted by the Senedd, with actual income and expenditure for the year.

Summary of resource out-turn 2022-23

Note	2022-23 Estimate			2022-23 Out-turn			Net out-turn compared to Estimate	2021-22 Out-turn	
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total			
	£'000	£'000	£'000	£'000	£'000	£'000			£'000
SORO1&2	Revenue	23,126	15,082	8,044	22,158	14,254	7,904	(140)	8,506
SORO1 & 2	Capital	3,735	-	3,735	2,471	-	2,471	(1,264)	212
	Total Resources	26,861	15,082	11,779	24,629	14,254	10,375	(1,404)	8,718
SORO3	Net cash requirement	9,359	-	9,359			8,850	(509)	8,292

219 Arising from the operations of the Wales Audit Office for the financial year 2022-23:

- the net total out-turn on revenue resources was £140,000 less than the approved net resources of £8,044,000;
- the out-turn on capital spend was £1,264,000 less than the approved capital budget of £3,735,000. This includes:
 - savings achieved on the cost of our Cardiff office move; and
 - the impact of IFRS16 in year on our accounts which was £934,000 less than estimated due to changes in the lease arrangements on our three offices; and
- the balance of cash held by the Wales Audit Office (£509,000) is shown as being due to the Welsh Consolidated Fund (WCF) and will be returned in 2023-24.

220 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 48.

221 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 2022-23

2021-22 Out-turn		2022-23 Estimate ⁴⁶	2022-23 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
	Expenses				
16,201	Staff costs	17,993	17,807	(186)	Higher than anticipated staff vacancies in year – includes planned return of £51k savings on NI.
191	Contractor staff	579	335	(244)	Reflects difficulties with recruitment in year – impacting fee income and audit delivery.
649	Travel allowance ⁴⁷	160	110	(50)	Includes release of provision due to staff movements
1,086	Travel allowance upfront payment	-	-	-	

46 Second Supplementary Estimate 2022-23.

47 Included agreed up-front payment for 2021-22.

2021-22 Out-turn		2022-23 Estimate ⁴⁶	2022-23 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
33	Travel and subsistence	246	157	(89)	Lower than anticipated travel
852	Accommodation	976	798	(178)	Reduced spend on repairs and maintenance and savings on other accommodation costs
413	Irrecoverable VAT	500	503	3	
493	ICT	633	546	(87)	Reduced spend
295	Audit Wales Governance	300	300	-	
245	External training	278	298	20	Planned additional staff training
204	Legal and professional fees	374	149	(225)	Estimate included funding for audit quality which has been used to fund additional staff resources
87	Translation of documents	120	96	(24)	More translation by internal staff along with use of translation software following investment in 2021
41	Cyclical NFI costs	260	158	(102)	Proposed work did not progress as planned – to be returned to WCF
658	Other supplies and services	707	901	194	Estimate included savings target which has been achieved across other budget areas
21,448	Total Expenses	23,126	22,158	(968)	
	Income				
(11,884)	Audit fees	(14,269)	(13,204)	1,065	Reduced fee income associated with staff vacancies
(1,052)	Grant certification fees	(813)	(1,047)	(234)	Reflects additional work completed in year
(6)	Other income	-	(3)	(3)	
(12,942)	Total income	(15,082)	(14,254)	828	
8,506	Net revenue resources	8,044	7,904	(140)	
212	Capital resources	3,735	2,471	(1,264)	IFRS16 adjustments and savings on Cardiff office move

Note SORO 2 – Supplementary Estimates 2022-23

The Senedd approved 2 Supplementary Estimates for Audit Wales in 2022-23.

- The first to reduce our call on WCF by £354,000 as compared to the original Estimate in recognition of additional funding provided in 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance in 2021-22. A budget adjustment in relation to the implementation of IFRS16 was also included in this Supplementary Estimate.
- The second Supplementary Estimate approved additional funding of £675,000 to allow us to facilitate the relocation our Cardiff office in line with our future workplace requirements.

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

	2022-23			2021-22
	Estimate	Out-turn	Variance	Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	8,044	7,904	(140)	8,506
Capital resources	3,735	2,471	(1,264)	212
Adjustments				
Non-cash items (depreciation and interest charges)	(704)	(420)	284	(217)
Non cash items (lease liabilities)	-	80	80	
Lease rental payments	424	-	(424)	-
Non cash IFRS16 adjustment	(2,850)	(1,916)	934	-
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress		(203)		1,767
	(200)		66	
• (Increase)/reduction in payables and deferred income		69		(1,250)
• Reduction/(increase) in provisions	910	865	(45)	(726)
Total net cash requirement	9,359	8,850	(509)	8,292

- 222 Future budgeted expenditure and income of the Wales Audit Office are voted on annually by the Senedd.
- 223 The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.
- 224 Any special payments and disclosable losses in 2022-23 are disclosed in Note 14 to the Financial Statements.

Independent auditors' report to the Senedd

Opinion of financial statements

- 225 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2023 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.
- 226 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the Public Audit (Wales) Act 2013.
- 227 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 2023 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

- 228 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.

229 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

230 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.

231 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.

232 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

233 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

234 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.

- 235 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 twelve months from when the financial statements are authorised for issue.
- 236 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

- 237 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.
- 238 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.

- 239 We have nothing to report in this regard.

Opinion on other matters

240 In our opinion:

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

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

- 241 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 58, 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.
- 242 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.
- 243 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

- 244 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

- 245 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.
- 246 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.
- 247 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.
- 248 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.
- 249 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 (FReM 22-23) 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.

- 250 The most significant laws and regulations that have an indirect impact on the financial statements is 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.
- 251 The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were 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 auditors report support the year end recognition criteria and testing the accuracy and reliability of data upon which management has relied.
- 252 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

- 253 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

254 This report is made solely to the 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 2023
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 2023

	Note	2022-23 £'000	2021-22 £'000
Expenditure			
Staff and associated costs	Staff report ⁴⁸	18,552	18,422
Bought-in services	Staff report	268	157
Other operating costs	3	3,332	2,869
		22,152	21,448
Income			
Audit fee income	1	(14,251)	(12,936)
Other operating income	2	(3)	(6)
		(14,254)	(12,942)
Interest payable/(receivable)		6	-
Total comprehensive net expenditure for the year		7,904	8,506

The notes that follow on pages 109 to 130 form part of these financial statements

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

Statement of financial position at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	4	2,560	352
Intangible assets	5	257	268
		2,817	620
Current assets			
Trade receivables and work in progress	6	4,059	4,070
Other receivables	7	388	580
Cash and cash equivalents	8	509	76
		4,956	4,726
Total assets		7,773	5,346
Current liabilities			
Trade and other payables	9	(1,495)	(2,019)
Deferred income	10	(4,090)	(3,635)
Provisions	11	(818)	(1,026)
Lease liabilities	12	(50)	-
WCF	SORO	(509)	(76)
Total current liabilities		(6,962)	(6,756)
Total assets less current liabilities		811	(1,410)
Non-current liabilities			
Provisions	11	(257)	(713)
Lease liabilities	12	(1,731)	-
Total non-current liabilities		(1,988)	(713)
Total assets less liabilities		(1,177)	(2,123)
Taxpayers' equity			
General fund		(1,177)	(2,123)
Total taxpayers' equity		(1,177)	(2,123)

The notes that follow on pages 109 to 130 form part of these financial statements

The financial statements on pages 104 to 130 were approved by the Wales Audit Office Board and authorised for issue on 8 June 2023 and are signed on its behalf by:

A handwritten signature in black ink, reading "Adrian Crompton", with a horizontal line underneath it.

Adrian Crompton

Auditor General for Wales and Accounting Officer

8 June 2023

Statement of cash flows for the year ended 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Cash flows from operating activities			
Comprehensive net expenditure		(7,904)	(8,506)
Adjustments for non-cash transactions: depreciation, amortisation and loss on disposal of assets	3	420	217
(Decrease)/increase in provisions	11	(865)	726
Changes in working capital			
(Increase)/decrease in trade receivables, work in progress and other receivables	6,7	203	(1,767)
Increase/(decrease) in trade and other payables	9	(524)	(32)
Increase /(Decrease) in deferred income	10	455	1,282
Net cash outflow from operating activities		(8,215)	(8,080)
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(487)	(128)
Purchases of intangible assets	5	(68)	(84)
Net cash outflow from investing activities		(555)	(212)
Cash flows from financing activities			
WCF		9,359	8,368
WCF repaid		(76)	(1,270)
Capital element on lease liability payments		(74)	-
Interest element on lease liability payments		(6)	
Net financing		9,203	7,098
Movements in cash and cash equivalents		433	(1,194)

The notes that follow on pages 109 to 130 form part of these financial statements

Statement of changes in taxpayers' equity for the year ended 31 March 2023

	£'000
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)
Changes in taxpayers' equity 2022-23	
- Total comprehensive net expenditure	(7,904)
- WCF finance	9,359
	(668)
Due to WCF	(509)
Balance at 31 March 2023	(1,177)

The notes that follow on pages 109 to 130 form part of these financial statements

Notes to the financial statements

256 These financial statements have been prepared in accordance with the 2022-23 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

257 The accounting policies contained in the FReM apply UK-adopted International Accounting Standards as adapted or interpreted for the public sector context.

258 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.

259 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.

260 The Wales Audit Office received no income which would have been liable for corporation tax in 2022-23.

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.

The calculation of the cost of completing audit projects involves both estimation and judgement.

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.

Provisions have been established for:

- dilapidations where the 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. The calculation of this provision is based on an estimation of the cost of the works along with a judgement of the likely value.
- travel allowance which represents, in the main, payments agreed in 2021-22 which were paid in 2022-23. It includes an estimated amount to provide for contractual changes post April 2022.
- staff exits agreed or committed in 2022-23 where the payment will be made in the new financial year based on an estimation of the costs.

See **Note 11** for more information.

New accounting standards

- 261 The Wales Audit Office discloses accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements. There were no standards that met this criteria for 2022-23.
- 262 In line with the requirements of the FReM we have implemented IFRS16 from April 2022. The impact on our accounts for 2022-23 is reflected in Notes 4, 12 and 13.

Note 1 (a): Operating segments

- 263 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).
- 264 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.
- 265 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.
- 266 Communications and Change includes the Communications and GPX, Planning and Reporting and Change teams.

2022-23

	Audit Services	Corporate Services	Communications and Change	Total
	£'000	£'000	£'000	£'000
Audit fees ⁴⁹	(14,251)	-	-	(14,251)
Other income	-	(3)	-	(3)
Total income	(14,251)	(3)	-	(14,254)
Staff costs	14,669	2,481	1,402	18,552
Non-staff costs	615	2,760	231	3,606
Total Expenditure	15,284	5,241	1,633	22,158
Net Expenditure	1,033	5,238	1,633	7,904

49 See note 1(b).

2021-22

	Audit Services	Corporate Services	Communications and Change	Total
	£'000	£'000	£'000	£'000
Audit fees	(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

Note 1 (b): Analysis of audit fee income

	2022-23			2021-22		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(5,186)	(2,209)	(7,395)	(4,791)	(2,328)	(7,119)
Local Government Grant Certification	(1,047)	-	(1,047)	(1,052)		(1,052)
NHS Audit	(2,204)	(1,663)	(3,867)	(1,921)	(1,147)	(3,068)
Central Government Audit	(1,942)	-	(1,942)	(1,697)		(1,697)
	(10,379)	(3,872)	(14,251)	(9,461)	(3,475)	(12,936)

- 267 Fees charged for audit work are set in accordance with a Fee Scheme agreed by the Finance Committee of the Senedd.
- 268 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.
- 269 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).
- 270 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.
- 271 The Wales Audit Office has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.
- 272 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 a 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.
- 273 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.
- 274 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

	2022-23	2021-22
	£'000	£'000
Other operating income	(3)	(6)
	(3)	(6)

Note 3: Other operating costs

	2022-23	2021-22
	£'000	£'000
Accommodation		
• Rent lease costs	406	473
• Other accommodation costs	392	379
Supplies and services	1,537	1,351
Recruitment	34	21
Depreciation and amortisation	398	217
Professional fees		
• Internal audit services	13	61
• External audit services	58	46
• Other professional fees	39	43
Staff travel and subsistence	157	33
Staff learning and development	298	245
	3,332	2,869

275 Costs disclosed above relate to goods and services received during 2022-23. Costs are disclosed net of VAT, the cost of which is included in other supplies and services.

Note 4: Property, plant and equipment

	Furniture and fittings	Right of Use Assets	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000
2022-23					
Cost					
At 1 April 2022	1,364	504 ⁵⁰	781	131	2,780
Additions	336	1,916	146	5	2,403
Disposals	(683)	-	(326)	(121)	(1,130)
At 31 March 2023	1,017	2,420	601	15	4,053
Depreciation					
At 1 April 2022	1,202	355	630	92	2,279
Charged in period	114	80	107	19	320
Disposals	(675)	-	(326)	(105)	(1,106)
At 31 March 2023	641	435	411	6	1,493
Net book value					
At 31 March 2023	376	1,985	190	9	2,560
At 1 April 2022	162	149	151	39	501
Asset financing					
Owned	376	-	190	9	575
Leased	-	1,985			1,985

	Furniture and fittings £'000	Right of Use Assets £'000	Information technology £'000	Office equipment £'000	Total £'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

Reconciliation to the statement of cashflows

	2022-23 £'000
Tangible additions (Note 4)	2,403
Capitalised ROUA additions	(1,916)
Payments to acquire capital assets	487

- 276 In line with IFRS16, from April 2022, Property Plant & Equipment includes Right of Use assets of £1.985 million related to leased properties that do not meet the definition of investment properties. For more information see Note 12 – Leases.
- 277 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.
- 278 PPE is stated at historical cost less accumulated depreciation and impairment and is exclusive of VAT.
- 279 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)
Right of use assets	Duration of lease
Computer equipment	Three years
Office equipment	Five years

- 280 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.
- 281 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Note 5: Intangible assets⁵¹

	£'000
2022-23	
Cost	
At 1 April 2022	756
Additions	68
Disposals	(49)
At 31 March 2023	<u>775</u>
Amortisation	
At 1 April 2022	488
Charged in period	79
Disposals	(49)
At 31 March 2023	<u>518</u>
Net book value	
At 31 March 2023	257
At 1 April 2022	<u>268</u>
Asset financing	
Owned	<u>257</u>

51 Mainly computer software.

	£'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

- 282 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.
- 283 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.
- 284 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 2023 £'000	31 March 2022 £'000
Trade receivables		
• Central Government	335	465
• Local Government	548	1,105
• NHS	117	1,233
• External to government	78	116
Work in progress		
• Central Government	1,243	455
• Local Government	1,490	652
• NHS	248	44
	4,059	4,070

Trade receivables

285 Receivables are valued at fair value on initial recognition and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. For 2022-23 the figures are net of expected credit losses of £77,000 (2021-22: £33,000). Expected credit losses relate to debts older than 12 months at the end of the financial year.

286 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.

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

Work in progress

288 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 2023 £'000	31 March 2022 £'000
Prepayments and accrued income ⁵²	377	570
Loans to employees ⁵³	11	10
	388	580

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

Note 8: Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Balance at 1 April	76	1,270
Net change in cash and cash equivalents	433	(1,194)
Balance at 31 March	509	76

	31 March 2023 £'000	31 March 2022 £'000
Current account (Government Banking Service)	509	76
	509	76

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

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

52 Mainly advance payments for computer software and property related costs.

53 Cycle to work scheme.

Note 9: Trade payables and other current liabilities

	31 March 2023	31 March 2022
	£'000	£'000
Trade payables (due within one year)	237	206
VAT	61	136
Taxation and social security costs	194	356
Accrual for holiday entitlement not yet taken ⁵⁴	601	585
Other accruals ⁵⁵	402	736
	1,495	2,019

292 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.

Note 10: Deferred income

	31 March 2023	31 March 2022
	£'000	£'000
Deferred income	4,090	3,635
	4,090	3,635

293 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.

54 Based on individual holiday anniversaries.

55 Includes £121,000 in respect of invoices paid post year-end, and £368,000 in respect of pension contributions for March 2023 paid in April 2023.

Note 11: Provisions for liabilities and charges

	Dilapidations⁵⁶	Travel Allowance	Staff Exits	Total
	£'000	£'000	£'000	£'000
As at 31 March 2022	653	1,086	-	1,739
Provided in-year	220	-	170	390
Utilised in-year	-	(998)	-	(998)
Released in-year	(9)	(47)	-	(56)
As at 31 March 2023	864	41	170	1,075

Analysis of expected timing

	Dilapidations	Travel Allowance	Staff Exits	Total
	£'000	£'000	£'000	£'000
Not later than one year	607	41	170	818
Later than one year and not later than five years	45	-	-	45
Later than 5 years	212	-	-	212
	864	41	170	1,075

Reconciliation to the statement of cashflows

	2022-23
	£'000
Opening balance	1,739
Provided in year	390
Utilised/released in year	(1,054)
Capitalised as ROUA	(210)
Movement	865

56 We used HM Treasury's discount rate as set out in PES(2022)08 for balances of zero to five years of 3.27% and for balances up to 10 years of 3.2% to calculate this balance.

- 294 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.
- 295 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.

Dilapidations

- 296 The dilapidations provision represents an estimate of the costs we may incur in making good its leased properties at the end of the leases.
- 297 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.
- 298 Structural dilapidations for the new Cardiff office have been capitalised as part of the right-of-use-asset cost in accordance with IFRS 16 para 24(d).
- 299 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.

Travel allowance

- 300 The Senedd approved a Supplementary Estimate of £1.48 million in 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance.
- 301 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.
- 302 Payments representing the bulk of this provision were made to staff in April 2022. The balance of the provision (£41,000) is held pending changes to staff terms of employment.

Staff exits

- 303 This provision represents the future liability in respect of members of staff who are contractually committed to leave under redundancy, early retirement or severance schemes.

Note 12: Leases

Right of use assets

- 304 Right of use assets relate to lease properties that do not meet the definition of investment properties and are presented within Note 4 – Property, Plant & Equipment
- 305 Audit Wales has leases for three operational offices at Cardiff, Swansea and Abergele. These leases are subject to periodic rent reviews.
- 306 In March 2023, the Wales Audit Office ended its Cardiff office lease at Cathedral Road and entered into a new lease for its Cardiff office at Capital Quarter. The new lease includes a break-out clause at year 5, it is unlikely this will be enacted. The lease on its office at Penllergaer, Swansea was extended to April 2025.
- 307 Right of Use Assets have been measured at the present value of the lease liability, discounted at the incremental borrowing rate promulgated in the PES Treasury papers. Further adjustments have been made in respect of prepayments and rent-free period incentives, and costs related to restoration at the end of the lease (refer to IFRS 16 paragraph 24). The cost model will be used as a proxy for the current value in existing use in subsequent years.

	Lease Liability
	£'000
Balance at 1 April 2022	149
Additions in year	1,706
Lease payment	(80)
Interest charge	6
Balance at 31 March 2023	1,781
Current lease liabilities	50
Non-current lease liabilities	1,731
	1,781

Maturity Analysis – contractual undiscounted cashflows

	Lease Liability
	£'000
Less than 1 year	50
1-5 years	905
Over 5 years	1,247
Total undiscounted liabilities	<u>2,202</u>

Amounts recognised in statement of comprehensive net expenditure

	Right of Use Assets
	£'000
Interest on lease liabilities	6
Depreciation	80
Short Term Lease	406

Note 13: Change in significant accounting policies (IFRS16)

- 308 Audit Wales has applied IFRS 16 using the modified retrospective with cumulative effect method as described below.
- 309 The disclosure requirements in IFRS 16 have not been applied to the comparative information.
- 310 Audit Wales previously classified leases as operating or finance leases based on an assessment of whether the lease significantly transferred all of the risks and rewards incidental to ownership of the underlying asset to the organisation.

Leases previously classified as operating leases

- 311 On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate promulgated in the PES Treasury papers.

312 299 Right of Use Assets have been measured at the present value of the lease liability, discounted at the incremental borrowing rate promulgated in the PES Treasury papers. Further adjustments have been made in respect of prepayments and rent-free period incentives, and costs related to restoration at the end of the lease (refer to IFRS 16 paragraph 24).

313 Audit Wales used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. Audit Wales:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. photocopiers);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

314 The following table summarises the quantitative impact of adopting IFRS 16 on the opening balances of Audit Wales financial statements for the year ending 31 March 2023.

Impact of the adoption of IFRS16

	31st March 2022 (previously reported)	Right of use Asset adjustments	1st April 2022 (post IFRS16 adoption)
	£'000	£'000	£'000
Balance sheet			
• Property, plant & equipment	351	149	500
• Lease liabilities(current)		(50)	(50)
• Lease liabilities (non-current)		(99)	(99)
Taxpayers' equity	351	-	351

315 The following table summarises the difference between the operating lease commitments disclosed on 31st March 2022 in the financial statements and the lease liabilities recognised on 1st April 2022. Recognition exemptions include the Cathedral Road lease, which had less than 12 months term at the date of transition.

	£'000
Operating Lease commitments on 31st March 2022 (under IAS 17)	517
2-year lease extension (Penllergaer)	104
Abergele break-out 1 September 2023	(66)
Recognition exemption on leases with less than 12 months lease term at transition	(406)
Lease liabilities recognised at 1 April 2022	149

Note 14: Capital commitments

316 There were outstanding capital commitments at 31 March 2023 of £5,814 (31 March 2022: £5,580).

Note 15: Losses and special payments

317 Losses of £3,500 associated with the operation of a salary sacrifice scheme for leased cars were incurred in 2022-23. There were no reportable losses or special payments made in 2021-22.

Note 16: Derivatives and financial instruments

318 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.

319 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.

320 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

321 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.

322 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

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

Foreign currency risk

324 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

325 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

326 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 2023 (31 March 2022: nil).

Note 17: Related party transactions

- 327 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.
- 328 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 78).

Note 18: VAT

- 329 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 e.g., 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 2022-23. 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 ⁵⁷	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
11 Welsh Government sponsored bodies	✓		✓ ⁵⁸
Welsh Revenue Authority including the tax statement	✓		
5 Welsh Government companies	✓		
6 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ ⁵⁹
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 and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁶⁰		

⁵⁷ 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.

⁵⁸ Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

⁵⁹ Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

⁶⁰ 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 Committee and other Senedd committees.

As noted earlier in this Report, we have been developing an indicative three-year forward work programme under four over-arching themes. These themes will frame all our audit work, including our national studies. We will also continue to make time and space in our work programme for follow-up work on topics we have reported on previously.

The tables below summarise work completed during 2022-23 or in progress at the end of the year. Our Annual Plan 2023-24 includes details of other new work that we intend to start in 2023-24.

Work completed in 2022-23

<u>Direct payments for Adult Social Care</u>	<u>Unscheduled care – data tool and blog</u>
<u>The new Curriculum for Wales</u>	<u>Tackling the Planned Care Backlog in Wales</u>
<u>The Welsh Community Care Information System - update</u>	<u>Third Sector COVID-19 Response Fund – Memorandum for the PAPAC</u>
<u>Sustainable Tourism in Wales National Parks</u>	<u>Public Sector Readiness for Net Zero Carbon by 2030</u>
<u>Public Sector Readiness for Net Zero Carbon by 2030 – Evidence Report</u>	<u>NHS Wales Finances Data Tool – up to March 2022</u>
<u>Welsh Government – setting of well-being objectives</u>	<u>Welsh Government workforce planning and management</u>
<u>Equality Impact Assessments: More than a tick-box exercise?</u>	<u>Payment to the Welsh Government’s Former Permanent Secretary on Termination of Employment</u>

<u>COVID-19 business support in 2020-21 – Memorandum for the PAPAC</u>	<u>The National Fraud Initiative in Wales 2020-21</u>
<u>Learning from cyber-attacks</u> ⁶¹	<u>‘Time for change’ – Poverty in Wales</u> ⁶²
<u>‘A missed opportunity’ – Social Enterprises</u>	<u>A Picture of Flood Risk Management</u>
<u>‘Together we can’ – Community resilience and self-reliance</u>	<u>Welsh Government purchase of Gilestone Farm</u>
<u>Betsi Cadwaladr University Health Board – Review of Board Effectiveness</u>	<u>Orthopaedic Services in Wales – Tackling the Waiting List Backlog (national and local reports)</u>
<u>Digital inclusion in Wales (report and key questions for public bodies)</u>	

61 Unpublished but distributed to audited bodies

62 Publication of this work was followed by a related [data tool](#)

Work in progress at 31 March 2023

<u>NHS quality governance</u>	<u>Corporate Joint Committees</u>
<u>Managing assets and workforce in local government</u>	<u>Maximising EU funding</u>
<u>Net zero (pan UK overview – with other UK audit bodies)</u>	<u>Unscheduled care</u>
<u>Covering teachers' absence – follow up</u>	<u>NHS workforce</u>
<u>Planning for sustainable development – brownfield regeneration</u>	<u>Building safety</u>
<u>Ukrainian refugee services</u>	<u>Governance/oversight of National Park Authorities</u>
<u>Digital strategy in local government</u>	<u>Use of performance information in local government</u>
<u>Affordable housing</u>	<u>Cancer services</u>
<u>Active travel</u>	-

3 Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts Committee and other Senedd Committees

Our work in 2022-23 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 19 PAPAC meetings. This included the Committee considering most of the work completed during the reporting period as outlined in **Appendix 2**. The Auditor General and/or Audit Wales staff also provided further advice and support to the Committee as required, including attending some of the Committee's visits as part of its inquiry on town centre regeneration.

We have continued to engage with clerking teams to other Senedd committees to discuss our work where this is of mutual interest, including for example the new Curriculum for Wales (Children, Young People and Education Committee), Tackling the Planned Care Backlog (Health and Social Care Committee) and with the Equality and Social Justice Committee in its [inquiry and report on Fuel Poverty and the Warm Homes Programme](#). We also briefed the Climate Change, Environment and Infrastructure Committee on our reports on public sector readiness for net zero by 2030. The Committee used the calls for action that we set out in our work to help frame its own consultation.

We have also responded formally to 8 consultations launched by the Senedd or its committees, to share learning from our audit work; one example being the Climate Change, Environment and Infrastructure Committee's consultation on 'Decarbonisation of housing: decarbonising the private housing sector'.

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. Some of these are being held in person, while many have continued to use video communication platforms.

We continued with our regular briefing sessions to NHS Audit Committee Chairs and Directors of Finance groups covering a variety of audit of accounts and governance matters. In Local Government, we regularly attended the Society of Welsh Treasurers Group to ensure they were updated on a wide range of audit matters. In March 2023, we re-initiated our work with Central Government Audit Committee Chairs providing them with updates on our revised audit approach under ISA 315 - identifying and assessing the risks of material misstatement (revised). We will continue to engage with these stakeholder groups as we move into 2023-24.

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 2022-23, we received 73 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 24 individuals contacted us between 1 April 2022 and 31 March 2023 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 2022-23 due to resource pressures and a backlog of audit work. 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 to assure the correspondent their concerns were being considered.

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 disclosures⁶³.
- 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 2022-23, 24 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 20 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 20 apparently qualifying disclosures, in four 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. Of the other 16 cases, after initial consideration by audit staff, 4 contributed to a substantive item of work. For the remaining 12 cases, the audit team is making or has made high level enquires, or will take the issues raised into account during any future audit work.

63 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:

- reducing and offsetting our greenhouse gas emissions;
- reducing the total distance we travel on business and choosing more sustainable travel options;
- minimising our consumption of paper and water;
- minimising our production of waste and maximising the proportion of our waste that is recycled;
- raising awareness among staff of biodiversity and sustainability issues; and
- 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'⁶⁴.

This Appendix constitutes our third report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty and covers the period to the end of 2022. We have recently published our Biodiversity and Resilience of Ecosystems Plan for 2023–26.

64 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)'.
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For the purposes of this report, we will review our overall performance against the 2019 - 2022 plan⁶⁵. Key step taken during the period 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; and
- supporting an environmental champions staff group which promotes the sustainability principle and raises awareness of biodiversity initiatives.

In the remainder of this appendix, we report on the effectiveness of steps taken and progress made towards meeting these objectives.

⁶⁵ Our position as at end March 2022 is covered within our Annual Report and Accounts 2021-22, this report provides an update on that position and includes our reporting for the first couple of years of the plan period.

Biodiversity Objective	What has been delivered
<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>In summer 2022, we reported on how Welsh public bodies are taking action to reduce carbon emissions and meet the collective ambition for a net zero public sector by 2030.</p> <p>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 gathered evidence from. We published a summary report in July 2022 and an evidence report in August 2022. We have shared the key messages from our work at various events and they have also helped to frame scrutiny by the Senedd Climate Change, Environment and Infrastructure Committee.</p> <p>Drawing in part on the baseline review, we have been 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 engaged with the Welsh Government, NRW, WLGA, and the Chair of Wales’s Flood and Coastal Erosion Committee, in our preparation of our December 2022 report on flood risk management in Wales.</p> <p>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 the Brecon Beacons - and surveyed tourism businesses as part of our work. Other examples of relevant local audit work included a report on the progress Denbighshire County Council was making in delivering its environmental ambitions. In September 2021, we also produced a report and data tool on Regenerating Town Centres in Wales, which informed policy development through the Welsh Government’s Town Centre Action Group.</p> <p>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. Building on that consultation, our Annual Plan 2023-24 identified the response to the climate and nature emergency as one of four key themes that will provide a focus for our work over the next three years.</p>

Biodiversity Objective	What has been delivered
<p>We will:</p> <ul style="list-style-type: none"> 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. 	<p>The Auditor General's Code of Audit Practice was reviewed in 2022-23 and a revised version is being prepared for consultation this year, which will include coverage of the biodiversity duty.</p> <p>Our audit planning documents for larger value for money examinations and studies asks audit teams to consider how their 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'.</p> <p>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.</p>

Biodiversity Objective	What has been delivered
<p>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'</p>	<p>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 Principle Examinations'.</p> <p>Our local audit examinations at individual bodies over that period included reports looking at issues of particular relevance to 'A resilient Wales'. These included:</p> <ul style="list-style-type: none"> 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 <p>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. Relevant considerations have also been reflected in our new Performance Audit Delivery Manual (see above).</p> <p>During 2022, we also progressed work at various bodies examining the application of the sustainable development principle in the setting of well-being objectives, including at Natural Resources Wales.</p>

Biodiversity Objective	What has been delivered
<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>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.</p> <p>Over the reporting period, particular projects where biodiversity and resilience ecosystems impacts were given significant consideration in our planning and decision making processes included:</p> <p>our move towards smarter and more flexible working arrangements, including hybrid ways of working reducing travel substantially over the period.</p> <p>our ‘future workplaces’ estate rationalisation project, where as part of a thorough review of office locations, environmental considerations and biodiversity were a key scored criteria in helping develop an approach to identify suitable future office accommodation. We have now concluded a relocation providing us with a more modern, accessible workspace, located near public transport, intended to promote greener travel options and reduce our environmental impacts.</p> <p>implementation of recommendations of a review of our travel and subsistence scheme, where recommendations included allowing everyone access to a fleet scheme through which staff could lease hybrid and electric cars, and we have been working to develop 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.</p>

Biodiversity Objective	What has been delivered
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When procuring services, we will:	
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|--|--|
| <ul style="list-style-type: none"> include requirements relevant to performance of the Biodiversity and Resilience of Ecosystems Duty in our tender award criteria; and | <p>In 2021 we developed a guidance document and good practice checklist)</p> <p>This guidance forms part of our broader approach to sustainable procurement which aims to measurably contribute to carbon reduction and net zero aims. In 2022 we used the guidance and support from WRAP Cymru to deliver training on sustainable procurement, circular economy and to raise awareness of biodiversity and impacts.</p> |
| <ul style="list-style-type: none"> comply with the Biodiversity and Resilience of Ecosystems Duty when stipulating the performance standards to be included in the contract | <p>Our Procurement activities follow a procurement hierarchy that prioritises avoidance, reuse, refurbishment, and recycling before purchasing new. A testament to this is reuse of much of our furniture for relocating our Cardiff headquarter office and donating a proportion of furniture and equipment for reuse elsewhere and securing reused items for our fit-out.</p> |

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	<p>During the year our net zero working group supported us to build resilience of ecosystems considerations into our action plans and raising awareness. Our 'Blue Planet and Beyond' internal social media group, led by the champions, is very active in promoting behaviour change and sharing ideas. We also share ideas through regular meetings with our audit counterpart bodies which are cascaded throughout organisations.</p>
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Wales Audit Office

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Audit findings report
year ended 31 March 2023

14 June 2023



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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 2023.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide 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 subject to the successful resolution of outstanding matters, we anticipate issuing an unmodified audit opinion on the company's financial statements in line with the agreed timetable.

Risks and approach

We have carried out testing as planned on the risks identified during planning and draw your attention to the following key points for discussion:

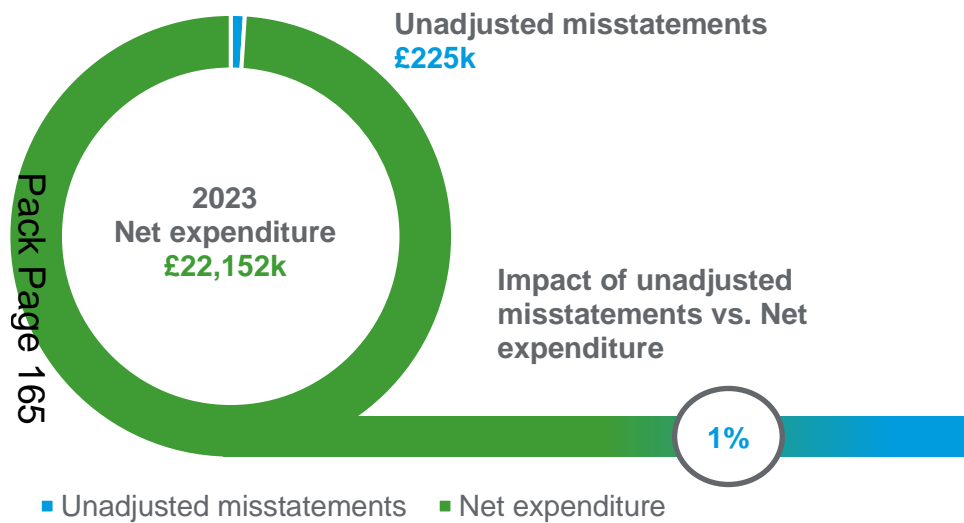
- Management override of internal controls
- Revenue recognition
- Adoption of IFRS 16
- Regularity

Final materiality

Materiality was confirmed at £453,000, using total expenditure incurred as the benchmark. Our materiality figure represents an effective rate of 2.0% of expenditure.

Unadjusted audit misstatements

We have identified potential audit misstatements of £225k which would have a 1% impact on the net expenditure for the year as highlighted below. A list of the unadjusted misstatements is included in the Appendix.



Risks identified at the planning stage

Risk	Description	Response	Findings
Revenue recognition – WIP and deferred income	Under the International Standards on Auditing, revenue is a presumed fraud risk. The recognition of income, WIP and deferred income is considered to be a significant risk due to the level of judgement involved in determining 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 use this to establish the estimated costs to complete and any provisions required at year end, considering the impact of any time spent on the audit 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 historical accuracy of estimates made in relation to revenue. 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>We have followed up on our sample of engagements selected during the 2022 audit. We have noted differences between the 2022 year end cost to complete assessment and the final costs incurred. Across our sample of engagements, additional costs to complete required at March 23 were £61k. These variances largely related to engagements which had just started at March 2022 and therefore the additional costs to complete were based on estimated costs at that point. Costs to complete assessments represent an estimate and therefore will always contain an element of judgement.</p> <p>We have reviewed the costs to complete for a sample of engagements at March 23. Due to the implementation of Hubplanner, the new time recording and resource management software, WAO were unable to calculate costs to complete by the same method that was used last year. This was because the future bookings for jobs were not yet complete within Hubplanner. Instead a different method was used for the majority of engagements where the % bust of the audit in the prior year was used as an expected %bust figure for the current year. In some cases the Hubplanner future resource figure was used for the provision however we noted some differences where this method had been used and we therefore recalculated the expected cost to complete provision for the whole population using the % bust figure for the equivalent engagement for the prior year with a judgemental misstatement of £225k (see Appendix).</p> <p><i>Management response: We note the judgemental adjustment for the cost to complete of open projects but given that it is not possible to accurately calculate this amount, we do not propose to make the adjustment. Increased fees for 2023-24 along with the full implementation of our new resourcing and time recording system and improved processes to control audit budgets, mean that we are confident that the amount provided is sufficient to allow for any cost overruns on projects that are currently in progress.</i></p> <p>We reviewed the April 2023 income recognised to confirm that there were no indicators of a material additional 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 confirmed there are no errors in these calculations.</p>

Management override of internal controls	<p>In any organisation, there will be an extent to which management can bypass internal controls. By definition, there can be no controls in place over this risk. This is specifically stated in the International Standards on Auditing (ISA (UK) 240).</p> <p>Therefore, there is a risk that internal controls within the entity 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>	<p>We will:</p> <ol style="list-style-type: none"> 1. Review controls in place over journal entries and, using data analytics 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 any significant transactions that we become aware of during the audit process which appear to be outside of the normal course of business or 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 financial statements 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>
Regularity	<p>A statement on regularity must be included in the annual report in accordance with Schedule 1 of the Public Audit (Wales) Act 2013.</p> <p>We are required to report on whether 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.</p>	<p>We will:</p> <ol style="list-style-type: none"> 1. Obtain an understanding of Schedule 1 of the Public Audit (Wales) Act 2013 and how WAO has translated this into controls, policies and procedures. We will assess the nature, design and effectiveness of this and based on our assessment of risks of material irregularities and noncompliance will undertake testing of controls and detailed testing of financial transactions 2. Undertake procedures on areas that we consider represent greater risk, by virtue of their nature, of impropriety of financial transactions. 3. Plan our work in order to ensure that we derive such evidence as appropriate to support the regularity conclusion from planned financial statement procedures, as well as having regard to propriety of transactions. 	<p>We reviewed the processes and controls in place and reviewed samples of transactions from the areas considered greater risk including board expenses, procurement policy and exit payments. We noted some minor areas for improvement from our work and these are reported in detail in our Regularity section on page 8.</p> <p>Our opinion on regularity is unmodified.</p>

Adoption of IFRS 16	<p>IFRS 16, as adapted and interpreted by the FReM, was effective from 1 April 2022. This removes the distinction between finance and operating leases and accounts for all leases as right of use assets with a corresponding lease liability. There is a risk that there may be misstatements due to:</p> <ul style="list-style-type: none"> Leases not being identified and omitted from the financial statements Inappropriate assumptions used for estimates such as the rate implicit in the lease or the incremental borrowing rate <p>Incomplete or inappropriate disclosures made on transition</p>	<p>We will:</p> <ol style="list-style-type: none"> Compare the transitional adjustments to prior year operating lease disclosures Review bank transactions for recurring payments which may indicate unidentified leases Review the transitional adjustments and supporting calculations, including assumptions regarding the incremental borrowing rates used. We will also recalculate the adjustments based on the lease agreements and perform sensitivity analysis on the interest rate used. Review the disclosures made against the requirements of the standard 	<p>We have:</p> <ol style="list-style-type: none"> Compared the transitional adjustment to the FY22 operating lease disclosure to confirm all relevant leases had been included in the transitional adjustment Reviewed recurring bank payments to confirm there were no additional leases which we were not aware of Reviewed the workings provided and recalculated based on lease agreements for the relevant properties. The interest rate to be used is mandated by the FReM and we therefore did not complete any sensitivity analysis in this area. As part of this work we noted that there were some additional break clauses in the new Capital Quarter leases which had not been included in the IFRS 16 calculation. This has been updated in the accounts – see the Appendix for detail of the adjustment made. We reviewed the disclosures made against IFRS 16 and the FReM IFRS 16 Leases: Application Guidance. We noted some minor omissions and amendments to be made, all of which have been updated in the accounts.
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Regularity 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).</p> <p>During our regularity audit, we noted that at the September 2022, January 2023 and February 2023 board meetings, one or more non-executive member was absent. In the September 2022 and January 2023 meetings decisions were deferred to the following meeting however in the February 2023 meeting, in order to be quorate, employee board members recused themselves from any decisions, however they were still physically present during board discussions, leaving the meeting only for the decision and voting.</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 February 2023 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>Procurement</p> <p>We have noted that a Microsoft 365 license contract was entered into during the period. In line with the competition thresholds more than 3 tenders were sought and received however the final contract was not authorised by the ELT as required for a contract with a value of £50-£250k.</p>	<p>This is not in line with the procurement policy. We understand that as this was for Microsoft 365 there was no realistic possibility of this contract not being continued as Microsoft 365 is vital to the business and would require a long changeover process if WAO moved away from this, however this should have been approved by the ELT.</p>
<p>Creditors not paid within 30 days</p> <p>Public sector organisations are required to pay supplier invoices within 30 days of receipt. The year-end creditors listing contained 7 items that were older than 30 days.</p>	<p>While our financial statement and regularity opinions are unaffected by these items, we would recommend that transactions are review each month end to ensure each creditor is less than 30 days old.</p>

Issue**Response**

Policies

The Travel and Subsistence Policy has not been formally reviewed since 2015 and was due for review in August 2021, which was delayed pending the outcome of the negotiations following the decision to remove the Travel Allowance.

We would recommend that the policies are reviewed and updated if required, and we believe this is currently being actioned. Based on the results of our testing, it appears that the current policies are being applied as expected. We are not aware of any substantial matters which would indicate the policy requires specific changes.

The Gifts, Hospitality & Entertainment Policy was also issued in February 2019 and due for review in February 2021 but has not yet been updated.

Recommendations on controls

We have set out below recommendations on 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.

Assessment Issue and risk

Recommendations

- As part of our regularity work, we have noted that one item in our procurement sample was not approved as required by ELT. We understand that as this was for Microsoft 365 there was no realistic possibility of this contract not being continued however this should still have been approved by the ELT. We would recommend that staff training in this area is revisited, and that there is a periodic review of the contracts schedule to ensure the correct number of quotes were sought and that the contract was approved, with supporting evidenced retained.

Management Response

- Agreed. As stated above, not renewing this contract was not an option given the reliance of the organisation on Microsoft services – this is a contract that has been in place since 2005 and renewed as required. Due to oversight, the formal approval process was overlooked. In response our Financial Management Handbook has been updated to clarify where the responsibility for obtaining relevant approvals sits.

- Procurement

Recommendations

- As part of our revenue work we have noted that fees are initially signed off by the Auditor General for the year, however in our testing we noted these fees were sometimes different in the audit plans issued to the bodies audited. This wasn't always communicated to finance who then continued to invoice and calculate abatement and cost to complete provisions based on the original fee. We would recommend that controls are put in place to make sure finance are notified of these changes in fees so they can invoice and provision correctly.

Management Response

- Agreed. Audit Managers will be reminded that any change to the fee after they have been signed off must be communicated to both the Business Unit and the Finance Team.

- Fee budgets

Assessment	Issue and risk
------------	----------------

- | | |
|---|--|
| ● | <ul style="list-style-type: none"> Hubplanner |
|---|--|

Recommendations

- WAO were unable to calculate costs to complete in the usual way due to the data not being available on Hubplanner. While the historical bookings had been moved across from MK the future bookings data was not complete meaning this couldn't be used for the basis of costs to complete. We recommend that this data is captured within Hubplanner so more accurate costs to complete can be calculated. We also recommend bringing in checks of the total audit budget and resource value booked in Hubplanner to identify audits which are not completely booked in Hubplanner.
- There were also a number of reports noted which could be run in MK but could not be run in Hubplanner. We suggest that these reports are written into Hubplanner so data can be more easily exported.

Management Response

- Agreed. Phase 1 of Hubplanner implementation which was completed in November 2022 concentrated on ensuring that we could effectively capture actual time against projects. Phase 2, which is currently in train, is focussing on ensuring that the future resourcing functionality of the system works effectively – this will support future cost to complete exercises. Reporting requirements will also be considered as part of Phase 2.

- | | |
|---|---|
| ● | <ul style="list-style-type: none"> Time coding |
|---|---|

Recommendations

- We noted some instances in our work on revenue where time had been coded to the wrong audit code. We discussed this with management and this was largely where there were codes for multiple years for the same audit and time had been posted to the wrong year.
- While this would usually be picked up by the manager on review of WIP at the end of the month we recommend that further controls are put in place to make sure time is not posted to the wrong job.

Management Response

- It would be very difficult to eradicate miscodings completely but we would expect these to be picked up as part of month end reviews by both managers and the Business Unit.

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Assessment

- Significant control recommendation
- Other control recommendations

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 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 £77k in the current period, which is an immaterial amount. 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 2023-24 Estimate and any matters identified during the course of our audit which may impact the going concern assessment. No material uncertainty has been identified.

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

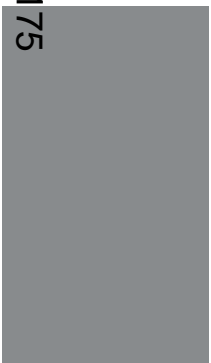
Fees

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.



Accounting misstatements

A summary of the adjusted and 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 £22,600 individually and in aggregate.

Adjusted

Adjustment	Type	Classification	Account	P&L £'000s	Balance Sheet £'000	Description
1	Adjusted	Reclassification	Accruals		194	Reclassification of March 23 NIC from Accruals to OTSS
			OTSS		(194)	
Pack Page 176	Adjusted	Judgemental	Admin expenses	35		Bad debt provision increased to provide for overdue debt from 2019 which has not yet been collected
			Bad debt provision		(35)	
	Adjusted	Judgemental	Right of Use Assets		(354)	Update the IFRS 16 lease adjustment for the rent free periods in the Capital Quarter lease and to recognise the Abergele lease which had >12 months outstanding at the point of transaction (1 April 2022)
		Lease liability		356		
		P&L	(2)			
				33	(33)	

Unadjusted

Adjustment	Type	Classification	Account	P&L £'000s	Balance Sheet £'000	Description
4	Unadjusted	Judgemental	Revenue	225		Judgemental increase to the costs to complete provision based on a recalculation of all engagements in Deferred and Accrued income at year end using the prior year bust % of the equivalent engagement.
			Accrued income		(225)	
				225	(225)	

The cost to complete provision is both an estimate and a judgment as it is based on expected future bust amounts of engagements at year end. The unadjusted misstatement above was calculated based on the prior year bust % of the equivalent engagement to calculate the total expected costs for each engagement in WIP/Deferred income at year end. Management calculated costs to complete based on a similar method but for some engagements had used the cost data from Hubplanner which we found in some instances to require a further provision based on the actual costs post year end. We have therefore included an unadjusted audit misstatement based on the difference between these two methods. This misstatement is judgemental as we have based our calculation on the prior year bust % as an indication of the expected current year cost to complete which is an estimate of the expected provision. The misstatement is also below our materiality levels and we therefore do not require the amount to be adjusted in the accounts.

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 2022-23.

The following disclosure matters were brought to your attention and subsequently adjusted/not adjusted in the revised financial statements.

Unadjusted disclosures Pack Page 178	Adjusted disclosures
<p>Governance Report</p> <p>6.5.8a Salary and allowances should be disclosed for all board members. For employee board members only the allowances in relation to board member duties are disclosed.</p> <p>6.4.8e Include actions taken to address internal control weaknesses</p>	<p>The following points from the FReM were added to the annual report and accounts:</p> <p>5.3.3g requires the performance overview to explain:</p> <ul style="list-style-type: none"> - how these risks have affected delivery of priority outcomes and objectives, - how they have changed - how they have been mitigated - emerging risks affecting future performance. <p>3.4.2 It is best practice to show these KPIs as trends</p> <p>5.4.4b Further detail on the items included in 5.3.3g</p> <p>5.4.4f Explanation of the purpose of performance analysis</p> <p>5.4.4g detail on structure of the organisation</p> <p>5.4.4k further detail on future plans</p> <p>6.4.8a Adding the reviewing the effectiveness of risk management and internal control systems to Accounting Officer responsibilities.</p> <p>IFRS 7 35G Disclose the basis of inputs and assumptions in the "expected credit loss provision" estimate, including how forward looking information has been incorporated and significant changes in assumptions.</p>
<p>Performance Analysis</p> <p>5.4.4a provide outturn performance data against each indicator used to monitor performance with prior year comparative data</p> <p>5.4.4j Trend analysis / explain performance using KPIs</p>	
<p>IAS 7 Reconciling between the opening and closing balances of liabilities arising from financing activities</p>	

Financial reporting updates

Important updates

A full list of financial reporting updates can be found by clicking the link below:



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Keep up to date on the latest news and legislation changes by signing up to receive our alerts and newsletters.

Register here



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Our Report is prepared solely for the confidential use of Wales Audit Office and solely for the purpose of explaining our audit approach, the findings of the audit, and other reportable matters, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK) 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 2023-24

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

This Annual Plan covers the period from 1 April 2023 to 31 March 2024 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 2023-24

We are pleased to present our Annual Plan for 2023-24

We are pleased to present our Annual Plan for 2023-24 which sets out our priorities for the next 12 months, in terms of our audit work and the running of the business.

The outlook for public finances in Wales is bleak. High inflation combined with the economic and social impacts of austerity, the pandemic and the departure from the European Union have eroded the spending power of public bodies and individuals alike. The rising cost of living is placing more and more families into poverty and demand for services continues to rise.

In this rapidly changing and complex world, 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.

With public finances under such strain, our core work auditing the financial statements of public bodies is more important than ever and must be prioritised. It provides assurance, transparency and accountability to taxpayers, the Senedd and other elected representatives. It provides public bodies with accurate and reliable financial information with which to plan and manage their services and finances.

Our value for money work programme will reflect some of the biggest challenges facing the country where Audit Wales can add most value:

- Tackling inequality
- Responding to the climate and nature emergency
- Service resilience and access
- Well-managed public services

Our relentless drive to improve the quality of our work will see the embedding of new international standards for financial and performance audit.

We will look to increase the impact of our audits through enhancements to our products, digital platforms and channels. A programme of Good Practice Exchange (GPX) activities will further increase the impact of our work, bringing people together in person and virtually to share knowledge and ideas.

Audit Wales is not immune to the financial pressures faced by the rest of the public sector. We are undertaking a financial sustainability review to ensure the business is operating in the most efficient and effective way possible.

Our Future Ways of Working project will see us start the year in smaller, more energy efficient, and accessible premises in Cardiff. We will continue to assess how our assets around Wales are enabling us to deliver our best audit work while also making a significant contribution to our net zero ambitions. We will continue to develop our approach to hybrid working to recognise the business and individual benefits of a blend of in-person and remote working.

None of our work is possible without our staff – the highly skilled and motivated teams who make a vital contribution to our national public services. Supporting the wellbeing of our people and making Audit Wales a great place to work will remain, therefore, our highest priority as it underpins all that we do.



Adrian Crompton

Auditor General for Wales

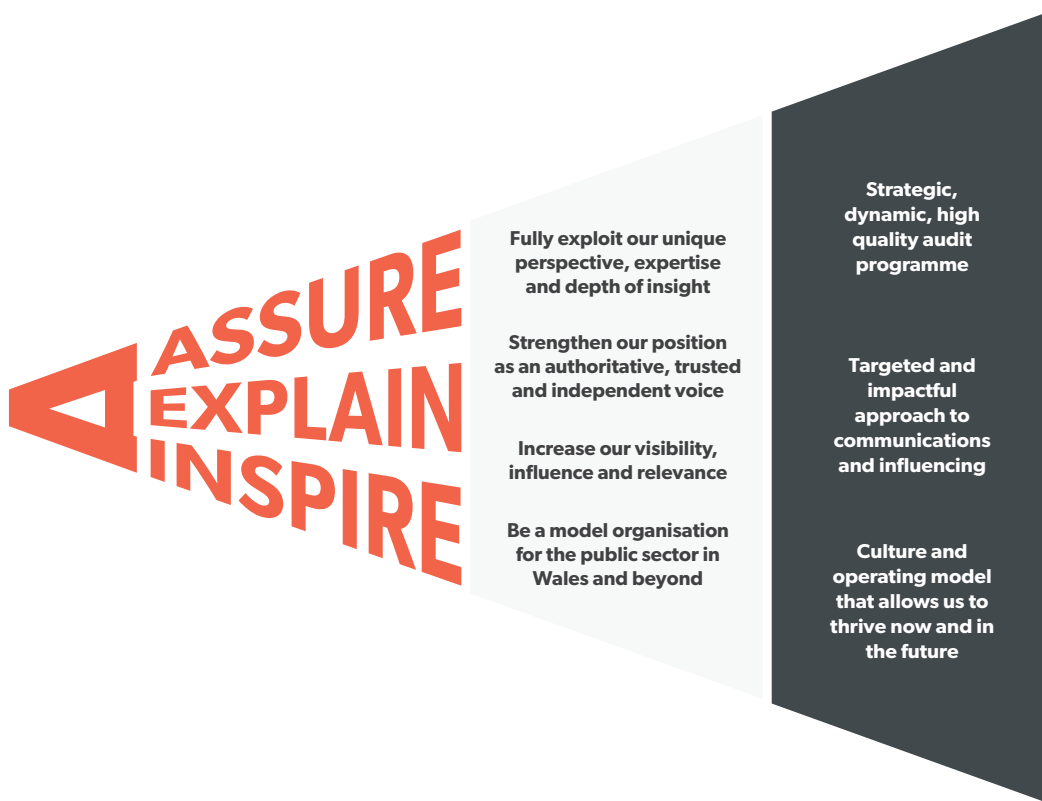


Dr Kathryn Chamberlain

Chair, Wales Audit Office

Our role and purpose

- 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, our purpose is at the heart of everything we do – to assure people that public money is being managed well, to explain how that money is being spent and to inspire the Welsh public sector to improve.



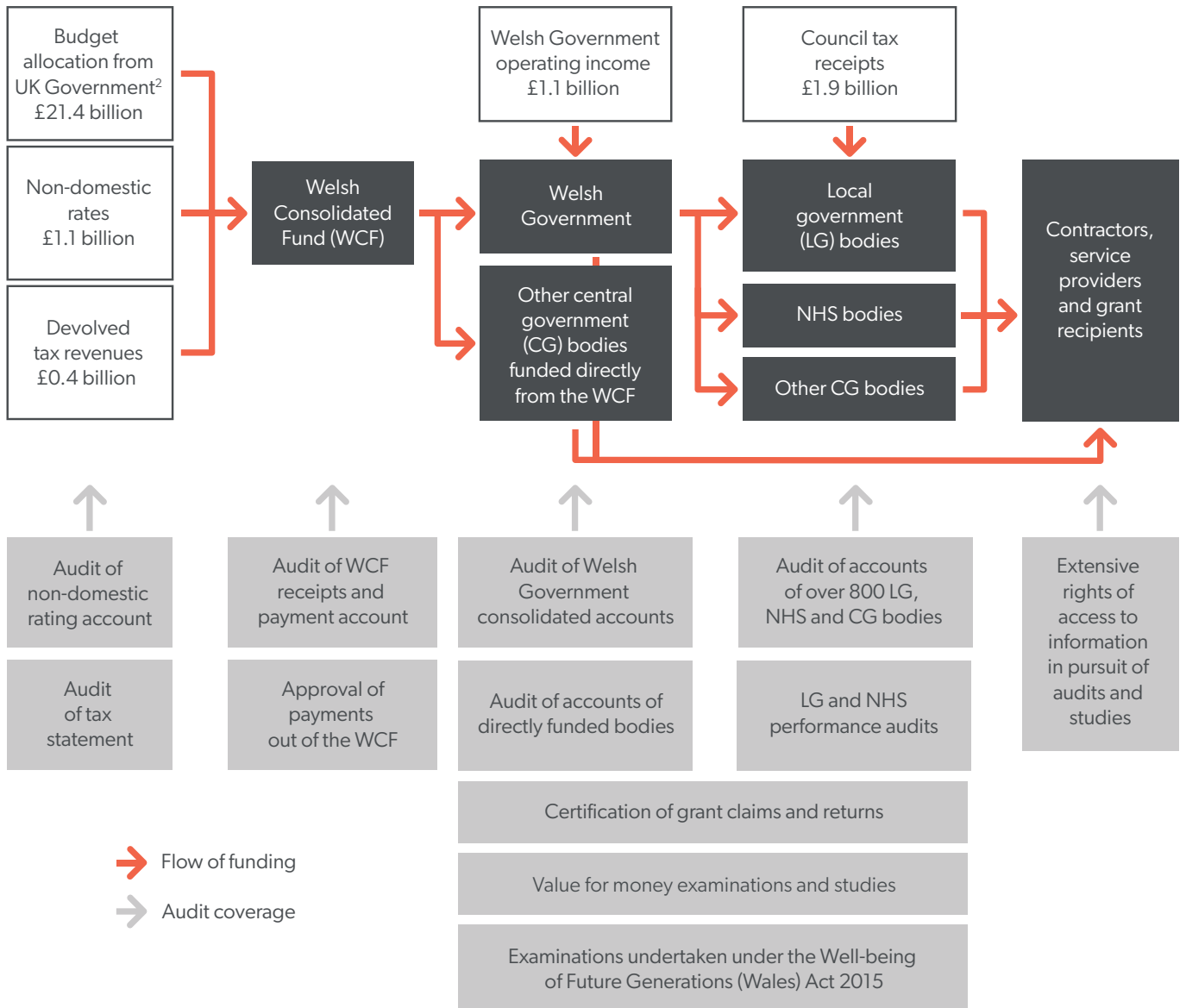
- 4 Assure, Explain, Inspire: Our Strategy 2022-27 describes the path we are taking towards reaching our full potential as a driver of change and improvement at the heart of public services and democratic accountability in Wales. It sets out our vision to increase our impact by:
 - fully exploiting our unique perspective, expertise and depth on insight;
 - strengthen our position as an authoritative, trusted and independent voice;
 - increasing our visibility, influence, and relevance; and
 - being a model organisation for the public sector in Wales and beyond.
- 5 Our strategy provides the context for this Annual Plan, which sets out the work programmes of the Auditor General and the Wales Audit Office during the second year of delivering our strategy. Our focus is in three key areas:
 - Strategic, dynamic and high-quality audit programme
 - Targeted and impactful approach to communications and influencing
 - Culture and operating model that enables us to thrive both now and in the future

What we do

- 6 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.
- 7 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.
- 8 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.
- 9 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.
- 10 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.
- 11 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

12 Together, as Audit Wales, we audit nearly £26 billion of income and expenditure, which is over a quarter of Welsh GDP.



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 operating environment

- 13 The breadth of our audit work across the Welsh public sector and devolved policy areas, our place as part of a wider UK and international accounting and audit profession, and the impact of wider changes in society, all contribute to the operating environment for Audit Wales.
- 14 We monitor wider developments relevant to our audit work programme and running of the business. This includes consideration of risks to our delivery but also areas of opportunity for our work programme. Issues that have emerged or amplified over the past year and as we head into 2023-24 are set out below.

Resourcing our work

Funding our work

- 15 The way our work is funded means that we must be mindful of our own costs while also managing the impact of inflationary pressures. However, it is vital that we maintain the high quality of our audit work, discharge effectively the various powers and duties placed on the Auditor General and meet the standards that the public and its representatives have a right to expect from an independent national audit body. Meanwhile, the impact of possible changes to the audit profession at a UK level need considering in the devolved context.

Recruitment and retention challenges

- 16 New auditing requirements will require a change in our skill mix for our audit of accounts work and increase the costs of that work (as set out in our [Fee Scheme 2023-24](#)). However, we also face competition from the wider accounting and audit profession where we are seeing evidence of pay rates increasing markedly, particularly in the private sector. This presents significant challenges for our ability to recruit and retain suitably qualified staff within our funding constraints.
- 17 We also face possible further disruption to our resourcing, and our income generation, through any ongoing industrial action involving our staff.

The legacy of the COVID-19 pandemic

Adapting to changes in our ways of working

- 18 Like many public bodies, we have seen a significant and likely permanent change in the way we work and the balance between office-working, home-working, and on-site audit activity at other locations. We will need to continue to adapt as we establish a 'new normal' that supports our organisational efficiency, the wellbeing and development of our staff, and the overall culture we want at Audit Wales.

The impact on our accounts audit timetable

- 19 The pandemic, combined with other resourcing pressures, has impacted on the timetable for the delivery of our annual accounts audit work and we will be dealing with the legacy of this through 2023-24 and beyond. Audited bodies have engaged constructively with us during the pandemic, despite being under significant pressure themselves. However, we have also seen examples of audited bodies taking longer to prepare accounts for audit. In addition, we are still working through a substantial backlog of town and community council audit work that we brought back in-house shortly before the pandemic.

Governance and capacity issues in Welsh public services

- 20 We have already seen the impact that governance failings within the bodies we audit can have on our programmes of work. Any increase in such issues, arising for example from the financial pressure on services, could impact significantly on our own delivery.
- 21 We have also reported previously on capacity pressures across various parts of the public sector. Pressure on audited bodies' staff resources could impact on how they engage with us to support delivery of our work, as could wider industrial action.

Responding to wider societal issues

The climate and nature emergency

- 22 There is a clear role for audit in reporting on how effectively public bodies are responding to the climate emergency, including supporting a just transition. But we also want to demonstrate that we are playing our part through our own net zero and biodiversity plans.

Promoting equality, diversity and inclusion

- 23 Inequality in Wales remains a significant concern and with the cost-of-living crisis presenting additional challenges and risks. Our [Joint Strategic Equality Plan](#) sets out our key commitments for the period 2022-2026 and how we will play our part in helping eliminate discrimination, advance equality of opportunity and foster good relations, both as an employer and through our audit work.
- 24 We also want to embrace the Welsh language. We take pride in providing a bilingual audit service and are committed to implementing and maintaining the [Welsh Language Standards](#). We intend to push beyond our statutory requirements to become a truly bilingual organisation as we implement our Welsh language strategy for 2022-2027.

Digitisation

- 25 Digital opportunities are supporting changes to the way public bodies are delivering services and our own ways of working. However, an increasing reliance on digital approaches presents increasing risks in an environment where cyber-attacks are becoming more sophisticated and aggressive. Maximising these digital opportunities also poses challenges around digital skills and inclusion.

Developments in our audit landscape

New powers, duties and audit coverage


- 26 In 2022-23, the Welsh Government consulted on extending the well-being duty under the Well-being of Future Generations (Wales) Act 2015 to a further eight public bodies. We have been liaising with the Welsh Government about the practical and resource implications of discharging the Auditor General's duties under the Act in the current (2020-2025) reporting period.
- 27 From 2023-24, the Auditor General will be the external auditor for the new [Citizen Voice Body for Health and Social Care](#). We will also be monitoring developments in readiness for our audit work at the new [Commission for Tertiary Education and Research](#) once it is fully operational.

Changes in public funding

- 28 With EU funding programmes coming to an end in December 2023, we will continue to plan for the impact of no longer auditing the EU funds that support farmers and agriculture. Meanwhile, developments around the UK Government's Levelling Up Fund and the Shared Prosperity Fund raise new questions around the flow of funding through to the bodies we audit in Wales and any consideration of how projects supported by that funding are being managed locally and contribute to bodies' wider objectives.

Considering the work of other external review bodies

- 29 As we look to work efficiently, minimise duplication of work and minimise demands on audited bodies, we consider work undertaken or planned by other external review bodies and liaise regularly with those bodies. This includes, for example, Healthcare Inspectorate Wales, Care Inspectorate Wales, Estyn, the various commissioners in Wales and the Public Services Ombudsman. We also liaise with other bodies that focus on public services, such as the Wales Centre for Public Policy and the Wales Governance Centre.



Our work programmes: how we organise and fund our work

- 30 Our planned work for 2023-24 can be broadly divided into two work programmes – audit delivery and running the business.
- 31 Audit delivery comprises the Auditor General’s work programme and priorities for 2023-24 in exercising his functions. The second section on running the business encapsulates the work programme and priorities for 2023-24 of the Wales Audit Office in exercising its functions.
- 32 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 2024, are to be used in delivering these work programmes.

Audit delivery

Core work



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



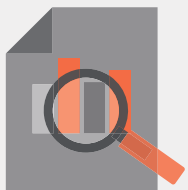
Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£1.5 billion**



Approving around **£1.8 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

- 33 Alongside legal and professional requirements, four widely recognised principles underpin our audit delivery:



- 34 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; and
 - 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.

- 35 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 EURORAI events³.
- 36 We can also arrange with certain types of bodies, both in the UK and overseas, to undertake commissioned work⁴. This includes auditing the 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, work with other regulators and supporting opportunities in Jersey and New Zealand.

Running the business

Core work

 <p>Setting the overall budget of £24.3 million and charging fees for audit work</p>	 <p>Employing around 290 staff and managing a diverse range of physical and information assets</p>	 <p>Providing strong leadership and embedding our values and behaviours</p>	 <p>Monitoring the exercise of the Auditor General’s functions and providing him with advice</p>
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For further information see:
Appendix 4 – Our Finances

3 The ([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.

- 37 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 and an employee member nominated by the Auditor General, who provide an extra dimension of insight and experience.
- 38 The Executive Leadership Team (ELT), 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. A staff perspective to help inform ELT decision making is sought from a panel of staff representatives.
- 39 More detailed information on our governance arrangements can be found in the Governance Statement section of our [Annual Report and Accounts 2021-22](#).

Our priorities and how we plan to achieve them

- 40 Alongside delivery of our core statutory responsibilities, we have identified priority areas for action in 2023-24, achievement of these will support us in realising our strategic ambitions by 2027. Our priorities are organised around three areas of focus:
- Strategic, dynamic and high-quality audit programme
 - Targeted and impactful approach to communications and influencing
 - Culture and operating model that enables us to thrive both now and, in the future
- 41 The next sections provide more information on each of the strategic areas of focus, why they are important, our progress so far and our priority actions for 2023-24. These priority actions are set out in two parts – audit delivery comprises the Auditor General’s work programme and priorities in exercising his functions. Running the business encapsulates the work programme and priorities of the Wales Audit Office in exercising its functions.

Strategic, dynamic and high-quality audit programme

Why it is important

- 42 Many of the challenges we face in Wales today are complex, interconnected and span the remits of a range of organisations. We will continue to explore the opportunity for a change in our funding model to give us improved flexibility to examine more cross-cutting and whole-system issues and as part of this explore how the sustainable development principle and its ‘five ways of working’ are being applied.

- 43 We have developed our thinking, building on feedback from our [work programme consultation in spring 2022-23](#) and our [Picture of Public Services analysis](#) in 2021, to focus an indicative three-year audit programme of work around four key themes:
- Tackling inequality
 - Responding to the climate and nature emergency
 - Service resilience and access
 - Well-managed public services
 - Good governance
 - Workforce, assets, and finance
- 44 Like all public sector organisations, we face financial challenges and need to live within our means. Building on good management practices, we have embarked on a financial sustainability review designed to give clear options on how we will face the future and will take a strategic approach to align our medium-term financial position, our service provision, and the shape of our workforce.
- 45 As the audit landscape changes, Audit Wales must adapt and respond to industry changes including adopting international standards in the delivery of our performance audit work and ensuring the compliance of our audit of accounts work with new requirements. For our accounts work, these changes require us to revisit our workforce planning and funding arrangements to provide an appropriate skill mix. Alongside this, we want to address the slippage in the timetable for our accounts audit work and other backlogs.
- 46 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 consider matters of concern that may arise and developments in Welsh Government policy.
- 47 We will enhance our approach to monitoring performance, focusing on a holistic view of our risks, KPIs, impact and delivery of our work programmes, business plans and internal projects, and ensuring that we are able to adapt our approach, maximise opportunities and remain responsive to challenges.

Achievements so far include:

- As we have developed our work programme themes, we have been building on relevant work already published over the past year, including for example on the net zero agenda and flood risk management, the challenge of tackling poverty in Wales, the NHS planned care backlog, cyber resilience and equality impact assessment. We have also been exploring opportunities for additional data-matching work to consider fraud risks, building on our work as part of the UK-wide National Fraud Initiative.
- Audit quality is always a key focus, we have invested in our technical support function and developing our audit approaches through implementing new risk-based standards for our audit of accounts work and introducing new professional standards for our performance audit work. The launch of these new approaches is underpinned by extensive learning and development programmes to equip our audit teams with the knowledge and confidence they need to achieve high standards of audit quality.
- Our Research and Development function is supporting the development of our audit programme, our wider horizon scanning and the development of networks, with academia, think tanks and other bodies to help inform the scoping of audit projects.

Priority areas for action in 2023-24

Audit Delivery

Embed a new- ISA 315⁶ compliant -approach to our audit of accounts work and INTOSAI⁷ standards in the delivery of our Performance Audit work.

Deliver a more dynamic programme of high-quality audit work that reflects the challenges facing the public sector locally and nationally.

Work with key stakeholders to identify, agree and bring forward audit deadlines for our accounts work for 2023 and future years.

Running the Business

Develop our approach to integrated performance management.

Scope our Financial Sustainability Review and begin to implement changes necessary to live within our means in 2023-24 and future years, demonstrating our own commitment to value for money.

6 Revised International Standard on Auditing (ISA 315).

7 International professional standards for public-sector auditing set out by the International Organization of Supreme Audit Institutions, INTOSAI.

Targeted and impactful approach to communications and influencing

Why this is important

- 48 To achieve our vision, it is vital that our work is impactful and that our messages land well and influence decision making. Our ability to achieve this relies on our engagement with a wide range of stakeholders. Managing these relationships well is important to our position as an authoritative, trusted and independent voice and requires us to be proactively engaging with others to communicate key messages from our work and support public services with the challenges they face. It is also vital that we understand how key stakeholders perceive our work and that we respond to the different ways that our audiences want to receive information in the modern world, including through our digital platforms.
- 49 To enhance the impact of our audit products we will place greater emphasis on planning our approach, ensuring that the form and presentation of our work is engaging and inspiring to a wide range of diverse stakeholders. We will continue our drive towards shorter, sharper, and responsive audit products, including real-time commentary on important topical issues, and use our digital platforms and tools to improve visibility of our work and engagement with our stakeholders.
- 50 We intend to place a greater emphasis on thematic reporting, comparisons across audited bodies and the identification and sharing of good practice and shared experience supporting public services to improve. 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 or alongside a full report.

Achievements so far include:

- We are improving how we display information and communicate our audit findings using data analytics and interactive data tools to support our audit reports.
- We have strengthened our relationships and participation with audit institutions, and collaboration with other UK audit agencies in the Public Audit Forum (PAF), providing a joint response to the Department for Business, Energy and Industrial Strategy (BEIS) consultation on the future of the UK audit profession.

- Held a series of Good Practice Exchange events aligned to our strategy and focussed on common challenges across public services including responding to the climate emergency, tackling poverty in Wales and equality impact assessment.
- We regularly participate as keynote speakers at national and international conferences.

Priority areas for action in 2023-24

Audit Delivery

Implement new stakeholder engagement approach to gather independent feedback from our audited bodies.

Running the Business

Improve our internal communication arrangements including frequent ELT engagement sessions, sharing stories focused on the quality, impact and interactions we have through our work, and refreshing communications channels including our intranet.

Refresh our website.

Deliver a refreshed, rolling programme of good practice sharing (GPX), which is aligned to our audit programme and planned in from the outset.

Culture and operating model that enables us to thrive both now and, in the future

Why this is important

51 None of our objectives for high-quality public audit can be achieved without having the right staff, culture and resources in place. We are committed to ensuring Audit Wales is a model organisation for the Welsh public sector, one that recognises and values our people within a culture that allows everyone to thrive.

- 52 Our reputation and impact depend upon the quality of work we deliver and the effectiveness of our internal operation. Our People and Organisational Development strategy focuses on attracting and retaining capable and highly skilled staff and prioritising the development of our people to fulfil their roles, grow and perform at their best.
- 53 Our ambition is for Audit Wales to become a modern, forward focused model organisation for Wales. We will ensure that our strategic focus on future workplaces, net zero, digitisation, workforce and financial plans is interconnected and fit for the future – creating synergies and efficiency in their implementation across the organisation.
- 54 We will grasp the opportunity to be a digitally mature, data-driven organisation, while proactively managing the risks of cyber security to ensure that our systems are secure, resilient, and fit for purpose. There is so much happening in this space and we will ensure we are at the forefront of developing new ways of delivering our core business.
- 55 Our commitment to challenging inequality is embedded in our work and we will always challenge ourselves to do more. We recently published our new Strategic Equality Plan with a new set of equality objectives. This stretches our ambitions as does our new Welsh Language Strategy published earlier in 2023. We are proud to be a bilingual organisation and continue to embrace the Welsh language in our activities.

Achievements so far include:

- Staff wellbeing is a significant focus, recognising that we have a responsibility to ensure that our workplace culture encourages positive behaviours and provides support networks for our employees. In September 2022 we launched our Wellbeing Strategy designed around three themes of wellbeing that are at the centre of our aims for Audit Wales – Work Well, Live Well and Mean Well.
- We continue to review all our accommodation needs and evolve our hybrid ways of working post-COVID. We have extended the lease on our West Wales office and relocated our Cardiff office. Staff have been piloting the use of Hubs, alongside the re-opening of a small number of audit rooms on client sites, enabling staff to work effectively, flexibly and in collaboration with others.
- The implementation of our workforce plan that supports the achievement of the vision set out in our People and Organisation Development Strategy – ‘to develop a capable and diverse workforce that is motivated to deliver our purpose and ambitions and reach our full potential’.

- We have invested in the training and development of our audit staff, supporting our trainees to achieve their qualifications, upskilling staff in preparation for the implementation of new professional standards and working practices and continued provision of an extensive L&D programme to further develop capability.
- We published our Strategic Equality Plan 2022-2026, which sets out a fresh suite of objectives for equality, diversity, and inclusion and are committed to being an employer of choice and increasing the diversity of our workforce.

Priority areas for action in 2023-24

Audit Delivery

Embed our new time recording and management (TRM) system so as to provide better management information, ensuring more efficient and effective use of staff skills and supporting more accurate income profiling.

Enhance the capacity and capability of our workforce through implementation of the People & Organisation Development Plan and the Strategic Equality Plan.

Running the Business

Address falling performance on engagement and employee experience.

Embed net zero ambitions through ways of working, travel plan and estates development.

See a return to regular in-person working, as part of a hybrid working model, for all teams in Audit Wales to enhance productivity, quality, and organisational culture.

Deliver and realise benefits of the Wellbeing Strategy.

Embed effective ways of working in new Cardiff office that support productivity, quality, and collaborative organisational culture, and utilise learning across all Audit Wales offices.

Measuring and reporting on our performance

- 56 In 2023-24, 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 areas of action 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.
- 57 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.
- 58 We will report on our performance externally through our Interim Report and Annual Report and Accounts, and by providing evidence at meetings of the Senedd Finance Committee. It should be noted that our KPIs are part 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.
- 59 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

Strategic, dynamic and high-quality audit programme

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 <u>Financial Reporting Council (FRC) quality standards</u> .	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 2023-2026

Targeted and impactful approach to communications and influencing

No.	Indicator	Description	Target
8	Good practice events	Proportion of stakeholders who rate 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, ie 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

Culture and operating model that allows us to thrive both now and in the future

No.	Indicator	Description	Target
12	Employee engagement	Percent positive annual staff survey engagement index score.	At least the median benchmark score for the latest CSPS
13	Employee experience	Percent positive annual staff survey thematic ⁸ 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	Net underspend variance on income and expenditure from that set out in our Estimate for the current year.	Less than 2% of gross expenditure 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 ⁹ 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%

8 The key CSPA 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.

9 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 ¹⁰	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
11 Welsh Government sponsored bodies	✓		✓ ¹¹
Welsh Revenue Authority including the tax statement	✓		
5 Welsh Government companies	✓		
6 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ ¹²
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 and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ¹³		

10 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.

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

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

13 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 (see also **Appendix 3**).

As noted earlier in this Plan, we have been developing an indicative three-year forward work programme under four over-arching themes. These themes will frame all our audit work, including our national studies. We will also continue to make time and space in our work programme for follow-up work on topics we have reported on previously.

The tables below summarise work in progress and other national work that we intend to start during 2023-24, including thematic local work across principal councils and NHS bodies. Other outputs may also emerge during the year and our interim report will provide an update.

Work in progress at 1 April 2023

NHS quality governance	Corporate Joint Committees
Managing assets and workforce in local government	Maximising EU funding
Net zero (pan UK overview – with other UK audit bodies)	Unscheduled care
Covering teachers’ absence – follow up	NHS workforce
Planning for sustainable development – brownfield regeneration	Building safety

Work in progress at 1 April 2023

Ukrainian refugee services	Governance/oversight of National Park Authorities
Digital strategy in local government	Use of performance information in local government
Affordable housing	Cancer services
Active travel	

Other work that we intend to start during 2023-24

Capital planning and programme management	Challenges for the cultural sector
Homelessness	Addressing biodiversity decline
Rebalancing care and support	Tackling NHS waiting lists
Access to education for children with Additional Learning Needs.	Further and higher education funding and oversight – Commission for Tertiary Education and Research
Governance of Fire and Rescue Authorities	The senior public service
Financial sustainability in local government	Commissioning and contract management in local government

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 2023-24, we will provide regular briefings to the PAPAC on outputs from the Auditor General's work programme, 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; and
- the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports, and those of other bodies.

We will continue to engage with the Committee about the overall content of the Auditor General's work programme and on matters of concern to the Committee. We will also continue to look for opportunities to share audit learning with other Senedd committees through our engagement with other clerking teams and researchers, responding to consultations and, where relevant and requested, briefing other committees on the findings from our work and potentially supporting their own inquiries.

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; and
- 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 2023-24, 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;
- examine issues in more detail where we consider this is merited, and report as appropriate; and
- 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](#) approved¹⁴ 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.

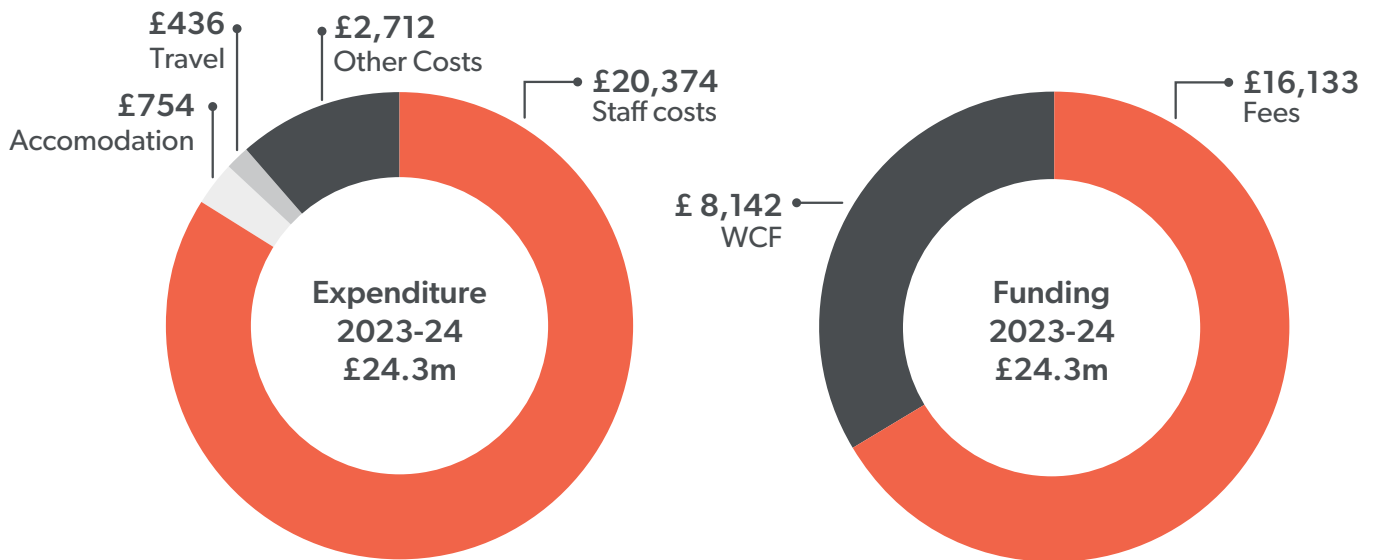
The key priorities for our use of resources in 2023-24 are laid out in our most recent [Estimate of Income and Expenses](#) and [Supporting Information](#), which was considered and approved by the Senedd Finance Committee in November 2022. £20.4 million of our planned expenditure relates to staffing resources to be made available to the Auditor General to carry out his work programme¹⁵. A further £3.9 million provides a range of other services, including accommodation, travel, ICT and professional fees.

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.

14 Following a consultation exercise with the bodies we audit and other key stakeholders.

15 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.

Our revenue expenditure and funding 2023-24





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

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Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2024

Issued: August 2023

Document reference: 3734A2023

Submitted to the Finance Committee of the Senedd for consideration under Standing Order 20.35.

Adrian Crompton
Auditor General for Wales

Kathryn Chamberlain
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 2023-24 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 7 March 2023 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £16.133 million of accruing resources, generated through fees charged to audited bodies, and supplied a further £8.452 million of other resources in support of our expenditure plans for the year. Together, this £24.585 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2024.

Reason for change

Changes to our office accommodation

- 5 On 6 July 2023, the Senedd Finance Committee considered a [Supplementary Estimate for 2023-24](#) which set out our proposals to relocate our North Wales office from Abergele to the Welsh Government's North Wales office at Llandudno Junction.
- 6 As set out in our explanatory memorandum, we expect this move to deliver annual savings in the region of £30,000 but, in order to meet IFRS16 accounting requirements, an increase to resource budgets of £94,000 (non-cash) is required in 2023-24. This is made up of:
 - Lease liability (£70,000)
 - Structural dilapidations provision (£24,000)
- 7 Finance Committee on 6 July supported this proposal – the impact of which is reflected in this Supplementary Estimate.

Cost of living payment

- 8 In June 2023, in light of the below-inflation pay increases awarded to their staff in 2022-23, the Welsh Government agreed with their trade union partners that a £1,500 one-off payment would be made to their staff in July. This payment applied to all staff below Senior Civil Service who were in post prior to 31 March 2023 and remained in post at 30 June 2023. The payment is non-consolidated, non-

pensionable and not pro-rated for part-time employees. It is also separate to negotiations for the 2023-24 pay award.

- 9 The Welsh Government has subsequently set the expectation that 'bodies that analogue to or mirror the Welsh Government's pay awards and those involved in the recent pay parity work will also make this additional payment, in the interests of fairness and unity across the devolved Welsh public sector'.
- 10 Whilst this expectation does not apply directly to the Wales Audit Office, our own trade union partners are keen to see this replicated, particularly as the 3% pay award for our staff in 2022-23 was significantly less than inflation for the year of around 10%.
- 11 Both trade unions at the Wales Audit Office, Prospect and PCS, are in dispute with us over the 3% pay increase awarded to staff for 2022-23. The unions have indicated that settlement of the dispute in respect of 2022-23 is dependent on our matching the payment made to Welsh Government staff.
- 12 The cost to Audit Wales of making this payment based on the same parameters as those set by the Welsh Government is estimated at £442,000 in 2023-24. As no provision for this payment was made in our Estimate or Fee Scheme for 2023-24, we are seeking a Supplementary Estimate to enable us to make the payment this year.
- 13 Audit Wales will seek to fund some of the cost of the payment from within our existing budget. Our ability to do so depends on expenditure and income delivery, which will only become clear as the year progresses. Given that our budget already requires us to deliver some £500,000 of savings in addition to any derived by staff turnover, we do not believe it is possible identify further savings sufficient to fund the payment to staff without this Supplementary Estimate.
- 14 We are aware that other bodies are funding this payment through freezing of vacancies. Unfortunately, this is not an option for the Wales Audit Office, given the direct link between staffing and delivery of fee income – if we do not recruit audit staff, the associated reduction in income would be greater than any savings on staff costs.

Adjustments to resource budgets

- 15 For the North Wales office move, the Wales Audit Office is seeking a non-cash adjustment in respect of IFRS16 of £94,000 in 2023-24 – this is for accounting purposes only.
- 16 To make the £1,500 cost of living payment to staff, the Wales Audit Office is seeking additional budget (resource and cash) of £442,000 in 2023-24.
- 17 The associated budget changes for 2023-24 are set out in **Exhibit 1**.

Exhibit 1: budget changes 2023-24

	Estimate 2023-24 £'000	Supplementary Estimate 2023-24 £'000	Revised Estimate 2023-24 £'000
Revenue resource	8,142	442	8,584
Capital resource	310	–	310
Capital resource (IFRS16)		94	94
Accruing resources	16,133		16,133
Total expenditure	24,585	536	25,121
Net cash requirement ¹	8,642	442	9,084

¹ See Table 2.

Appendix 1

Summary of the 2023-24 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 2024, 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 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, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	8,584
• Capital	404
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.	16,133
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,084

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

	Estimate 2023-24 £'000	Supplementary Estimate 2023-24 £'000	Net change £'000
Net request for resources – revenue and capital	8,452	8,988	536
Non-cash adjustment – depreciation and interest charges	(640)	(640)	–
Lease rental payments	280	280	–
Non-cash adjustment – movements in working capital	550	550	–
Non-cash adjustment IFRS16	–	(94)	(94)
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	9,084	442



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



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

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

1 August 2023

Dear Peredur

I am writing in response to your letter of 11th July about the one-off non-consolidated payment of £1500 to Welsh Government staff.

While we are still determining the total cost for making these payments to Welsh Government staff, current statements from the UK Government clearly indicate that such pay awards must be managed within existing settlements for Whitehall Departments, with no consequential funding being made available for Wales.

I can confirm that our funding position has not changed since the First Supplementary Budget. Given the clear steer from the UK Government, our planning assumption remains that no additional funding will be forthcoming. Therefore, the Welsh Government is having to make very difficult decisions over reductions in planned expenditure to absorb this £1500 payment to staff from within existing budgets.

There are significant economic and fiscal challenges already identified in the current financial year and Wales' current financial settlement falls far short of what is needed to meet these challenges from existing budgets that have been eroded by a range of inflationary pressures.

Work is underway across Welsh Government to clarify all budgetary pressures, including this payment to staff, and identify savings options in order to manage the overall position. At this stage I cannot confirm whether this will mean any transfers between MEGs. All changes will be reflected in the Second Supplementary Budget which I still intend to publish in February 2024 to the usual timescale.

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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 response.

All workers in public sector bodies in Wales should be fairly rewarded for the important work they do. Unfortunately, in the absence of any likelihood of sufficient UK Government funding consequential for pay settlements, funding for any pay awards will need to be managed within existing settlements. Welsh Government is having to make reductions in planned expenditure to absorb this £1500 staff payment from within its existing budget and as the First Minister made clear in his recent letter to the Llywydd in respect of the Senedd Commission we would expect our Directly Funded Bodies to take a similar approach and look to absorb the costs from current budget settlements. Any further requests for additional funding will inevitably lead to further cuts elsewhere.

My officials will of course be happy to give any specific advice to officials in our Directly Funded Bodies as needed to help them in their consideration of their organisations' budget position or to detail the funding assumptions around Welsh Government's pay awards.

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a small dot at the end.

Rebecca Evans AS/MS

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

Rebecca Evans MS
Minister for Finance and Local Government

11 July 2023

Dear Rebecca,

IN CONFIDENCE: One-off non-consolidated payment of £1500 to Welsh Government staff

I understand that the Welsh Government has agreed that a one-off £1500 payment will be made to Welsh Government staff in July to mitigate the impact of the continued high cost of living.

As part of our role in scrutinising the Welsh Government's budget, the Committee is seeking clarity on the total value of this payment to the Welsh Government as well as information regarding how it will be funded. We would be grateful therefore if you could provide answers to the following questions:

1. Can you clarify the total value of this payment and explain how it will be funded, including whether there will be any associated consequential funding received from the UK Government, or by other means?
2. When you appeared before the Committee on 21 June 2023 to give evidence on the First Supplementary Budget 2023-24, you said "we haven't made changes to our spending plans... because we are still quite early on in the financial year" and that "colleagues across the different MEGs will be looking to manage their spend within the envelope that they have".

Has your funding position changed since the First Supplementary Budget 2023-24 was laid in order for this payment to be made to staff, and will transfers between MEGs be necessary to cover this cost?

3. Will the funding arrangements for this payment be reflected in the Second Supplementary Budget, due later in the financial year, or have you given



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consideration to bringing forward an additional supplementary budget to cover this payment?

4. Do you expect this payment to apply to staff working in public sector bodies in Wales other than the Welsh Government? If so, how do you anticipate that being funded? As the Committee has a role in overseeing the Directly Funded Bodies, we would be particularly interested in whether the Welsh Government expects those bodies to mirror these arrangements.

As we understand that this payment is expected to be made to Welsh Government staff imminently, we would appreciate a response to these questions as a matter of urgency.

Yours sincerely,



Peredur Owen Griffiths MS
Chair of the Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Agenda Item 6

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

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Agenda Item 9

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



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths AS/MS
Chair
Finance Committee
Welsh Parliament
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6 July 2023

Dear Peredur,

Landfill Disposals Tax Independent Review - Report

I wrote to you in July 2021 to inform you of the arrangements for an independent review of the Landfill Disposals Tax (LDT). This addresses a commitment made during the passage of the Landfill Disposals Tax (Wales) Act 2017, through the then National Assembly for Wales, for an independent review to be carried out. Following an open tendering process, Eunomia Research and Consulting was appointed in June 2022 to conduct the independent review, with the review covering the period from September 2017 to March 2023.

The Committee will wish to be aware Eunomia has completed the review and its report has been published today on the gov.wales website. The scope of the review focused on the effectiveness of LDT and its implementation. In particular, the review aimed to consider the impact of LDT rates on behaviours in the waste sector and the extent to which LDT legislation has influenced behaviours.

I attach a copy of the full report and executive summary. The conclusions and recommendations contained in the report will inform the future development of LDT.

Yours sincerely,

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

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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.



SOCIAL RESEARCH NUMBER: 69/2023

PUBLICATION DATE: 06/07/2023

An Independent Review of the Landfill Disposals Tax (Wales) Act 2017

Executive Summary

1. Research aims and methodology

- 1.1 The LfT Regulations 1996 were introduced in the UK with the primary purpose of reducing the disposal of waste to landfill and encouraging more sustainable waste management outcomes. The tax was devolved to Wales by way of the Landfill Disposals Tax (Wales) Act 2017 (LDT).
- 1.2 An independent review of the Landfill Disposals Tax (LDT) was commissioned to assess its effectiveness by considering any lessons learned since its implementation. The research covers the period September 2017 to March 2023.
- 1.3 This review aimed to answer two high-level research questions:
 - What impact have LDT rates had on behaviours in the waste sector (including unauthorised disposals)? (Impact)
 - To what extent has LDT legislation (i.e., other than tax rates) influenced behaviours? (Behaviours)
- 1.4 A range of methods were used including a desktop review and analysis and primary research with stakeholders which involved surveys and interviews.
- 1.5 Interviews were conducted with six stakeholder groups. These were: trade associations; environmental organisations; regulators, government and policy makers; commercial collectors / other infrastructure operators; landfill site operators; and waste producers. However, the primary research was impacted by low participation rate from stakeholders. By extending the interview timeframe and simplifying the survey, the study was able to engage 29 stakeholders in interviews and 44 respondents for the survey. The data collected was not fully representative.

- 1.6 The surveys were circulated to four target stakeholder groups including alternative waste treatment providers, commercial collectors, landfill site operators, and skip hire providers.

2. Key findings

Impact of the LDT rates

- 2.1 **Impact on recycling and reuse:** Between 2018-2022, recycling rates increased by 2 percent whilst LDT rates did not increase in real terms. Though LDT may have contributed to this increased recycling, stakeholders believed that other driving factors (specifically political signals that landfill is an unsustainable option and statutory local authority (LA) recycling targets) had a greater impact.
- 2.2 **Uptake of alternative technologies:** Quantities of municipal and commercial and industrial (C&I) waste sent to landfill has declined over time. In parallel, the recycling, reuse, and composting rates for these waste streams has increased, as has incineration. The increase in use of alternative treatment technologies for these waste streams is attributable to factors beyond LDT. These factors include the lower cost of EfW (compared to landfill) and the wider policy context such as statutory LA recycling targets, the Waste Framework Directive, and zero waste to landfill requirements. Also, construction and demolition (C&D) waste sent to landfill has decreased, which indicates the increased use of alternative treatment options in the UK.
- 2.3 **Alignment with environmental impact of waste streams:** Data were inconclusive as to whether LDT rates are aligned with the environmental impact of different waste streams. This would require a more extensive study. Stakeholders suggested the need for multiple tax rates to be introduced to represent the environmental burden of different materials, but it is important to consider the potential impact of this on the existing LDT regulations.
- 2.4 **Impacts on specific waste streams:** Several waste streams were identified for which LDT rates are not acting as a deterrent to landfill treatment: gypsum; asbestos; incinerator bottom ash; contaminated soils; low activity inorganic compounds; plastics; textiles; wood.; and mixed treated waste. The main reasons for the continued use of landfill for these waste streams are either a lack of access to alternative treatment facilities and the cheaper cost of disposal relative to alternative treatment facilities. Stakeholders suggested amending the waste streams' tax rate or introducing a middle rate tax to address this.
- 2.5 **Waste tourism:** The evidence does not indicate that LDT is a material factor in influencing the cross-border flow of waste between Wales and other UK nations. The border is fluid, with waste travelling across the border for treatment in both directions due to proximity, convenience, and cost (gate fees and transport).
- 2.6 **Gate fees:** Data indicates that landfill gate fees are decreasing in real terms. The key factors influencing gate fees are market conditions and the base landfill site costs (operations, engineering and infrastructure). No differences in gate fees between UK nations were identified.

- 2.7 **Waste misdescription:** The gap between the lower and standard LDT rates has contributed to the intentional misclassification of waste. However, further evidence is needed to understand the extent of misclassification and its enforcement. To combat misclassification, stakeholders suggested reducing the gap in rates, introducing a middle tax rate, or assigning waste classification responsibility to the waste producer. The lower rate has also disincentivised the use of more expensive (relative to landfill) alternative and sustainable waste treatment options.
- 2.8 **Unauthorised disposals:** Whilst stakeholders viewed the unauthorised disposals rate (150% of the standard rate) as sensible, issues were raised with its potential effectiveness at deterring waste crime due to lack of visibility and enforcement. Stakeholders also opined that, so far, there was no observable impact of the 150% rate compared to England's and Scotland's rate.

Impact of regulation

- 2.9 **Differences in UK legislation:** Despite some legislative differences between LDT and LfT/SLfT (namely water discounts, exemptions and reliefs, lower rate waste streams, unauthorised and taxable disposals), the legislations are broadly similar. Interviewed stakeholders generally had a lack of awareness of the differences in legislation and therefore struggled to comment on this in greater detail.
- 2.10 **Reliefs, discounts, and exemptions:** Data are inconclusive as to the impacts that reliefs, discounts, and exemptions are having on taxpayer behaviour, as well as the extent to which they are appropriate and necessary.
- 2.11 **Legislation ambiguities and gaps:** No ambiguities within the legislation were identified as part of this review. However, this may reflect a lack of awareness of the differences in legislation and is not to say that ambiguities do not exist.
- 2.12 **Levels of tax risk:** For some stakeholders, legislative differences in Wales pertaining to water discounts have had a negative impact on tax risk due to increasing operating costs and closing part of the market. On the other hand, another stakeholder noted that water discounts were open to abuse where some operators had been claiming relief for water without carrying out any qualifying activities to prove this.
- 2.13 **Viability of landfill:** Data are inconclusive as to the impact of LDT legislation on landfill viability. While stakeholders pointed to the financial and administrative burden arising from LDT, there was no evidence to suggest this had directly impacted on the viability of landfill sites. The number of landfill sites have stayed reasonably stable while landfilled tonnages have declined between 2018-2022.
- 2.14 **Industry behaviour and innovation:** Primarily through acting as a financial driver, LDT legislation has influenced wider industry behaviour and innovation, promoting alternative and sustainable waste management practices. However, other environmental policy levers have influenced behaviour and innovation (arguably to a greater extent), namely decarbonisation targets, statutory LA recycling targets and corporate social responsibility.

Broader findings

- 2.15 **Lessons learned from UK nations:** No specific lessons have been identified from other UK countries which could inform ways to further behaviour change in relation to landfill taxes were identified as part of the review. Existing means of collaboration and knowledge sharing were identified, including tri-nation calls.
- 2.16 **Alignment with wider environmental policy:** LDT is well aligned with other Welsh Government environmental policies and priorities. LDT exists as part of a wider policy landscape that includes statutory LA recycling targets and decarbonisation and net zero ambitions that all aim to divert waste from landfill. Going forward, the introduction of extended producer responsibility and a deposit return scheme will further complement LDT.
- 2.17 **Landfill Disposals Tax Community Scheme:** The support of communities through Landfill Disposals Tax Community Scheme (LDTCS) is a positive benefit of LDT. Whilst LDTCS does not explicitly aim to influence the waste management sector, it was found to promote bottom-up actions through projects supported by LDT funds. Such projects support both the circular economy and wider environmental outcomes.

3. Conclusions/Recommendations

- 3.1 Isolating the effectiveness of LDT was challenging as it sits within a broader policy landscape and its direct impacts are difficult to disentangle from other interventions. There were difficulties in engaging appropriate stakeholders and also a lack of available data for this study.
- 3.2 The findings show that LDT is well aligned with other Welsh Government environmental policies and priorities and has made a positive contribution towards waste management priorities, but other policy interventions and external factors have played a greater role in encouraging positive impact for reuse, recycling, and uptake of alternative technologies.
- 3.3 Stakeholders suggested improvements to LDT included introducing multiple tax rates, changing rates based on the desired treatment of materials, reducing administrative burdens on landfill operators and assigning more resources like tax revenue to improve the regulation of LDT.

Title: An Independent Review of the Landfill Disposals Tax (Wales) Act 2017

Subtitle: Executive Summary

Author(s): Joe Hudson, Alexa Cancio, Sam Taylor, Paula Orr, Leyla Lugal, Petra Bistričić, Rhiannon Lee

Full Research Report: Joe Hudson, Alexa Cancio, Sam Taylor, Paula Orr, Leyla Lugal, Petra Bistričić, Rhiannon Lee; (2023). An Independent Review of the Landfill Disposals Tax (Wales) Act 2017. Cardiff: Welsh Government, GSR report number 69/2023.

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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Agenda Item 10

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