

## Agenda – Finance Committee

---

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: <b>Owain Roberts</b> Committee Clerk 0300 200 6388 <a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>
Meeting date: 3 October 2024	
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)

(Pages 1 – 5)

Minutes of the meeting held on 18 September.

#### 2.1 PTN 1 – Letter from the Cabinet Secretary for Finance and Welsh Language: Finance: Interministerial Standing Committee Meeting (F:ISC) – 26 September 2024

(09.30)

(Page 6)

### 3 Scrutiny of the Senedd Commission Draft Budget 2025–26: Evidence session

(09.30–10.30)

(Pages 7 – 77)

Hefin David MS, Commissioner for Budget and Governance, Senedd Commission

Manon Antoniazzi, Chief Executive and Clerk of the Senedd, Senedd Commission

Ed Williams, Director of Senedd Resources, Senedd Commission

Simon Hart, Interim Chief Finance Officer, Senedd Commission



**Supporting documents:**

FIN(6)-19-24 P1 – Senedd Commission Draft Budget 2025-26

FIN(6)-19-24 P2 – Letter from the Senedd Commission: Further information to support the Senedd Commission’s Draft Budget 2025-26; and an update in relation to Committee recommendations – 27 September 2024

FIN(6)-19-24 P3 – Letter from the Senedd Commission: Further information in relation to recommendations made by the Committee in its report on Scrutiny of the Senedd Commission Draft Budget 2024-25 – 23 September 2024

Senedd Research Brief

**Break**

(10.30-10.45)

**4 Audit Wales – Scrutiny of the Annual Report and Accounts 2023-24 and the Annual Plan 2024-25: Evidence session**

(10.45-11.45)

(Pages 78 – 281)

Adrian Crompton, Auditor General for Wales, Audit Wales

Dr Ian Rees, Chair of the Wales Audit Office, Audit Wales

Kevin Thomas, Executive Director of Corporate Services, Audit Wales

Anne-Louise Clark, Executive Director for Communications and Change, Audit Wales

**Supporting documents:**

FIN(6)-19-24 P4 – Audit Wales: Annual Report and Accounts 2023-24

FIN(6)-19-24 P5 – Audit Wales: Audit Findings report – Year Ended 31 March 2024

FIN(6)-19-24 P6 – Audit Wales: Annual Plan 2024-25

Senedd Research Brief

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

(11.45)

**6 Audit Wales – Scrutiny of the Annual Report and Accounts 2023–24 and the Annual Plan 2024–25: Consideration of evidence**

(11.45–11.55)

**7 Scrutiny of the Senedd Commission Draft Budget 2025–26: Consideration of evidence**

(11.55–12.05)

**8 Reviewing the Public Audit (Wales) Act 2013**

(12.05–12.15)

(Pages 282 – 299)

**Supporting documents:**

FIN(6)–19–24 P7 – Letter from the Chair of the Finance Committee:

Consultation on reviewing the Public Audit (Wales) Act 2013 – 3 July 2024

FIN(6)–19–24 P8 – Letter from Audit Wales: Improvements to audit legislation – 20 September 2024

**9 Changes to the Budget Process Protocol**

(12.15–12.30)

(Pages 300 – 304)

**Supporting documents:**

FIN(6)–19–24 P9 – Cover paper: Changes to the Budget Process Protocol

FIN(6)–19–24 P10 – Letter from the Cabinet Secretary for Finance,

Constitution and Cabinet Office: Proposed Changes to the Budget Process Protocol – 1 August 2024

## Concise Minutes – Finance Committee

---

Meeting Venue: **Hybrid – Committee room 3, Senedd and video conference via Zoom**

This meeting can be viewed on [Senedd TV](#) at:

<http://senedd.tv/en/14895>

Meeting date: Wednesday, 18 September 2024

Meeting time: 09.30 – 12.04

## Hybrid

---

### Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language, Welsh Government Andrew Jeffreys, Director Treasury, Welsh Government Sharon Bounds, Deputy Director Financial Controls, Welsh Government Ed Williams, Director of Senedd Resources, Senedd Commission Andrew Gibson, Director, Avison Young Kate Innes, Chief Finance Officer, Senedd Commission Jan Koziel, Head of Procurement, Senedd Commission
Committee Staff:	Owain Roberts (Clerk)



	Cerian Jones (Second Clerk) Martin Jennings (Researcher) Božo Lugonja (Researcher) Joanne McCarthy (Researcher) Michael Lewis (Deputy Clerk)
--	--

## Registration

### Private pre-meeting

#### **1 Introductions, apologies, substitutions and declarations of interest**

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

#### **2 Paper(s) to note**

2.1 The Committee noted the papers.

- 2.1 PTN 1 – Letter from Chief Pharmaceutical Officer to the Auditor General for Wales: Community Pharmacy Data Matching Pilot – 19 July 2024
- 2.2 PTN 2 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Statement of Principles for Directly Funded Bodies – 19 July 2024
- 2.3 PTN 3 – Letter from Hefin David MS, Senedd Commissioner: First Supplementary Budget 2024–25 – 19 July 2024
- 2.4 PTN 4 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Landfill Disposals Tax Avoidance – 23 July 2024
- 2.5 PTN 5 – Letter from the Temporary Chair of the Health and Social Care Committee to the Minister for Social Care: Health and Social Care (Wales) Bill – 26 July 2024
- 2.6 PTN 6 – Letter from the Minister for Social Care: Health and Social Care (Wales) Bill – Additional information – 26 July 2024
- 2.7 PTN 7 – Letter from the Minister for Social Care: Health and Social Care (Wales) Bill – Integrated Impact Assessment summaries – 30 August 2024
- 2.8 PTN 8 – Joint letter from the Cabinet Secretary for Health and Social Care and the Minister for Social Care to the Temporary Chair of the Health and Social Care Committee: Health and Social Care (Wales) Bill – Additional information – 6 September 2024
- 2.9 PTN 9 – Fiscal Intergovernmental Relations: Written evidence from the Council of Fiscal and Financial Policy of the Autonomous Communities, Spain – 16 July 2024 (This evidence was submitted to the Finance Committee in Spanish only and translated into English with the consent of the Council of Fiscal and Financial Policy of the Autonomous Communities)

**2.10 PTN 10 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Fiscal Intergovernmental Relations – 2 August 2024**

**2.11 PTN 11 – Letter from Audit Wales: Update on Audit Wales' response to the Committee's report on Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales – 12 August 2024**

**2.12 PTN 12 – Letter from the University and College Union: Scrutiny of the Welsh Government Draft Budget 2025–26 – 29 August 2024**

**2.13 PTN 13 – Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs to Chair of the Legislation, Justice and Constitution Committee: Service Level Agreement between Welsh Ministers, Rural Payments Agency and the British Cattle Movement Service – 2 September 2024**

### **3 Financial Transactions Capital: Evidence session 3**

3.1 The Committee took evidence on its inquiry into Financial Transactions Capital from Mark Drakeford MS, Cabinet Secretary for Finance and the Welsh Language, Welsh Government; Andrew Jeffreys, Director Treasury, Welsh Government; and Sharon Bounds, Deputy Director Financial Controls, Welsh Government.

3.2 The Cabinet Secretary for Finance and the Welsh Language agreed to provide the following:

- A list of projects that are currently utilising financial transactions capital; and
- Information on failed projects that have utilised financial transactions capital.

### **4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the start of the meeting on 25 September**

4.1 The motion was agreed.

## **5 Financial Transactions Capital: Consideration of evidence**

5.1 The Committee considered the evidence received.

## **6 Cardiff Bay 2032 – Senedd Commission Technical Briefing**

6.1 The Committee received a technical briefing on Cardiff Bay 2032 from the Senedd Commission.

## **7 Financial implications of the Health and Social Care (Wales) Bill: Consideration of Draft Report**

7.1 The Committee considered the draft report and agreed it with minor changes.

## **8 Welsh Government Draft Budget 2025–26: Update on the approach to budget scrutiny**

8.1 The Committee considered the correspondence and agreed the approach to budget scrutiny.

## **9 Interparliamentary Finance Committee Forum: Update**

9.1 The Committee considered the paper on the Interparliamentary Finance Committee Forum and agreed that the Forum writes to the Chief Secretary to the Treasury.



Llywodraeth Cymru  
Welsh Government

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

26 September 2024

Dear Peredur,

This is to inform you that a meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 3 October in Belfast. This will be the first meeting of the F:ISC with the new UK Government and I look forward to a constructive discussion.

The focus of the meeting will be on the economic and fiscal context and plans including the UK Government's spending inheritance. I will outline the Welsh Government priorities for the UK Autumn Budget and UK Spending Review. This includes our shared ambition for driving growth, renewing public services and accelerating net zero. I will also provide an update on the Welsh Government Draft Budget 2025-26 and the Welsh Government Spending Review.

There will be a discussion on fiscal flexibilities where I will outline the importance of the Welsh Government having appropriate budgetary flexibilities, and we will discuss options to enable us to maximise our resources.

The meeting will also have a focus on collaborative working and shared priorities. This is an opportunity to discuss longer-term issues, and how we can work together to make progress including the future of replacement EU funds.

I will meet separately with the Chief Secretary to the Treasury to discuss Wales-specific issues. I will report to the Committee on the outcome of the meeting.

Yours sincerely,

**Mark Drakeford AS/MS**

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg  
Cabinet Secretary for Finance and Welsh Language

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

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Mark.Drakeford@gov.wales](mailto:Correspondence.Mark.Drakeford@gov.wales)  
[Gohebiaeth.Mark.Drakeford@llyw.cymru](mailto:Gohebiaeth.Mark.Drakeford@llyw.cymru)

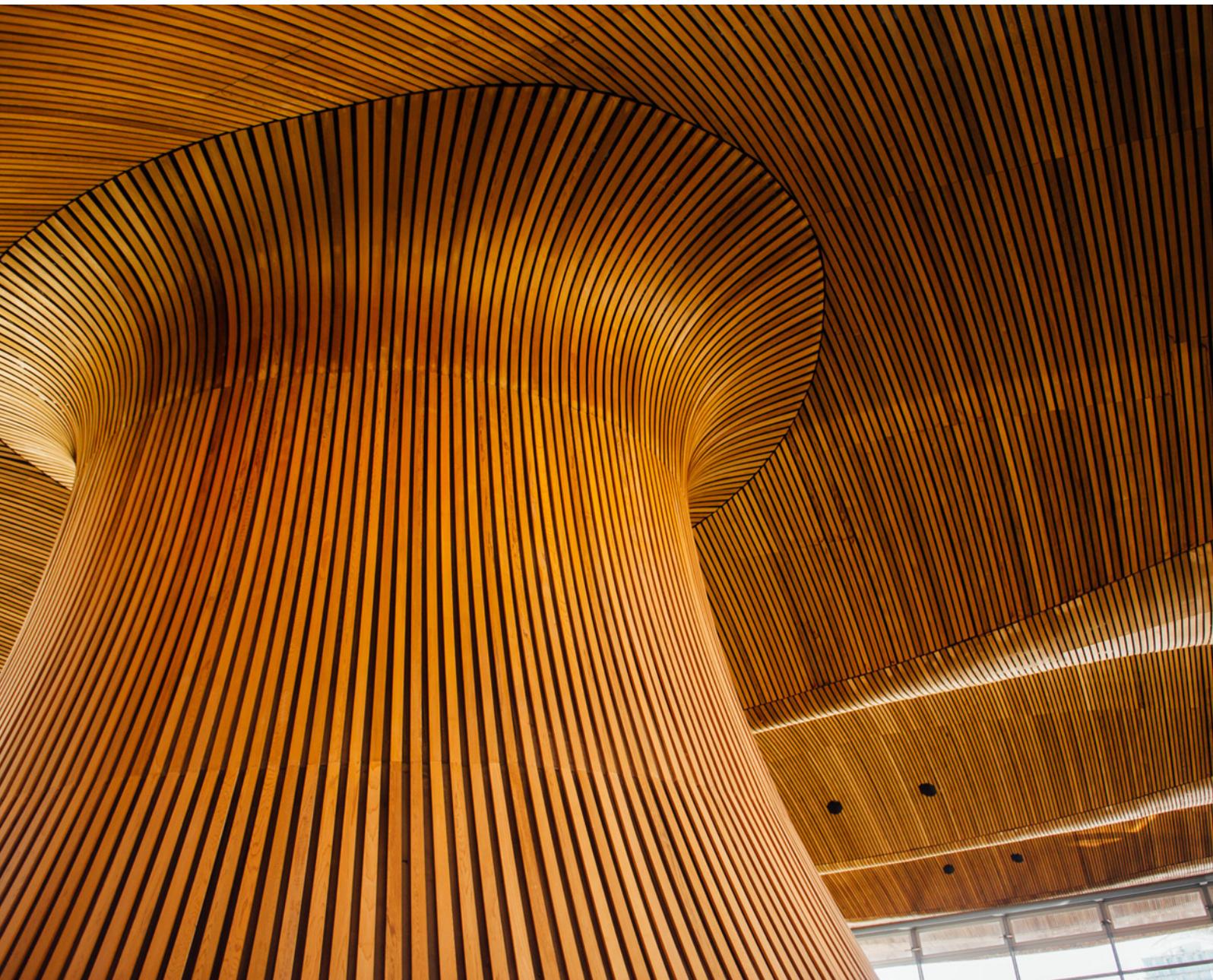
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

# **Draft Budget: 2025-26**

## Planned Step Change

September 2024



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

An electronic copy of this document can be found on the Senedd website:  
**[www.senedd.wales](http://www.senedd.wales)**

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

**Welsh Parliament**  
**Cardiff Bay**  
**CF99 1NS**

Tel: **0300 200 6565**

**© Senedd Commission Copyright 2024**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

# **Draft Budget: 2025-26**

## Planned Step Change

September 2024





---

# Contents

<b>1.</b>	<b>Introduction .....</b>	<b>6</b>
<b>2.</b>	<b>The Budget.....</b>	<b>7</b>
<b>3.</b>	<b>The Medium-Term Resourcing Framework .....</b>	<b>12</b>
<b>4.</b>	<b>Staffing.....</b>	<b>14</b>
<b>5.</b>	<b>Non-staff budgets.....</b>	<b>16</b>
<b>6.</b>	<b>Senedd Reform .....</b>	<b>17</b>
<b>7.</b>	<b>Ways of Working.....</b>	<b>19</b>
<b>8.</b>	<b>The Project Fund .....</b>	<b>21</b>
<b>9.</b>	<b>Sustainability .....</b>	<b>23</b>
<b>10.</b>	<b>Engagement.....</b>	<b>24</b>
<b>11.</b>	<b>Financial Governance and Control .....</b>	<b>26</b>
<b>12.</b>	<b>Budget for the Remuneration Board’s Determination.....</b>	<b>27</b>
<b>13.</b>	<b>Budget Ambit .....</b>	<b>29</b>
	<b>Annex 1: Budget Overview.....</b>	<b>30</b>
	<b>Annex 2: Budget Detail .....</b>	<b>32</b>



## 1. Introduction

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

The budget for the Senedd Commission (“the Commission”) is used to ensure that the Senedd is provided with the property, staff and services required for the Senedd's purposes. It also covers the costs of salaries and allowances of Members and their staff as determined by the Independent Remuneration Board.

Members of the Senedd carry significant responsibility. They make laws for Wales, represent the interests of Wales and its people, hold the Welsh Government to account and agree Welsh taxes. In turn, the Commission provides the specialist skills, support services and resources to support Members in carrying out their scrutiny, legislative and representational roles.

## 2. The Budget

**The budget for 2025-26 totals £84.301 million and provides for:**

- **Expenditure under the Commission’s direct control, including a Project Fund (the operational budget);**
- **Three ring-fenced budgets for specific programme work;**
  - **Expenditure relating to preparatory work for Senedd Reform;**
  - **Ways of Working programme of works.**
  - **Pre-Election preparatory work.**
- **Ring-fenced budget for adjustment to Lower Pay bands which is currently subject to a 2024-25 Supplementary Budget request.**
- **Depreciation (a non-cash expense);**
- **The budget identified for the Independent Remuneration Board’s Determination on Members’ Pay and Allowances;**
- **The budget for the clerking, administrative and other costs to provide support to the Independent Remuneration Board;**
- **The budget for the Office of the Standards Commissioner; and**
- **The accounting provision for the Members of the Senedd Pension Scheme under HM Treasury’s Annually Managed Expenditure (“AME”) heading (Pension Finance Cost).**

2025-26 is the final year of the 6<sup>th</sup> Senedd, requiring significant additional delivery by the Commission to ensure the Senedd and the Commission are prepared for the enlarged 7<sup>th</sup> Senedd. It is the first year of significant increase in budget requirements as set out in the published Regulatory Impact Assessment (RIA) for Senedd Reform change.

The budget for 2025-26 for the Commission is tight but will ensure value for money and includes the expected pay adjustment for staff, addressing the cost of living crisis. Officials have engaged with Party Groups to gather Members' priorities and share budget details, ensuring these views are incorporated into the Draft Budget presented.

The Senedd has tasked the Commission with delivering two major programmes: Senedd Reform and Ways of Working. Both initiatives require significant financial and human resources and aim to redefine how the Commission's services support the Senedd. This work began in 2024 -25 and will continue during 2025-26, with the Senedd Reform programme finalising estate adaptations and service redesigns for an expanded 7th Senedd in May 2026 enabling the Senedd to return to the Siambwr in February 2026 for Plenary. Both programmes will see a notable and anticipated increase in cost as they advance in implementation in 2025-26.

2025-26 is also a Pre-Election year, bringing cyclical one-off costs associated with the election, which will incur expenses both before and after polling day. These pre-election costs have been earmarked within a specific budget fund to cover necessary preparations and communications.

This Draft Budget also brings forward some infrastructure ICT and estate work to the Siambwr which would normally occur during the dissolution period. It is linked to the Senedd Reform structural works and will provide less disruption to Members and better value for money than waiting until dissolution.

This budget is consistent with the Commission's Medium-Term Resourcing Framework (MTRF), establishing resource and financial principles for the next three financial years. The MTRF aims to limit controllable growth and manage uncontrollable growth within existing base resources. It also seeks to highlight future budget pressures and offers strategies for managing them.

In addition to the known new requirements, some financial pressures lie beyond the Commission's control and reflect the priorities of the Senedd. New Committees set up in year, such as an unbudgeted pressures in 2024-25, which was not anticipated when that budget was laid. The nature of the work of the Committees means that temporary growth in the staffing budget will be required in 2025-26 but will fall away when the work of the Committees is complete.

The Ways of Working programme is delivering the Commission's Estate Strategy and will ultimately determine where Commission staff, Members and their support staff will be based from 2032 onwards, when the current lease of Tŷ Hywel comes to an end. The Programme is being delivered at pace to meet the current and future needs of the Senedd, delivering a hybrid working environment. However, the timelines and budget estimates cannot be accurately assessed before completion of the procurement process. The Draft Budget is, therefore,

presented with certain caveats. The Commission's aim is to ensure the programme has the financial means to progress given the approach of 2032.

The Senedd Cymru (Members and Elections) Act 2024 received Royal Assent in June 2024 which provides the certainty required to progress works to reconfigure the Senedd and Tŷ Hywel. The scale of the change is exceptional in terms of workload and resource requirements of the Senedd Commission. These cannot be serviced by the existing operational budget or resources. Existing resource is required during the period of transition and into the future to continue with normal business delivery as well as delivery of these programmes .

In this context, constructing a budget for the Commission which provides adequate funding for the coming financial year has been a complex process. The budgets for the work programmes have continued to be ring-fenced to aid transparency. The Senedd Commission has given a commitment that any unutilised funding will be returned to the Welsh Consolidated Fund.

The overall budget represents a total increase on the 2024-25 budget of 16.77%. The element relating to the day to day business of the Commission (the operational budget) has increased by 11.08% compared to the 2024-25 budget. Taking into account the known RIA additional costs expected in 2025-26, this increase in total budget is 11.56% overall (10.80% RIA adjusted for pay awards and inflation).

This is a higher level of growth than seen in previous years and higher than the Commission would wish to present. However, the level of delivery for 2025-26 that the Commission has been tasked with is a significant increase on 2024-25 financial year and previous financial years. The Senedd Reform Regulatory Impact Assessment (RIA) cost estimates were, by their very nature, provisional estimates based on the high-level assumptions. Since then, the projects have moved through planning, development and engagement phases, and are now in design, procurement and implementation phases; it is only now, having worked through those necessary steps, that firmer budgets and actual costs can be presented.

For 2025-26, the anticipated uplift in Senedd Reform-related costs (including the Siambr and Tŷ Hywel works) is £3.9 million. (Adjusted for inflation and pay awards, the original RIA estimate for 2025-26 was £3.37 million.) This is equivalent to a 4.67% (adjusted 5.39%) increase on 2024-25.

This, along with the continued impact of two years of high inflation, in particular the effect this has on staff pay awards, increases in employer pension contribution,

adjustment to the lower pay bands and the urgent need to catch-up on lifecycle maintenance works for the estate and ICT following delays has compounded to create the overall level of growth being experienced.

However, the commitment to limit budgetary growth for the core elements of the budget remains a Commission priority in recognition of the pressures on the public purse.

The proposed operational budget has made provision for a pay award in the staffing budget of 5% in 2025-26, to reflect developments in pay awards across the UK public sector. A 3% budgetary assumption has been made for each of the following two years. Pay negotiations with the Commission's Trade Union Side (TUS) to settle 2024-25 and to agree a new multiyear pay deal for 2025-26 onwards are not yet complete. The Commission is therefore using provisions rather than known pay deal rates.

The Commission has also had to include within the Draft Budget a ringfenced 'use or return' budget equivalent to the amount requested in the 1<sup>st</sup> Supplementary Budget request which has unfortunately been delayed due to the UK Parliamentary elections. At the time of preparing the Draft Budget, following negotiations with TUS, an agreed adjustment to the current agreed cap of 3% for lower paid staff (to settle the 2024-25 pay negotiations) has not yet been brought forward as part of a Supplementary Budget motion. There is a significant level of financial and operational risk for the Commission which is unable to afford this sum as an in-year cost. This difficulty has been recognised in scrutiny by the Finance Committee, which considered this matter in May 2024 and was supportive of the Commission's proposed approach.

The Draft Budget makes provision, as usual, for a Project Fund. This is separate from the day to day running costs of the Commission and largely funds infrastructure projects to maintain the estate and ICT systems as well as other discrete projects which cannot be met from service budgets, such as specialist software replacements. The Project Fund has increased for 2025-26 to reflect the period of significant life cycle replacement of major plant and infrastructure.

<b>Description</b>	<b>2024-25 Budget</b>	<b>2025-26 Budget</b>	<b>% change compared to 2024-25 (Laid)</b>
	<b>£million</b>	<b>£million</b>	<b>%</b>
<b>Operational budget</b>	£41.531	£46.135	11.08%
<b>Non-cash items</b>	£5.360	£5.600	4.48%
<b>Member related expenses</b>	£21.708	£22.233	2.42%
<b>Pre-election expenses</b>	£0	£1.000	
<b>Senedd Reform and Ways of Working</b>	£3.596	£8.878	146.91%
<b>Back pay award</b>	£0	£0.456	
<b>Total</b>	£72.195	£84.301	16.77%

### 3. The Medium-Term Resourcing Framework

The Medium-Term Resourcing Framework (MTRF) is the mechanism by which the Commission identifies future cost pressures with enough foresight to manage them. This could be by redirecting resources, change and efficiency management or, at the extreme, making a cohesive and evidenced case for requesting additional resource. The MTRF is a three year forward-look which informs stakeholders and facilitates appropriate planning. This is the second budget produced under this framework.

The assumption for the medium term is that the Commission financing requirements will be in excess of the resourcing available. The Commission therefore needs to understand and mitigate the gap between the two in order to continue to deliver against agreed priorities whilst also supporting the core business needs.

This approach allows the Commission to clearly demonstrate what is driving uplifts in its budgets (rather than creating an impression that 'business as usual' budget lines are being grown annually by an inflationary amount).

The Framework includes both a Medium-Term Financial Plan and a Workforce Plan. The former is a rolling 3-year budgetary framework. It sets out a detailed range of resourcing requirement scenarios and cost-pressures over the next 3 years. It then sets a reasonable and realistic basis for budget planning over the medium-term (a 'Managed Growth Scenario').

As a principle a 'Target Establishment' has been defined (for the permanent staffing establishment) to ensure the Commission's people resources continue to align with Commission priorities within the available resourcing envelope. It operates as a strategic cost management tool and drives resource management in an agile, effective and efficient way. Regular engagement with Heads of Service (budget managers) has provided structured input and feedback as to how the Commission can direct resource appropriately to organisational needs. This is particularly important given the transition to a larger Senedd and resists extrapolating existing resource in a linear fashion.

For this Draft Budget, the Commission recognises that the previous year's growth target, the GDP Deflator, is not a realistic target to use due to level of the funding gap that would be created. In coming to this conclusion, the Commission considered the impact of the potential pay award which, as noted above, is set at

a level comparable with current public sector pay awards across the UK. The extent of the reduction to services to Members that would be required in order to achieve this without a supplementary budget, is not sustainable. Rather, the Commission will manage headcount, limit provision for pay award to a maximum of 5% and manage non staff costs to contractual uplifts and absorb where possible other cost pressures within the inflation target set for the MTRF for 2025-26.

## 4. Staffing

The majority of the Commission's operational revenue expenditure relates to staffing costs (~70%). There is a continued commitment to develop and maintain a diverse, highly skilled workforce to support Senedd Business.

2025-26 financial year will be the first year of the new pay deal. Negotiations for the new pay deal are currently ongoing but should conclude during 2024-25 and will hopefully set the basis for the budget for the following years (up to 2027-28). For planning purposes, a maximum 5% pay award for 2025-26 followed by 3% in the following two years is assumed. The 2025-26 assumption is in line with the pay awards currently being settled within the wider UK public sector.

The 2025-26 staffing costs include the increase to employer pension contribution which is not within the 2024-25 comparative and is approximately £275,000. In addition, the baseline salaries for lower pay scales have been adjusted for the agreed uplift of £456,000. These two adjustments account for 2.28% of staff cost growth.

Establishment headcount for normal operational business has been held at the 2024-25 level with the exception of the addition of temporary clerking and support team for temporary Committees set up in year. This accounts for a 1.05% uplift of staff costs which will fall away in future years once the Committee has completed its work. All additional staff for programmes (as described above) and for the election transition are accounted for within those individual ringfenced budgets.

A ringfenced amount of £456,000 has been included in the Draft Budget to provide funds for a potential back payment of the agreed adjustment to Commission staff lower pay bands in order to settle the 2024-25 pay negotiations and to seek to settle the next pay deal. Funding was sought through the 1<sup>st</sup> supplementary budget request of 2024-25 which was delayed due to the UK general election. As the Commission is unable to fund this from in-year savings without significant impact to services to Members, this has been included on a use or return basis should the Supplementary Budget not proceed. This will allow the Commission to settle and complete negotiations on the pay deal due to commence from 2025-26 onwards. This request was scrutinised by the Finance Committee in May 2024.

The Senedd Commission's People Strategy is central to the delivery of our strategic aims and objectives, ensuring we have an agile workforce equipped with the right skills, knowledge and behaviours to deliver exceptional services to Senedd Business and Members. The strategy is underpinned by our organisational values of respect, passion, pride and working together as 'One Team'.

The Workforce Plan (within the Medium-Term Resourcing Framework) seeks to manage and adjust our staffing complement in the medium to longer term to match resource and skills to the areas required. This will require a sophisticated and mature approach to skills mapping and agility in our recruitment and deployment of staff. This will be particularly relevant as we move to a larger Senedd and evolve our staff requirements alongside developments in technology and in particular, the use of Artificial Intelligence to supplement our resource.

## 5. Non-staff budgets

The vast majority of non-staff related budgets within the Commission are contractual, including Rent, Rates, facilities management and ICT-related costs.

Contractual increases linked to CPI and RPI have driven increases in these budget lines which the Commission is unable to control or manage outside of contract negotiation points, i.e. when contracts end and can be re-tendered. Savings have been made where possible, but the scope to do so is limited.

The Commission uses contract cycles to negotiate the best possible contractual terms for the Senedd, in both financial and non-financial terms to provide the best possible value for money for the public purse. The budget is set based on the agreed assumption of insourcing services from mid-7<sup>th</sup> Senedd onwards. Any of those services currently outsourced and due for retender will be tendered on the basis of providing flexibility towards that goal.

Growth in non-staff budgets is 13.70%, moving from £11,683 in 2024-25 to £13,283 in 2025-26. This includes costs for external resource to begin the implementation of the recommendations from the thematic reviews that have been undertaken by the Independent Remuneration Board. These include reviews of Member Support Staff services. This change includes the increase in the Project Fund which is addressed on page 21 and accounts for 62% of this increase.

## 6. Senedd Reform

The Welsh Government's Bill to reform the Senedd received Royal Assent in June 2024. The reforms will see the size of the Senedd increase from 60 Members to 96. The Commission therefore needs to restructure its support for a larger Senedd in a way that does not simply expand by the same proportion as the percentage increase in the number of Members.

The Cardiff Bay estate will also require adaptation to accommodate the new Members and their Support staff. Work has commenced in 2024-25 to provide additional Member office space in Tŷ Hywel which will be completed during 2025-26, along with the expansion of the existing Siambr.

Decisions on the organisation of Senedd Business in the Seventh Senedd and, consequently, the support that the Commission will be required to provide may not be known until the start of the 7<sup>th</sup> Senedd. Whilst acknowledging this uncertainty, the Commission must prepare to respond flexibly to the needs of the 7<sup>th</sup> Senedd and provision has been made in this budget for that preparation.

On this basis, the Regulatory Impact Assessment (RIA) was initially used as the basis for preparing budget estimates as these were at that time best estimates. Since then, these cost estimates have been updated as the projects have moved through planning, engagement, procurement, design and into implementation. Initial assumptions have been superseded by known information in terms of design of space for Tŷ Hywel to enable all users of the building to fit in and staff budgets adjusted to match required start dates for the roles. The non-staff element of the budget is based on the latest estimates from our delivery partners allowing for a contingency provision for the continued unknowns at the time of presenting the Draft Budget.

A number of posts will need to be recruited to during 2025-26 either to support preparation workstreams or to give sufficient time for training ahead of the election in May 2026. The number of additional posts being created in 2025-26 is 47.9 FTEs at a cost of £1.776 million, reduced from the RIA estimate of 59.9 FTEs at an estimated cost of £2.106 million. The total staff budget for Senedd Reform also includes posts which have already been approved and already in place to prepare for, support and deliver the transition.

The budget is ring-fenced so that if as the assumptions evolve further and an element of the funding is not required, it will be returned to the Welsh

Consolidated Fund. This provides a transparent approach and separates funding for Senedd Reform from the day to day activities of the Commission.

RIA cost estimates were calculated in Spring 2022 using the Welsh Government's budgetary methodology, which does not take into consideration variables such as future pay awards and inflation. It set out in broad terms the expected additional expenditure as a result of the proposed Senedd Reform Bill over a 10 year period. In order to compare like-with-like, and so with the RIA adjusted for average pay awards and inflation based on the delivery of the "Greater " scenario, the expected outturn costs are largely in line with the original RIA overall estimate.

The revenue and capital costs for 2025-26 are set out in the table below. The capital costs relate to the completion of the Tŷ Hywel adaptations for new Member offices and the necessary adaptations to the Siambr to accommodate the enlarged Senedd. Siambr budget also includes an amount for replacement costs for lifecycle maintenance which is coming towards end of life which due to the extent of the work involved will be replaced during this period rather than disrupt Senedd Business over the next two to three years. This includes electric wiring replacement along with some heating and fan replacements.

<b>Description</b>	<b>Budget 2025-26 £million</b>	<b>Senedd Reform Adjusted RIA* £million</b>	<b>Senedd Reform RIA £million</b>
<b>Posts approved prior to 2025-26</b>	£0.387	£1.744	£1.570
<b>Additional staff (47.9 FTE)</b>	£1.776	£2.339	£2.106
<b>Non staff costs</b>	£0.445	£0.623	£0.549
<b>Capital costs</b>	£3.874	£2.027	£1.786
<b>Total</b>	£6.482	£6.733	£6.011

\*Staff costs adjusted by pay awards for 2023/24 (2.4%); 2024-25 (3%) 2025-26 (5%)

Non Staff adjusted by Inflation of 2023/24 (7%); 2024-25 (3%) 2025-26 (3%)

## 7. Ways of Working

The Ways of Working Programme was established by the Commission in March 2022 and is a single, cohesive programme structure through which the Commission is responding to the challenges and opportunities arising from its own changing environment, and the evolving needs of the Senedd and its Members.

The programme, now in its second year comprises two workstreams, reporting into a central Programme Board:

- Cardiff Bay Workstream: Will deliver a high quality, flexible and inclusive Cardiff Bay estate that provides value for public money and that meets the needs of the Senedd, its Members, their staff, Welsh Government, Citizens, media, and the Senedd Commission into the short, medium and long-term; and
- Regional Working Workstream: Will ensure an effective regional base for outreach, public information, education and translation services in North Wales; and to explore potential opportunities for developing the Senedd Commission's regional footprint over time and bringing forward proposals for doing so.

The Cardiff Bay workstream has moved at pace during late 2023-24 and into 2024-25, setting up project delivery teams, undertaking activities including engaging with stakeholders, planning, designing, procuring to deliver :

- the necessary estates projects to prepare for a larger Senedd including the expansion of the Senedd's Siambwr, relocation of Commission staff workspace to increase the capacity of Tŷ Hywel to accommodate 36 more Members and their staff) by February 2026. Whilst the WOW programme will manage delivery of these Senedd Reform related projects, for transparency purposes the funding for them lies within the Senedd Reform ring-fence discussed above.
- the Cardiff Bay 2032 project. This project will provide the Commission with long-term, secure accommodation beyond the 2032 end of the Tŷ Hywel lease (which currently accommodates Member offices and facilities, Commission staff and Welsh Government). This project is in its early stages but has a tight timetable to ensure accommodation is ready by 2032. The 2024-25 budget was based upon an assumption of a

single source procurement. The project has since moved through several stages of development during which legal advice has been taken. This has confirmed a full competitive procurement process is required which will involve the evaluation of a robust range of options as part of a full, three-stage business case process (as per HM Treasury / Welsh Government Green Book). The Draft Budget for Bay 32 includes funds to support the Business Case process, professional advisors and legal and procurement support. Through creating a wide range of options, a more competitive procurement process that will deliver demonstrable value for money to the Welsh Public Purse will be undertaken.

The Draft Budget for this programme of work for 2025-26 is, as with the Senedd Reform programme, ring-fenced so that costs are separate and transparent. This is of particular importance due to the number of decisions to be made about the Estate during 2025-26. Ringfencing will ensure unutilised funding will be returned to the Welsh Consolidated Fund should the Business Case for change support an option which requires a lower level of resource than requested. An analysis of the potential budget requirement for the next three financial years is shown below:

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>Budget to date</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>£million</b>
<b>Bay 2032 project*</b>	£1.250	£2.055	£1.882	£1.600	£6.787
<b>Pierhead review project</b>	£0.130	£0.000	£0.000	£0.000	£0.130
<b>Legal costs</b>	£0.050	£0.075	£0.100	£0.050	£0.275
<b>WOW strategic delivery (budget moved to SR)</b>	£0.100	-	-	-	£0.100
<b>Programme Management</b>	£0.101	£0.266	£0.274	£0.283	£0.924
<b>Totals</b>	<b>£1.631</b>	<b>£2.396</b>	<b>£2.256</b>	<b>£1.933</b>	<b>£8.216</b>

## 8. The Project Fund

The Commission maintains a Project Fund in order to fund expenditure over and above the delegated service budgets including lifecycle replacement for ICT, broadcast and estate infrastructure.

The Project Fund is managed by the Project Management Group (PMG). Chaired by the Chief Financial Officer and supported by a panel from across the Commission, the Group is responsible for ensuring that the project portfolio for the financial year is aligned with Commission priorities, is appropriately resourced, provides value for money and that projects are delivered to agreed timescales and agreed specification. This approach will deliver:

- increased efficiency and effectiveness;
- reduced risk; and
- meeting our Sustainability strategic objective.

The PMG recommends to the Executive Board which projects should be prioritised, monitors delivery, and employs an agile approach to respond to changes and issues in-year.

The strategy for management of funds is set out in a Portfolio Strategy which sets:

- the vision and aims agreed for the project portfolio;
- the value drivers that are used to inform the prioritisation of the portfolio; and
- the headline risks, resourcing envelope, and timings.

This strategy will facilitate the allocation and where relevant, the re-purposing or re-prioritisation of funds to maximise use of resource to achieve value for money.

The MTRF process has identified a period of significant and sustained pressure on the Project Fund in 2025-26 to 2027-28 due to the number of life-cycle replacements with significant cost implications becoming due as well as the more usual cycle of works. The Commission undertake maintenance work to extend where possible the useful life of major plant and infrastructure and will undertake during the year feasibility study of plant and equipment coming towards the end of its operational life to assess whether this can be extended.

Notwithstanding this, due to the age of the buildings and the timings of the initial investments the current Project Fund is insufficient to sustain the necessary replacement programme and will need to be increased by £1.0 million to ensure the critical lifecycle maintenance can be undertaken and thereby prevent catastrophic failure. Key projects which will be considered for prioritisation during 2025-26 are:

- Building Management System which controls the facilities of the Senedd building;
- Lift upgrades for the Senedd building;
- Chiller unit end of life replacements;
- Air Handling system end of life replacement
- Police Body Armour;
- Senedd TV system end of life replacement
- ICT infrastructure update; along with
- Completion of multiyear projects started in 2024-25.

These are in addition to a schedule of priority items relating the forward work programme of maintenance / repair to ICT infrastructure and the estate which will be assessed in early 2025-26 for funding.

## 9. Sustainability

The financial and service delivery plans in the short, medium and longer term are all within the context of being a truly sustainable organisation.

The Senedd Commission was one of the first public organisations to produce a strategy detailing a proposed response to the Climate Emergency and a plan to become net carbon neutral. 2025-26 will be the mid-point in that Strategy and work is progressing well with the improvement measures highlighted within it.

The Ways of Working programme - bringing together the Commission's estate, people and sustainability strategies and its 'agile futures' plan - has seen the Commission install flexible working areas across the estate and more hybrid meeting facilities. Capitalising on these energy-efficiency savings have also created wellbeing benefits for staff.

The roll-out of LED lighting is now all but complete. Along with the introduction of numerous efficiency savings related to the building management system (BMS), and efforts to minimise the use of heating and air conditioning, energy demand has reduced. Whilst costs for gas and electricity rose significantly for the Commission in 2023 and 2024, a gradual reduction is taking place. Prices, however remain higher than in previous years and future prices remain uncertain.

The Commission believes in transparency as well as setting the highest standards for itself. For this reason an environment management system is maintained. It is externally audited for compliance with ISO14001. This management standard requires a range of measures to be demonstrated, including controls on key environmental impacts, compliance with legislation, and a programme of internal audits.

The Commission continues to work with other public sector bodies in Wales, as well as the other UK parliaments, to share best practice in continual environmental improvement.

## 10. Engagement

One of the Commission's Strategic goals is to have citizens at the heart of all we do. Our Communications and Engagement Strategy aims to achieve that, with a focus on reaching new audiences, particularly those who feel their voices have not traditionally been heard by the Senedd, and with the objectives of raising awareness, increasing understanding and increasing participation.

We've made good progress. Between April and June 2024, 83% of people with whom we had engagement had not previously engaged with the Senedd. 44% of the organisations which provided feedback had also not engaged with us before.

Our Citizens Engagement Team continues to gather invaluable experiences from people across Wales, whose stories inform the work of committees. Stories are also at the heart of our media work in raising awareness of the Senedd. A 16% increase in news coverage of committee work since 2022-23 has been achieved.

Visitor numbers to the Senedd and Pierhead are back to pre-pandemic levels. We've also developed our engagement work with the local community by collaborating with the Butetown Carnival and amplifying their stories in our Pierhead Exhibition.

Our ambition to reach new and younger audiences on social media is also making progress, with a shift in focus to Instagram, where 18-24-year-olds are our second highest reached audience, behind 25-34-year-olds.

These achievements have been supported by investment in greater audience insight, through polling, social media management and listening tools, and media monitoring tools. We've also placed a greater emphasis on evaluation, with improved capturing of audience feedback and robust evaluation of each engagement activity informing future plans, so we can continue to improve.

This year is the final year of our Communications and Engagement Strategy. Our focus will shift to preparing audiences for the changes to the Senedd and the election. We're already working with key partners to explore ways to collaborate to make sure we have the greatest impact, avoid duplication and provide value for money.

The Commission need to make sure clear and trusted information is available to people looking for it, while also making sure information is reaching communities who do not traditionally engage with us. We'll do this by refreshing content across

our channels and developing an engagement programme that focuses on our disengaged audiences.

To ensure the Commission are in the best position to continue our good progress in the Seventh Senedd we will require continued investment in two major projects: Customer Relationship Management (CRM) and Online Engagement Tools.

## **Welsh Youth Parliament**

The Welsh Youth Parliament will be electing Members for its third term in November 2024.

40 young people aged between 11 and 17 will be elected through an online, national democratic election to represent the current 40 electoral constituencies in Wales. A further 20 young people will be chosen through partner organisations. This will ensure diverse representation of young people in the youth parliament.

The 60 Welsh Youth Parliament Members will look to highlight and champion the issues most important to young people across Wales by gathering views, writing reports and making recommendations. These will be discussed in the Siambr with key decision makers in Wales. They will build upon the work done by young people in the previous two terms of the Youth Parliament and will continue to encourage and influence discussions on key issues.

## 11. Financial Governance and Control

The Senedd Commission Audit and Risk Assurance Committee (“ARAC”) supports the Commission and the Principal Accounting Officer regarding their responsibilities for risk management, internal control and corporate governance.

As part of its role, ARAC maintains a strong interest in, and oversight of, the internal financial control environment. Updates on accounting policies and the budgetary position are considered by ARAC and it takes a keen interest in the audit of the Annual Report and Accounts. Members of the Committee have also provided oversight and challenge of the assurance framework and governance statement.

External and Internal Audit provide important sources of assurance to ARAC and the Accounting Officer. The Auditor General for Wales (“AGW”) is the Commission’s external auditor, and he is supported in his work by Audit Wales. For the 2023-24 financial year an unqualified opinion was issued in relation to the financial statements.

In 2019, the Senedd’s Finance Committee issued a Statement of Principles for Directly Funded Bodies to consider when preparing their annual budget estimates. The Commission has kept these principles firmly in mind in the preparation of its budget estimate for 2025-26. The estimate is transparent and the evidence of the need for, and benefit from, the resources requested is provided in the narrative of this document.

The Executive Board (“EB”) has strategic responsibility for ensuring that the Commission’s resources are used effectively, provide challenge to service leaders to strive for continuous improvement and drive efforts at delivering efficiencies. The Board is responsible for approving the Commission’s annual investment plans and for prioritising investment to best effect. The Board ensures that resource capacity planning aligns with the Commission’s goals and priorities and provides governance and assurance to significant change projects.

## 12. Budget for the Remuneration Board's Determination

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

The Board's Determination sets the available funding to cover the expenses associated with being a Member and discharging their parliamentary duties, for example:

- running an office and engaging with constituents;
- salaries and costs relating to support staff;
- residential accommodation in Cardiff for Members whose home is a significant distance from the Senedd (eligibility criteria apply); and
- support for the Party Groups and policy research.

The Determination sets the basic salary for Members and additional office holder salaries. The Determination also sets the mechanism for increases to these salaries; in 2025-26 it is expected that Member salaries will increase in line with the average earnings in Wales as measured by the Annual Survey of Hours and Earnings ("ASHE"), capped at 3%. The basic salary for Members at the start of 2025-26 is budgeted at £74,219 which assumes a 3% increase on the current salary level of £72,056 (the ASHE figure for October 2023 was 5.7%, the expectation is that will also exceed the 3% cap for March 2023 to March 2024)

The Board reviews elements of its Determination on an annual or periodic basis to ensure that they remain appropriate. The Board will be undertaking its annual review of the Determination during autumn 2024 - spring 2025. It is not possible to anticipate decisions which the Board may choose to make in future. For budgeting purposes, some assumptions have been made for 25-26 Determination costs including the rate of inflation.

Members are able to employ staff to support them in all aspects of their role. Political groups are also entitled to funding for group staff. The budget for support staff for 2025-26 is £11.6 million, which includes an uplift of 6% on salaries. The cap on support staff salaries was removed for the 2024-25 financial year. Given the

previous ASHE figure of 5.7%, the budget will provide coverage for a similar figure in October 2024.

The Determination sets out the range of costs and allowances which Members may claim to run their offices and fulfil their duties. The budget for office costs is £2.673 million. For budgeting purposes, the inflation factor used for 2025-26 is 3% for allowances (where relevant) with an inflationary uplift of 2% applied to the following two years. This reflects an expectation that it will return to the Bank of England target rate for financial years after 2025-26.

Provision has been made for an anticipated £0.5 million underspend against the total budget for the Determination. This is a prudent assumption based on historic trends. It is likely that an amount in excess of £0.5 million will be released from across both the support staff and the office costs budgets. This approach assists in budget management, allowing a moderate level of contingency, if the Board decides to implement unexpected changes. Should the total budget prove to be insufficient, a Supplementary Budget may be necessary.

The budget to fund the Determination for 2025-26 and the following two years is shown in Table 9.

The Commission also expects to be in a position make 'redress' payments during 2025-26 to those Members impacted by the McCloud judgement. HM Treasury is taking the necessary steps to enable this to happen by, among other things, making changes to legislation. The Member Pension Scheme will be responsible for any backdated pension payments. The Commission will be responsible for any compensation. The maximum total cost is expected to be in the region of £100k. No additional budget has been provided as it is expected that there will be sufficient underspend within the overall budget to cover this cost.

Direct support for the Board is provided by the Commission as required by the National Assembly for Wales (Remuneration) Measure 2010. Since 2022-23 the cost of this support has been ring-fenced within the total Senedd Commission budget to improve transparency and this continues to be the case. The budget provides for an unchanged secretariat. In addition, fees and travel expenses are paid to Board members. Other expenditure includes items such as the commissioning of external expertise. Detail is provided in Table 11.

## 13. Budget Ambit

This budget submission is laid in compliance with the Senedd Standing Order 20.13 to assist in the compilation of the Annual Budget Motion required by Section 125 of the Government of Wales Act 2006. The submission covers the resource and cash requirements of the Senedd Commission for the year ending 31 March 2026.

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

The 2025-26 Budget for the Senedd addressing these requirements is set out in Table 1.

**Table 1: 2025-26 Budget for the Senedd against requirements**

Senedd Requirements	2025-26 £000
Resources other than accruing resources for use by the Senedd Commission ('the Commission') on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and the Independent Remuneration Board; any other payments relating to the functions of the Senedd or functions of the Commission. Resources other than accruing resources for use by the Commission in respect of the decisions of the Independent Remuneration Board and expenditure in respect of Members of the Senedd Pension provision	£84,301 (Table 2)
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets, rental income, gifts, grants, cheques, recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd.	£61 (Table 8)
Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year and in respect of the above services and purposes less expected receipts and recoverable VAT	£80,031 (Table 3)

## Annex 1: Budget Overview

**Table 2: Budget overview**

<b>Budget Heading</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
<b>Commission Related Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Staff salaries and related costs (Table 4)</b>	£29,663	£32,351	£33,033	£34,281
<b>Accommodation and facilities (Table 5)</b>	£5,991	£6,229	£6,372	£6,520
<b>ICT costs (Table 6)</b>	£2,731	£2,944	£3,009	£3,047
<b>Other costs (Table 7)</b>	£2,061	£2,172	£2,108	£2,095
<b>Total Revenue Expenditure</b>	<b>£40,446</b>	<b>£43,696</b>	<b>£44,522</b>	<b>£45,943</b>
<b>Total Income (Table 8)</b>	(£100)	(£61)	(£61)	(£61)
<b>Capital Expenditure</b>	£500	£500	£500	£500
<b>Project Fund</b>	£1,000	£2,000	£1,000	£1,000
<b>Savings to be identified</b>	(£315)	£0	£0	£0
<b>Total Operational Resource</b>	<b>£41,531</b>	<b>£46,135</b>	<b>£45,961</b>	<b>£47,382</b>
<b>Interest Charges</b>	£610	£600	£590	£580
<b>Depreciation Charges</b>	£4,750	£5,000	£5,000	£5,000
<b>Ring-fenced project budgets</b>				
<b>Senedd Reform costs</b>	£2,065	£6,482	£6,830	£5,399
<b>Ways of Working</b>	£1,531	£2,396	£2,256	£1,933
<b>2024-25 Back pay provision</b>		£456		
<b>Total Commission Related Expenditure</b>	<b>£50,487</b>	<b>£61,069</b>	<b>£60,637</b>	<b>£60,294</b>
<b>Member Related Expenditure</b>				
<b>Members' salaries and related costs (Table 9) (as per the Remuneration Board's Determination)</b>	£19,180	£20,525	£21,129	£21,751
<b>Members' salaries and related costs arising from Senedd Reform</b>	£0	£0	£10,569	£10,569
<b>Budget for the Office of the Standards Commissioner (Table 10)</b>	£101	£105	£108	£110

Budget Heading	2024-25	2025-26	2026-27	2027-28
<b>Budget to support the Independent Remuneration Board (Table 11)</b>	£627	£602	£598	£614
<b>Election related expenditure</b>	£0	£1,000	£2,500	£0
<b>Members' pension finance costs</b>	£1,800	£1,000	£1,000	£1,000
<b>Total Senedd Commission Budget</b>	<b>£72,195</b>	<b>£84,301</b>	<b>£96,541</b>	<b>£94,338</b>

\*Reflects where £315k of savings were allocated as well as supplementary budget adjustment

**Table 3: Reconciliation of the new resource requirement to the cash drawing from the Welsh Consolidated Fund**

Net cash requirement	2025-26 £000
Members' net revenue requirement	£20,525
Office of the Standards Commissioner	£105
Independent Remuneration Board support costs	£602
Senedd Reform Costs revenue costs	£4,674
Ways of Working revenue costs	£2,130
Commission net revenue requirement	£52,501
2024-25 Back pay provision	£456
Net capital requirement (including Senedd Reform and Ways of Working)	£2,308
Annually managed expenditure	£1,000
<b>Subtotal</b>	<b>£84,301</b>
<b>Adjustments</b>	
Depreciation	(£5,000)
Interest charges / Capital adjustments relating to IFRS 16	(£600)
Rental payments relating to IFRS 16	£2,330
Movements in provisions	(£1000)
<b>Subtotal</b>	
<b>Net cash requirement from the Welsh Consolidated Fund</b>	<b>£80,031</b>

## Annex 2: Budget Detail

**Table 4: Analysis of staff salaries and related costs**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Commission staff costs	£30,663	£33,351	£34,033	£35,281
Vacant post estimate	(£1,000)	(£1,000)	(£1,000)	(£1,000)
<b>Total</b>	<b>£29,663</b>	<b>£32,351</b>	<b>£33,033</b>	<b>£34,281</b>

**Table 5: Analysis of Accommodation and Facilities costs**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Rent and rates incl. car parking (adjusted for IFRS 16)	£1,875	£1,930	£1,974	£2,018
Maintenance and works	£1,090	£1,110	£1,110	£1,110
Security	£923	£949	£985	£1,022
Utilities	£980	£1,039	£1,070	£1,102
Cleaning	£575	£643	£662	£682
Catering	£443	£453	£467	£481
Photocopier Rentals	£20	£40	£40	£40
Furniture and Fittings	£65	£65	£65	£65
<b>Total</b>	<b>£5,991</b>	<b>£6,229</b>	<b>£6,372</b>	<b>£6,520</b>

**Table 6: Analysis of ICT costs**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
ICT Services	£739	£731	£710	£710
Broadcasting	£743	£870	£870	£870
Licences and Maintenance	£1,149	£1,243	£1,320	£1,357
Revenue and Consumables	£100	£100	£110	£110
<b>Total</b>	<b>£2,731</b>	<b>£2,944</b>	<b>£3,009</b>	<b>£3,047</b>

**Table 7: Analysis of other costs**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Training and development	£344	£312	£312	£312
Language contracted-out services	£305	£305	£305	£305
Promoting awareness and understanding	£305	£305	£305	£305
Other HR costs	£166	£172	£172	£172
Insurance and legal costs	£162	£162	£173	£185
Publications	£131	£146	£146	£146
Staff T&S	£113	£108	£108	£108
Other travel and subsistence	£95	£95	£95	£95
Audit	£95	£135	£135	£135
Printing, stationery and postage	£60	£58	£58	£58
Specialist advice	£46	£96	£96	£46
Academic Engagement	£30	£30	£30	£30
Consultancy	£45	£50	£50	£50
Hospitality	£28	£24	£24	£24
Accounting and financial services	£32	£32	£32	£32
Uniforms and clothing	£15	£15	£15	£15
Vetting	£22	£22	£22	£22
Other items <£20k	£67	£55	£55	£55
<b>Total</b>	<b>£2,061</b>	<b>£2,172</b>	<b>£2,108</b>	<b>£2,095</b>

**Table 8: Analysis of Income**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Sales - the Senedd shop	(£20)	(£20)	(£20)	(£20)
Accommodation - rental income	(£58)	(£19)	(£19)	(£19)
Other income	(£22)	(£22)	(£22)	(£22)
<b>Total</b>	<b>(£100)</b>	<b>(£61)</b>	<b>(£61)</b>	<b>(£61)</b>

**Table 9: Analysis of Members' salaries and related costs**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Senedd Members' salaries and on-costs	£6,645	£6,750	£6,953	£7,161
Members' Support Staff salaries and on-costs	£10,641	£11,601	£11,949	£12,308
Allowances and office costs	£2,394	£2,674	£2,727	£2,782
Anticipated underspend	(£500)	(£500)	(£500)	(£500)
<b>Total</b>	<b>£19,180</b>	<b>£20,525</b>	<b>£21,129</b>	<b>£21,751</b>

**Table 10: Budget for the Office of the Standards Commissioner**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Staff costs	£75	£80	£82	£84
Legal Advice	£26	£25	£26	£26
<b>Total</b>	<b>£101</b>	<b>£105</b>	<b>£108</b>	<b>£110</b>

**Table 11: Budget to support the Independent Remuneration Board**

	2024-25	2025-26	2026-27	2027-28
	£000	£000	£000	£000
Staff costs	£482	£504	£519	£535
Fees and Expenses	£47	£47	£47	£47
Other costs and expenses	£98	£51	£31	£31
<b>Total</b>	<b>£627</b>	<b>£602</b>	<b>£598</b>	<b>£614</b>



**Senedd Cymru**  
**Welsh Parliament**

[www.senedd.cymru](http://www.senedd.cymru) | [www.senedd.wales](http://www.senedd.wales)

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

27 September 2024

Dear Peredur

I am writing to provide you with some further information to support the Senedd Commission's Draft Budget 2025-26, which has now been laid. This also contains information in response to Recommendation 2 of the Committee's Report on the Scrutiny of the Senedd Commission's Draft Budget 2024-25.

The Commission has been tasked with preparing the Senedd for the enlarged 7<sup>th</sup> Senedd. The 2025-26 year therefore represents a planned step-change for the Commission, as it completes the adaptations to the estate ready to support 96 Members and begins the process of recruiting staff to provide the increased support required. At the same time, the Commission is continuing to progress the major, complex Bay 32 project, maintain critical infrastructure and establish a pay framework for staff as from 2025-26 within the wider UK context.

The request for funding also relates to the usual pre-election expenditure. It also contains provision for staff pay for the 2024-25 year (relating to those on relevant pay grades only) that will be removed from the final Draft Budget if it is included within the passage of a Supplementary Budget motion before then.

The Senedd Commission's Draft Budget reflects these pressures, whilst seeking no permanent growth for the commission's core activities, seeking an overall budget of £84.301million for 2025-26. This represents an increase of £12.103 million on 2024-25.

The Commission is acutely mindful of the wider context within which this resource request is made, and has undertaken engagement with all Members, through party groups, to explain and seek early views on its Draft Budget.

The effect on the overall Commission budget for 2025-26 is shown in the Table 1 below:



**Senedd Cymru**  
Bae Caerdydd, Caerdydd, CF99 1SN

 [Cysylltu@senedd.cymru](mailto:Cysylltu@senedd.cymru)  
 0300 200 6565

**Welsh Parliament**  
Cardiff Bay, Cardiff, CF99 1SN

 [Contact@senedd.wales](mailto:Contact@senedd.wales)  
 0300 200 6565

Description	2024-25 Budget	2025-26 Budget	% change compared to 2024-25 (Laid)
	£million	£million	%
<b>Operational budget</b>	£41.531	£46.135	11.08%
<b>Non-cash items</b>	£5.360	£5.600	4.48%
<b>Member related expenses</b>	£21.708	£22.233	2.42%
<b>Pre-election expenses</b>	£0	£1.000	
<b>Senedd Reform and Ways of Working</b>	£3.596	£8.878	146.91%
<b>Back pay award</b>	£0	£0.456	
<b>Total</b>	£72.195	£84.301	16.77%

The Commission has previously communicated the indicative, likely growth pressures for 2025-26 through published Regulatory Impact Assessment (RIA) cost estimates relating to Senedd Reform Bills and through its future year projections that accompany its annual laid budget. The Commission's Medium-Term Resourcing Framework was established explicitly to set out, openly, the scale of the resourcing challenge facing the Commission over this period.

Those initial RIA estimates have been refined over time, as expected, as more detailed information became available through service planning, design, engagement, procurement and delivery phases. The best estimates now available are contained within the Draft Budget as presented here.

The Commission has continued to use ringfenced budget lines for many of these additional growth pressures (the Senedd Reform and Ways of Working programmes), to ensure transparency and that identified underspends against these lines are returned to the Welsh public purse.

For the 2025-26 budget, the Commission is not offering cash savings. In the past 2 years, the Senedd took budget cuts of £435k and £315k in consecutive years, as well as taking difficult spending decisions in order to make a cost of living payment of ~£800k. The Commission has indicated that it has gone as far as possible in making cuts to its operational budget without permanently degrading its services to



Members. The budget reductions made in 2023-24 triggered concerns amongst Members and the related 'recruitment freeze' for Commission staff saw a significant rise in wellbeing issues.

The Commission does, however, continue to work within its Medium-Term Resourcing Framework principles, proactively driving efficiencies by managing and absorbing various potential growth pressures throughout current financial year. Options for savings and efficiencies continue to be a key part of the service planning and budget development process. It is simply the case that the 2025-26 year will require a significant increase in delivery activity and, therefore, in resourcing.

### **Senedd Reform programme**

The Senedd Reform (SR) resourcing request contained within the Draft Budget is based on the most up-to-date information available. The budget for SR includes provision for new staff to support preparation for 7<sup>th</sup> Senedd, increases to non-staff budgets where necessary and funding for the two main associated works projects – reconfiguration of the Siambr and provision of additional Members' offices within Ty Hywel.

In the 2024-25 budget, the indicative budget amount for 2025-26 was £5.308m. Latest numbers indicate that a budget of £6.482m is required. The increase is due to adaptation costs to the estate.

The Regulatory Impact Assessment is also relevant to the preparation of the Draft Budget. The RIA is calculated based on a set of guidelines which differ to those used in the preparation of a Draft Budget. The main difference in approach to preparation are as follows:

- The RIA was based on 2022-23 pay scales with no inflationary uplifts. The budget is prepared based upon actual payroll uplifted for pay awards and incremental increases, 2025-26 costs.
- Staff costs were included at 'Average' point of scale. The budget staff costs are prepared on the basis of top of scale to ensure sufficient funds to attract and recruit the right skills, knowledge and experience.
- No inflationary uplifts were applied to non-staff budgets. Inflation is included within contracts and has to be accounted for within the budgeting process.
- The capital works projects' indicative costings were "best estimates" using industry standard benchmarks that were available at the time that the RIA was compiled. In addition, the Commission is proposing to bring forward scheduled medium-term works to the Senedd infrastructure in order to coincide with these adaptation works, increasing costs of this project in the short-term, but saving money overall through the alignment of works.

2026-27 includes the final part of the capital costs for Senedd Reform. The projects to reconfigure the estate are therefore estimated to cost £3.155million overall more than the indicative costs provided in the RIA.



In order to provide a robust comparison between the latest resource requirements and the original RIA estimates, those original RIA figures can, and possibly should, be adjusted to reflect inflation. This adjustment would involve applying pay awards to the staff salaries and a level of inflation to non-pay lines within the RIA. This would give an adjusted RIA (for 2025-26 only) of:

**Table 2**

	RIA	RIA (adjusted)*	Budget
	£million	£million	£million
Staff	£3.676	£4.083	£2.163
Non-staff	£0.549	£0.623	£0.445
Capital	£1.786	£2.027	£3.874
<b>Total</b>	<b>£6.011</b>	<b>£6.733</b>	<b>£6.482</b>

*\*Staff costs adjusted by pay awards for 2023/24 (2.4%); 2024-25 (3%) 2025-26 (5%)*

*Non Staff adjusted by Inflation of 2023/24 (7%); 2024-25 (3%) 2025-26 (3%)*

Having adjusted for average inflation and pay awards, the methodology shows that the Senedd Reform budget requirement for 2025-26 can be said to be within RIA amount for 2025-26 (as adjusted for the impact of the passing of time). Making such a comparison is not an exact science. Cost inflation will vary depending on the sector spend and we have applied averages. Works cost inflation has generally been much higher than the averaged CPI rate and this accounts for a significant portion of the capital costs. Additionally, the RIA staff cost is calculated at an average salary, whilst the budget is calculated for new staff at the top of post rate.

### **Staff costs**

In the Draft Budget, the Commission's staff budget request has increased by 9.06% compared to the 2024-25 Laid budget (noting that this will be reduced to a 7.2% increase if the planned Supplementary Budget motion is passed during this current year), reflecting primarily the change to the pay deal context arising from recent UK Government decisions. The drivers for this increase are set out in the table overleaf:



**Table 3**

Description	Amount	Impact
	£m	%
Increments / re-structures	£0.199	0.67%
Triannual Employer Pension contribution rate change	£0.252	0.85%
Adjustment to lower pay scales for cost of living (TS – HEO)	£0.424	1.43%
Provision for Pay award (5%)	£1.501	5.06%
Support for additional Committee	£0.312	1.05%
<b>Total</b>	<b>£2.688</b>	<b>9.06%</b>

As per the principles of the Medium-Term Resourcing Framework, there has been no permanent growth in our existing staff base, with only 4 temporary posts included directly to support Senedd committee activity.

### **Ways of Working Programme**

The costs for the Bay 32 project, within the Commission's Ways of Working Programme (WOW), are needed to support a fully competitive, complex procurement process. This process will secure the best value for money outcome and removes the risk of insufficient funding, which would cause the project to stall. Any delays would likely mean that some of the potential options would fall, as the timeframe would mean they could not be delivered within the fixed timeframe.

The Draft Budget also includes 3 staff dedicated to delivery of the Bay 32 project and the associated projects, easily the largest workstream ever undertaken by the Commission in terms of scale and complexity of works.

The comparative figures between the 2024-25 Laid budget and the latest estimates are shown in the table overleaf. These will be further refined as the procurement process progresses and there is more certainty about where the Commission will be accommodated from 2032.



**Table 4**

	2025-26	2026-27	2027-28
	£million	£million	£million
2024-25 Budget	£0.589	£0.337	not provided
2025-26 Budget	£2.396	£2.256	£1.933
<b>Difference</b>	<b>£1.807</b>	<b>£1.919</b>	<b>£1.933</b>

**Non-staff budgets**

This element of the Senedd Commission's Draft Budget includes costs as set out in Table 5 below which shows an overall increase of 13.70%

**Table 5**

<b>Description of Non Staff Growth</b>	<b>2024-25 Laid</b>	<b>2025-26 Draft</b>	<b>Change</b>	<b>% Growth of Non Staff Total</b>
	£million	£million	%	%
Accommodation and facilities	£5.991	£6.229	3.97%	2.03%
ICT costs	£2.731	£2.944	7.78%	1.82%
Other costs	£2.061	£2.122	2.93%	0.98%
Total Income	(£0.100)	(£0.061)	(39.2%)	0.31% *
Project Fund (revenue)	£1.000	£2.000	100.00%	8.56%
<b>Total</b>	<b>£11.683</b>	<b>£12.733</b>		<b>13.70%</b>

\*Reduced income increases cost growth

Accommodation costs are largely driven by inflationary uplifts, including Office Rates, as well as the impact on Catering and Cleaning contract values based on the Commission's commitment to ensure that contractor staff working on its estate and providing services to Members and other building users are not paid less than its own staff.



ICT costs are largely contractual, but the Broadcasting budget has also had to be re-based on the basis that the improvements to SeneddTV had to be delayed due to the agreement to fund cost of living payments.

The Project Fund has been increased due to the number of critical infrastructure projects requiring completion. The total project cost pressure on the Project Fund in 2025-26 is currently £4.89m. As a direct result of this pressure on critical infrastructure, the Project Fund budget is now proposed to be set at £2.5m (£1m more than has been the case in previous budgets) for a period of time until this peak in lifecycle replacement is completed. There is the potential to re-phase some of the expenditure through the prioritisation exercise but, ultimately, the forward work programmes for both EFM and ICT services are significant; 2025-26 represents a peak in expenditure for estate infrastructure management requirements in particular

### **Pre-Election budget**

Historically, the Senedd has requested budget in the year preceding an election to support the usual work required in the lead-up to ensure the Commission can support an effective and efficient transition to a new Senedd. This funding will include, for example, additional support to Members Business Support to help Members wind-up their offices and ICT staff to support the purchase, set up and roll out of ICT kit.

This amount is generally set at £500k (on a 'use or return' basis) in the pre-election year. This year the request is budgeted at £1 million. This is to afford the some of the previously mentioned works/purchases that would have normally taken place during election recess are being brought forward so that there are not two phases to completing the Siambur project. For example, the screens in the Siambur would have been replaced as part of the election cycle, but it is not efficient to introduce 36 new screens (funded from Senedd Reform budget) then replace the other 60 in the next financial year through the election budget.

### **Non-cash budgets**

Noncash budgets cover items such as depreciation of fixed assets and right of use assets and notional interest on right of use assets. These reflect the increase in capital expenditure as a result of the adaptation works and the ICT equipment that is budgeted to be purchased during 2025-26.

Finally, the Commission, whilst aware of the challenging wider public sector context, has significant delivery pressures for time-critical major programmes of activity in 2025-26 and has presented a Draft Budget that contains a funding request for those requirements at the most prudent level possible in these circumstances.



We look forward to discussing these issues with your Committee and to receiving its views in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hefin David MS', written in a cursive style.

Hefin David MS

cc Manon Antoniazzi, Ed Williams

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



Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru  
Tŷ Hywel  
Cardiff Bay  
CF99 1SN

23 September 2024

Dear Peredur

In our previous letter with regard to the Commission's response to the Finance Committee's recommendations made in the **Report on the Scrutiny of the Senedd Commission Draft Budget 2024-2025**, we promised that the Commission would provide further information in relation to the following recommendations as they became available, relating to:

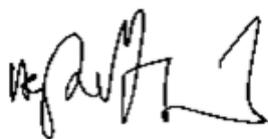
- Sustainability,
- Staff wellbeing,
- Staff pay award

The **Sustainability Annual Report for 2023-24** was agreed by the Commission in July and published.

Recommendations 4 and 5 - Commission staff pay for both 2024-25 and the future pay deal from 2025-26 onwards continue to be negotiated. The Commission will provide the Committee with an update as soon as those negotiations are concluded and that agreement funded. Updates on Staff Wellbeing surveys can be found in **Annex 1**.

The Commission continues to seek to be fully transparent with the Committee. Should you have any questions on the information provided, we will be happy to respond.

Yours sincerely



Hefin David MS

cc Senedd Commissioners, Manon Antoniazzi, Ed Williams

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



**Senedd Cymru**  
Bae Caerdydd, Caerdydd, CF99 1SN

 Sulafa.Thomas@senedd.cymru  
 0300 200 6227

**Welsh Parliament**  
Cardiff Bay, Cardiff, CF99 1SN

 Sulafa.Thomas@senedd.wales  
 0300 200 6227

## Annex 1 - Finance Committee Recommendations

**Recommendation 6. The Committee recommends that the Commission continues to regularly survey staff to monitor the impact of workloads, including staff mental and financial wellbeing, and provides the Committee with the outcomes of such exercises by the end of the current financial year.**

### Update

Since May 2020, wellbeing pulse surveys have been regularly conducted with Commission staff, with the purpose of providing insights that can influence our wellbeing policies and initiatives, as well as provide data to inform our progress against our 2022-25 Wellbeing Strategy. The most recent survey was undertaken in March 2024 and the results were published for staff in May. 76% of Commission staff completed the survey, which demonstrates a high engagement level from staff, and means that we have a high degree of confidence in the credibility of the results.

### Notable areas of improvement since the previous survey in Autumn 2023 were:

- Respondents who feel their workload is too high reduced significantly from 25% to 19%.
- Respondents positively rating their mental health increased from 3.25 in Autumn 2023 to 3.31.
- There was a slight increase in physical health rating increasing from 3.47 in the Autumn 2023 survey to 3.49.
- 77% of respondents agreed the organisation does a good job of embedding wellbeing into the workplace culture. This had increased by 4% since asked in Autumn 2023.
- The percentage who cite workload; last minute demands; lack of clear priorities as contributors to work related stress had reduced.
- As with previous surveys, findings remain positive in areas generally related to wellbeing support from managers and connectivity and support from peers.
- 77% of respondents agreed that the Commission provides enough support and information regarding financial support and options available, including advances, savings, pension and other support. This had increased since Autumn 2023 (73%) and is the highest result in this area since we started asking this in March 2022.

### Continued areas of focus are:

- 50% of respondents had experienced work related stress over the last 6 months – the same as in Autumn 2023.
- 47% said they had worked whilst unwell (a 1% increase since Autumn 2023).



- Compared to Autumn 2023, slightly more respondents cited poor work life balance and poor relationships/conflict with colleagues as reasons for work related stress.

### **Actions arising**

- The Commission has a wellbeing action plan to support the delivery of the Wellbeing Strategy; this was reviewed and amended taking into account the March 2024 survey results.
- Heads of Service have worked with their teams as required to identify specific actions to support wellbeing in their teams.
- Leadership Team held an away day in June 2024 to focus specifically on wellbeing and actions that Leadership Team can champion to better support the wellbeing of their teams and the Commission as a whole.
- In July 2024 EB approved a business case for an onsite dedicated counsellor to support Members, MSS and Commission staff one day per week. This is anticipated to be rolled out in Autumn 2024.
- An interim review of the Wellbeing Strategy was undertaken in Summer 2024, which included contributions from staff networks, TUS and the diversity and inclusion team. This shows positive progress in many areas, as well as identifying areas of focus areas for the remainder of the Wellbeing Strategy period.
- A 'Wellbeing Commitment' has been created with input from Leadership Team and TUS to set out the organisation's commitment to wellbeing with a series of supporting pledges. This will be launched to staff in Autumn 2024 as part of an all staff meeting dedicated to staff wellbeing
- A new Hybrid Working policy and guidance will be launched in Autumn term to support staff and line managers to ensure that hybrid working arrangements are as effective and productive as possible, as well as ensuring that health, safety and wellbeing considerations are taken into account



Document is Restricted

## Agenda Item 4



# Annual Report and Accounts 2023-24

The Annual Report for the year ended 31 March 2024 has been jointly prepared by the Auditor General for Wales and the Chair of the Wales Audit Office. It is laid before the Senedd in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and contains matters as directed by HM Treasury.

The Accounts for the year ended 31 March 2024 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.

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

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below.

#### Audit Wales

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

Telephone 02920 320 500  
Email [info@audit.wales](mailto:info@audit.wales)  
Website [www.audit.wales](http://www.audit.wales)  
Twitter @WalesAudit

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

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

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

# Snapshot of the year

## April

Held a symposium for staff, with guest speakers from audited bodies and the wider audit profession, to discuss how we can deliver greater quality and impact.

Ran extensive and successful recruitment campaigns for senior auditor positions to fill vacancies across our financial audit workstreams.



## May

Shared an indicative medium-term programme of performance audit work that sits alongside our annual audits of accounts at over 800 public bodies in Wales.

Provided a feature article for the Association for Public Service Excellence magazine on the five areas impacting the flooding sector and how flood risk management works in Wales.

## June

Published a report looking at whether Wales was on track to maximise its use of the remaining available European funding.

In partnership with the Future Generations Commissioner and Welsh Language Commissioner, shared insight on how public bodies are working to promote and protect culture, heritage and the Welsh language.

# Cym

## July

Ran a call for evidence for a study looking at whether the Welsh Government is making good use of its resources to achieve its affordable housing target.

Finalised local and national reports looking at the challenges faced by National Park Authorities in pursuing new income streams.



## August

Posted a podcast episode looking at community resilience, some of the factors that cause poverty in Wales, and the value provided by social enterprises.

Highlighted major concerns about the implementation of the new system for ensuring Building Safety.

## September

Published an NHS workforce data briefing to help illustrate the challenges being faced, and an updated data tool showing trends in NHS finances drawing attention to wider financial pressures.

Proud to be named as a Top Ten Employer for Working Families in 2023



**October**

Wrote to the Senedd Public Accounts and Public Administration Committee setting out the findings from follow-up audit work on covering teachers' absence.

Highlighted inconsistencies in the way Wales' three Fire and Rescue Authorities are managing false fire alarms.



**December**

Ran a Defnyddia dy Gymraeg (Use your Welsh) campaign to promote Welsh language learning opportunities within the organisation.

Hosted a panel discussion on integrity in the public sector, featuring contributions from The Office of the Auditor General New Zealand, ICAEW and CIPFA.



**November**

Reported significant concerns about governance arrangements relating to an employment dispute at Amgueddfa Cymru.

Provided a commentary on progress made by the four Corporate Joint Committees on meeting their statutory obligations and strengthening regional collaboration.

**January**

Concluded that brownfield site regeneration could be increased significantly with a more systematic and collaborative approach.

Published several local reports looking at how Councils gather and use information on the outcomes of their activities and the perspectives of service users.



**March**

Reported that the Welsh Government had worked well with partners in difficult circumstances to accommodate and support Ukrainians fleeing the war, but with lessons to be learned for any similar schemes in future.

Shared a podcast discussing the importance of digital to organisational strategy, and the opportunities and risks posed by Artificial Intelligence.



**February**

Called for a bold vision for public services in Wales to shift from a spiral of short-term firefighting to future proofing.

Celebrated Apprenticeship Week by sharing stories from our current apprentices, alongside blogs, testimonials and videos about our apprenticeship scheme.

# Contents and readers' guide

---

## Performance Report

A review of our work in 2023-24, including an analysis of our delivery and performance, and our position at the end of the year.

### Performance overview

A summary of who we are, what we do and our strategic position, alongside reflections and key information on how we have performed during the last year.

Who we are and what we do	8
Our strategic vision and areas of focus	10
Statements from the Auditor General and Chair of the Board on our performance in 2023-24	11
Key performance indicators	15

### Performance analysis

An assessment of the extent to which the priorities and programmes of work set out in our 2023-24 Annual Plan have been achieved.

Commentary on the delivery of our audit work programmes	19
Progress made in our areas of focus for business improvement	25
Case study examples of impactful projects	33
Summary of our use of resources in the reporting period	39

## Accountability Report

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

### Corporate governance report

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

Directors' report	48
Statement of Accounting Officer's responsibilities	51
Governance statement	52

## Remuneration and staff report

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.

Remuneration report	67
Staff report	75

## Resource outturn and auditor's report

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

Summary of resource outturn and associated notes	81
Independent auditor's report to the Senedd	85

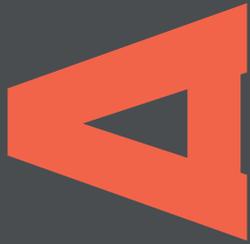
## Financial Statements

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

Statement of Comprehensive Net Expenditure	93
Statement of Financial Position	94
Statement of Cash Flows	96
Statement of Changes in Taxpayers' Equity	97
Notes to the Financial Statements	98
Glossary of terms	119

## Appendices

1	Auditor General's Report on Disclosures of Information	122
2	Risk appetite	123



# Performance Report

---

A review of our work in 2023-24, including an analysis of our delivery and performance, and our position at the end of the year.

Adrian Crompton

Auditor General for Wales and Accounting Officer

5 August 2024

# Performance overview

## Who we are and what we do

- 1 The Auditor General for Wales is the statutory external auditor of the Welsh public sector. The Auditor General is responsible for the audit of most of the public money spent in Wales.
- 2 The Wales Audit Office provides resources, such as staff, for the exercise of the Auditor General's functions, and monitors and advises the Auditor General. The Wales Audit Office currently employs around 290 staff.
- 3 Together, as Audit Wales, we audit around £27 billion of income and expenditure.

## Our purpose is to



Assure people that public money is being managed well



Explain how that money is being spent



Inspire the public sector to improve

## We undertake local and national audit work across a broad range of public bodies

- 4 Our latest Annual Plan provides more detail on the range of bodies that we audit and how we follow the public pound in Wales. Our work supports the effective scrutiny of public money by the Senedd and locally elected representatives.
- 5 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.
- 6 We identify good practice from across the full breadth of our audit work and disseminate this through a range of media, including reports, blogs, podcasts and shared learning seminars and webinars.

## Our core work



Undertaking local audit work at over 800 public bodies, including:

- Audits of accounts
- Local performance audit work
- Sustainable development principle examinations



Delivering a programme of national studies



Certifying grant schemes worth approaching £1.5 billion



Supporting effective scrutiny including the work of the Senedd committees



Sharing good practice and audit learning to support public service delivery



Facilitating the detection of fraud and error through the National Fraud Initiative



Approving around £2 billion of payments out of the WCF every month

## We operate independently from government

- 7 The Auditor General and [our Board](#) are responsible for setting and overseeing the strategic direction of the organisation.
- 8 The Board holds the Auditor General to account in his role as Chief Executive of the Wales Audit Office and supports him in the discharge of his role as Accounting Officer. As Accounting Officer, the Chief Executive answers personally to the Senedd Finance Committee on matters such as compliance with [Managing Welsh Public Money](#).
- 9 Our Executive Leadership Team advises the Auditor General, including in his capacity as Chief Executive and Accounting Officer.
- 10 Our [Publication Scheme](#) includes a diagram showing our organisational structure. More detailed information on our governance arrangements can be found in the Corporate Governance Report section of this Report.

## Our strategic vision and areas of focus

### Our vision is to increase our impact by:

Fully exploiting our unique perspective, expertise and depth of insight

Strengthening our position as an authoritative, trusted and independent voice

Increasing our visibility, influence, and relevance

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

- 11 In our [Strategy for 2022 to 2027](#), we have identified three areas of focus where we are prioritising actions to help Audit Wales achieve its overall vision.

### Our areas of focus



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

- 12 Our latest [Annual Plan](#) provides more detail on:
- a what we consider to be important elements of our current operating environment, including a range of factors which can influence the delivery of our work to varying degrees.
  - b the key areas within which risks can arise and threaten successful delivery of our work.
  - c how we measure and report on our performance.
- 13 Further information on our risk profile during 2023-24 and how those risks changed and were mitigated can be accessed in the Corporate Governance Report section of this Report and via our published [Board minutes](#).

## Statement from the Auditor General on our performance in 2023-24

Rydym yn falch o gyflwyno ein Adroddiad Blynyddol a Chyfrifon ar gyfer 2023-24.

We are pleased to present our Annual Report and Accounts for 2023-24.

Alongside our financial and accountability statements, this Annual Report and Accounts provides a summary of the progress we made on delivering the audit work programmes set out in our [Annual Plan for 2023-24](#). I am pleased to present a selection of case studies in this report to provide a taste of our work this year and the impact it has made.

As reflected in my [Firefighting to future-proofing commentary](#) in February 2024, Welsh public services face enormous financial, demand and workforce pressures. Though public bodies must make their own decisions about how they navigate those challenges, independent public audit provides early warning of problems arising, highlights opportunities for improving value for money, and supports good governance.

The biggest area of our work involves auditing the accounts of over 800 public bodies across Wales. This work is vital in providing the Senedd, audited bodies and the wider public with an ongoing independent assessment of financial management and resilience across the public sector.

I recognise, however, that our timetable of accounts audit in 2023-24 was behind where we would wish it to be, particularly in the local government sector. That is due to several factors – not least the ongoing legacy of the COVID pandemic, a shortage of finance professionals across the industry and the need to work through some difficult audit issues. It will take several years to bring that large programme of work back to more traditional timescales, but as set out in our recently published [Annual Plan for 2024-25](#), we are committed to doing so with the support of our audited bodies.

Resourcing pressures and a legacy from the pandemic have also affected delivery of our national and local performance audit programmes. Here too, we are aiming to recover a backlog position that has built up over recent years. Despite those challenges, in 2023-24 we continued to deliver a broad and varied programme of performance audit work across Wales which has allowed me to meet my statutory obligations and to shine a light on significant governance and performance challenges within some of the bodies we audit.

During the year, we implemented new audit approaches based on revised international standards and best practice. Through applying these fundamentally different approaches for the first time, we met our desired quality standards across the board in independent, external assessments. This was a fabulous achievement and testament to the pride and expertise of staff across Audit Wales. We also continued 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 indebted to all Audit Wales staff for their professionalism, hard work and commitment to public service throughout the last 12 months. Without them, none of this would be possible.

I would also like to place on record my thanks to Kathryn Chamberlain for her valued contribution as Chair of the Wales Audit Office during 2023-24 and look forward to working closely with our new Chair, Dr Ian Rees, as we take the organisation forward.



---

**Adrian Crompton**

Auditor General for Wales

## Statement from the Chair on our performance in 2023-24

Firstly, I would like to thank everyone at Audit Wales for their kind support as I begin my tenure as Chair of the Board. I would also like to take the opportunity to welcome our two new non-executive Board members, Richard Thurston, and Mike Norman, who have taken up their roles from the start of June.

Drawing on my experiences as a Board member and Chair of our Audit and Risk Assurance Committee over the last year, I reflect that it was a period of significant change and challenge at Audit Wales, as clearly evidenced in our KPI summary that follows this statement, and in the commentary from Adrian on the delivery of our audit work.

At the start of the year, we had just started settling into our new Cardiff Office - a smaller, more modern, and better equipped office, with substantially lower running costs, improved environmental performance and better public transport links. Later in the year, we also relocated our North Wales office to smaller shared premises, again with improved access, facilities, and environmental credentials. A time of significant upheaval and change for staff in terms of their day-to-day working environment, but an important step in lowering our costs and supporting an optimum balance between office and home working.

In November 2023, when presenting our [annual Estimate](#) and [Interim Report](#) to the Senedd Finance Committee, we highlighted the importance of maintaining a properly resourced, high quality public audit regime in Wales. We very much appreciate the support the Committee gave to our bid for some essential further investment in the recruitment, training and development of our professionally qualified staff, to help ensure our longer-term sustainability and continued delivery of an audit service that meets the expectations of the Senedd.

However, we remain acutely aware of our responsibility to other parts of the public sector to contain our own operating costs and the fees we charge, provided that does not risk audit quality and the assurance we can provide. Over the course of 2023-24, we achieved the ambitious savings targets that we had set, and through undertaking a rigorous financial sustainability review exercise, identified some opportunities for further future efficiencies.

In November 2023, we ran a new-look staff survey to gain a refreshed understanding of the employee experience at Audit Wales. The results of that survey were encouraging, with our overall engagement index score increasing to our target level. Where the survey results did highlight room for improvement, we have responded accordingly, for example through enhanced management training and leadership development, and a new workforce plan.

Overall, despite the continuing pressures and challenges, we have a strong organisation to build on and I pay tribute to the staff of the Wales Audit Office for all their hard work and commitment throughout the year.



---

**Dr Ian Rees**

Chair of the Wales Audit  
Office

## Key performance indicators

- 14 Our [Annual Plan for 2023-24](#) included a framework of key performance indicators (KPIs) and associated targets.
- 15 In our [Interim Report](#), we provided a mid-year update on progress made over the period 1 April to 30 September 2023 towards achieving these targets.
- 16 The following exhibit shows the position at the end of the 2023-24 financial year. The KPI data has not been subject to audit. In the exhibit, some numbers are rounded to make them easier to read and compare, and the KPIs are aligned with the strategic areas of focus to which they relate. Overall, in 2023-24 we achieved or were close to achieving our targets for 10 of the 18 KPIs.

### End of year position for our 2023-24 KPIs

#### A strategic, dynamic and high-quality audit programme

No	Indicator	Description <sup>1</sup>	2023-24 Target	2022-23 Performance	2023-24 Performance
1	Statutory deadlines	Proportion of audit products delivered by the statutory or agreed deadline.	100%	84%	85% <sup>2</sup>
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	82%	76% <sup>3</sup>
3	Quality	Number of reviewed audits that are delivered in accordance with <a href="#">Financial Reporting Council quality standards</a> .	All audits sampled in the highest two audit quality categories.	6 out of 7	7 out of 7

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

1 Descriptions for KPIs 1 and 3 are slightly amended from that published in our Annual Plan for 2023-24 to provide greater clarity to the reader on what is being measured.

2 KPI1 focuses on our audit of accounts work. The performance reflects our wider resourcing challenges, leading to delays affecting the audit of accounts for some local government bodies.

3 KPI2 focuses on some of the key components of our national and local performance audit programmes. The performance during 2023-24 reflects the resourcing and delivery challenges affecting these programmes, as described in the Performance Analysis section of this Report

No	Indicator	Description <sup>1</sup>	2023-24 Target	2022-23 Performance	2023-24 Performance
4	Credibility <sup>4</sup>	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%	85%	92%
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%	71%	64%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	81%	76%
7	Savings identified	Value of potential savings, productivity gains and other financial benefits identified through our work.	At least £30 million during 2023-2026	£32 million between 2020 and 2023	£700,000 <sup>5</sup>

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

4 As set out in more detail in the Performance Analysis section of this Report, 2023-24 performance data for KPIs 4-6 is sourced from a short survey with a narrower audience that was undertaken in March 2024, to supplement a more extensive independent stakeholder research exercise from 2023. We intend to undertake the more comprehensive independent research exercise again in early 2025.

5 While we have reported only a small sum at the end of the first year of the three-year period covered by this KPI, there are several pieces of audit work in progress which we anticipate will identify significant potential savings, productivity gains and other financial benefits over the course of 2024-25. This will include reporting results from the latest round of the National Fraud Initiative

## A targeted and impactful approach to communications and influencing

No	Indicator	Description	2023-24 Target	2022-23 Performance	2023-24 Performance
8	Good practice events	Proportion of stakeholders who rate our good practice events useful or very useful.	At least 90%	100%	100%
9	Website visits	Number of visits to our website where at least one action is performed, e.g., download a report, click on a video.	35,000 each year	44,900	59,100
10	Social media	Number of social media engagements i.e. interactions with our posts such as a like, a comment, or a retweet/share.	3,000 each year	4,200	4,000
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	65	45 <sup>6</sup>

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

6 This figure does not include attendance at meetings as part of our routine audit business. Where we have regularly attended specific groups in relation to a single topic, we have counted these collectively as a single event.

## A culture and operating model that allows us to thrive

No	Indicator	Description	2023-24 Target	2022-23 Performance	2023-24 Performance
12	Employee engagement	Percent positive annual staff survey engagement index score.	At least the median benchmark score for the latest Civil Service People Survey	60%	64% <sup>7</sup>
13	Turnover <sup>8</sup>	Proportion of employees who voluntarily leave Audit Wales per annum.	Between 5% and 10%	10.1%	12.3%
14	Sickness absence	Average working days lost per member of staff per annum.	Less than six days	6.6 days	7.1 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	0.8%	1.1%
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.4 million	£1.5 million	£1.8 million
17	Greenhouse gas emissions	Total CO <sub>2</sub> equivalent emissions.	20% reduction on a recalculated 2019-20 baseline	290 tonnes	280 tonnes
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	68%	82%

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

7 The Civil Service People Survey (CSPS) benchmark in October 2023 was 64%.

8 In 2023-24, after several years of running our annual staff survey using the CSPS core questionnaire, we ran a refreshed engagement survey using a new thematic questionnaire. Consequently, we are no longer able to report on our performance against the CSPS thematic employee experience scores. In our 2024-25 Annual Plan, taking account of the key risks currently being faced by the organisation, we replaced this KPI with a new indicator and target on employee turnover. In this Annual Report and Accounts, we have therefore provided baseline data for 2022-23 and 2023-24 for the new strategic KPI.

# Performance analysis

---

- 17 This section sets out a more detailed view of Audit Wales's performance in 2023-24. It provides:
- a commentary on the delivery of our audit work programmes;
  - b detail on progress made in the areas of focus set out in our [Annual Plan](#);
  - c case study examples of particularly impactful projects; and
  - d a summary of our use of resources in the reporting period, which serves as our Sustainability Report.

## Commentary on the delivery of our audit work programmes

- 18 Our core business is carrying out a broad programme of audit work to deliver the [Auditor General's statutory powers and duties](#).
- 19 Throughout 2023-24 we undertook local and national audit work across a broad range of public bodies.

## Key elements of our audit work



Providing an opinion on whether public sector accounts have been properly prepared and give a true and fair view of financial position



Considering whether public money is being used for approved purposes



Examining the economy, efficiency and effectiveness with which public bodies have used their resources (value for money)



Providing conclusions on whether public bodies have made proper arrangements for securing value for money in their exercise of functions



Considering whether public business is being conducted in a way that meets certain expectations and standards



Carrying out sustainable development principle examinations

## Local audit work

- 20 The biggest area of our local work involves auditing the accounts of over 800 public bodies across Wales. Our audit of accounts work provides the Senedd, audited bodies and the wider public with an ongoing independent and expert assessment of financial management and resilience across the public sector.
- 21 Through the COVID pandemic period, the timeliness of our delivery of this work deteriorated. It will take several years to bring our large programme of work back to pre-pandemic timescales, but we are determined to do so.

- 22 During the reporting period, our audits of NHS and central government bodies' 2022-23 accounts were largely completed in line with our delivery plan. However, continued resourcing challenges, alongside issues with the quality of some sets of accounts, impacted on the timeframe for delivery of our accounts work in local government.
- 23 During 2024-25, we aim to continue the progress made to bring forward the reporting deadlines for our audit of accounts work. Longer term, our target is that by the accounts audits of 2025-26 we will have returned to more traditional timescales for 15 June for the NHS sector and 30 September for the local government sector.
- 24 With the public purse strings so tight, it is also more important than ever to get value for money from every pound of public spending. During the year, we continued to shape our local performance audit work to address the evolving challenges faced by our audited bodies, and where relevant and practical to help discharge the Auditor General's sustainable development examination duties<sup>9</sup>.
- 25 This year, alongside our annual assurance, risk and structured assessments, our programme included:
- a work at NHS bodies on financial efficiencies and workforce planning;
  - b continuation of our work on unscheduled care across health and social care, looking at hospital discharge arrangements;
  - c work on the use of performance information and digital strategy in local government;
  - d commencing assessments of the financial sustainability of councils dealing with the cost-of-living crisis; and
  - e follow-up work to provide insight into specific governance challenges on board effectiveness at Betsi Cadwaladr University Health Board, and on planning arrangements at Wrexham County Borough Council.
- 26 However, delivery of some of our performance audit work, both locally and nationally, has also been affected by the legacy of the pandemic, staff turnover and absence, and our wider resourcing challenges. This has included some prioritisation of performance audit staff resources to support audit of accounts work. We are aiming to recover our backlog position over the next two years. For our local audit programmes, we want ultimately to move to a position where work is completed within three months of the end of the year to which the local audit plan relates.

---

9 Under the Well-being of Future Generations (Wales) Act 2015. Including examinations looking at the application of the sustainable development principle when setting well-being objectives or when taking steps to meet those objectives.

- 27 A comprehensive list of the public bodies that we audit, and the types of local audit work carried out at those bodies, is provided in our recently published [Annual Plan](#).

## National studies

- 28 The Auditor General's indicative [forward programme of national studies for 2023-2026](#) is focused around four main themes:
- a tackling inequality
  - b responding to the climate and nature emergency
  - c service resilience and access
  - d well-managed public services
- 29 Building in large part on that programme, the table below lists 16 national report outputs of various types that we delivered in 2023-24. Our Snapshot of the Year at the front of this Report features several of these outputs.

### National report outputs completed in 2023-24

<a href="#">Maximising EU Funding – the Structural Funds Programme and Rural Development Programme</a>	<a href="#">‘Cracks in the Foundations’ – Building safety in Wales</a>
<a href="#">Cwm Taf Morgannwg University Health Board – Quality Governance Arrangements Joint Review Follow-up</a>	<a href="#">NHS Wales finances data tool – up to March 2023</a>
<a href="#">Springing Forward: Lessons from our work on workforce and assets (in local government)</a>	<a href="#">Approaches to achieving net zero across the UK</a>
<a href="#">Income diversification for National Park Authorities in Wales</a>	<a href="#">NHS workforce – data briefing</a>
<a href="#">Covering teachers’ absence – follow up 2023</a>	<a href="#">Putting out the false alarms: Fire and Rescue Authorities’ responses to Unwanted Fire Signals</a>
<a href="#">Governance arrangements relating to an employment dispute at Amgueddfa Cymru</a>	<a href="#">Corporate Joint Committees – commentary on their progress</a>

<u>Sustainable development? – making best use of brownfield land and empty buildings</u>	<u>Board effectiveness follow-up – Betsi Cadwaladr University Health Board</u>
<u>From firefighting to future-proofing – the challenge for Welsh public services</u>	<u>Supporting Ukrainians in Wales</u>

- 30 Our Annual Plan for 2024-25 includes details about examinations and studies that were in progress as of 31 March 2024 and about new work that we plan to start in 2024-25.

## Supporting effective scrutiny

### Supporting the work of Senedd committees

- 31 During the reporting period, our work continued to play a key role in supporting the work of the Senedd Public Accounts and Public Administration Committee in its consideration of how resources are used in the discharge of public functions in Wales. The outputs from our work supported 18 formal meetings of the Committee. This included the Committee considering various report outputs completed during the reporting period. The Auditor General and our staff also provided further advice and support to the Committee as required, including the preparation of briefing material for Committee evidence sessions.
- 32 Our work can also inform the work of other Senedd committees. In 2023-24, we continued to engage with clerking teams to other Senedd committees to discuss relevant pieces of work and respond to relevant consultations. This included:
- a providing a submission to the Local Government and Housing Committee as part of its inquiry on local authority leisure and library services;
  - b giving evidence to the Equality and Social Justice Committee as part of its inquiry on fire and rescue services; and
  - c briefing the Health and Social Care Committee to support their scrutiny of Betsi Cadwaladr University Health Board.

## Supporting the work of the audit and scrutiny committees of public bodies

- 33 Throughout the last year, we regularly attended meetings of the audit and scrutiny committees of public bodies in Wales to provide briefings and report on our work.
- 34 We also continued our regular briefings on audit-related matters to:
- a the NHS Audit Committee Chairs and Directors of Finance groups
  - b the local government Society of Welsh Treasurers Group
  - c the Central Government Audit Committee Chairs Group

## Supporting the public and their elected representatives

- 35 We regularly receive correspondence from the public, their elected representatives and others that raise potential concerns about the use of public money. During 2023-24, we received 122 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner.
- 36 The Auditor General is also a Prescribed Person for receiving whistleblowing disclosures about the proper conduct of public business, value for money, fraud and corruption in relation to the provision of public services. The Auditor General's Report on Disclosures of Information for 2023-24<sup>10</sup> is included as Appendix 1 to this Report.

## Good practice work

- 37 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.
- 38 Good Practice events, webinars, podcasts, and other outputs produced over the last 12 months have included:
- a A Wales of vibrant culture and thriving Welsh language – an event held in partnership with the Future Generations Commissioner and the Welsh Language Commissioner, exploring how public bodies are contributing to achieving the namesake well-being goal.
  - b Together we can – creating the conditions to empower our communities to thrive – a webinar exploring how public services are finding different and innovative ways of maintaining services and empowering the wider community, including those most in need.

---

10 As required by The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017

- c [Integrity in the public sector](#) - a panel discussion on the importance of integrity in public sector organisations, featuring contributors from The Office of the Auditor General of New Zealand, ICAEW and CIPFA
- 39 All the material shared in 2023-24 can be accessed via the [Good Practice](#) section of our website.

### Audit quality

- 40 We carry out our work in accordance with International Standards on Auditing (UK) and other recognised standards.
- 41 Our latest [Audit Quality Report](#) summarises progress made in our audit quality arrangements and the outcomes from monitoring activity in 2023.
- 42 Developments of particular note in the reporting period included:
- a Embedding [INTOSAI professional standards](#) into our performance audit work.
  - b Improving our approach to identifying and responding to risks in our audit of accounts work, supported by a new audit software platform..
- 43 Our latest round of quality monitoring activity got underway in early 2024 and our next audit quality report will be published in Autumn 2024.

## Progress made in our areas of focus for business improvement

- 44 In our [Strategy for 2022 to 2027](#), we identified three areas of focus where we are prioritising actions to help Audit Wales achieve its overall vision.

 <p>A strategic, dynamic, and high-quality audit programme</p>	 <p>A targeted and impactful approach to communications and influencing</p>	 <p>A culture and operating model that enables us to thrive</p>
---	--	--

- 45 In our [Annual Plan for 2023-24](#), we committed to take action across 16 key business planning priorities. The tables below provide detail on progress we have made against these priorities in the reporting period and are grouped by the strategic areas of focus to which the priorities relate. In the interests of streamlining and avoiding duplication, where detail on progress made is included elsewhere in this Report, signposting to the appropriate section is provided.



## A strategic, dynamic and high-quality audit programme

Priority	Progress made
<p>Embed a new ISA (UK) 315<sup>11</sup> compliant approach to our audit of accounts work, and INTOSAI standards in the delivery of our performance audit work.</p>	<p>As reported in our <a href="#">2023 Interim Report</a>, in the first half of the reporting period we completed training for staff on a new accounts audit approach and audit evidence platform. We subsequently applied the new approach to our programme of NHS, central government, and local government 2022-23 accounts audits.</p> <p>In the second half of the year, we undertook an internal review of the audits completed and provided the Executive Leadership Team with assurance on the system of quality management in place. We also engaged the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out a further independent quality review. The outcomes from both reviews are now helping to inform further development of our new audit approach, tools, and training.</p> <p>Similarly, an updated Performance Audit Development Manual was embedded in 2023-24, to support compliance with <a href="#">INTOSAI professional standards</a>, supported by a relevant programme of learning and development.</p>
<p>Deliver a more dynamic programme of high-quality audit work that reflects the challenges facing the public sector locally and nationally.</p>	<p>As detailed earlier in this report, in May 2023 we published our indicative <a href="#">forward programme of national studies for 2023-2026</a> focused around four main themes. This work programme was shaped by the feedback from stakeholder engagement and our <a href="#">Picture of Public Services</a> analysis. Building in large part on this programme, the table in the Commentary section of this Report lists 16 national report outputs of various types that we delivered in 2023-24.</p> <p>Our <a href="#">Annual Plan for 2024-25</a> includes details about further examinations and studies that were in progress as of 31 March 2024 and about new work that we plan to start in 2024-25. We are also in the final stages of publishing a summary of all audit work in progress on our refreshed website.</p>

11 This International Standard on Auditing (UK) (ISA) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements.

Priority	Progress made
<p>Work with key stakeholders to identify, agree, and bring forward audit deadlines for our accounts work for 2023 and future years</p>	<p>Resourcing of our 2022-23 accounts audit programme has remained a priority throughout the reporting period and we have continued to explore ways to increase capacity to help get our accounts work back on track after the COVID pandemic period. This has included recruiting placement students and involving staff from across the organisation to support accounts audit work. We also undertook a successful overtime pilot which has now been adopted as an option when business needs justify.</p> <p>As a result of these initiatives, in 2023-24 we were able to deliver NHS and central government audit of accounts in line with agreed timetables but remain behind ideal timescales in audit delivery for local government. We recognise it will take several years to bring our large programme of work back to pre-pandemic timescales, but we are determined to do so. Consequently, bringing forward the reporting deadlines for our audit of accounts work features as a key priority in our <a href="#">Annual Plan for 2024-25</a>.</p>
<p>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.</p>	<p>A new TRM system was fully embedded in 2023-24 to support weekly timesheet reporting for audit staff. Our Finance Team and Audit Services Business Unit worked closely together in the latter stages of the year to review the end-to-end process to make further improvements and ensure the system includes functionality that fully meets user needs.</p> <p>On the whole, the new system has enabled more accurate and timely financial monitoring and has supported more reliable resourcing decisions, although there is still a significant amount of improvement work to be carried out.</p> <p>Our Head of Internal Audit plans to undertake a review of the implementation of the TRM system during 2024-25, as part of the broader internal audit programme.</p>



## A targeted and impactful approach to communications and influencing

Priority	Progress made
<p>Implement a new stakeholder engagement approach to gather independent feedback from our audited bodies.</p>	<p>Between February and May 2023, two significant pieces of independent stakeholder research were undertaken to gauge public awareness of Audit Wales and gather views on the perceived value and impact of our work.</p> <p>The findings from these exercises were reported in our <a href="#">Annual Report &amp; Accounts for 2022-23</a> and have subsequently been used to help shape our audit work programme and inform other projects such as the work on refreshing our website.</p> <p>This year we carried out a much shorter survey in March 2024 with a narrower audience to supplement that research and inform relevant KPIs reported elsewhere in this report. We intend to undertake the independent exercises again in early 2025.</p>
<p>Refresh our website</p>	<p>In February 2024, we launched a new look Audit Wales website. The new site is designed to strengthen the Audit Wales brand, provide a more user-friendly look and feel, and incorporate a host of new features to further enhance the accessibility of the site for all users.</p> <p>These new features include:</p> <ul style="list-style-type: none"> <li>• audit report pages with clearer summaries of the report content, download buttons and social sharing options.</li> <li>• a homepage featuring a selection of work in progress – this will be further developed into a real time view of our complete forward work programme in 2024-25.</li> <li>• improved accessibility features, including menu layouts and search functions.</li> </ul> <p>This project was delivered by an in-house team, at pace and under budget.</p>

Priority	Progress made
<p>Deliver a refreshed, rolling programme of good practice sharing, which is aligned to our audit programme and planned in from the outset.</p>	<p>Alongside our published <a href="#">indicative programme of national studies for 2023-2026</a>, a provisional programme of good practice events for 2023-24 was published early in the year on our website.</p> <p>Over the course of the reporting period, our good practice team then worked closely alongside audit teams to identify good practice as it emerged, tailoring the programme accordingly and deciding the best mechanisms and channels through which to share that insight.</p> <p>A description of some of the main good practice events, webinars, podcasts, and other outputs produced over the last 12 months is provided in the Commentary on delivery of our audit programmes section of this Report.</p> <p>All the material shared in 2023-24 can be accessed via the <a href="#">Good Practice</a> section of our website.</p>
<p>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 communication channels including our intranet.</p>	<p>During the reporting period, our Executive Leadership Team (ELT) and Board delivered a series of new roadshows, covering a range of issues including the development of our Annual Plan priorities for 2024-25, and getting back on track with our audit programmes. The sessions also enabled staff to ask questions and raise any views or concerns with senior leaders from across the organisation.</p> <p>After initially running Spring and Autumn 2023 sessions so that they were targeted at individual teams, in response to staff feedback the subsequent Spring 2024 roadshow comprised open sessions to allow a broader mix of attendees at any one time from different parts of the organisation.</p> <p>In 2023-24, senior leadership also took a different approach to communicating all-staff messages. Rather than posting messages and blogs directly to the intranet home page, all-staff emails covering a range of key topics were issued at least monthly, with additional content available on a dedicated ELT section of the intranet site.</p> <p>In early April 2024, we held the first in-person all-staff Audit Wales event since 2019, bringing everyone together to set the scene for the Auditor General's priorities for the remaining two years of his term in the role.</p>



## A culture and operating model that enables us to thrive

Priority	Progress made
<p>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.</p>	<p>Detail on progress made against this priority is provided in the Summary of our use of resources in the reporting period (Delivering sound financial management and efficiencies) section of this Report.</p>
<p>Develop our approach to integrated performance management.</p>	<p>We took initial steps in the latter stages of 2023-24 to further improve our reporting on organisational performance to ELT, the Board, and its committees. A more integrated and interactive performance management dashboard is being developed, to better inform corporate decision making.</p> <p>This work will continue through 2024-25, with particular emphasis on providing a more comprehensive performance picture all in one place on audit delivery, finances, strategic risks, key performance indicators, people metrics and longer-term priorities for business improvement.</p>
<p>Address falling performance on engagement and employee experience.</p>	<p>To increase transparency the integrated performance report that goes to each Board meeting is also now made available for all staff to view on our intranet.</p> <p>Detail on progress made against this priority is provided in the Summary of our use of resources in the reporting period (Ensuring effective staff engagement) section of this Report.</p>

Priority	Progress made
<p>Enhance the capacity and capability of our workforce through implementation of the People &amp; Organisation Development Plan and the Strategic Equality Plan.</p>	<p>In July 2023, the Board approved a review of our People and Organisation Development Strategy, with the aim of aligning it to the remaining timeframe of our <u>overarching five-year corporate strategy</u>.</p> <p>In addition, over the reporting period we have:</p> <ul style="list-style-type: none"> <li>• Achieved a ‘Top 10 Employer’ accreditation in the <u>Working Families list 2023</u>, recognising our support for staff in their experiences of work and family life.</li> <li>• Delivered a People Manager Development programme to all current managers within the organisation.</li> <li>• Implemented a new on-line onboarding module to improve the efficiency of the process and experience for new starters.</li> <li>• Undertaken a knowledge, skills and experience survey across our Audit Services staff to inform our workforce development plan.</li> <li>• Completed a recruiting manager training programme with a first cohort of 15 managers.</li> <li>• Launched an Aspiring Leadership Programme being run jointly with Audit Scotland.</li> </ul>
<p>Embed net zero ambitions through ways of working, travel plan and estates development</p>	<p>Detail on progress made against this priority is provided in the Summary of our use of resources in the reporting period (Minimising our environmental impact) section of this Report.</p>
<p>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.</p>	<p>In 2023-24, we continued to see a post-COVID shift towards a more balanced approach to hybrid working, with increased use of offices for team working and collaboration and a continued return to working at audit client premises.</p> <p>However, to ensure a fully productive, collaborative, and engaging environment for the delivery of high-quality work, we have made a commitment in our <u>Annual Plan for 2024-25</u> to undertake further work in the coming 12-months to encourage greater in-person working within our hybrid working model.</p>

Priority	Progress made
<p>Deliver and realise benefits of the Wellbeing Strategy</p>	<p>Our first Wellbeing Strategy and Action Plan for Audit Wales was launched in September 2022. During the reporting period we undertook a review of the original strategy, informed by feedback from staff on their experiences. The feedback was generally positive in relation to current provision for supporting staff well-being, and some useful suggestions were put forward for further enhancements.</p> <p>Over the reporting period we have:</p> <ul style="list-style-type: none"> <li>• placed greater emphasis on managing the well-being of individuals within our People Manager Development Programme.</li> <li>• introduced a monthly communication pack from our team of Well-being champions to ensure consistent messaging is given to all colleagues.</li> <li>• incorporated a range of well-being focused activities and events into our learning and development calendar, which is accessible to all staff.</li> <li>• supported Time to Talk Day and Mental Health Day, providing a platform to encourage talking about mental health and raise awareness of our dedicated well-being intranet pages and group of mental health first aiders.</li> <li>• appointed a new Employee Assistance Programme provider and promoted details of the services available to staff.</li> <li>• expanded our induction process for new starters to include meeting a well-being champion.</li> </ul>
<p>Embed effective ways of working in the new Cardiff office that support productivity, quality, and collaborative organisational culture, and utilise learning across all Audit Wales offices.</p>	<p>Following the <u>move to our new Cardiff offices in March 2023</u>, in early 2023-24 all staff were invited to participate in a follow-up survey to evaluate how well teams and individuals were settling in and to identify any areas of concern.</p> <p>The learning from this exercise was subsequently combined with engagement with affected staff to inform a successful relocation of our North Wales office from Abergele to smaller premises at the Welsh Government's office in Llandudno Junction in September 2023.</p> <p>The lessons learned from both office moves are helping inform our current work on exploring options for our third main office in West Wales.</p>

## Case study examples of impactful projects

- 46 In this section, we provide case study examples of the work we delivered during 2023-24 and the impact that work has had. Our case study examples are grouped together by their alignment with the areas of focus in our five-year strategy.



### A strategic, dynamic and high-quality audit programme

#### Case study 1: Governance failings at Amgueddfa Cymru

Our 2021-22 audit work at Amgueddfa Cymru uncovered significant failings in governance arrangements. During that audit, we were provided with insufficient audit evidence to demonstrate that the decision-making process supporting payments made to the former Director General under the terms of a settlement agreement complied with charity law. We were also unable to confirm that the payments made and disclosed in the Amgueddfa Cymru's Annual Accounts conformed with the framework of authorities governing them. For these reasons, on 29 September 2023, the Auditor General qualified his 'regularity' audit opinion on Amgueddfa Cymru's Consolidated Accounts for 2021-22.

The [findings from our work were published in a report in the public interest dated November 2023](#) in which the Auditor General highlighted three areas for the public's attention:

- the terms of the settlement agreement for the former Director General were significant and, in the Auditor General's view, novel, contentious and repercussive. Amgueddfa Cymru has not been able to demonstrate that it has acted in its best interests as a charity or that the settlement represents value for public money.
- it is unclear whether the Welsh Government applied all relevant procedures for its own consideration and approval of the agreement.
- the overall potential cost of the proposed settlement with the former Director General, the ill-health retirement of the former Chief Operating Officer, and the resulting legal and advisory fees exceeded £750,000. Some or all of these costs could have been avoided.

#### Case study 2: Governance arrangements at Wrexham Council

Our ongoing work at Wrexham County Borough Council identified potential inadequacies in the governance arrangements for the Council's planning service, alongside concerns with the values and behaviours adopted in public meetings to consider the Council's Mayor and its Local Development Plan.

On learning of these issues our audit staff responded swiftly, drawing together a team from across the organisation with the skills and experience necessary to review this developing issue and report promptly. The team conducted interviews with the Council's senior officers and Members, assessed meetings of key Committees, and reviewed key documents – all within a short period of time to maximise the impact of the work and draw conclusions quickly.

Our audit identified that delays in adopting key strategic documents had created significant risks for the Council. This had affected the operation of the planning service, with relations between some officers and Members becoming fractured. Ultimately, the Council's planning service was hindered in fulfilling its role as a key enabler of development activity. We raised three key recommendations for the Council to consider.

Our report attracted significant interest, with the matter being discussed across the Council and raised during First Minister's Questions at the Senedd. It has also been reported on widely by written and online media.

The Council has collated an action plan to respond to the recommendations raised in our report. Despite this report being issued during a period of tension, we have maintained strong working relations with the Council which will allow us to monitor the Council's response.

### **Case study 3: Tackling orthopaedic waiting lists**

Our programme of NHS performance audit work continues to have a strong focus on the progress NHS bodies are making in tackling waiting lists that had grown significantly during the pandemic. We see this as an important topic to examine because of the challenge it presents to NHS bodies as well as the impact on individual patients who face long waits for treatment.

To complement our national report 'Orthopaedic Services in Wales – Tackling the Waiting List Backlog', in 2023-24 we produced a separate report for each health board providing additional analysis on the orthopaedic waiting list position for their organisation. These reports presented a range of comparative data that highlighted the specific challenges for each health board, including predictions of when orthopaedic waiting lists in each health board will return to pre-pandemic levels.

The local reports also included prompts and questions for board members to help focus discussion and seek assurance that improvement actions were having the desired effect. Our local reports, alongside our national commentary, have complemented the work undertaken by the Getting It Right First Time national programme and helped ensure targeted scrutiny on tackling orthopaedic waiting lists within health boards during 2023-24.

## Case Study 4: Supporting Ukrainians in Wales

By early October 2023, following Russia's invasion of Ukraine in February 2022, 7,100<sup>12</sup> Ukrainians had come to the UK to join private hosts in Wales (3,900) or through the Welsh Government's super sponsor scheme (3,200). Our report focused on the super sponsor scheme, but we also worked closely with colleagues at the National Audit Office who were examining the overall UK Government Homes for Ukraine Scheme.

Our report is broadly positive about how the Welsh Government worked with other public and third sector partners to welcome, accommodate and support Ukrainians arriving and staying in Wales. It recognises the broader context of a fluid international crisis and already stretched public services. That said, there are important lessons to learn, for example around early estimates of numbers of arrivals and likely costs.

We wanted to hear the voices of Ukrainians themselves. We produced an open call for evidence in Ukrainian and Russian. We are very grateful to the voluntary sector bodies who shared this with Ukrainians they support.

While not necessarily representative of all Ukrainians' experiences, we used these voices to triangulate our findings and reinforce messages in our report. Some were very positive about the welcome they received from communities and the support on offer. Some reported less positive experiences, especially around accessing healthcare and moving on from their initial accommodation. We also published a summary of our findings and our recommendations in Ukrainian and Russian.



### A targeted and impactful approach to communications and influencing

## Case study 5: Local council financial management and governance – sharing the learning

In recent years, Audit Wales has drawn attention to systemic weaknesses in financial management and governance across community and town councils (local councils) in Wales. Local councils are relatively small bodies and are often served by a single paid officer – the clerk. In many cases, the clerks do not have recognised professional qualifications and must navigate for themselves a wide range of responsibilities. The sector's representative bodies (One Voice Wales and the Society of Local Council Clerks (SLCC)) assist them in this, and Audit Wales works closely with the representative bodies to share lessons learned from our audit work.

Our national reports on Financial Management and Governance summarise common issues identified by our audit work including issues covered in the Auditor General's public interest reports. Audit Wales staff attend One Voice Wales and SLCC conferences and local committee meetings to present our findings in more detail. We explain how issues have arisen and the steps clerks and councillors can take to reduce the risk of similar issues arising at their councils.

We also supported One Voice Wales, the SLCC and Welsh Government in developing the [Finance and Governance Toolkit for Community and Town Councils](#), providing commentary from an audit perspective of the challenges facing councils seeking to improve their governance arrangements.

### **Case study 6: Using follow-up work to track improvements and demonstrate impact from our NHS work**

In recent years, our performance audit work has shone a light on significant governance failures in some health boards. Our 2019 [Review of Quality Governance at Cwm Taf Morgannwg](#), undertaken jointly with Healthcare Inspectorate Wales, pointed to serious failures in the arrangements the Health Board had in place to know whether its services were safe and of good quality.

More recently, our 2023 report in the public interest at Betsi Cadwaladr University Health Board highlighted a breakdown in working relationships within the board and executive team that was leading to dysfunctional organisational leadership and fundamentally compromising the board's ability to tackle the challenges the organisation was facing.

Following the publication of both these reviews, we undertook targeted, thorough and early follow up work to assess the extent to which the concerns we identified were being tackled. That [follow up work](#) has been able to point to notable improvements in response to the issues we identified and the recommendations we made.

Whilst the prime responsibility for securing those improvements rests with the organisations themselves, our follow up work has been able to provide assurances to a wider audience that the right actions in response to our findings have, and are, being taken. It has also helped demonstrate the value and impact of the original work in uncovering the governance failures, and highlighting what needs to be done to address the concerns.



## A culture and operating model that enables us to thrive

### **Case study 7: Launching a new digital accounts audit platform to support audit quality**

For our audit work to be of the highest standards of quality, it must focus in the right areas - be efficient, modern and cost-effective, and make the most of emerging technologies.

As part of that ambition, in 2023 we launched a new, bespoke, digital platform to support our 2022-23 audit of accounts work. The platform guides audit teams in carrying out their work, securely stores audit evidence, and allows for supervision and review of that work.

The platform was constructed around the needs of our audit teams and designed to support our audit quality requirements. It replaced an off-the shelf package, which was at the end of its life and had limited ability to be further customised.

Our new platform has been built using configurable and affordable Microsoft 365 industry-standard technology. This approach allows us to incrementally build new digital functionality around the platform in response to our evolving audit needs. The platform is also part of a developing suite of tools and products which include data analytics apps, that can analyse and visualise large volumes of data, and a secure portal that allows our audited bodies to share evidence with us and respond to audit queries effectively.

Our ongoing investment in these innovative audit technologies will enable us to better achieve audit quality and supports our drive to become more efficient and achieve greater insight from existing information.

### **Case study 8: Improving our internal communications**

In early 2023-24 we launched 'Prosiect Hwb' with a dual purpose to review our internal digital platforms while building service design capability in the organisation.

The initial focus was to look at the effectiveness of our internal communications channels following feedback from staff that the overall arrangements felt fragmented and disorganised, and that key messages were becoming diluted by the day-to-day clutter of constant email, instant messaging and the growth of digital channels being used.

Our communications team approached the challenge using core service design principles, with an objective to build a solution around the needs of the users and to involve them throughout the process.

The solution – a new Audit Wales intranet designed in-house using the Sharepoint platform – was delivered at pace and under budget while bringing significant business benefits. These included:

- improved productivity through a new information architecture, enhanced search functionality and quick access to frequent tasks.
- improved employee engagement by unifying our communications through a single platform.

Feedback from staff has been positive, while the project team have been able to apply their service design experience to other key organisational projects, ensuring the needs of users remain at the forefront of future developments.



**Clean, uncluttered with  
a good layout and user  
experience.**

## Summary of our use of resources in the reporting period

- 47 We are fully committed to embedding the sustainable development principle<sup>13</sup> 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 2023-24.
- 48 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 Welsh well-being goals.

### Delivering sound financial management and efficiencies

- 49 The key priorities for our use of resources in 2023-24 were laid out in an Estimate and Supporting Information, which was considered and approved by the Senedd Finance Committee in November 2022.
- 50 Approximately two-thirds of our funding in 2023-24 came from fees charged to audited bodies in accordance with a Scheme of fees approved by the Senedd. Most of the remainder comprised approved financing from the Welsh Consolidated Fund, our use of which was subject to scrutiny from the Board at regular intervals during the year.
- 51 In line with our strategic vision to be a model organisation, we continue to explore areas for savings and efficiencies across Audit Wales. In 2023-24 we exceeded our savings target for the year delivering savings of almost £1.8 million as compared to the £1.5 million anticipated in the Estimate.
- 52 Our net revenue underspend for the year of £269,000 represented 1.1% of our gross expenditure budget –within our KPI target of a 2% variance.
- 53 We saw a significant increase in the value of deferred income and trade receivables on our balance sheet linked to the backlog of audit work. We would expect these balances to reduce during 2024-25 as the backlog is addressed.
- 54 We have delivered the savings on Travel Allowance anticipated in our Supplementary Estimate for 2021-22. Together with other savings on travel and subsistence our total expenditure on staff travel has reduced by over £700,000 since 2019-20.
- 55 We are also delivering annually recurring savings from our office moves in both Cardiff and North Wales and in 2024-25 will be reviewing our West Wales office provision.

13 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'.

- 56 Our Financial Sustainability Review group identified on-going savings on non-pay budgets of over £250,000 in 2023-24 and has a remit to identify additional savings for 2024-25 and future years to ensure that Audit Wales remains financially sustainable in the future.
- 57 We invested £254,000 of capital funding in the following areas:
- a £104,000 in new IT equipment to allow our staff to work as efficiently as possible both remotely and in the office.
  - b £86,000 in improvements to our management information systems.
  - c £42,000 for our North Wales office move and improvements to our offices in Cardiff and Swansea.
  - d £22,000 for improvements to our website

### Ensuring effective staff engagement

- 58 During the year we used a variety of media and communications channels to engage with our employees, providing essential updates and information on accessing resources and support, and gathering feedback on their experiences.
- 59 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, Bribery and Corruption Strategy.
- 60 In November 2023, we ran an all-staff engagement survey to keep our finger on the pulse of the employee experience and identify where we need to improve. After several years of basing our survey on the core questionnaire used in the Civil Service People Survey (CSPS), we applied a fresh approach in 2023, while retaining our ability to benchmark ourselves against the CSPS engagement index.
- 61 82% of staff completed the new questionnaire, which covered a range of themes, from the leadership and culture of the organisation through to how individual teams function. We were pleased to see our overall engagement index score rise from 60% to 64%, the same value as the [CSPS benchmark](#).
- 62 Generally, staff reported that they are able to strike a good work-life balance, have the tools to get on with their job effectively, have clear work objectives and are motivated by their manager. When compared to our results in previous years, staff perceptions on Audit Wales's provision of learning and development opportunities had also improved.

- 63 However, our survey results were not as strong in the following areas, which continue to inform our future planning priorities:
- a embedding confidence in senior leadership and the strategic vision
  - b resource allocation and management
  - c recognition and performance management.

### **Promoting health and well-being**

- 64 We encourage 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.
- 65 Our comprehensive well-being and attendance management policies and guidance ensure any staff health and well-being issues are proactively and sensitively identified and managed. More information on our sickness absence data for the reporting period is provided in the Staff Report section.
- 66 Throughout 2023-24, our network of well-being champions and a 24/7 employee assistance programme provided staff with access to confidential advice and emotional support on a range of matters. We also delivered a series of initiatives to promote health and well-being at work. Further detail is provided in the Areas of focus for business improvement section of this Report.

### **Valuing equality, diversity and inclusion**

- 67 The Auditor General is in a strong position to identify opportunities for helping to promote equality and inclusion in the delivery of public services. In reporting on public bodies, he is able to encourage beneficial changes.
- 68 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.
- 69 At Audit Wales, 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 are also mindful of the need to reduce the inequalities of outcome that result from socio-economic disadvantage and have a responsibility to uphold the conventions set out in the Human Rights Act 1998.
- 70 Our Strategic Equality Plan for 2022-2026 sets out our current equality objectives, which were developed following public consultation. Throughout 2023-24, a range of activities were carried out in support of achieving these objectives. **Pack Page 118**

- 71 Our latest [Equality Report](#) summarises progress made towards delivering our equality objectives in 2022-23 and is accompanied by an interactive data tool presenting our workforce diversity and pay gaps data. Our progress report for 2023-24 will be published later in 2024.

### Promoting use of the Welsh language

- 72 We take pride in providing a bilingual audit service and 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 public documents are available in both Welsh and English, we have a fully bilingual website, and throughout 2023-24 we communicated with the public, audited bodies, and the media in both languages.
- 73 During 2023-24 we ran several initiatives to promote the Welsh language both internally and with partners. In May 2023, we hosted an event in partnership with the Future Generations Commissioner and the Welsh Language Commissioner, exploring how public bodies are contributing to achieving the '[A Wales of vibrant culture and thriving Welsh language](#)' well-being goal. Internally, we promoted Diwrnod Shwmae Su'mae and in December 2023 participated in the Welsh Language Commissioner's [Defnyddia dy Gymraeg \(Use your Welsh\)](#) campaign.
- 74 Our [Compliance Notices](#) can be found on our website and in October 2023 we published our latest annual [Welsh Language Report](#).

### Supporting community and charity work

- 75 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.
- 76 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.
- 77 Over the course of the reporting period our staff held several fundraising and donation events, including cake sales and our annual carol concert supporting adults with learning difficulties.

### Minimising our environmental impact

- 78 Audit Wales recognises the need to minimise our impact on the environment and play our part in addressing the threat of climate change and the threats posed to wildlife and natural habitats by human activities.

- 79 In 2023-24, we maintained our accreditation at Level 5 (the highest level) of the [Green Dragon Environmental Standard](#), demonstrating our ongoing commitment to effective environmental management. The most recent Green Dragon external audit was completed in June 2023.
- 80 We have published an [interactive data tool](#) which allows the reader to explore how we have performed over the last few years against our environmental sustainability measures on greenhouse gas emissions, finite resource consumption, and waste management. The preparation of this tool has been informed by the latest HM Treasury [guidance for public bodies on sustainability reporting](#) and the [Welsh public sector net zero reporting guide](#).
- 81 Throughout the reporting period, with input from an internal Carbon Reduction Working Group and external networking, we continued our planning work for how we will contribute to achieving [Wales's longer-term net zero carbon goals](#). This included refining our reporting processes, publishing a new Sustainable Travel Plan, and developing an overarching Carbon Reduction Plan.
- 82 In addition, we are committed to seeking to maintain and enhance biodiversity so far as is consistent with our functions. In August 2023, we published a [Biodiversity and Resilience of Ecosystems Plan for the period 2023-2027](#), which sets out four specific objectives to help us better perform the Biodiversity and Resilience of Ecosystems Duty over the next three years.
- 83 The sections below provide more detail on progress we have made over the last year in reducing our environmental impact in key areas.

### **Business travel**

- 84 Audit Wales operates a hybrid working model where staff are encouraged to:
- a make informed decisions about where they work, choosing the most suitable work environment to deliver successful outcomes, putting team and delivery needs first; and
  - b balance the benefits of collaboration in the office with the flexibility of working from home.

- 85 This adoption of smarter and more flexible ways of working, supported by our IT and digital platforms, reduces the need for staff to travel and our overall environmental footprint.
- 86 However, some business travel remains essential for us to effectively perform our audit and other functions. Our Travel and Expenses Handbook is based on a set of sustainable travel principles to inform business travel-related decision making. In October 2023, we published a new Sustainable Travel Plan to help reduce the environmental and financial impacts of business travel and commuting and encourage greater levels of physical activity for health and wellbeing benefits.
- 87 Throughout the reporting period, all staff were offered participation in a cycle-to-work scheme and a salary sacrifice lease scheme to encourage take-up of electric and hybrid vehicles, alongside being signposted to other incentives and resources to promote active travel.
- 88 In order to report more accurately on our carbon footprint and consider the future actions we need to take, in February 2024 we ran our second annual survey to gather additional information on current staff travel patterns, needs and preferences.

## Our sustainable business travel principles



Alternatives to travel such as a video call should be considered before agreeing to meet in person



The minimum number of employees needed should travel



Public transport should be used where possible



We encourage car sharing where public transport is not a viable option



Individuals should seek the most sustainable option possible, weighing up all relevant considerations such as health and safety, well-being and value for money

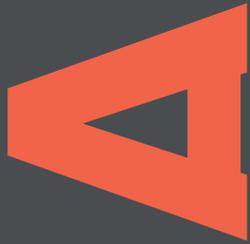
## Estate

- 89 In March 2023 we relocated our Cardiff headquarters to smaller, more modern premises with significantly improved environmental performance and close proximity to two main train stations and traffic-free cycle and walking routes. The office includes EV charge points, showers and changing space to support more sustainable travel and commuting choices.
- 90 In September 2023 we subsequently relocated our North Wales office into smaller shared premises, also with an improved environmental footprint and facilities, and proximity to the main train station and EV chargers. During 2023-24, we also commenced a review of options for our remaining West Wales office.

- 91 The immediate impact of these moves can be seen through a 46% reduction in carbon emissions attributed to energy use across our estate compared to 2022-23. In both estate relocations, we also opted to reuse all our surplus furniture and equipment rather than entering it into the waste stream. Items were donated to over 15 charity, community-run and public sector organisations supporting the local community.
- 92 In April 2024, the Welsh Government introduced new regulations requiring all workplaces to separate recyclable materials. In preparation for the implementation of the new regulations, in March 2024 new recycling bins were located in our offices to capture the required separate waste streams and further improve our processes for collecting and separating waste.
- 93 Throughout the reporting period, we have proactively used reuse schemes to reduce our consumption of finite resources and the proportion of our waste sent to landfill. Our use of consumer single use plastics is also very low, and for many deliveries in 2023-24 we opted out of packaging altogether.
- 94 All our staff use laptops and smart phones which reduce the need for the printing of meeting papers.

## Procurement

- 95 Throughout the reporting period, our procurement activities have followed a hierarchy that prioritises avoidance, reuse, refurbishment, and recycling before purchasing new. This includes applying the approach to our office move projects and as part of a 'circular economy' approach for purchase of supplies and equipment. Where purchase is the viable option, our preferred route of sustainable procurement is via Welsh and UK Government frameworks that follow the Government Buying Standards.
- 96 Specifically in relation to our procurement of IT equipment, we prioritise energy efficiency and device reuse, alongside user needs.



# 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

5 August 2024

# Corporate governance report

## Directors' report

### Our Board



**Adrian Crompton**  
Auditor General for Wales



**Alison Gerrard**  
Non-executive member



**Anne Beegan**  
Elected employee member



**Chris Bolton**  
Elected employee member



**Darren Griffiths**  
Appointed employee member



**David Francis**  
Non-executive member



**Ian Rees**  
Non-executive Chair of the Board



**Mike Norman**  
Non-executive member



**Richard Thurston**  
Non-executive member

## Our Executive Leadership Team



**Adrian Crompton**

Auditor General for  
Wales and Chief  
Executive



**Anne-Louise Clark**

Executive Director  
of Communications  
and Change



**Ann-Marie Harkin**

Executive Director of  
Audit Services



**Kevin Thomas**

Executive Director of  
Corporate Services

- 97 The exhibits in this section show the composition of the Board and Executive Leadership Team (ELT) as of 12 June 2024. For the full list of individuals that have been members of the Board and its committees over the course of 2023-24, please see the Attendance Table in the Governance Statement.

## Register of interests

- 98 Members of the Board and ELT must provide details of any company directorships and other significant interests which may conflict with their responsibilities and present risks to the Auditor General's independence. Registers of interests for individual members of the Board and ELT can be accessed via the 'Read More' links on the [Who's who page](#) of our website.

## **Auditor of the Wales Audit Office**

- 99 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.
- 100 In addition to their work to form an opinion on the financial statements and regularity, the auditor may carry out examinations into the economy, efficiency, and effectiveness with which the Auditor General or Wales Audit Office has used resources in discharging their functions and lay a report of the results of any such examinations before the Senedd.
- 101 Details of the cost of external audit services are disclosed in the Notes to the financial statements.

## Statement of Accounting Officer's responsibilities

- 102 Under the Public Audit (Wales) Act 2013, the Auditor General for Wales is the Accounting Officer for the Wales Audit Office and must, for each financial year:
- a keep proper accounts and proper records in relation to them; and
  - b prepare a statement of accounts.
- 103 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.
- 104 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:
- a observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - b make judgements and estimates on a reasonable basis;
  - c state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts; and
  - d prepare the accounts on a going concern basis.
- 105 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Wales Audit Office's assets, are set out in Managing Welsh Public Money. Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.
- 106 As Accounting Officer, I confirm that:
- a this Annual Report and Accounts as a whole is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.
  - b I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information.
  - c as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware.

## Governance Statement

- 107 This statement sets out the control structure of the Wales Audit Office and provides an account of corporate governance and risk management. The systems and framework in this statement have been in place for the year under review and up to the date of approval of the annual report and accounts.
- 108 As Accounting Officer of the Wales Audit Office, I must seek to ensure that:
- a a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
  - b the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.

## Corporate governance

### The governance framework

- 109 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.
- 110 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.
- 111 There is a Senior Independent Director whose responsibilities include: deputising for the Chair when they are 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.
- 112 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.
- 113 The Board has established two committees which operate in an advisory capacity:
- a the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member.
  - b the Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member.
- 114 The 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.

### 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.



- 115 I chair an Executive Leadership Team (ELT) to direct, oversee and monitor the implementation of the priorities set out in our Annual Plan. It meets at least once a month and comprises myself and three Executive Directors. Members of a Staff Panel also attend ELT meetings on a rotational basis to bring an employee perspective to the discussions.
- 116 The Board and its committees are supported by a Board Secretary. The Board has a forward programme of business that helps inform agendas and is designed to ensure that business is conducted as efficiently and effectively as possible.
- 117 Further information on membership of the Board and ELT can be found in the Directors' Report.

## Attendance at Board and Committee meetings 2023-24

Table showing the number of Board and committee meetings held in 2023-24 and attendance by members (and attendance by members of the ELT who are not Board members).

	Board	ARAC	RHRC	ELT
Number of meetings held	6	4	5	28
<b>Members of the Board and its committees</b>				
Adam Marshall <sup>14</sup>	2		2	
Adrian Crompton <sup>15</sup>	6	4	5	25
Alison Gerrard, Chair of the Remuneration and HR Committee (RHRC)	6		5	
Andrew Clark, Independent Member of the Audit and Risk Assurance Committee (ARAC) <sup>16</sup>	1	4		
Anne Beegan	6	4		
Chris Bolton <sup>17</sup>	3	1	1	
Darren Griffiths <sup>18</sup>	5		2	
David Francis, Senior Independent Director	6	4		
Elinor Gwynn	6		5	
Dr Ian Rees, former Chair of ARAC	6	4		
Dr Kathryn Chamberlain, former Chair of the Board <sup>19</sup>	6	2	5	

14 Adam Marshall resigned from his position of elected employee member of the Board on 31 August 2023.

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

16 Andrew Clark attended one Board meeting as an observer.

17 Chris Bolton was appointed as an elected employee member of the Board on 18 October 2023. He attended one ARAC meeting and one RHRC meeting as an observer.

18 Following a change in membership on 26 September 2023, Darren Griffiths attended RHRC meetings as a committee member.

19 Kathryn Chamberlain was appointed by the Senedd as Chair of the Wales Audit Office Board for a period of four years from 16 March 2023. On 15 April 2024, the Senedd Finance Committee informed her that it considered her disqualified from being a member and chair of the Board, with effect from 1 January 2024. This was by virtue of her holding another role which the Committee considered to be a disqualifying office under paragraph 26 of Schedule 1 to the Public Audit (Wales) Act 2013. During the year, Kathryn Chamberlain attended ARAC meetings and two RHRC meetings as an observer in her capacity as a non-executive member and Board Chair. For the remaining RHRC meetings, following a change in membership on 26 September 2023, she attended as a committee member.

	Board	ARAC	RHRC	ELT
Number of meetings held	6	4	5	28
<b>Members of the Executive Leadership Team (who are not Board members)<sup>20</sup></b>				
Anne-Louise Clark	5	4	1	24
Ann-Marie Harkin	6	2	1	26
Kevin Thomas	6	4	5	24

## Account of corporate governance

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

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

119 The Board is satisfied that the level of assurance sought and provided is proportionate to the associated levels of assessed risk. The Board is also satisfied with the quality of the information it receives, although it considers that there is scope to improve the focus and format of some performance reporting. Non-executive Board members and Executive Directors meet regularly to ensure that the work of the Board, its Committees and the ELT are aligned.

120 The Board has 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.

121 The Chair of the 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.

122 The Head of Internal Audit and the External Auditor 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.

<sup>20</sup> 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.

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

### **Board performance and effectiveness review**

- 125 In 2023-24, the Board conducted a self-assessment of its effectiveness in line with good practice set out in the Corporate Governance Code. The Board considered the results in December 2023. The assessment concluded that, overall, the Board was operating effectively with some areas for improvement identified. The Board developed an action plan to address the key areas identified for improvement and agreed to commission an independent evaluation of its effectiveness in 2025-26.
- 126 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 situation. The Board is satisfied with the robustness of the assessments and content that there are no matters of concern.
- 127 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 October 2023.
- 128 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 self-assessment and performance appraisal processes.

## Report of the Audit and Risk Assurance Committee

- 129 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2024, summarising its conclusions from the work it had undertaken during 2023-24.
- 130 The Committee provided assurance that:
- a financial reporting is consistent with the requirements of the Government's Financial Reporting Manual and reports are prepared in accordance with appropriate accounting policies.
  - b the risk assessment and risk management arrangements appear to be robust and operating effectively within a clear internal control framework.
  - c arrangements for identifying and reporting wrongdoing such as fraud, bribery, corruption and money laundering are robust and in line with good practice.
  - d a detailed action plan is in place to support cyber security development.
- 131 The Committee appreciated the support and open and honest engagement it has received from management and from the internal and external auditors during the reporting period.
- 132 The Committee is satisfied that the self-assessment review of its effectiveness carried out in March 2024 has revealed no significant areas of concern.

## Report of the Remuneration and HR Committee

- 133 In 2023-24, the Committee scrutinised a broad range of issues in alignment with its terms of reference. These included:
- a reviewing and monitoring performance management processes, policies and guidance.
  - b considering and recommending a cost-of-living payment and a pay strategy in order to align Wales Audit Office pay scales with market rates.
  - c reviewing the delivery of the People and Organisational Development and Wellbeing strategies.
  - d reviewing the development of a Workforce Plan and supporting plans for talent management and succession planning.
  - e considering proposals for offering greater flexibility in working arrangements through the development of a compressed working hours pilot.

- 134 The Committee appreciated that management had openly engaged with the Committee and responded positively to the Committee's feedback and suggestions.
- 135 Overall, the Committee reported that it is broadly satisfied that the Wales Audit Office's remuneration and HR arrangements:
- a support the Board's strategic aims;
  - b enable the efficient, effective, and economic conduct of business including the recruitment, motivation, and retention of staff; and
  - c comply with regulatory requirements, including ensuring that the disclosures in the annual Remuneration Report are in accordance with legal requirements.
- 136 The Committee is satisfied that the self-assessment review of its effectiveness carried out in March 2024 has revealed no significant areas of concern.

### **Internal Auditor's report**

- 137 Following a tender exercise conducted under the Crown Commercial Services Audit and Assurance Services agreement, TIAA were appointed as the internal auditors of the Wales Audit Office for the three-year period 2022-23 to 2024-25.
- 138 The Head of Internal Audit prepared an internal audit strategy and plan for 2023-24 which was considered by the Audit and Risk Assurance Committee at its meeting on 22 February 2023.
- 139 During the reporting period, seven internal audit reports were issued. The Head of Internal Audit maintained a tracker to follow up on audit recommendations and agreed actions.
- 140 In the annual statement of assurance for 2023-24, 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. 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 Audit Wales from its various sources of assurance.'

**Table listing the internal audit reviews carried out in 2023-24 and providing the overall assessment and a summary of key findings**

<b>Internal audit review</b>	<b>Date of issue</b>	<b>Overall assessment</b>	<b>Key findings</b>
Recruitment of trainees	August 2023	Substantial assurance	<p>A clearly defined recruitment procedure is in place that has been applied to the graduate trainee recruitment exercise.</p> <p>Audit testing confirmed that the procedure had been applied consistently in practice with a clear audit trail supporting each stage of the process.</p>
Cybersecurity	August 2023	Reasonable assurance	<p>The organisation has implemented a managed security solution for end user computers and benefits from live monitoring and response to cyber threats.</p>
Key financial controls	November 2023	Substantial assurance	<p>Arrangements for Financial Management are defined in a Financial Management Handbook. A detailed user guide is in place to facilitate the use of the Purchase to Pay (P2P) system.</p> <p>Arrangements are in place to ensure appropriate segregation of duties through the inbuilt workflows within P2P.</p>
Workforce planning	January 2024	Reasonable assurance	<p>Work is currently being undertaken by the Audit Services part of the business on the development of a formal Workforce Strategy. A Corporate Services element will also need to be completed and incorporated with a key focus on succession planning.</p>
Future workplaces project	February 2024	Substantial assurance	<p>Audit Wales had appropriate processes in place to manage its future workplaces project.</p> <p>As part of the process of each office move, Audit Wales has included several areas of good practice to achieve the best outcomes.</p>

Internal audit review	Date of issue	Overall assessment	Key findings
Data protection	February 2024	Reasonable assurance	<p>General Data Protection Regulation reports are sent annually to the Board annually and biannually to the Audit and Risk Assurance Committee.</p> <p>A data mapping spreadsheet is in place for each business area, but this could be improved through consolidating as a single information asset register.</p>
Financial sustainability	February 2024	Substantial assurance	<p>A Financial Strategy Review Steering Group was established to oversee the delivery of savings in year and in the medium to longer term.</p> <p>Small workstreams were tasked with identifying savings and efficiencies in key areas; the savings target was achieved, and cash savings banked within six months.</p>

## Risk management

141 In running our business, we are committed to applying the principles set out in [Managing Welsh Public Money](#) and the UK Government's [Orange Book](#) for managing risks.

### Risk appetite

142 The key areas where risks can arise and threaten successful delivery of our work are set out in our [Annual Plan](#). A high-level summary of our risk appetite in each of these areas is provided in Appendix 2, which provides the reference point against which we benchmark risk management and mitigation activity within the organisation.

### Risk control framework

143 The Board has oversight of risk management at Audit Wales. The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:

- a risk strategy, including the approach to setting risk appetite
- b the overall risk assessment processes that inform executive decision making
- c management's responsiveness to risk assessment

144 As Accounting Officer, I advise the Board and its committees on the system of internal control and am supported in doing so by the ELT.

145 The ELT is responsible for maintaining sound risk management and internal control policies and systems, and for day-to-day management of strategic risks that relate to the functions of the Auditor General and/or the Wales Audit Office.

## Risk assessment

- 146 At each of its meetings in the reporting period, the Audit and Risk Assurance Committee considered an ELT summary of the key strategic risks faced by the organisation, alongside a more detailed risk register report.
- 147 Several key strategic risks fluctuated during the reporting period and particularly engaged the time of the ELT and Audit and Risk Assurance Committee. These included the risks and associated mitigations set out in the table below.

Risk	Associated mitigations
Failure to secure sufficient funding to ensure medium term financial sustainability.	Developed a five-year medium-term financial strategy, which was presented to the Senedd Finance Committee as part of the annual Estimate and Fee Scheme review.
	Conducted a financial sustainability review to establish a more planned and controlled approach to securing future savings targets and ensuring the organisation can swiftly respond to future financial challenges.
Inability to fully resource an evolving audit work programme and address the existing backlog.	Invested further in our trainee and apprentice schemes and conducted a successful 2023 recruitment campaign to provide a future talent pipeline.
	Recruited to surplus capacity at certain roles to build in contingency where there are high market competition and turnover rates.
	Extended the contracts of existing relief auditors and advertised to increase the current pool to provide additional capacity, particularly in backlog areas.
	Proactively engaged with recruitment agencies to identify suitable candidates so we can bring in agency staff at short notice when needed.
	Piloted a programme of paid overtime and secured additional resource from our in-house finance team.

Risk	Associated mitigations
Failure to deliver sufficient fee income due to resourcing pressures.	<p>Implemented improved IT systems and arrangements for generating income projections, monitoring chargeable and non-chargeable time and identifying where remedial action is necessary to prioritise chargeable work.</p> <p>Provided updated guidance for fee-earning staff on resource allocation and time-recording of chargeable and non-chargeable activities.</p> <p>Strengthened arrangements for closing and billing audits and processing abatements, through implementing a more commercial approach to handling cost overruns.</p>
Failure to implement the necessary changes to our audit quality arrangements required by new and revised professional standards.	<p>Secured additional Senedd-approved funding through the Estimate process to invest in audit quality initiatives.</p> <p>Increased the number of independent members on our Audit Quality Committee to provide robust scrutiny and oversight of risks arising from the system of quality management.</p>

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

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

150 We also face a number of newly identified and ongoing risks in 2024-25, which are included in our strategic risk register. These include risks associated with:

- a ensuring we have a robust workforce plan to attract, retain and develop staff across the whole organisation.
- b ensuring we maintain effective IT infrastructure, information governance arrangements and cybersecurity defences.
- c managing workload pressures and sickness absence effectively.
- d ensuring Board effectiveness and reputation is maintained through a period of significant change in non-executive membership.

- 151 I will continue to ensure that risks are generally well managed, internal controls are regularly reviewed to ensure they remain effective, and where there are weaknesses, appropriate actions are in place to tackle them.

## Information governance

- 152 As Auditor General, I have wide-ranging access to information for the delivery of my audit functions. Alongside these statutory access rights, I have a responsibility to ensure that the information obtained is safeguarded properly.
- 153 In my role as Chief Executive, I am accountable to the Board for the organisation'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.
- 154 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 guidance.
- 155 The Senior Information Risk Owner's annual report for 2023-24 concluded that our overall information governance arrangements are effective. However, some recommendations were made for further improving our approach in relation to retention of information, use of artificial intelligence and the responsibilities of information asset owners.

## Data protection

- 156 During 2023-24, the organisation has continued to carry out work to promote compliance with data protection legislation - the UK General Data Protection Regulation and the Data Protection Act 2018. This work has included:
- a providing data protection training and guidance to staff across the organisation.
  - b ensuring that appropriate records are held about the personal information that is processed by the Wales Audit Office, the purpose and legal basis for the processing, data retention and details of technical and organisational security measures.

- c addressing compliance issues identified by the Data Protection Officer's monitoring programme.
  - d carrying out data protection impact assessments.
- 157 We have maintained records of information security incidents, such as accidental loss of information. All incidents in the year have been low risk, so none have been reported to the Information Commissioner's Office.
- 158 We continue to encourage staff to report as soon as they become aware of a breach and are committed to ongoing improvement of our internal processes and technical security.

### Openness and transparency

- 159 We are committed to openness and transparency in the way we operate as a business. Through our [Publication Scheme](#) we make certain information, such as Board minutes, routinely available to the public.
- 160 In the 2023-24 financial year, we received 46 requests for information. Of the requests received during the year, or already on hand, that engaged the Freedom of Information Act, we met the statutory 20-working-day deadline in 39 cases, while two requests were withdrawn and four remained unclarified by the requester. Three requests were subject to extra time in respect of the application of the public interest test. Two requests were delayed beyond the statutory timeframe because of difficulties in collating relevant material.
- 161 We were not subject to any reviews by the Information Commissioner in 2023-24 in respect of our handling of requests.

### Whistleblowing

- 162 The Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance. All Wales Audit Office staff are encouraged to raise issues of concern about wrongdoing that come to their attention while at work.
- 163 Our Whistleblowing Policy reflects the provisions of the Public Interest Disclosure Act 1998 and the requirements of the [Ethical Standard for Auditors](#). The Policy sets out the mechanism for raising concerns about ethics and policy, as well as regarding wrongdoing at work.
- 164 During the reporting period we received no disclosures of issues of concern.
- 165 To assess the effectiveness of our whistleblowing arrangements, we consider what we have learned from previous disclosures, and survey staff about their awareness of and confidence in the arrangements each year.

# Remuneration and staff report

## Remuneration report

### Auditor General for Wales

166 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.

167 The current Auditor General, Adrian Crompton, was appointed by the late Her Majesty 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

	2023-24		2022-23	
	Gross salary	Employer pension contributions	Gross salary	Employer pension contributions
	£	£	£	£
Adrian Crompton	151,393	45,872	150,000	45,450

## Wales Audit Office Board

- 168 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.
- 169 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.
- 170 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, is non-pensionable and is disclosed in this report.
- 171 The appointed Board member receives an allowance in line with that received by the elected employee members.
- 172 The Auditor General and Executive Director of Corporate Services<sup>21</sup> received no additional allowances for their Board-related duties.

**The information on pages 69 to 77 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 <sup>22</sup>		Single total figure of remuneration	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
	£	£	£	£	£	£
Board Members at 31 March 2024						
Kathryn Chamberlain (Chair) <sup>23</sup>	25,000	1,075	5,806	-	30,806	1,075
David Francis	12,500	12,500	126	-	12,626	12,500
Alison Gerrard	12,500	12,500	892	200	13,392	12,700
Elinor Gwynn	12,500	12,500	2,136	662	14,636	13,162
Ian Rees	12,500	12,500	3,087	1,420	15,587	13,920
Anne Beegan <sup>24</sup>	4,167	4,167	-	-	4,167	4,167
Chris Bolton <sup>25</sup>	1,893	-	-	-	1,893	-
Darren Griffiths <sup>26</sup>	4,167	1,042	-	-	4,167	1,042
Previous members of the Board						
Adam Marshall <sup>27</sup>	1,736	4,167	-	-	1,736	4,167
Lindsay Foyster <sup>28</sup>	-	23,925	-	57	-	23,982
<b>Total</b>	<b>86,963</b>	<b>84,376</b>	<b>12,047</b>	<b>2,339</b>	<b>99,010</b>	<b>86,715</b>

22 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.

23 Kathryn Chamberlain was appointed as Chair of the Wales Audit Office on 16<sup>th</sup> March 2023. Her appointment ended in April 2024. Her remuneration was met from WCF directly.

24 Anne Beegan is an elected employee Board member. Allowances disclosed above relate solely to Board-member duties.

25 Chris Bolton replaced Adam Marshall as an elected employee Board member on 18<sup>th</sup> October 2023. Allowances disclosed above relate solely to Board-member duties.

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

27 Adam Marshall was an elected employee Board member until 31<sup>st</sup> August 2023. Allowances disclosed above relate solely to Board-member duties.

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

## Non-executive committee members

173 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	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
	£	£	£	£	£	£
Andrew Clark <sup>29</sup>	5,000	5,000	-	-	5,000	5,000
Total	5,000	5,000	-	-	5,000	5,000

## Wales Audit Office staff

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

175 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).

176 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.

177 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.

178 During 2023-24, no payments were made to previous members of staff whose remuneration would have been disclosable (2022-23: Nil).

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

## Single total figure of remuneration for senior managers

179 Details of the remuneration and pension interests of the Executive Leadership Team are provided in the following table

### Year to 31 March 2024

	Salary	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £1,000	Bands of £5,000
Kevin Thomas	130-135	98	225-230
Ann-Marie Harkin	120-125	65	185-190
Anne-Louise Clark	115-120	46	160-165

### Year to 31 March 2023

	Salary	Pension Benefit <sup>30</sup>	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

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

## Pension entitlements for members of the Executive Leadership Team

181 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](http://www.civilservicepensionscheme.org.uk).

30 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.

	<b>Accrued pension at pension age as at 31 March 2024</b>	<b>Real increase in pension at pension age</b>	<b>CETV at 31 March 2024</b>	<b>CETV at 31 March 2023</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Kevin Thomas	80-85	5-7.5	1,696	1,474	87
Ann-Marie Harkin	50-55 plus a lump sum of 135-140	2.5-5 plus a lump sum of 0-2.5	1,260	1,121	57
Anne-Louise Clark	5-10	2.5-5	137	83	36

### Cash Equivalent Transfer Value (CETV)

182 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.

183 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

184 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

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

186 Total remuneration includes salary and travel allowance<sup>31</sup>. It does not include employer pension contributions, severance payments or the CETV of pensions. The average salary for 2022-23 included a one-off lump sum payment made to employees as compensation for loss of future entitlement to travel allowance. The average salary for 2023-24 included a one off 'cost of living' payment to the majority of our staff.

	2023-24	2022-23	% change
Mid-point of highest paid director's total remuneration (£'000)	£121,722	£117,040	4.0
Average total remuneration based on full-time equivalent staff	£52,755	£50,979	3.5 <sup>32</sup>

187 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 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
2023-24	3.66	2.58	2.03
2022-23	3.99	2.55	1.90

31 Most of our mobile staff received a lump sum payment in April 2022 as compensation for the removal of travel allowance. A smaller number of staff chose to continue to receive the allowance until March 2024.

32 The average salary for 2022-23 included a one-off lump sum payment to employees previously classified as 'mobile' as compensation for loss of future entitlement to travel allowance. In 2023-24 it included a one off 'cost of living' payment of £1,500 to most staff other than ELT.

- 188 The increase in pay ratios from 2022-23 to 2023-24 includes a lump sum payment made to employees in 2022-23 as compensation for loss of future entitlement to travel allowance along with a £1,500 one-off cost of living payment in 2023-24.
- 189 In 2023-24, no employees received remuneration more than the highest paid director (2022-23: none).
- 190 For transparency, the Auditor General's total remuneration of £151,393 (excluding pension contributions) represented 2.99 times the median total remuneration for Audit Wales (2022-23: £150,000 ratio: 3.02).

### Off payroll engagements

- 191 We had no contracts during 2023-24 which met the HM Treasury definition of off-payroll engagements (2022-23: none)<sup>33</sup>.

### Redundancies, early retirements, and severances

- 192 Severance arrangements (including voluntary exits) are operated in accordance with the Civil Service Compensation Scheme and workforce planning requirements.
- 193 The cost of severance payments in 2023-24 was £31,643, (2022-23: £152,403).
- 194 During 2023-24 1 employee (2022-23: 3) received a severance payment as detailed below.
- 195 There were no compulsory redundancies in 2023-24 (2022-23: none).

#### Number of exit packages by cost band

	2023-24	2022-23
£20,000-£25,000	-	1
£25,001-£50,000	1	1
£50,001-£100,000	-	1
Total	1	3

## Staff report

### Senior leadership

196 The following table details the number of senior staff by pay band at 31 March 2024.

	31 March 2024	31 March 2023
Band A (£106,546-£131,838)	3	3
Band C (£81,595-£101,432)	8	7
Total	11	10

### Staff numbers

197 The average number of staff employed during the year reduced by 7 reflecting a significant increase in staff turnover as compared to 2022-23.

198 There was an increase in the number of permanent staff as many of our recently qualified trainees were successful in obtaining permanent roles. The reduction in the number of staff on fixed term contracts reflects the resulting increase in trainee vacancies which we are in the process of recruiting.

	2023-24	2022-23
Average number of full-time equivalent, UK-based, permanent staff employed during the year	215	207
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	53	66
Audit and inspection contractors (average number of full-time equivalents in year)	1	3
Total	269	276

## Staff and associated costs

	2023-24	2022-23
	£'000	£'000
Staff salaries	13,864	12,766
Seconded-in staff	24	21
Short-term contract staff	198	308
Non-executive committee remuneration	67	64
Social security costs	1,568	1,499
Pension costs (PCSPS)	3,630	3,520
Pension costs (stakeholder pensions)	31	34
	19,382	18,212
Travel allowance <sup>34</sup>	115	110
Subscriptions <sup>35</sup>	127	102
	19,624	18,424
Audit and inspection contractors	16	27
	19,640	18,451
Redundancy, early retirement, and severance costs	33	193
Less monies received in respect of outward secondments	(63)	(92)
	19,610	18,552

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

35 Fees for the membership of professional bodies (£54,366), life cover (£23,198) and health screening (£37,300).

**Bought-in services<sup>36</sup>**

	<b>2023-24</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
Research and other consultancy costs	222	268
	222	268

199 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2022-23, they also included bi-annual costs associated with the National Fraud Initiative.<sup>37</sup>

200 Consultancy costs for 2023-24 include<sup>38</sup>:

- £72,450 for Quality Assurance
- £43,371 payments to Cabinet Office for NFI
- £40,000 for NFI data matching
- £32,225 for expert services in respect of our audits of accounts
- £18,300 for a review of pay and reward.

201 No payments were made to our external auditors for additional services in 2023-24 (2022-23: £NIL).

**The following information on pages 77 to 80 in the Remuneration and Staff Report is not subject to audit.**

**Staff policies, equality and diversity**

202 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.

203 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.

204 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual [Equality Report](#) for 2022-23 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2023-24 will be published later in 2024 and this will include details of the gender pay gap for the year.

36 Exclusive of VAT.

37 Not subject to audit.

38 Not subject to audit.

205 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 2024)

	Male	Female	Prefer not to say	Total
Senior leadership	9	2	-	11
Other employees	108	152	7	267
Total	117	154	7	278

#### Sickness absence

	2023-24	2022-23
	Days	Days
Average working days lost per member of staff	7.1	6.6
• due to short-term absence	3.1	3.0
• due to long-term absence (periods > 21 days)	4.0	3.6

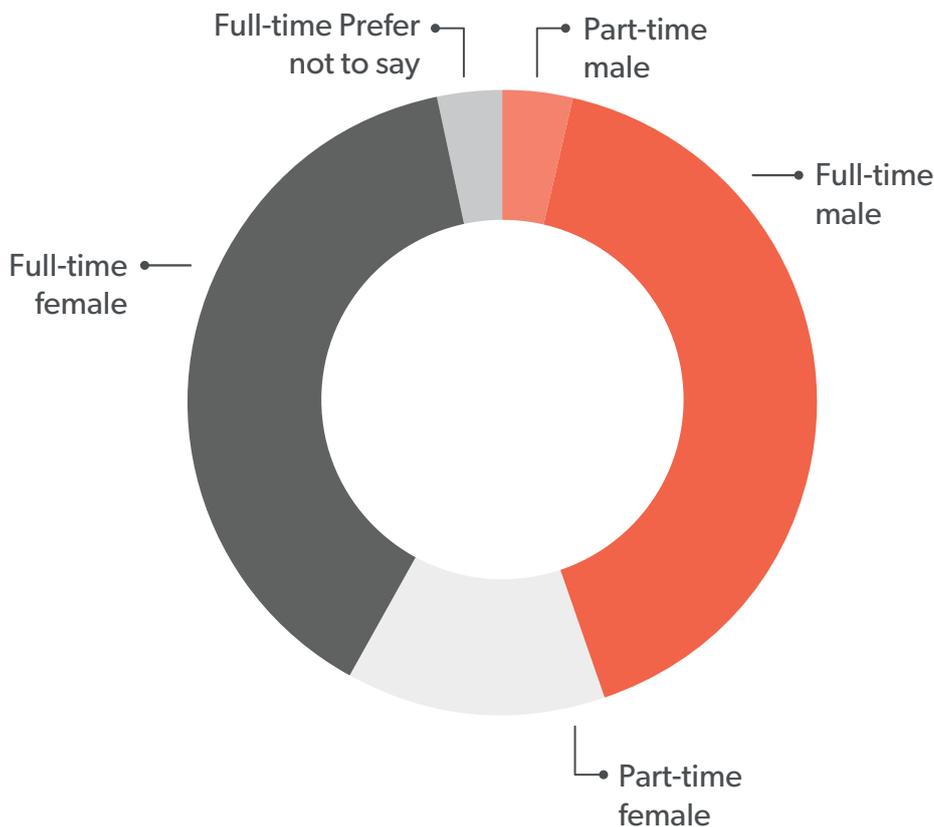
206 Staff sickness levels in 2023-24 increased by half a day as compared to 2022-23 exceeding our target of six days. Average short term absence increased by 0.1 days per FTE and long term absence by 0.4 days per FTE.

207 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

	2023-24	2022-23
	%	%
Working patterns		
Part-time employees as a percentage of the total by gender	16.6	17.2
for men	8.6	8.6
for women	23.4	25.7
for those who prefer not to say	-	-
Employment contract type		
Percentage of staff on permanent contracts	80.2	74.0
Turnover		
Annual staff turnover rate percentage	17.53	10.56

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



- 208 The proportion of part-time employees has reduced slightly as compared to 2022-23 with a small reduction in the proportion of women choosing part time contracts.
- 209 The percentage of staff on permanent employment contracts increased in 2023-24 as a number of our final year trainees were successful in obtaining permanent contracts. 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.
- 210 Our annual staff turnover rate in 2023-24 increased significantly to 17.53% reflecting the challenging market for audit professionals.

## Resource out-turn and auditor's report

### Summary of resource out-turn 2023-24

The information on pages 81 to 84 is subject to audit.

211 This statement provides a comparison of the Estimate<sup>39</sup> for 2023-24, as voted by the Senedd, with actual income and expenditure for the year.

### Summary of resource out-turn 2023-24

Note	2023-24 Estimate			2023-24 Out-turn			Net out-turn compared to Estimate	2022-23 Out-turn	
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total			
	£'000	£'000	£'000	£'000	£'000	£'000			
SORO1 & 2	Total Resources	24,679	(16,133)	8,546	23,038	(14,818)	8,220	(326)	10,375
SORO3	Net cash requirement	8,642	-	8,642	8,348	-	8,348	(294)	8,850

212 Arising from the operations of the Wales Audit Office for the financial year 2023-24:

- the net total out-turn on revenue resources was £269,000 less than the approved net resources of £8,142,000,
- the out-turn on capital spend was £57,000 less than the approved capital budget of £404,000.
- the balance of cash held by the Wales Audit Office (£294,000) is shown as being due to the Welsh Consolidated Fund (WCF) and will be returned via an administrative adjustment in 2024-25.

213 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on **page 39**.

214 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 2023-24

2022-23 Out- turn		2023-24 Estimate	2023-24 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
	<b>Expenses</b>				
18,252	Staff costs	20,054	18,961	(1,093)	Increased staff turnover in year
157	Travel and subsistence	435	378	(57)	Less travel than estimated
798	Accommodation	754	306	(448)	Includes £402k release of dilapidations provision
503	Irrecoverable VAT	500	454	(46)	Reflects overall reduced expenditure
546	ICT	699	572	(127)	Includes re-negotiation of some software contracts and impact of exchange rates
300	Audit Wales Governance	320	320	-	
298	External training	341	352	11	
158	NFI costs	95	80	(15)	
1,146	Other supplies and services	1,077	1,268	191	Estimate was net of £500k savings target part of which has been met from other budget areas
<b>22,158</b>	<b>Total Expenses</b>	<b>24,275</b>	<b>22,691</b>	<b>(1,584)</b>	
	<b>Income</b>				
(13,204)	Audit fees	(15,205)	(13,895)	1,310	Impact of higher staff turnover
(1,047)	Grant certification fees	(928)	(847)	81	Impact of higher staff turnover
(3)	Other income	-	(76)	(76)	Includes costs of travel recovered from clients
<b>(14,254)</b>	<b>Total income</b>	<b>(16,133)</b>	<b>(14,818)</b>	<b>1,315</b>	
<b>7,904</b>	<b>Net revenue resources</b>	<b>8,142</b>	<b>7,873</b>	<b>(269)</b>	

2022-23 Out- turn		2023-24 Estimate	2023-24 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
2,471	Capital resources	404	347	(57)	

### Note SORO 2 – Supplementary Estimate 2023-24

The Senedd approved a Supplementary Estimate for Audit Wales in 2023-24. This provided £94,000 non-cash resource funding for the IFRS16 implications associated with our North Wales office move.

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

	2023-24			2022-23
	Estimate	Out-turn	Variance	Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	8,142	7,873	(269)	7,904
Capital resources	404	347	(57)	2,471
<b>Adjustments</b>				
Non-cash items (depreciation and interest charges)	(360)	(286)	74	(420)
Non cash items (lease liabilities)	(280)	(243)	37	80
Lease rental payments	280	37	(243)	-
Capitalisation of ROU asset	(94)	(93)	1	(1,916)
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress	-	2,142	2,142	(203)
• (Increase)/reduction in payables and deferred income	50	(2,201)	(2,251)	69
• Reduction/(increase) in provisions	500	772	272	865
<b>Total net cash requirement</b>	<b>8,642</b>	<b>8,348</b>	<b>(294)</b>	<b>8,850</b>

- 215 Future budgeted expenditure and income of the Wales Audit Office are voted on annually by the Senedd.
- 216 The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.
- 217 Special payments and disclosable losses in 2023-24 are disclosed in Note 14 to the Financial Statements.

## Independent auditors' report to the Senedd

### Opinion of financial statements

- 218 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2024 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 Summary of Resource Outturn and associated notes and Remuneration and Staff Report that is described in the report as having been audited.
- 219 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the Public Audit (Wales) Act 2013.
- 220 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 2024 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

- 221 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.

222 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**

223 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.

224 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**

225 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**

226 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.

227 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.

228 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**

229 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.

230 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.

231 We have nothing to report in this regard.

### **Opinion on other matters**

232 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**

- 233 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 51, 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.
- 234 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 or has no realistic alternative but to do so.
- 235 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**

- 236 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**

- 237 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.
- 238 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.
- 239 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.
- 240 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; and
  - 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.

- 241 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 2023-24) 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.
- 242 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.
- 243 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, agreeing that revenue was recognised in line with IFRS15 and IAS37, assessing and challenging the estimates made by management in terms of their assessment 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.
- 244 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**

- 245 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

246 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

Statutory Auditors

2nd Floor

1 The Square

Temple Key

Bristol

BS1 6DG



# Financial Statements

---

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

# 03

## Statement of comprehensive net expenditure for the year ended 31 March 2024

		2023-24	2022-23
	Note	£'000	£'000
<b>Expenditure</b>			
Staff and associated costs	Staff report <sup>40</sup>	19,610	18,552
Bought-in services	Staff report	222	268
Other operating costs	3	2,791	3,332
		<b>22,623</b>	<b>22,152</b>
<b>Income</b>			
Audit fee income	1	(14,742)	(14,251)
Other operating income	2	(76)	(3)
		(14,818)	(14,254)
Interest payable		68	6
<b>Total comprehensive net expenditure for the year</b>		<b>7,873</b>	<b>7,904</b>

The notes that follow on pages 98 to 118 form part of these financial statements

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

## Statement of financial position at 31 March 2024

		31 March 2024	31 March 2023
	Note	£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	4	2,402	2,560
Intangible assets	5	301	257
		<b>2,703</b>	<b>2,817</b>
<b>Current assets</b>			
Trade receivables and work in progress	6	5,902	4,059
Other receivables	7	687	388
Cash and cash equivalents	8	294	509
		<b>6,883</b>	<b>4,956</b>
<b>Total assets</b>		<b>9,586</b>	<b>7,773</b>
<b>Current liabilities</b>			
Trade and other payables	9	(1,296)	(1,495)
Deferred income	10	(6,490)	(4,090)
Provisions	11	(46)	(818)
Lease liabilities	12	(43)	(50)
Welsh Consolidated Fund (WCF)	SORO	(294)	(509)
<b>Total current liabilities</b>		<b>(8,169)</b>	<b>(6,962)</b>
<b>Total assets less current liabilities</b>		<b>1,417</b>	<b>811</b>
<b>Non-current liabilities</b>			
Provisions	11	(281)	(257)
Lease liabilities	12	(1,838)	(1,731)
<b>Total non-current liabilities</b>		<b>(2,119)</b>	<b>(1,988)</b>
<b>Total assets less liabilities</b>		<b>(702)</b>	<b>(1,177)</b>
<b>Taxpayers' equity</b>			
General fund		(702)	(1,177)
<b>Total taxpayers' equity</b>		<b>(702)</b>	<b>(1,177)</b>

The notes that follow on pages 98 to 118 form part of these financial statements

The financial statements on pages 93 to 118 were approved by the Wales Audit Office Board and authorised for issue on 31 July 2024 and are signed on its behalf by:

A handwritten signature in black ink, reading "Adrian Crompton". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Adrian Crompton

Auditor General for Wales and Accounting Officer

5 August 2024

## Statement of cash flows for the year ended 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
<b>Cash flows from operating activities</b>			
Comprehensive net expenditure		(7,873)	(7,904)
Adjustments for non-cash transactions: depreciation, amortisation, interest and loss on disposal of assets	3	529	420
(Decrease)/increase in provisions	11	(772)	(865)
<b>Changes in working capital</b>			
(Increase)/decrease in trade receivables, work in progress and other receivables	6,7	(2,142)	203
Decrease in trade and other payables	9	(199)	(524)
Increase /(Decrease) in deferred income	10	2,400	455
<b>Net cash outflow from operating activities</b>		<b>(8,057)</b>	<b>(8,215)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	4	(146)	(487)
Purchases of intangible assets	5	(108)	(68)
<b>Net cash outflow from investing activities</b>		<b>(254)</b>	<b>(555)</b>
<b>Cash flows from financing activities</b>			
WCF		8,642	9,359
WCF repaid		(509)	(76)
Capital element on lease liability payments		(36)	(74)
Interest element on lease liability payments		(1)	(6)
<b>Net financing</b>		<b>8,096</b>	<b>9,203</b>
<b>Movements in cash and cash equivalents</b>		<b>(215)</b>	<b>433</b>

The notes that follow on pages 98 to 118 form part of these financial statements

## Statement of changes in taxpayers' equity for the year ended 31 March 2024

	£'000
<b>Balance at 31 March 2022</b>	<b>(2,123)</b>
Changes in taxpayers' equity 2022-23	
Total comprehensive net expenditure	(7,904)
WCF finance	9,359
	(668)
Due to WCF	(509)
<b>Balance at 31 March 2023</b>	<b>(1,177)</b>
Changes in taxpayers' equity 2023-24	
- Total comprehensive net expenditure	(7,873)
- WCF finance	8,642
	(408)
Due to WCF	(294)
<b>Balance at 31 March 2024</b>	<b>(702)</b>

The notes that follow on pages 98 to 118 form part of these financial statements

## Notes to the financial statements

248 These financial statements have been prepared in accordance with the 2023-24 Financial Reporting Manual (FReM), issued by the relevant authorities.

### Basis of preparation

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

250 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.

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

- a 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).
- b 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.
- c 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.
- d 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.

252 The Wales Audit Office received no income which would have been liable for corporation tax in 2023-24.

## Critical accounting estimates and areas of judgement

### Management estimate

**Revenue recognition** is based on time charged to projects up to the agreed budget for each project. 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.

### Area of judgement

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.

### Management estimate

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.

See **Note 11** for more information.

## New accounting standards

253 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 2023-24.

## Note 1 (a): Operating segments

- 254 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).
- 255 Due to the integrated nature of the Wales Audit Office activities, it is not possible to distinguish meaningfully between assets and liabilities attributable to the different operating segments and therefore the Executive Team does not receive information on assets and liabilities by operating segment. For this reason, in line with IFRS 8 (Operating Segments), no such analysis is presented here.
- 256 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.
- 257 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.
- 258 Communications and Change includes the Communications and GPX, Planning and Reporting and Change teams.

### 2023-24

	<b>Audit Services</b>	<b>Corporate Services</b>	<b>Communications and Change</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Audit fees <sup>41</sup>	(14,742)	-	-	(14,742)
Other income	-	(76)	-	(76)
Total income	(14,742)	(76)	-	(14,818)
Staff costs	15,659	2,382	1,569	19,610
Non-staff costs	780	2,035	266	3,081
Total Expenditure	16,439	4,417	1,835	22,691
Net Expenditure	1,697	4,341	1,835	7,873

**2022-23**

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

**Note 1 (b): Analysis of audit fee income**

	<b>2023-24</b>			<b>2022-23</b>		
	<b>Financial Audit</b>	<b>Performance Audit</b>	<b>Total</b>	<b>Financial Audit</b>	<b>Performance Audit</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Local Government Audit	(6,172)	(1,927)	(8,099)	(5,186)	(2,209)	(7,395)
Local Government Grant Certification	(847)	-	(847)	(1,047)	-	(1,047)
NHS Audit	(2,176)	(1,386)	(3,562)	(2,204)	(1,663)	(3,867)
Central Government Audit	(2,234)	-	(2,234)	(1,942)	-	(1,942)
	<b>(11,429)</b>	<b>(3,313)</b>	<b>(14,742)</b>	<b>(10,379)</b>	<b>(3,872)</b>	<b>(14,251)</b>

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

- 260 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.
- 261 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).
- 262 All revenue is generated in the UK.
- 263 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.
- 264 The Wales Audit Office has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.
- 265 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.
- 266 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.
- 267 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**

	<b>2023-24</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
Other operating income <sup>42</sup>	(76)	(3)
	(76)	(3)

**Note 3: Other operating costs**

	<b>2023-24</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation		
• Rent lease costs	(344) <sup>43</sup>	406
• Other accommodation costs	406	392
Supplies and services	1,477	1,537
Recruitment	40	34
Depreciation and amortisation	461	398
Professional fees		
• Internal audit services	41	13
• External audit services	58	58
• Other professional fees	37	39
Staff travel and subsistence	263	157
Staff learning and development	352	298
	2,791	3,332

268 Costs disclosed above relate to goods and services received during 2023-24. Costs are disclosed net of VAT, the cost of which is included in other supplies and services.

42 Mostly recharges for travel and subsistence for seconded staff

43 Net of £402,000 release of dilapidations provision (see Note 11)

**Note 4: Property, plant and equipment**

	<b>Furniture and fittings</b>	<b>Right of Use Assets</b>	<b>Information technology</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2023-24</b>					
<b>Cost</b>					
At 1 April 2023	1,017	2,420	601	15	4,053
Additions	42	93	95	9	239
Disposals	(531)	(225)	(199)	(3)	(958)
At 31 March 2024	<b>528</b>	<b>2,288</b>	<b>497</b>	<b>21</b>	<b>3,334</b>
<b>Depreciation</b>					
At 1 April 2023	641	435	411	6	1,493
Charged in period	54	244	96	3	397
Disposals	(531)	(225)	(199)	(3)	(958)
At 31 March 2024	<b>164</b>	<b>454</b>	<b>308</b>	<b>6</b>	<b>932</b>
<b>Net book value</b>					
At 31 March 2024	364	1,834	189	15	2,402
At 1 April 2023	376	1,985	190	9	2,560
<b>Asset financing</b>					
Owned	364	-	189	15	568
Leased	-	1,834	-	-	1,834

	<b>Furniture and fittings</b>	<b>Right of Use Assets</b>	<b>Information technology</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2022-23</b>					
<b>Cost</b>					
At 1 April 2022	1,364	504	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
<b>Depreciation</b>					
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
<b>Net book value</b>					
At 31 March 2023	376	1,985	190	9	2,560
At 1 April 2022	162	149	151	39	501
<b>Asset financing</b>					
Owned	376	-	190	9	575
Leased	-	1,985	-	-	1,985

## Reconciliation to the statement of cashflows

	2023-24	2022-23
	£'000	£'000
Tangible additions (Note 4)	239	2,403
Capitalised ROUA additions	(93)	(1,916)
Payments to acquire capital assets	146	487

269 In line with IFRS16, from April 2022, Property Plant & Equipment includes Right of Use assets of £1.834 million related to leased properties that do not meet the definition of investment properties. For more information see Note 12 – Leases.

270 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.

271 PPE is stated at historical cost less accumulated depreciation and impairment and is exclusive of VAT.

272 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

- 273 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.
- 274 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 assets<sup>44</sup>

	£'000
<b>2023-24</b>	
<b>Cost</b>	
At 1 April 2023	775
Additions	108
Disposals	(19)
At 31 March 2024	864
<b>Amortisation</b>	
At 1 April 2023	518
Charged in period	64
Disposals	(19)
At 31 March 2024	563
<b>Net book value</b>	
At 31 March 2024	301
At 1 April 2023	257
<b>Asset financing</b>	
Owned	301

44 Mainly computer software.

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

- 275 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 or the anticipated useful life of the asset (up to ten years). Amortisation is calculated from the date that the asset commences its useful life.
- 276 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.
- 277 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**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables		
• Central Government	336	335
• Local Government	1,934	548
• NHS	597	117
• External to government	44	78
Work in progress		
• Central Government	1,069	1,243
• Local Government	1,526	1,490
• NHS	396	248
	5,902	4,059

**Trade receivables**

278 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 2023-24 the figures are net of expected credit losses of £143,000 (2022-23: £77,000). Expected credit losses relate to debts older than 12 months at the end of the financial year.

279 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.

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

**Work in progress**

281 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**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Prepayments and accrued income <sup>45</sup>	678	377
Loans to employees <sup>46</sup>	9	11
	687	388

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

**Note 8: Cash and cash equivalents**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	509	76
Net change in cash and cash equivalents	(215)	433
Balance at 31 March	294	509

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Current account (Government Banking Service)	294	509
	294	509

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

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

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

46 Cycle to work scheme.

**Note 9: Trade payables and other current liabilities**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables (due within one year)	100	237
VAT	77	61
Taxation and social security costs	2	194
Accrual for holiday entitlement not yet taken	661	601
Other accruals <sup>47</sup>	456	402
	1,296	1,495

285 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**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	6,490	4,090
	6,490	4,090

286 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.

47 Includes £311,000 in respect of invoices paid post year-end, and £145,000 for business rates due in 2024-25.

**Note 11: Provisions for liabilities and charges**

	<b>Dilapidations<sup>48</sup></b>	<b>Travel Allowance</b>	<b>Staff Exits</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 31 March 2023	864	41	170	1,075
Provided in-year	70	4	-	74
Utilised in-year	(205)	(45)	(170)	(420)
Released in-year	(402)	-	-	(402)
As at 31 March 2024	327	-	-	327

## Analysis of expected timing

	<b>Dilapidations</b>	<b>Travel Allowance</b>	<b>Staff Exits</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	46	-	-	46
Later than 5 years	281	-	-	281
	327	-	-	327

48 We used HM Treasury's discount rate as set out in PES(2023)10 for balances of zero to five years of 4.26% and for balances up to 10 years of 4.00% to calculate this balance.

## Reconciliation to the statement of cashflows

	2023-24	2022-23
	£'000	£'000
Provided in year	74	390
Utilised/released in year	(822)	(1,045)
Capitalised as ROUA	(24)	(210)
Movement	(772)	(865)

287 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.

288 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

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

290 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.

291 Structural dilapidations for the Cardiff office and the new office at Llandudno Junction have been capitalised as part of the right-of-use-asset cost in accordance with IFRS 16 para 24(d).

292 In addition, an annual dilapidations charge, based on a percentage of the estimated value of structural dilapidations is set aside to allow for general wear and tear on leased properties.

## Travel allowance

- 293 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.
- 294 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.
- 295 Payments representing the bulk of this provision were made to staff in April 2022. The balance of the provision (£41,000) was held pending changes to staff terms of employment. This has now been either utilised or released as no further payments are due.

## Staff exits

- 296 This provision represented the future liability in respect of members of staff who are contractually committed to leave under redundancy, early retirement or severance schemes. No provision has been required for 2023-24.

## Note 12: Leases

### Right of use assets

- 297 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
- 298 Audit Wales has leases for three operational offices at Cardiff, Swansea and Llandudno Junction. These leases are subject to periodic rent reviews.
- 299 In December 2023, the Wales Audit Office ended its North Wales office lease at Abergele and entered a new 10 year lease at the Welsh Government offices in Llandudno Junction. The lease on its office at Penllergaer, Swansea is due to expire in April 2025. The lease on the Cardiff office extends until March 2033 – with a break clause in March 2028.
- 300 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. The cost model will be used as a proxy for the current value in existing use in subsequent years.

	<b>2023-24</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	1,781	149
Additions in year	69	1,706
Lease payment	(37)	(80)
Interest charge	68	6
Balance at 31 March	1,881	1,781
Current lease liabilities	43	50
Non-current lease liabilities	1,838	1,731
	1,881	1,781

#### **Maturity Analysis – contractual undiscounted cashflows**

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	43	50
1-5 years	1,130	905
Over 5 years	1,059	1,247
Total undiscounted liabilities	2,232	2,202

#### **Amounts recognised in statement of comprehensive net expenditure**

	<b>2023-24</b>	<b>2022-23</b>
	<b>£'000</b>	<b>£'000</b>
Interest on lease liabilities	68	6
Depreciation	244	80
Short Term Lease	-	406

#### **Change in liabilities arising from financing activities**

	<b>Lease liabilities</b>	<b>WCF<sup>49</sup></b>
	<b>£'000</b>	<b>£'000</b>
Balance at 31 March 2022	149	76
<b>2022-23</b>		
Net cash from/ (used) in financing activities	(74)	433
Acquisition of leases	1,706	
Balance at 31 March 2023	1,781	509
<b>2023-24</b>		
Net cash from/ (used) in financing activities	(37)	(215)
Acquisition of leases	69	-
Rent free period interest charge <sup>50</sup>	68	-
Balance at 31 March 2024	1,881	294

### Note 13: Capital commitments

301 There were no outstanding capital commitments at 31 March 2024. (31 March 2023: £5,814).

### Note 14: Losses and special payments

302 A special payment of £21,140 was paid to a member of staff in 2023-24 in resolution of an employment dispute.

303 Losses of £3,500 associated with the operation of a salary sacrifice scheme for leased cars were incurred in 2022-23.

### Note 15: Financial instruments

304 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.

<sup>49</sup> Closing cash balance returned to WCF in subsequent financial year

<sup>50</sup> Interest charged during the rent free period relating to the Capital Quarter lease

305 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.

306 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**

307 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.

308 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**

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

### **Foreign currency risk**

310 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**

311 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**

312 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 2024 (31 March 2023: nil).

**Note 16: Related party transactions**

- 313 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.
- 314 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 67).

**Note 17: VAT**

- 315 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 Auditor General's Report on Disclosures of Information
- 2 Risk appetite

# 1 Auditor General's Report on Disclosures of Information

---

25 individuals contacted us between 1 April 2023 and 31 March 2024 indicating that they wished to make a whistleblowing disclosure to the Auditor General.

However, in only 17 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 17 apparently qualifying disclosures, in eight 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. For the remaining nine 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.

## 2 Risk appetite

Our risk appetite (set out as a rating in the top right of each box) in key areas where risks can arise and threaten successful delivery of our work. For each of the broadly defined risk areas, the risk appetite covers two ratings to reflect our desire to be more innovative in specific areas in pursuit of our overall goals.



Risk appetite ratings key:

- 1 **Averse**      Avoidance of risk is a key objective. We are only willing to accept very limited risk.
- 2 **Cautious**    Preference for safe options that have a low degree of residual risk. These options may only offer limited reward potential.
- 3 **Open**        Willing to consider all potential options and choose one which balances residual risk with a desired level of reward.
- 4 **Bold**         Eager to be innovative and choose options offering high rewards despite greater inherent risk.



Audit Wales

1 Capital Quarter

Cardiff

CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

3 July 2024

Strictly Private & Confidential



Pack Page 206

# Audit findings report

Issued to Wales Audit Office – year ended 31 March 2024

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING



# Contents

Executive summary	3
Risks identified in the audit plan	4
Qualitative aspects of accounting	6
Recommendations on controls	7
Appendix	11

Page 207



# Executive summary

## Status and overview of the audit

This report summarises our key audit findings in connection with the audit of the financial statements of Wales Audit Office for the year ended 31 March 2024.

The scope of our work was communicated to you via our Audit Plan document dated 28 February 2024. There have been no significant changes to our planned approach.

## Adjusted misstatements

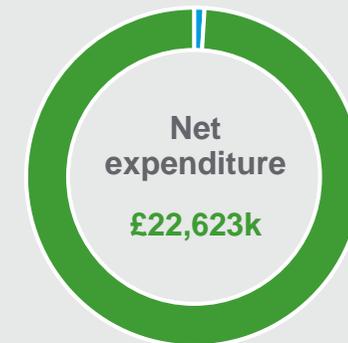
A list of the adjusted misstatements is included in the Appendix. The largest misstatements related to:

- Reclassification of the Capital Quarter rent free period accrual against the lease liability
- Adjustment to the split between short term and long term lease liabilities

## Final materiality

Materiality has not changed since we presented our audit plan.

### Unadjusted audit misstatements



# Risk findings

(See Appendix for risk description and planned work)

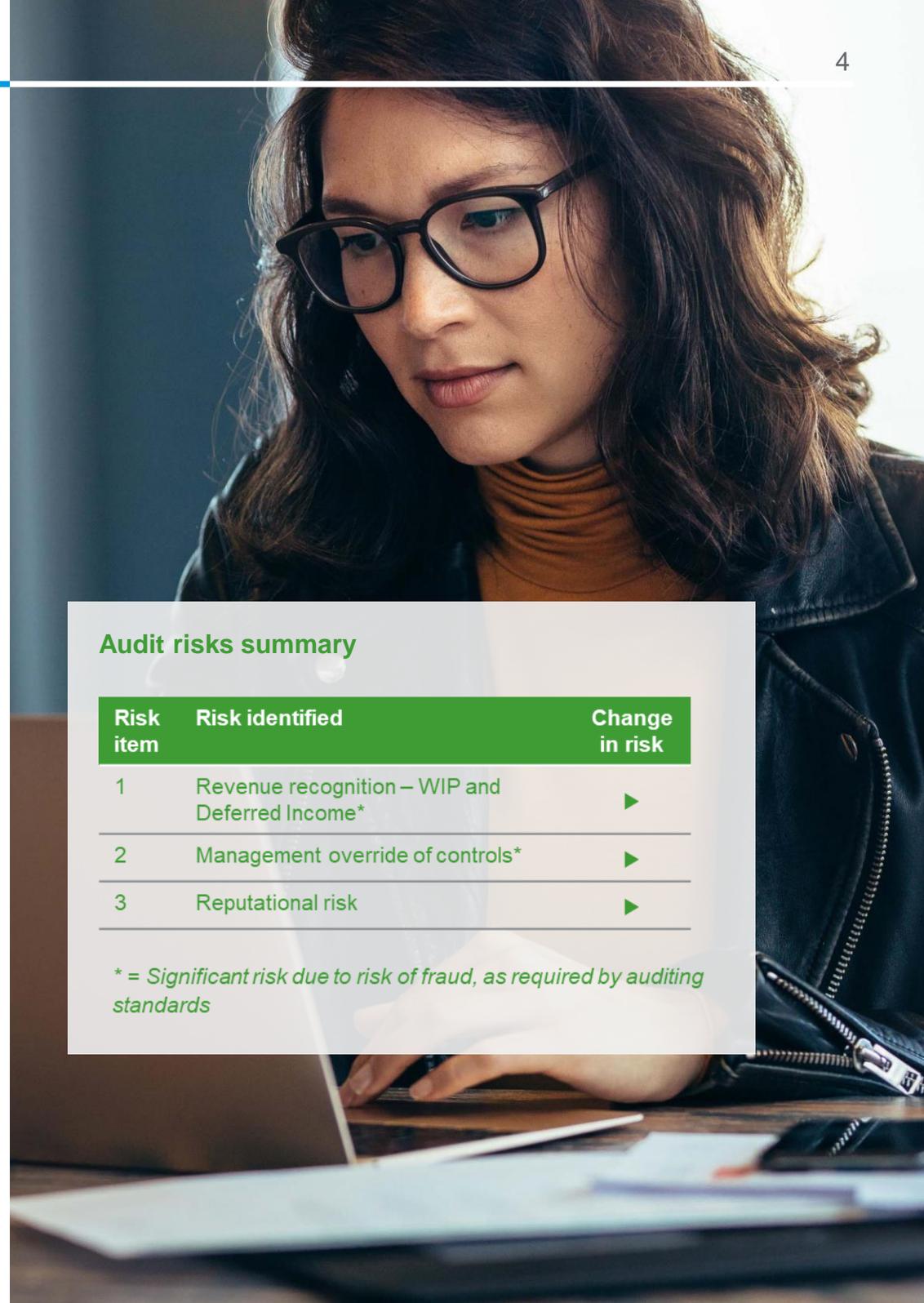
We have set out below details of those areas that we considered to be the key risks arising when we presented our audit plan. There have been no changes to the risks identified.



## Audit risks summary

Risk item	Risk identified	Change in risk
1	Revenue recognition – WIP and Deferred Income*	▶
2	Management override of controls*	▶
3	Reputational risk	▶

\* = Significant risk due to risk of fraud, as required by auditing standards



# Audit risks

## Significant risks

Risk	Findings
Revenue recognition – WIP and deferred income	<p>We have sampled and tested projects that commenced during the year and agreed that the revenue recognition is materially in line with IFRS 15 and IAS 37 and that appropriate amounts have been recognised in WIP and Deferred Income.</p> <p>We have reviewed management’s assessment of costs to complete. The basis of this calculation has changed in the year and while we were expecting the assessment to be based on future costs in HubPlanner, management have deemed that this information is not sufficiently accurate and therefore a historical basis has been used. The assessment was instead based on the prior year recovery of the equivalent audit with the average of 3 scenarios taken. These were taking the actual % bust in the prior year, capping this at 10% or 20%. While we would have expected management to select one scenario they think is the most likely, using the average is not materially different to having a cap at 10% or having no cap. Capped at 10%, the “Costs to Complete” (CTC) provision would be £863k; with no cap it would be £1,417k and averaged across the 3 scenarios is £1,118k. The cost to complete assessment is an estimate and given the lack of accurate forward looking data, calculating the cost to complete based on a range of historical based scenarios is a materially appropriate basis for estimate. A control point has been raised in this regard within this report.</p> <p>We reviewed April 2024 audit assessments to confirm that there was no material indicators of a further provision being required at year end. 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 not noted errors around the calculation of expected provisions.</p>
Management override of internal controls	<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>

Pack Page 210

## Higher risks

Risk	Findings
Reputational risk	<p>Internal specialist technical reviews were undertaken to review the audit work carried out in key audit areas Revenue, Journals and Regularity.</p> <p>Our findings on Revenue and Journals have been covered above. Separate consideration has been included later in this report with regards to our Regularity Opinion. No other significant findings were noted from these additional reviews providing assurance that robust audit work has been performed which minimises the reputational risk.</p>

# Qualitative aspects of accounting

## Management judgements and accounting estimates

The following areas are considered to be the principal management judgements and 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.

Areas of judgement / estimate	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 Wales Audit Office. 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 any provision required for forecast losses.

### Dilapidations provision

Dilapidation provisions are derived from the costs incurred to fit out a new office and/or based on the actual cost of dilapidations at offices which have been vacated. We have compared the dilapidations provisions at year end to the dilapidation paid in FY24 for Abergele and Cathedral road and the provisions appear reasonable based on the actual dilapidations paid.

### Receivable provision

Wales Audit Office has recognised a receivable provision of £143k 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 WAO have not used the expected credit losses model due to the immateriality of the provision and fact that virtually all customers are government departments or other public bodies which are funded in the main by Parliament. We recommend that an IFRS 9 compliant model is prepared by management.

### 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.



# Regularity Audit

Based on our current findings we plan to issue a clean opinion in relation to regularity, however, we have identified a number of matters we wish to bring to your attention:

## Matters identified during audit

## Recommendations and response

### Policies

We noted that the Board Travel & Subsistence Policy, dated April 2015 was due for review in August 2021, but has not been updated.

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

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.

### Management response

The Board Secretary is reviewing the Board's Travel and Subsistence Policy and its Gifts, Hospitality & Entertainment Policy to update these and align them to wider corporate policies, though substantive changes are not expected. The updated policies will be presented to the Board for approval during the 2024-25 business cycle.

### Creditors not paid within 30 days

Public sector organisations are required to pay supplier invoices within 30 days of receipt. The year-end creditors listing contained 27 items that were older than 30 days.

### Recommendations

While our financial statement and regularity opinions are unaffected by these items, we would recommend that transactions are reviewed each month end to ensure each creditor is less than 30 days old.

### Management response

We will continue to regularly review aged creditor invoices to identify any that have not been approved for payment within our 10 day target. We will then follow up with the budget holder to determine the reason for non-approval. We have weekly payment runs to ensure that creditors are paid quickly once invoices are approved.

### Procurement authorisation

A new contract was entered in the year for "Crowdstrike anti virus solution" with a value of £140,000 therefore requiring ELT approval. While we were able to see evidence of the tenders received there was no evidence available to show this contract had been approved by ELT.

### Recommendations

We recommend that the evidence approvals/authorisations is readily saved and available, with all other documentation for the same contract.

### Management response

This Crowdstrike contract was not new for 2023/24, but was entered into in 2020/21, taking the form of a 1 year minimum term plus a series of optional annual renewals. We have amended the Financial Management Handbook (FMH) to clarify ambiguity over the contract value that should be considered to determine the type of approval needed. This is because this form of contract, with a short minimum term but with optional renewals making it several times longer, has become commonplace in IT contracting. The FMH now makes clear that the maximum contract value based on all optional renewals being taken must be used when considering approval. ELT considered and approved the Crowdstrike contract on this basis on June 5th and endorsed an amendment to the FMH on June 19th. As recommended we will ensure budget holders in future save evidence of approvals alongside evidence of competitions where these are required.

# Regularity Audit (Continued)

Matters identified during audit	Recommendations and response
<p><b>Chair disqualification</b></p> <p>The Chair was disqualified as a board member in the year, following appointment of an additional position as a non-executive member for the secretary of state for Wales. The Senedd consider this as a crown appointment. If the disqualification was effective in January then there is a risk that, absent any specific legal advice on the matter, the quorum for board meetings will not have been met in the February and March 24 board meetings, as there would not have been a majority of non-executive board members.</p>	<p><b>Management response</b></p> <p>Advice from our external legal advisers and Counsel provided on 22 and 25 April 2024 (following earlier emergency advice on 26 and 31 March 2024) was that the Chair was not disqualified. Accordingly, the Chair's presence counted towards the quorum, and the meetings were therefore not inquorate. We also obtained advice on 22 April 2024 that set out that even if the Chair were disqualified, the savings provision at paragraph 31 of Schedule 1 to the Public Audit (Wales) Act 2013 would apply. That paragraph provides that "The validity of anything done by the WAO (including anything done by its non-executive members, the employee members, any committee or sub-committee and by any employee of the WAO) is not affected by— (a) a vacancy, or (b) a defective appointment.") The advice confirmed that that the WAO did not need to take any remedial action in relation to acts during the period and that the acts of the WAO in the period were not open to legal challenge.</p>
<p><b>Contract Register Completeness</b></p> <p>From our review of Purchase invoices over £5k we noted that there were a number of suppliers for which contracts should've been entered into Contracts Register but hadn't been.</p>	<p><b>Recommendations</b></p> <p>We recommend that management undertake regular reviews of large purchases and perform checks of significant suppliers against the Contracts Register to ensure its completeness.</p> <p><b>Management response</b></p> <p>Agreed in principle, however the FMH does not detail a threshold value that transactions/contracts should be included in the Contracts Register, and the treatment of the invoices highlighted complies with our FMH. We have now amended the Financial Management Handbook (FMH) to stipulate that transactions/contracts with a value of &gt;£10k should be included in the Contracts Register. This threshold level will help us to monitor if the FMH procurement procedures are being followed and the necessary contract award approvals are being obtained. Having a lower threshold like £5k would lead to the risk of detracting from the contracts register's effectiveness on focussing on high value/risk contracts and it could start to resemble a general creditor listing.</p>

# Regularity Audit (Continued)

## Matters identified during audit

### Gifts & Hospitality approval

From our review of gifts and hospitality declared in the year we noted one occasion where hospitality had been provided by WAO to an employee. As it was the Auditor General wishing to provide hospitality a short business case to the Chair of the Board is required under the 'Gifts, Hospitality & Entertainment Policy' to obtain permission – in this case no written permission could be obtained.

## Recommendations and response

### Recommendations

We recommend that the policy is followed, and all gifts and hospitality receive the relevant approval.

### Management response

Agreed – a business case was prepared to provide an evening meal for 6 guest speakers as well as 2 members of Audit Wales staff the evening before the Audit Wales Quality Symposium. This was approved by the Auditor General, but we will ensure that Chair's permission is also obtained in future.

### Synectics Contract

We noted during our procurement testing that the GP data matching pilot contract only had one quotation obtained, despite the value of the contract meaning that three bids were needed at a minimum. Management explained that this is not a single tender action as the pilot is conducted within another NFI contract, that went through a competitive tendering process and was awarded to Synectics by the cabinet office. Thus, to operate within this space, WAO must use Synectics. Although this is a slightly unique case, following policy would mean that single tender approval would need to be sought from the ELT, as it still falls within the prescribed competition thresholds.

### Recommendations

We recommend that controls are put in place to ensure that the appropriate tender policy is followed for all contracts entered into with suppliers.

### Management response

Agreed – the recent contracts review reported to ELT, as highlighted above, did not identify this contract and as already stated by the auditors, this is a unique case and the work with Synectics has been masked by the close association with the NFI contract; Synectics are the contractor behind the Cabinet Office contract. We don't believe that changes to the FMH are necessary in this case, as it is clear on STA requirements, but the planned Procurement/Contract Approval awareness training (which will be targeted at directors and heads of service) and closer monitoring of contract cumulative expenditure will improve our controls further and avoid a recurrence of these issues moving forward.

# 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.

Control observation	Recommendations and response
<p><b>Cost to Complete Assessment</b></p> <p>During our testing on cost to complete it was found that managers were not adequately posting future costs to engagements, meaning future data could not be used for the costs to complete provision at year end.</p>	<p><b>Recommendations</b></p> <p>We recommend that management challenge future cost postings more robustly to allow future costs (a more accurate basis) to be used for the cost to complete provision</p> <p><b>Management response</b></p> <p>We had planned to use the future demand data held within Hub Planner to calculate this provision but at year end this data was incomplete and hence a decision was taken to calculate an estimate based on prior years performance. It should be noted that neither calculation would be 'correct' as they are both predicated on unknown factors. From 2024-25 we do however plan to use the Hub Planner data as use of the system matures - using this data will also provide more robust planned v actual comparisons to inform future calculations.</p>

Pack Page 215

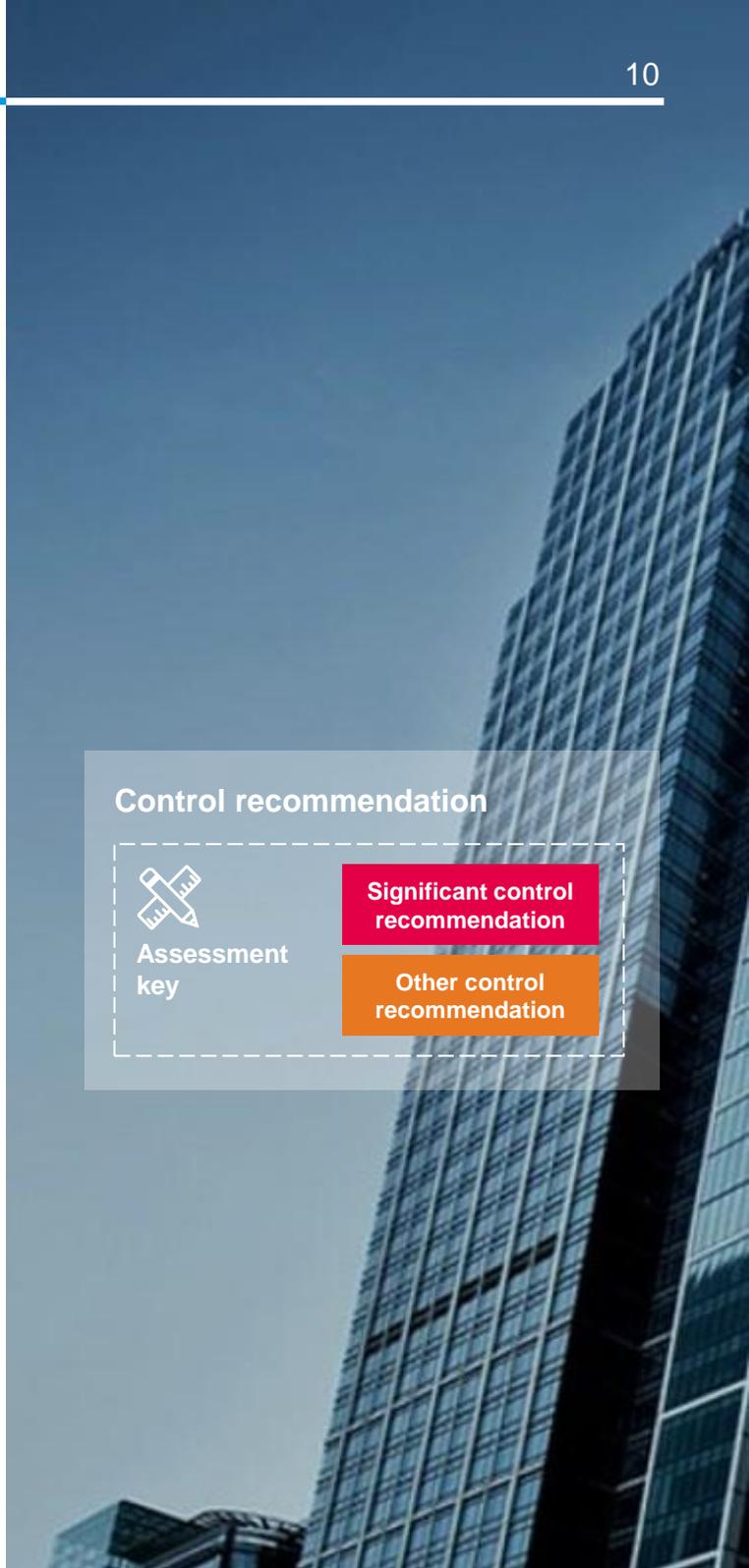
**Control recommendation**



Assessment key

**Significant control recommendation**

**Other control recommendation**



# Appendix



# Summary of adjusted misstatements

A summary of the adjusted misstatements identified during the course of our work is set out below

## Factual misstatements

Account	Profit & loss (£'000)	Balance sheet (£'000)	Description
Dr Deferred Income		211	Reclassify rent free period (Capital Quarter Lease) accrual within deferred income to increase the lease liability at the year end
Cr Lease Liability (long term)		(211)	
Dr Lease Liability (short term)		64	Correct split between ST and LT lease liabilities
Cr Lease Liability (long term)		(64)	
<b>Total</b>	<b>-</b>	<b>-</b>	

# 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 Government Financial Reporting Manual (FReM) 2023-24. Updates were made to financial statements note 12 (Leases); specifically:

- Correct the amount recognised within the SOCI note as depreciation charged on RoU assets (£179k), which did not agree to the charge for the year per the PPE note (£244k).
- 'The reference to an adjustment for rent free periods within Note 12 of the draft accounts was incorrect and the descriptive paragraph has been updated.'
- Additional disclosure table has been added to Note 12 to reconcile opening and closing balances of liabilities arising from financing activities (IAS 7).

5.4.j of the FReM states that “entities should detail performance against any further key financial indicators or measures, tying this into the broader discussion”. Financial KPIs are stated in the performance overview, rather than also being brought into the broader discussion; however given KPI's are included in the report this is not considered a material discrepancy.

The financial statements consider the impact of IFRS 9, but Wales Audit Office have not calculated expected credit losses as required by the FReM and IFRS 9. An IFRS 9 compliant model has not been used as management have concluded that any expected credit losses would be immaterial, given that virtually all customers are government departments or other public funded bodies meaning that the credit risk is low.

In other areas, evidence of compliance with the FReM has been cross-referred to other sections in the report to avoid duplication. We would recommend a review of the layout of the report to ensure that all specific requirements are evidenced in the expected sub-sections.

## Management response

In response to the point raised around section 5.4.4.j of the FReM, as part of our broader work in 2024-25 on improving the quality and accessibility of our internal performance reporting, we will also give consideration as to whether performance against any further financial indicators or measures would merit inclusion in the Annual Report & Accounts 2024-25 performance analysis.

In response to the point raised around compliance with the FReM, the current general template for the layout of the Performance Report section of the Annual Report & Accounts has been in use since 2015-16, so a review of the template prior to preparation of the 2024-25 document would be timely. The current ordering of material in the template particularly aims to meet 2.6.13 of the FReM which states 'entities should aim to present the annual report as a cohesive document and link related information together. Where information relevant in one part of the annual report and accounts is included elsewhere in the annual report and accounts, entities should use cross-referencing and avoid duplicating information.' We will be keen to continue to apply this FReM principle when undertaking the review, while ensuring we continue to meet specific requirements for specific sections.

# Other matters to be reported

## Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will not be seeking any specific representations from the Board.

## 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 2024-25 Estimate and any matters identified during the course of our audit which may impact the going concern assessment. No material uncertainty has been identified.

## Independence

In accordance with the 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.

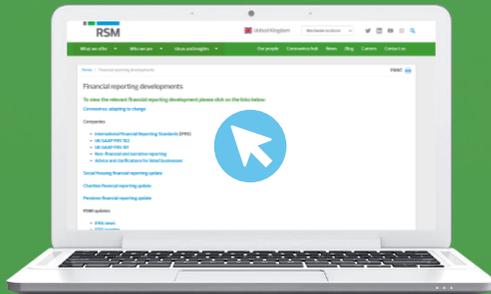


# Financial reporting updates

## Financial reporting updates

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

[Please click here](#)



## Choose your preferences

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

[Please click here to register](#)



# Audit risk summary

taken from the audit plan

Back Page 221



# Audit risk summary

Risk	Description	Response
<b>Revenue recognition – WIP and deferred income</b>	<p>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>	<p>We will:</p> <ul style="list-style-type: none"> <li>• 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 appropriate</li> <li>• 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</li> <li>• 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.</li> <li>• 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.</li> </ul>
<b>Management override of internal controls</b>	<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 International Standards on Auditing (ISA 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> <ul style="list-style-type: none"> <li>• Review controls in place over journal entries and using data analytics software and based on our risk assessment, test a sample of general ledger entries to ensure they are valid and appropriately supported.</li> <li>• Obtain an understanding of the business rationale of 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.</li> <li>• Consider estimates and judgements made by management in the preparation of the financial statements and conclude on their appropriateness</li> </ul>

## Audit risk summary (continued)

Risk	Description	Response
<b>Reputational risk</b>	Given the public interest in the financial statements, there is a risk that accounting judgements may be influenced by a desire to demonstrate good financial management and remain within the Estimate.	We will: <ul style="list-style-type: none"><li>• Undertake internal specialist technical reviews of both the financial statements and our audit work, including regularity, given the increased reputational risk associated with the audit.</li><li>• Review the judgemental aspects of the year-end balances, with particular focus on any round sum provisions, estimates, recoverability of debtors, disclosure of remuneration, and related party transactions.</li></ul>

## RSM UK Audit LLP

2nd Floor  
1 The Square  
Temple Quay  
Bristol  
BS1 6DG  
United Kingdom  
T +44 (0)117 945 2000  
[rsmuk.com](http://rsmuk.com)

Back Page 224

This report is prepared solely for the confidential use of Wales Audit Office and solely for the purpose of explaining the scope and timing of the audit, and to highlight the significant risks and other audit areas that we will be focusing our audit work upon. This forms part of the ongoing communications we are required to make under the International Standard on Auditing (UK) 260 – Communication with those charged with governance.

For the avoidance of doubt, the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest, nor does the audit relieve management or those charged with governance of their responsibilities. Throughout this document the terms partner and principal are interchangeable.

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Legal LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP and RSM UK Creditor Solutions LLP are limited liability partnerships registered in England and Wales, with registered numbers OC325347, OC402439, OC325349, OC389499, OC325348, OC325350, OC397475 and OC390886 respectively. RSM UK Employer Services Limited, RSM UK Tax and Accounting Limited and RSM UK Management Limited are registered in England and Wales with numbers 6463594, 6677561 and 3077999 respectively. All limited companies and limited liability partnerships are registered at 6th Floor, 25 Farringdon Street, London, EC4A 4AB. The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



# Annual Plan 2024-25

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

This Annual Plan covers the period from 1 April 2024 to 31 March 2025 and includes additional information on our longer-term strategy and key performance indicators. It has been jointly prepared by the Auditor General for Wales and the Chair of the Wales Audit Office. The Plan is laid before the Senedd in accordance with the requirements of the Public Audit (Wales) Act 2013.

Audit Wales is the 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.

Audit Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

Telephone      02920 320 500  
Email            [info@audit.wales](mailto:info@audit.wales)  
Website         [www.audit.wales](http://www.audit.wales)  
Twitter          [@WalesAudit](https://twitter.com/WalesAudit)

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

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

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

# ◀ A summary of our plan

## Our purpose



Assure people that public money is being managed well



Explain how that money is being spent



Inspire the public sector to improve

## Our vision

### Increase our impact by:

Fully exploiting our unique perspective, expertise and depth of insight

Strengthening our position as an authoritative, trusted and independent voice

Increasing our visibility, influence, and relevance

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

## Our areas of focus



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

## Our programmes of work

**Audit delivery**

We will deliver a comprehensive and impactful programme of audit work, in accordance with the Auditor General’s statutory powers and duties.

**Business improvement**

To help us in achieving our longer-term vision, we will take action across a suite of key business planning priorities, aligned with our three areas of focus.

# Contents

---

Foreword	5
Who we are and what we do	7
Our strategic vision and areas of focus	11
Our programmes of work: Audit delivery	12
Our programmes of work: Business improvement	19
Measuring and reporting on our performance	25

## Appendices

1 How we follow the public pound in Wales	30
2 Our operating environment	31
3 Our key risk areas	32
4 Our finances	33



# Foreword

---

## Rydym yn falch i gyflwyno ein Cynllun Blynyddol ar gyfer 2024-25

### We are pleased to present our Annual Plan for 2024-25

This Plan sets out our priorities for the next 12 months, both in terms of our audit work and how we operate as a business, within the context of our overall five-year strategy. It is informed by the feedback we recently received through a survey of a wide range of stakeholders on the value and impact of our work.

Welsh public services face enormous financial, demand and workforce pressures. Though public bodies must make their own decisions about how they navigate those challenges, independent public audit provides early warning of problems arising, highlights opportunities for improving value for money, and supports good governance and financial management. This Annual Plan describes how we intend to do that in the coming year and so provide the public, the Senedd, decision-makers and influencers with the information and assurance they need about how well public money is being spent.

The biggest area of our work involves auditing the accounts of over 800 public bodies across Wales. Through the COVID pandemic period, the timeliness of our delivery of this work deteriorated. It will take several years to bring that large programme of work back to pre-pandemic timescales, but we are determined to do so. In 2024-25, we aim to continue the progress made last year to bring forward the reporting deadlines for our audit of accounts work.

We aim too to improve the timeliness of the performance audit work we deliver at individual NHS and local government bodies. With the public purse strings so tight, it is more important than ever to get value for money from every pound of public spending. In our local and national studies programmes, therefore, we aim to give even sharper focus to value for money through stronger financial and outcomes analysis.

None of our objectives for high-quality public audit can be achieved without our staff. Over the coming year, we aim to strengthen our already successful apprentice and trainee schemes to build skills and resilience for the future. We will continue to provide an excellent, flexible employment offer that supports employee wellbeing, and a working environment that encourages collaboration and high-quality work.

Conscious of our responsibility to other parts of the public sector to contain our own operating costs, we have set challenging savings targets for 2024-25. As we do each year, we have also reviewed our framework of key performance indicators and associated targets, to ensure they remain fully aligned with our objectives and are suitably challenging.

This Annual Plan marks the mid-point of our 5-year strategy. It maintains progress towards the delivery of that strategy and ensures Audit Wales continues to use its unique perspective and expertise to assure the people of Wales that public money is being well managed, to explain how it is being used, and to inspire and empower the public sector to improve.



---

**Adrian Crompton**

Auditor General for Wales



---

**Dr Kathryn Chamberlain OBE**

Chair, Wales Audit Office

# Who we are and what we do

---

Our purpose is to assure people that public money is being managed well, explain how that money is being spent, and inspire the public sector to improve.

- 1 Independent audit of the activities of government and the use of public funds is an essential component of democratic accountability. Auditors carry out their work on behalf of the public in a way that is objective and impartial.
- 2 The [Auditor General for Wales](#) is the statutory external auditor 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.
- 3 The Wales Audit Office provides resources, such as staff, for the exercise of the Auditor General's functions, and monitors and advises the Auditor General. The Wales Audit Office currently employs around 290 staff.
- 4 Together, as Audit Wales, we audit around £27 billion of income and expenditure. **Appendix 1** provides more detail on how we follow the public pound in Wales. Our work supports the effective scrutiny of public money by the Senedd and locally elected representatives.

## We undertake local and national audit work across a broad range of public bodies.

### Key elements of our work



Providing an opinion on whether public sector accounts have been properly prepared and give a true and fair view of financial position



Considering whether public money is being used for approved purposes



Examining the economy, efficiency and effectiveness with which public bodies have used their resources (value for money)



Providing conclusions on whether public bodies have made proper arrangements for securing value for money in their exercise of functions



Considering whether public business is being conducted in a way that meets certain expectations and standards



Carrying out sustainable development principle examinations

- 5 These audit functions may be exercised in combination, if necessary, across different types of bodies, to examine public spending irrespective of who delivers the services.
- 6 We identify good practice from across the full breadth of our audit work and disseminate this through a range of media, including reports, blogs, podcasts and shared learning seminars and webinars.

## We carry out our work in accordance with International Standards on Auditing and other recognised standards.

- 7 Our Code of Audit Practice prescribes the way in which our audit and certain other functions are to be carried out. The Code sets out that auditors must comply with international auditing and ethical standards and that their work must be of high quality. Our audit quality arrangements accord with the Financial Reporting Council's International Standard on Quality Management and INTOSAI professional standards.
- 8 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 also proud to represent Wales on the international audit stage, including at EURORAI events.
- 9 We are an accredited training organisation for three of the four professional accountancy bodies. Most of our graduate trainees are currently studying with the Institute of Chartered Accountants in England and Wales. We also offer a finance apprenticeship, which supports study with the Association of Accounting Technicians.

## We operate independently from government.

- 10 The Auditor General and our Board are responsible for setting and overseeing the strategic direction of the organisation and ensuring we are on track in the delivery of our business planning priorities. The Board holds the Auditor General to account in his role as Chief Executive of the Wales Audit Office and supports him in the discharge of his role as Accounting Officer. As Accounting Officer, the Chief Executive answers personally to the Senedd Finance Committee on matters such as compliance with Managing Welsh Public Money.
- 11 Our Executive Leadership Team advises the Auditor General, including in his capacity as Chief Executive and Accounting Officer. More detailed information on our governance arrangements, can be found in the Corporate Governance Report section of our Annual Report and Accounts.
- 12 Our operating environment includes a range of factors which will influence the delivery of our work in 2024-25 to varying degrees. **Appendix 2** provides a summary of what we consider to be important elements of our current operating environment.
- 13 In running our business, we are committed to applying best practice for the identification, evaluation, and cost-effective control of risks. The key areas within which risks can arise and threaten successful delivery of our work are set out in **Appendix 3**. More information about our finances is provided in our annual Estimate and in **Appendix 4**.

# Our strategic vision and areas of focus

---

## Our vision is to increase our impact by:

Fully exploiting our unique perspective, expertise and depth of insight

Strengthening our position as an authoritative, trusted and independent voice

Increasing our visibility, influence, and relevance

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

14 In our [Strategy for 2022 to 2027](#), we have identified three areas of focus where we are prioritising actions to help Audit Wales achieve its overall vision.

## Our areas of focus



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

# Our programmes of work: audit delivery

---

We will deliver a comprehensive and impactful programme of audit work, in accordance with the Auditor General's statutory powers and duties.

- 15 Our core business is carrying out a broad programme of audit work to deliver the Auditor General's statutory powers and duties. Our audit delivery work programme comprises the Auditor General's priorities for 2024-25 in exercising his functions.
- 16 Our audit work plays a key role in supporting the work of the Senedd Public Accounts and Public Administration Committee, which scrutinises how resources are used in the discharge of public functions in Wales. Our work can also inform the work of other Senedd committees, whose wider remits include scrutinising the policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.
- 17 Throughout the year, we regularly attend meetings of the audit and scrutiny committees of public bodies in Wales to provide briefings and report on our audit work.

## Our core work



Undertaking local audit work at over 800 public bodies, including:

- Audits of accounts
- Local performance audit work
- Sustainable development principle examinations



Delivering a programme of national studies



Certifying grant schemes worth approaching £1.5 billion



Supporting effective scrutiny including the work of the Senedd committees



Sharing good practice and audit learning to support public service delivery



Facilitating the detection of fraud and error through the National Fraud Initiative



Approving around £2 billion of payments out of the WCF every month

## We will undertake local audit work at most public bodies.

### Public bodies audited by the Auditor General in 2024-25 and the types of local work carried out at those bodies

Public body	Audit of accounts	Local performance audit work <sup>1</sup>	Sustainable development principle examinations <sup>2</sup>
Senedd Commission	✓		
Welsh Government	✓		✓
10 Welsh Government sponsored bodies	✓		✓
Welsh Revenue Authority including the tax statement	✓		
Welsh Government owned companies <sup>3</sup>	✓		
6 Commissioners, Inspectorates and Regulators	✓	✓	
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓
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	✓		

1 The Auditor General is not required to conduct a programme of local performance audit work at most central government bodies. Performance audit work for this sector predominantly sits within his programme of national value for money studies.

2 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015, at least once every five years. Where possible, this work is fully integrated within our local performance audit programme. In addition to the coverage set out in the table above, and subject to the necessary regulations being made, the Welsh Government plans to list a further eight bodies under the Act during 2024-25.

3 The Auditor General performs statutory audit duties at certain Welsh Government owned companies.

## We will carry out a programme of national studies and prepare additional outputs highlighting common themes from our local audit work.

- 18 The Auditor General's indicative forward programme of national studies for 2023-2026 is focused around four main themes:
- tackling inequality
  - responding to the climate and nature emergency
  - service resilience and access
  - well managed public services
- 19 The tables below list all active and planned studies for 2024-25 as of 31 March 2024. The programme includes examinations of issues of public concern identified through our audit work or raised with us through correspondence or whistleblowing disclosures.
- 20 We keep our forward programme under regular review, taking account of the evolving external environment, our own resourcing and the capacity of audited bodies to engage with us. We maintain sufficient flexibility so that we can respond effectively to emerging issues of public or parliamentary concern. Additional outputs may also emerge from ongoing research and development work. Our Interim Report 2024-25 will provide an update and may identify further new projects.

## We will also arrange with certain bodies to undertake commissioned work, both in the UK and overseas.

- 21 Through our commissioned work, we provide services to, or exercise the functions of, certain other bodies. In 2024-25, this will include:
- auditing the European funds used to support farmers and agriculture across Wales (on behalf of the Comptroller and Auditor General);
  - auditing the Arts Council of Wales and Sports Council for Wales lottery distribution accounts (on behalf of the Comptroller and Auditor General);
  - by agreement under the Education Act 1997, providing staff acting on behalf of the Auditor General for Wales to Estyn, in support of inspections of local government education services; and
  - acting as Chief Auditor to, and auditing the accounts of, the Government of Anguilla, and providing technical support to the auditors of UK overseas territories.
- 22 We are mindful that all such activities should be self-financing and must not be undertaken to the detriment of our core audit work.

## Examinations and studies already in progress as of 31 March 2024<sup>4</sup>

 <p>Tackling inequality</p>	<p>Arrangements to deliver the affordable housing target and realise wider benefits.</p> <p>How services are working together to progress the <u>response to homelessness</u>.</p> <p>Challenges in <u>transforming access to education for children with additional learning needs</u>.</p>
 <p>Responding to the climate and nature emergency</p>	<p>Delivery of <u>active travel objectives</u> and the management of associated funding.</p> <p>Addressing biodiversity decline and performing the <u>biodiversity and resilience of ecosystems duty</u>.</p>
 <p>Service resilience and access</p>	<p>Local government digital strategy.</p> <p>Hospital discharge arrangements and the management of unscheduled care demand.</p> <p>NHS Wales’s strategic approach to improving timeliness of cancer diagnosis and treatment.</p> <p>Application of the sustainable development (SD) principle in the cultural sector.</p> <p>The Welsh Government’s <u>rebalancing care and support agenda</u> and associated funding.</p> <p>National messages following local work at health boards on tackling NHS waiting lists.</p>

<sup>4</sup> Studies are grouped by the main theme to which they relate but may be relevant to more than one theme.



Well-managed public services

National Park and Fire Authority governance arrangements and whether they support good outcomes.

Use of performance information in local government to understand user perspectives.

The status of the [A465 section 2 road improvement project](#).

NHS bodies' approaches to workforce planning, building on our [workforce data briefing](#).

Welsh Government approach to delivering its capital and infrastructure investment ambitions.

Examining decision-making relating to the development of a [new Velindre Cancer Centre](#).

Application of the SD principle by the new [Commission for Tertiary Education and Research](#).

The senior public service workforce, looking at executive leaders' appraisal processes, learning and development, and well-being support.

Local government finances and approaches to achieving financial sustainability.

NHS bodies' approaches to identifying and achieving financial efficiencies.

Commissioning services in local government.

Findings from data matching work on NHS community pharmacy and GP patient registrations.

Financial Management and Governance in Town and Community Councils.

## New work that we plan to start in 2024-25

Results of the 2022-23 National Fraud Initiative exercise and other fraud analytics work.

Auditor General's report on findings from SD principle examinations.

Whether capital investment in the asset base in local government is able to keep pace with demand.

How financial constraints are impacting on the funding of discretionary local government services, building on our [previous work](#).

Securing appropriate and cost-effective staff resources to support local government services.

Support for business in a post-Brexit environment and amid wider budget pressures.

Support for bus and rail services in the context of the [National Transport Delivery Plan](#).

Progress with investment in school and college buildings through the [Sustainable Communities for Learning Programme](#).

NHS bodies' approaches to digital transformation and alignment with the [Digital and Data Strategy for Health and Social Care](#).

# Our programmes of work: business improvement

---

To help us in achieving our longer-term vision, we will take action across a suite of key business planning priorities, aligned with our three areas of focus.

- 23 2024-25 is the third year of a five-year Strategy for achieving our overall vision. In that strategy, we identify three areas of focus for prioritising action:
- a strategic, dynamic and high-quality audit programme;
  - a targeted and impactful approach to communications and influencing; and
  - a culture and operating model that enables us to thrive.
- 24 Our latest Annual Report and Accounts and Interim Report provide detail on progress we have made so far in these focus areas.

- 25 Developments of particular note in the first two years of strategy delivery are:
- rolling out a new audit approach and evidence platform, to support compliance with new auditing, quality and ethical standards, and to support our longer-term aspirations for audit development.
  - setting out a common understanding for a three-year delivery timetable with the NHS and local government sectors for progressing the sign-off schedule for accounts audits.
  - commissioning two pieces of independent research to gauge awareness levels and gather stakeholder perceptions on the quality, accessibility and impact of our work.
  - commencing a review and upgrade of the content, layout, and design of the Audit Wales website, following a user-centred approach.
  - completing moves to smaller, better value offices in both South and North Wales and significantly reducing our travel and associated costs.
  - shifting to a more balanced and productive approach to hybrid working with increased use of offices for team working and collaboration.
  - setting challenging savings targets in our Estimates and putting in place a financial sustainability group focused on identifying innovative options to achieve future savings.
  - introducing a new approach for assessing employee engagement and the staff experience and gaining a better understanding of how to address underlying issues.
- 26 On the following pages, we set out our business planning priorities for 2024-25, aligned with the strategic areas of focus to which they relate. Since project delivery in some of these priority areas extends beyond the 2024-25 financial year, we have provided an illustration of the planned timeframes for delivery for each priority within the context of our longer-term strategy. In such cases, delivery objectives for 2024-25 are identified and monitored in more detailed operational business plans.
- 27 Our business improvement work programme comprises the Wales Audit Office's priorities for 2024-25 in exercising its functions.



## A strategic, dynamic and high-quality audit programme

Priorities	What success will look like	Timeframe for delivery					
		2024-25		2025-26		2026-27	
Bring forward the timetable for the delivery of accounts audit work in line with Welsh Government deadlines (15 July for NHS and 30 November for local government).	We deliver our three-year plan to bring forward the timetables for delivering accounts audit work post-COVID. Ultimately, we wish to consistently achieve 30 June for the NHS sector and 30 September for local government.	█	█	█	█	█	█
Bring forward the timeframe for the completion of local performance work such that the majority is completed in year.	We deliver our three-year plan to address post-COVID backlogs in our local government and NHS local performance audit work programmes, so that ultimately work is completed within three months of the end of the year to which the local audit plan relates.	█	█	█	█	█	█
Fully embed new auditing and other recently introduced standards, identifying key learning points and scope for efficiency.	We employ best professional auditing practice to maintain and enhance the quality, efficiency, and impact of all of our audit work.	█	█	█	█	█	█



## A strategic, dynamic and high-quality audit programme

Priorities	What success will look like	Timeframe for delivery		
		2024-25	2025-26	2026-27
<p>Introduce a more systematic approach to follow up work and the tracking of implementation of audit recommendations by public bodies.</p>	<p>A clearer approach to planning follow-up work within our local and national programmes, that allows us to track implementation of audit recommendations. This will support compliance with audit standards and our reporting on the impact of our work.</p>			
<p>Greater focus on value for money through stronger financial and outcomes analysis in our performance audit work.</p>	<p>Relevant audit outputs include clear analysis of related spending and whether desired outcomes are being achieved in an efficient, economic, and effective way. All opportunities to draw attention to and quantify areas of fraud/waste/potential saving are taken. Fraud analytics work, beyond the core NFI exercise, is embedded in our work programme.</p>			



## A targeted and impactful approach to communications and influencing

Priorities	What success will look like	Timeframe for delivery		
		2024-25	2025-26	2026-27
Use our refreshed website to extend our reach and improve access to our published, live, and upcoming audit work.	Wider engagement with our work while it is in progress and on completion, so stakeholders better appreciate the rationale for our programmes, our priorities and findings.	█	█	█
Increase access to and engagement with good practice and insights during and on completion of our audit work.	We curate and promote examples of good practice and insight that complement our audit work. in a way and format that is engaging for stakeholders. We will deliver this through podcasts, case studies, blogs, shared learning events and published guides.	█	█	█



## A culture and operating model that enables us to thrive

Priorities	What success will look like	Timeframe for delivery		
		2024-25	2025-26	2026-27
Develop and implement a three-year quality monitoring programme to support our whole organisation approach to managing the risk to audit quality.	A more effective process for identifying, managing and monitoring risks to achieving audit quality.	█	█	█
Deliver a whole organisation workforce plan designed to better meet current, and plan for future, staffing needs.	A holistic, regularly refreshed workforce plan that helps us put in place the resource and skills we need to deliver our work programmes.	█	█	█
Further invest in our trainee and apprenticeship schemes to strengthen the field of candidates and provide better coverage of performance audit work.	We offer an enhanced graduate trainee scheme that attracts a more diverse pool of applicants through suitable outreach work and marketing and provides greater opportunities for trainees to gain knowledge and experience of performance audit work.	█	█	█
Encourage greater in-person working within our hybrid working model, to ensure a productive, collaborative and engaging environment for the delivery of high-quality work.	We have a flexible, efficient and effective way of working which ensures that teams are regularly working together, fully understand the nature of each part of the business, and respect what each team brings to the delivery of the Audit Wales strategy.	█	█	█

# Measuring and reporting on our performance

---

We will use a combination of quantitative and qualitative methods to measure, report and reflect on our performance and the impact of our work.

- 28 This includes regular reporting to our Executive Leadership Team and Board on progress made towards delivering our strategy 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.
- 29 We have identified in the tables below a suite of high-level KPIs that will help us to measure progress made towards delivering our overall vision. We will place emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 30 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.
- 31 When preparing this Plan for 2024-25, 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.



## A strategic, dynamic and high-quality audit programme

No	Indicator	Description	Target for 2024-25
1	Statutory deadlines	Proportion of audit products delivered by the statutory or agreed 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	Number of reviewed audits that are delivered in accordance with <u>Financial Reporting Council (FRC) quality standards</u> .	All audits sampled 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, productivity gains and other financial benefits identified through our work.	At least £30 million during 2023-2026



## A targeted and impactful approach to communications and influencing

No	Indicator	Description	Target for 2024-25
8	Good practice outputs	Proportion of stakeholders who rate our good practice outputs as useful or very useful.	At least 90%
9	Website visits	Number of visits to our website where at least one action is performed, e.g. download a report, click on a video.	48,000 each year
10	Social media	Number of social media engagements, ie interactions with our posts such as a like, a comment, or retweet/share.	4,000 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



## A culture and operating model that enables us to thrive

No	Indicator	Description	Target for 2024-25
12	Employee engagement	Percent positive annual staff survey engagement index score.	At least the median benchmark score for the latest Civil Service survey
13	Turnover	Proportion of employees who voluntarily leave Audit Wales per annum.	Between 5% and 10%
14	Sickness absence	Proportion of total time lost due to sickness absence.	Less than 4%
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	Value of in-year cost savings delivered across the business.	£400,000 as set out in our 2024-25 Estimate
17	Greenhouse gas emissions	Total CO <sub>2</sub> equivalent emissions.	40% reduction on 2019-20 baseline (581 tonnes) <sup>5</sup>
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%

<sup>5</sup> Not including supply chain emission estimates which are reported on separately in our annual Sustainability Report.

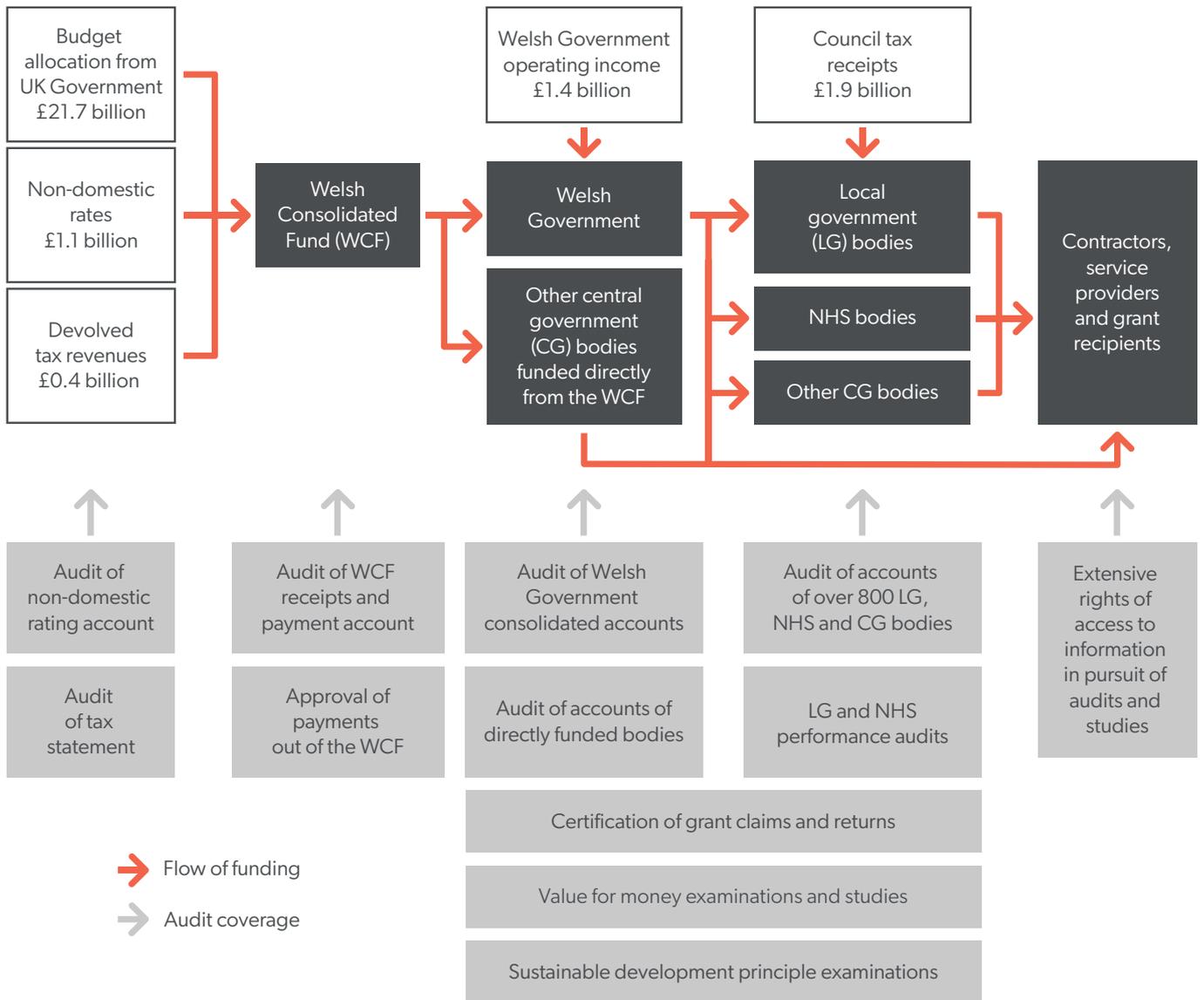


# Appendices

---

- 1 How we follow the public pound in Wales
- 2 Our operating environment
- 3 Our key risk areas
- 4 Our finances

# 1 How we follow the public pound in Wales



Notes to exhibit:

- Funding sources highlighted in exhibit do not include income generation activities at individual public bodies.
- Budget allocation from UK Government includes receipts from the Wales Office (£17.2 billion), HMRC Distribution from the National Insurance Fund in respect of Social Security (£2.0 billion), and the Welsh Rate of Income Tax (£2.5 billion).

## 2 Our operating environment

Important elements of our current operating environment which are likely to influence the delivery of our work in 2024-25



### 3 Our key risk areas

Key areas where risks can arise and threaten successful delivery of our work

 <p><b>Value for money</b> Running the business in an economic, efficient and effective way with high standards of governance</p>	 <p><b>Capacity &amp; capability</b> Attracting, retaining and developing the staff resources needed to deliver our programmes of work</p>	 <p><b>Profile &amp; reputation</b> Raising awareness, understanding and credibility among a range of key stakeholders</p>
 <p><b>Accessibility</b> Ensuring our audit outputs are clear, concise and meet the needs of a wide range of audiences</p>	 <p><b>Leadership</b> Setting a clear strategic direction for the organisation and successfully engaging and motivating staff</p>	 <p><b>Technology</b> Ensuring our IT systems, including for handling audit-related data, remain secure, reliable and fit-for-purpose</p>
	 <p><b>Quality &amp; timeliness</b> Delivering high-quality work by the required deadlines and to timelines that maximise its impact</p>	

More detailed information on our risk management framework can be found in the Corporate Governance Report section of our latest [Annual Report and Accounts](#).

## 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](#) 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 resources available, and which may become available, to the Wales Audit Office in 2024-25 are laid out in our most recent [Estimate of Income and Expenses](#) and [Supporting Information](#). The Estimate sets out how those resources are to be used in undertaking the Auditor General's and Wales Audit Office's work programmes. It was considered and approved by the Senedd Finance Committee in November 2023.

£22.0 million of our planned expenditure for 2024-25 relates to staffing resources to be made available to the Auditor General to carry out his work programme. 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. A further £4.6 million provides a range of other services, including accommodation, travel, ICT, management of our trainee and apprenticeship schemes, 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.



Audit Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

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

Document is Restricted

Adrian Crompton

Auditor General for Wales

3 July 2024

Dear Adrian,

### Consultation on reviewing the Public Audit (Wales) Act 2013

I am writing in response to your letter on 11 June, which outlines some of the issues that have previously been raised by yourself and the Committee in relation to the Public Audit (Wales) Act 2013 (2013 Act), and those that have come to light following the recent disqualification of the former Chair of the Wales Audit Office (WAO).

You will be aware that the Finance Committee of the fifth Senedd wrote to the then Minister for Finance and Local Government setting out eight key proposals to revise the 2013 Act, including simplifying the current provisions relating to the appointment of non-executive members to the WAO Board. However, the Minister responded to the Committee on 6 April 2022 stating that:

*"I do not share your view that the case for the Bill is strong. The Government opposes the main proposals as a matter of principle and does not consider the remaining – generally minor – issues to be a priority. The Government is very clear, therefore, that it does not support the introduction of a Bill."*

Since then, and in light of recent events, I have written to the First Minister noting that the Committee would like to look again at the operation of the 2013 Act. In his response, the First Minister suggested that I meet with the Cabinet Secretary for Finance, Constitution and Cabinet Office (the Cabinet Secretary) to discuss the matter further. The First Minister indicated that the Cabinet Secretary was supportive of that conversation taking place but cautioned that the Welsh Government legislative resources were at their limit in delivering the Government's existing legislative programme.



In order to progress discussions on how changes to the 2013 can be achieved, I would be grateful if you could provide an update on the changes to the 2013 Act that you would like to be brought forward, and for those to be set out in order of priority ranging from what you deem to be essential to those that are desirable.

I agree with your assertion that addressing defects in the 2013 Act could "give Wales and the post-2026 Senedd a stronger, more coherent audit regime" and hope that we can continue to work together to press for action in this area.

I look forward to your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peredur Owen Griffiths', with a long horizontal flourish extending to the right.

Peredur Owen Griffiths MS, Chair of the Finance Committee

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

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

By email only:  
[SeneddFinance@senedd.wales](mailto:SeneddFinance@senedd.wales)

1 Cwr y Ddinas/ 1 Capital Quarter  
Cardiff / Caerdydd  
CF10 4BZ  
Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660  
[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

**Reference:** IR24004/AC455/caf

**Date issued:** 20 September 2024

Dear Peredur

## Improvement of audit legislation

Thank you again for your letter of 3 July 2024 in which you ask for an update on the changes that should be made to the Public Audit (Wales) Act 2013 Act.

You requested that those changes be set out in order of priority ranging from what we deem to be essential to those that are desirable. Annex A to this letter lists and explains what we see as the most pressing and needed changes to the 2013 Act. Annex C lists and explains other desirable changes to the Act.

Annex B addresses a different set of issues. These relate to wider aspects which, if implemented, would give Wales and the post-2026 Senedd a stronger and more coherent public audit regime.

Where possible we have provided estimates of potential financial savings. Many of the suggested changes, though, are important for constitutional reasons such as the independence of the Auditor General and their work, or the robustness of arrangements for the Senedd to hold the wider public sector to account or to fulfil its responsibilities in respect of control over the use of public funds.

The tables below summarise the proposed changes.

### **Essential changes to the 2013 Act**

#### *Change*

Removal of requirements on the Senedd to consult the First Minister on appointment matters.

Rationalisation of fee provisions.

Clarification of disqualification provisions.

#### *Benefits*

Improves independence of Audit Wales, which is conducive to good scrutiny and improving value for money.

Ongoing administrative savings of up to £50,000 a year and reduced risk of expensive legal challenge.

Reduced risk of expensive administrative and legal work, and reduced disincentive to potential candidates for office.

### **Desirable changes to other legislation**

#### *Change*

Making sustainable development examinations proportionate.

Streamlining community council audit arrangements.

“Proper arrangements” duty in central government audit.

Updating data matching powers

Explicit provision for regularity audit opinion for all central government bodies.

Revision of eligibility of Auditor General to audit the accounts of Further Education corporations.

Rationalisation of certification deadlines.

Explicit access rights for sustainable development examinations.

#### *Benefits*

Enabling a risk-based approach would be more cost-effective and economical: potential savings £100,000 a year.

Savings potentially of £55,000 a year and making audit regime less onerous.

Brings central government audit scrutiny up to standard applied to local government.

Reduces risk of lost financial savings caused by Wales not being able to participate fully in UK-wide data matching exercises.

Avoids confusion and reinforces importance of Senedd approval of use of funds.

Option of lower costs of audit while the public sector elements of the FE sector’s audit would be enhanced.

Conducive to good scrutiny and stewardship of public money.

Reduces risk of expense and delay from challenges to Auditor General access.

**Desirable changes to the 2013 Act**

*Change*

*Benefits*

Facilitating adherence to WAO statutory quorum rule by reducing number of staff board members.

Avoids disruption and delay of WAO business, reduces risk of expensive legal challenge and enables ongoing staff time and allowance saving of c. £12,000.

Removal of requirement for interim reports on exercise of functions

Saves time and effort in producing otherwise unnecessary reports: saving up to £20,000 a year.

Removal of cap on fees for agreement work.

Removes missed opportunity to defray cost of audit of Welsh public bodies.

Streamlining/clarification of WAO-related appointments processes.

Saves on confusion and additional legal and administrative expense: annual equivalent savings of some £5,000.

Rationalising Auditor General expense provisions.

Avoiding confusion and helping protect the independence of the Auditor General, which helps assure taxpayers that appropriate audit arrangements are in place in the Welsh public sector.

Streamlining duplicative annual reporting requirements.

Removes source of confusion; improved credibility of legislation.

We would of course be happy to discuss further.

Yours sincerely



**DR IAN REES**  
Chair, Wales Audit Office



**ADRIAN CROMPTON**  
Auditor General for Wales

## Essential changes to the 2013 Act

**Removal of requirements on the Senedd to consult the First Minister on appointment matters**—these requirements, which cover the remuneration of the Chair of the WAO and the Auditor General, and the appointment and termination of the Chair, undermine the independence of those positions as well as that of the Senedd itself. Scottish audit legislation is free of equivalent fettering provisions in relation to the Auditor General for Scotland and Audit Scotland.

Repealing these requirements (see paras 5(2), 7(2) and 12(2) of Sch 1 to the Act, as well as section 7(2)) should be a straightforward matter and would help protect the independence of Audit Wales and so assist in assuring taxpayers and other stakeholders that appropriate audit arrangements are in place in the Welsh public sector. Such arrangements are of course conducive to, among things, ensuring value for money.

**Rationalisation of fee provisions**—The rules in the 2013 Act for fees charged by the WAO are over-prescriptive and impossible in practice to meet fully (see section 23(5) of the Act).

The rules require that fees do not exceed the full cost of exercising “a function” at a particular body. Therefore, where the WAO charges fees, it sets hourly fee rates at a level so as to only recover costs incurred. It then sets fees based on estimated staff time for each auditor role required to complete the work. This is done each year for each audited body. While the WAO seeks to make realistic estimates, inevitably there are variances between estimates and actuals, which requires additional administrative effort and cost.

Apart from the time that has to be consumed by detailed time-recording, as fees to bodies are subject to the “no more than full cost” rule in respect of individual functions, and several functions are undertaken at each body (see Box 1 below), it is not uncommon for a body to be due a refund in respect of one or more functions, yet the overall cost of work at the body exceeds the aggregate fee. The exact overall outturn of cost often takes many months to emerge, as the work in respect of a particular year of account may extend well into the fourth quarter of the following year or even beyond.

### Box 1: The problem of relating fees to functions

The Auditor General undertakes several functions (powers or duties) at each audited body. To take a simple example, the Auditor General must audit the accounts of an NHS body, such as a local health board, under section 61(a) of the Public Audit (Wales) Act 2004, which in itself is one function. In addition, under s61(3)(a) of the 2004 Act, the Auditor General must in examining the accounts, “satisfy himself...that the expenditure to which the accounts relate has been incurred lawfully and in accordance with the authority which governs it”, i.e. provide a “regularity opinion”, which is another function. Furthermore, under s61(3)(b) of the 2004 Act, the Auditor General must in examining the accounts, “satisfy himself...that the body to which the accounts relate has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. This is the “vfm conclusion” and it is a further function. If the local health board requires a grant claim to be certified, the duty to certify is yet another function (undertaken under paragraph 20 of Schedule 8 to the Government of Wales Act 2006).

The “no more than full cost” rule set out in section 23 of the Public Audit (Wales) Act 2013 means that as an underspend in undertaking one function cannot be used to fund an overspend in undertaking another, there can be no cross-subsidy between functions.

The situation with local government bodies is more complex than in the NHS, as there are many more functions exercised at each body.

To a somewhat limited extent, these variations can be managed over time by “offsetting” (netting off refunds in respect of one function against additional fees due where cost exceeds estimate in respect of another function, or the same function in the next year). However, the 2013 Act does not provide for offsetting, and there is a risk that as soon as it is apparent that a body has been charged more than the full cost of the relevant function, the fee could be held to be unlawful. This contrasts, for example, with the offsetting permitted in the case of Audit Scotland where the “total sum received...taking one year with another” needs only be “broadly equivalent” to the expenditure in respect of the exercise of functions.

The additional administration required to demonstrate best efforts to meet the requirements imposes additional cost on the WAO—between £30,000 and £50,000 a

year<sup>1</sup>, which in turn falls on other Welsh public bodies and ultimately the taxpayer. The impossibility of full and unambiguous compliance also puts the WAO at risk of expensive legal challenge and perhaps calls into question the credibility of the legal framework the Senedd has put in place.

A further problem is that the “no more than full cost” rule acts as a disincentive to economy and efficiency at the team and individual level. For example, an audit team might identify a way of delivering an audit in fewer staff hours, perhaps by reducing the amount of direct testing by placing more reliance on their assessed strength of the body’s internal controls. However, the resulting reduction in work tends to create problems rather than benefits because, under the “no more than full cost” rule, the reduced cost of the audit must be refunded to the relevant audited body, but the option of laying auditors off to reflect the reduction in work is not practical, especially not in the short term. While it is sometimes possible to apply saved auditor time to other fee earning audit work, overall this is not the case, as the volume of fee-earning audits is essentially fixed. (And using agency staff is generally not cost-effective, as hourly fee rates are high and lack of continuity reduces professional effectiveness.) Even if laying off auditors were practical, this would not provide motivation for efficiency.

These problems could be addressed by revising the rules in the Act so that the constraint to full cost is in respect of the audited body rather than each of the particular functions undertaken at the audited body, and by providing tolerance in terms of taking one year with another, rather in terms of each single year. Such changes would bring the 2013 Act provisions in line with Scots and UK equivalents and **save up to £50,000 a year**.

**Clarification of disqualification provisions**—the 2013 Act includes various provisions that disqualify the Auditor General, WAO members and staff of the WAO from office. Some of these provisions are not clear, especially in relation to references to “the Crown” (see para 26(3) of Sch 1 to the Act). They also do not align with relevant professional requirements (FRC Ethical Standard) for avoiding conflicts of interest. The lack of clarity has caused practical problems, including the recent loss of a WAO Chair and the expense of additional administrative and legal work to address the situation. It may also present a disincentive to candidates for office both

---

<sup>1</sup> Estimate in letter to Chair of Finance Committee of 21 June 2018 gave a range of £27,700 to £47,700 for the cost of the no more than full cost rule

within Audit Wales and outside and raises questions about the rationale underpinning the Senedd's legislation.

These problems could be reduced by revising the disqualification provisions in the Act so as to better align them with professional standards. Even just amendment to clarify the meaning of "the Crown" in the relevant places would be helpful.

## Desirable changes to other legislation

**Making sustainable development examination requirements more proportionate**—as set out in the Auditor General’s letter of 3 November 2023 to the Chair of the Senedd Reform Bill Committee, we consider the 2015 Act has successfully embedded the concept and practice of regular external examination of adherence to the sustainable development principle in the setting and pursuit of well-being objectives. It does now however seem to be appropriate to refine the model so that such examination and reporting can be risk-based and more proportionate. This is especially the case now that:

- (a) reversion to a four-year Senedd electoral cycle will result in a 25% increase in the frequency of sustainable development examinations and reporting, and is likely to lead to a similar increase in cost—we estimate an increase of some £435,000 overall in each cycle based on 48 bodies; and
- (b) on 30 June 2024, eight additional bodies were designated such that they are subject to sustainable development examinations, bringing the total to 56 and adding an estimated further £58,000 to the total cost of examinations in each electoral cycle, which is expected to be some £1.8 million.

It would be appropriate to refine the model so that the Auditor General’s function of undertaking sustainable development examinations is cast solely in terms of a power rather than the current power-duty hybrid. Such refinement would enable the Auditor General to focus examination efforts on areas of significant risk, enabling a proportionate, more cost-effective and more economical approach overall. The risk assessment would encompass all aspects of the sustainable development principle, including, for example, prevention. We estimate that the potential savings over the course of an electoral cycle could be of the order of several hundred thousand pounds. There are too many unknowns to give a precise figure, but something of **the order of £100,000** a year would not seem unrealistic.

Such refinement would also help to restore and protect the overall degree of discretion that the Auditor General has in the design of his work programme, which, among other things, is beneficial in terms of ensuring appropriate audit arrangements.

**Streamlining community council audit requirements**—the statutory requirements for the audit of the 752 town and community councils in Wales as set out in Part 2 of the Public Audit (Wales) Act 2004 and the Accounts & Audit (Wales) Regulations 2014 are essentially much the same as those for major councils such as the City of Cardiff. This is despite major councils on average each spending over £400,000,000 each year, while on average community councils each spend less than one ten

thousandth of that amount. While Audit Wales takes as light an approach as can be adopted within the confines of the law and taking account of risk to public money, the overall regime is often criticised by community councils for being onerous and expensive. Dealing with increasing numbers of complaints from community councils about the extent of audit fees is itself becoming a time-consuming and costly activity. The cost of auditing all community councils is about £220,000 a year, so reducing this by 25% would yield **annual savings of some £55,000.**

We do not have a ready easy answer to this problem, but with the Committee's and other stakeholders' support, including that of the Welsh Government, we would be willing to invest in developing solutions. Options might include adopting elements of the provisions of the Local Audit and Accountability Act 2014, which allow smaller authorities with turnover below £25,000, while still being required to complete and publish annual returns (simple accounts), to no longer always be required to submit them for audit each year. We would suggest that such an exemption is made subject to the Auditor General not having reasonable cause (such as being aware of credible concerns on the part of electors) to consider that accounting arrangements and general financial management are significantly compromised.

**Introduction of a “proper arrangements” duty in central government**—the lack of a requirement for the Auditor General to satisfy himself as to arrangements for securing value for money in central government bodies (the Welsh Government and sponsored and related bodies) is in sharp contrast to local government bodies and health bodies. This means that the work to support scrutiny of central government bodies is not supported by statute to be as thorough as that done in the NHS and local government. The importance of this duty has been underlined by the parlous state of local government in England, where private sector provision led to little work being done in many authorities in respect of the duty between 2010 and 2020.

A further practical problem is that the absence of the proper arrangements duty means that more additional work has to be done in central government than in local government and the NHS in order to undertake the sustainable development principle examinations required by section 15 of the Well-being of Future Generations (Wales) Act 2015.

The absence of the proper arrangements duty for central government would be remedied by the insertion of such provision in relevant legislation, such as section 131(7) of the Government of Wales Act 2006. These would, however, be small amendments rather than extensive changes. The additional cost of complying with the duty would not be extensive because much of the necessary work is already undertaken to meet the requirements of other functions, such as sustainable development principal examinations.

**Updating data matching powers**—the Auditor General's data matching powers are now lagging behind those of counterparts in other parts of the UK. The exercises are generally done in collaboration with other UK audit agencies and the Cabinet Office, as the “National Fraud Initiative” (NFI). To date, the NFI has prevented and detected fraud and error of over £2.37 billion across the UK, with some £49.4 million being prevented and detected in Wales.

Under section 64A of the Public Audit (Wales) Act 2004, the Auditor General currently has a power to undertake data matching for the “purpose of assisting in the prevention and detection of fraud in or with respect to Wales”. Counterparts in other parts of the UK have more extensive powers. For example, the Auditor General for Scotland, may also undertake data matching for the purposes of assisting in the prevention and detection of crime other than fraud, and for assisting in the apprehension and prosecution of offenders.

The audit agencies and the Cabinet Office are continually developing the NFI so as to provide further support to public bodies. There is, however, a significant risk that if Welsh data matching legislation does not keep pace with that in other UK jurisdictions, then (a) it may not be possible to run complete UK-wide data matching exercises in Wales, and (b) the potential financial benefits of data matching to identify errors and inaccuracies and assist debt recovery will not be available to Wales.

**Insertion of explicit provision in statute for regularity opinions among central government bodies where this is missing**—an absence of explicit provision for a regularity opinion means that a fundamental element of Senedd control of central government expenditure is missing from statute, which sometimes causes confusion among audited bodies. The Committee will be well aware that one of the key functions of the Senedd is the approval, following scrutiny, of budget motions so as to authorise government's use of resources. In order to complete the cycle of control, it is necessary that the Senedd receives reports on whether the resources it has voted have been used in accordance with its intentions. The bodies affected by the omission of relevant provisions include the National Library for Wales, the National Museums & Galleries for Wales and Natural Resources Wales.

The solution to the omission of regularity opinions would be amendments similar to those mentioned above in respect of the lack of provision for a proper arrangements duty.

**Revision of eligibility of the Auditor General to audit the accounts of Further Education corporations** - one of the changes brought about by the 2013 Act was a change in the eligibility of persons to provide the audit of Further Education corporations. Until the 2013 Act came into force, the Auditor General could arrange with individual Further Education corporations for his staff to be appointed to audit such corporations. Such appointments were subject to the pre-existing eligibility

requirement in the Education Reform Act 1998 for such auditors to be Companies Act auditors or members of the Chartered Institute of Public Finance & Accountancy. The 2013 Act transferred staff from employment by the Auditor General to employment by the WAO, but the Act did not transfer the ability for the Auditor General to arrange for staff of the WAO to be appointed. It only allowed the Auditor General to be appointed, and as the incumbent is not a Companies Act auditor or member of the Chartered Institute of Public Finance & Accountancy, he is not eligible. The 2013 Act therefore caused all audits to be transferred from public sector auditors to private sector auditors.

In recent years, Further Education corporations have expressed interest in returning to public sector audit by the Auditor General/staff of the WAO, particularly as private sector auditors now charge proportionately higher audit fees and in some cases have been less willing to undertake the audits. Unfortunately, with the legislation as it stands, the option of public sector provision of Further Education corporation audit is not possible.

This problem could be addressed by specifying in the eligibility requirements in s124B(6) of the Education Reform Act 1998 that the Auditor General is eligible for appointment. Alternatively, it could be addressed by amending legislation (including in particular section 145B(5) of the Government of Wales Act 1998) so that the Auditor General is made the auditor of Welsh FE colleges. (This would also require repeal of s124B(6) of the Education Reform act 1988 in respect of Welsh Further Education corporations.)

The chief benefits of such changes would be that Further Education sector and the taxpayer would have the option of lower costs of audit while the public sector elements of the sector's audit, such as more direct public sector scrutiny and potential integration of the audits with sustainable development examinations, would be enhanced.

**Rationalisation of certification deadlines**—various legislation, including the Government of Wales Act 2006, requires the Auditor General to lay copies of audited bodies' certified accounts and reports no later than four months after the body has submitted their accounts for audit. While this four-month deadline is reasonable in many cases, it can be unrealistic where there are significant problems at audited bodies, for example, in terms of failures to follow the requirements of Welsh Public Money. Such a constraint on thorough audit work is not conducive to proper scrutiny and stewardship of public money.

This problem would be resolved by amending the relevant provisions so as to allow the Auditor General to lay copies of certified accounts and reports after the four-

month deadline, while requiring him to explain to the Senedd why the deadline cannot be met and requiring him to lay them as soon as reasonably practicable.

**Introduction of explicit access rights for sustainable development examinations**—the Well-being of Future Generations (Wales) Act 2015 does not currently include explicit Auditor General access rights to information for the purposes of sustainable development examinations. To date, this omission has not been a significant problem, as it seems that public authorities accept that such access rights are implicit. However, with the inclusion of more and more bodies with the scope of the 2015 Act’s definition of “public bodies”, which makes them subject to sustainable development examinations, the risk of challenge to access rises. It would be prudent to prevent the expense and delay from such challenge by inserting explicit access rights into the 2015 Act at the same time as other updating of that legislation.

## Desirable changes to the 2013 Act

**Facilitating quorum**—the 2013 Act places a statutory rule on the WAO and its committees such that meetings are only quorate if a majority of members of the board or committee present are non-executive members of the WAO (para 28 of Sch 1 to the Act). As the statutorily required composition of the WAO is 5 non-executive members out of a total membership of 9, this rule makes the WAO prone to being inquorate—it only takes one non-executive to fall ill or suffer transport delays. We have managed this problem to some extent by taking the expedient of asking employee members to recuse themselves when a majority of non-executive members has not been present, but this is not ideal and on occasions significant governance business has been disrupted or delayed. Failure to meet quorum puts the WAO again at risk of expensive legal challenge.

To reduce this problem, we have previously proposed abolition of the statutory quorum rule, while the Committee has proposed amendment of the rule to allow executive members to remain at a meeting in a non-voting capacity.

On further consideration, however, and with further experience, we consider that perhaps the best solution may be to reduce the number of “non-non-executive WAO members” by abolishing the requirement for an appointed employee member (para 15 of Sch 1 to the Act). We consider that sufficient relevant executive input to decision-making can be obtained from the attendance of relevant individuals who need not be members of the board. Reducing the number of staff members would reduce the risk of failing to meet quorum while also having the benefit of a modest ongoing cost saving (allowances and lost chargeable work time of the appointed employee member). It would still leave the Board with two employee members, directly elected by their colleagues in Audit Wales, ensuring a powerful staff voice within the Board.

**Removal of requirement for interim reports**—the 2013 Act requires the Auditor General and the Chair of the WAO to jointly prepare interim reports on the exercise of functions. There are no such requirements placed on any other public body, and we gather that the Committee itself regards such additional reporting to be of limited utility. Producing the interim reports imposes an additional unnecessary expense on the WAO, which, while relatively small, is borne by other public bodies and ultimately the taxpayer.

This problem could be readily remedied by amending the 2013 Act so as to remove the standing requirement for interim reports. This would lead to a saving of up to **£20,000 a year**<sup>2</sup>.

**Removal of constraint on fees for agreement work**—the rules in the 2013 Act prevent the WAO from charging more than the full cost of work done by agreement with other public bodies. This prevents the WAO generating a surplus on, for example, work undertaken for UK bodies and so provides no incentive for us to pursue opportunities that we know exist. This is therefore a missed opportunity to defray the cost of audit of Welsh public bodies.

This drawback could be readily remedied by revising the rules so that the constraint to full cost does not apply to agreement work. Provision requiring the surrender of any surplus to the Welsh Consolidated Fund or allowing only application to purposes approved by the Senedd would provide a safeguard against inappropriate use of surpluses equivalent to that applying to the National Audit Office (see para 8 of Sch 3 to the Budget Responsibility and National Audit Act 2011).

**Streamlining WAO-related appointments processes**—as set out in the Finance Committee of the Fifth Senedd’s report [Consideration of the consultation on the Public Audit \(Amendment\) \(Wales\) Bill](#) there are problems in the 2013 Act in terms of:

- unclear provisions for the re-appointment of non-executive members and the Chair of the WAO;
- lack of clarity in the requirement on the Senedd to consult with “an appropriate person with oversight for public appointments” and in the requirement to publish a list of restricted offices etc, which a former Auditor General would need to consult the Senedd on before accepting; and
- significant contractual complications that arise in relation to the appointment of the WAO’s auditors because the appointing authority (the Senedd) and the client (the WAO) are different bodies.

These problems cause ongoing confusion and additional expense. For example, in relation to the 2018 appointment of the WAO’s auditors, Senedd legal services were required and incurred a cost for specialist external legal advice valued at £19,500<sup>3</sup>.

---

<sup>2</sup> Estimate in letter to Chair of Finance Committee of 21 June 2018 gave estimate of cost of interim reports of £20,000 a year.

<sup>3</sup> Letter from Legal Services to Chair of Finance Committee of 27 June 2018

These problems could be addressed by straightforward amendments of the relevant provisions, such as:

- amendment to allow the appointment of a serving non-executive member to be extended for a second term of up to four years, subject to acceptable performance; and
- amendment to allow the WAO to appoint its external auditors, subject to the Senedd's approval of the appointment.

We estimate that this would yield annual equivalent savings of some **£5,000** and reduce administrative work for the Senedd as well as Audit Wales.

**Rationalisation of Auditor General expense provisions**—two separate provisions of the 2013 Act (section 7 and para 13 of Sch 1) provide for different arrangements for remuneration of the Auditor General. Payments in respect of the office of Auditor General are required to direct charges on the Welsh Consolidated Fund, while those in respect of his or her capacity as a member and Chief Executive of the WAO are to be paid by the WAO from resources authorised by Senedd Budget Motion. It is, however, not practical to separate expenses incurred in respect of these roles, so the WAO pays all the Auditor General's claimed expenses. This avoids any suggestion of abuse of a provision for direct charges, which would clearly be unlawful.

We understand the underlying rationale for paying the Auditor General's expenses as a direct charge on the Welsh Consolidated Fund is to provide a safeguard for the Auditor General's independence. However, that aim is undermined by the impracticality of the provisions of the Act, which cause confusion.

Rationalising the provisions so that all the expenses of the Auditor General, including in respect of the integral role of member of the WAO and Chief Executive, are charged on the Welsh Consolidated Fund would both avoid confusion and help protect the independence of the Auditor General. Again, this would assist in assuring taxpayers and other stakeholders that independent audit arrangements are in place in the Welsh public sector.

**Streamlining of duplicate annual reporting requirements**—the 2013 Act effectively makes a duplicative requirement in terms of the organisation's annual reporting obligations (see para 3 of Sch 2 to the Act and para 33 of Sch 1 of the Act—the latter must be read in conjunction with HM Treasury's Financial Reporting Manual). In practice, we prepare one annual report each year that meets both requirements, which is laid twice before the Senedd. While this is a somewhat arcane matter, the necessity of duplicated laying perhaps does not reflect well on the credibility of the Senedd's law-making, and it is a source of confusion from time to time that consumes resources unnecessarily.

This problem could be readily remedied by simplifying the 2013 Act so as to enable the Auditor General and the Chair of the WAO to provide the WAO's external auditor with the annual report and subsequently require the external auditor to lay that report as part of the laying of the annual accounts.

(This problem also arises in relation to some other Welsh public bodies, such as Qualifications Wales, and could be addressed by similar changes in the relevant legislation.)

# Agenda Item 9

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

Document is Restricted

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad  
a Swyddfa'r Cabinet

Cabinet Secretary for Finance, Constitution & Cabinet Office



Llywodraeth Cymru  
Welsh Government

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

[SeneddFinance@senedd.wales](mailto:SeneddFinance@senedd.wales)

1 August 2024

Thank you for your letter dated 4<sup>th</sup> July regarding additional proposed changes to the Budget Process Protocol and related budget procedures. These latest proposals relate to issues affecting Directly Funded Bodies.

Rather than responding to these additional proposals separately, I believe it would be appropriate to add them to the set of issues our officials continue to engage on. Subject to those discussions at official level, I am sure there are areas in relation to Directly Funded bodies on which we could agree.

I note from your proposed timetable that the Committee intends to agree a report and put it before the Senedd early in 2025. I would expect that the motion seeking approval of a new version of the Budget Process Protocol would contain only those revisions on which we have been able to agree. In this way, the report could expect to receive support from all Parties in plenary.

In the Chancellor's statement to Parliament on 29<sup>th</sup> July, she referred to the Budget Responsibility Bill to strengthen the fiscal and spending frameworks. She committed to one major fiscal event a year and a timetable for spending reviews. We will reflect on the implications of this for our own budgetary timetable and consider it in light of our ongoing discussions on the Budget Protocol.

I look forward to hearing about the positive outcome of our officials' discussions on this and other proposals for changes to the Protocol.

Yours sincerely,

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

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

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

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

Rebecca Evans.

**Rebecca Evans AS/MS**  
**Cabinet Secretary for Finance, Constitution and Cabinet Office**  
**Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet**