

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Committee Room 5 – Tŷ Hywel	Bethan Davies
Meeting date: 5 July 2018	Committee Clerk
Meeting time: 09.00	0300 200 6372
	SeneddFinance@assembly.wales

The Committee resolved on the 27 June 2018 to exclude the public from the start of the meeting

- 1 Welsh Government First Supplementary Budget 2018–19:
Consideration of draft report**
(09.00–09.15) (Pages 1 – 21)
Paper 1 – Draft report
- 2 Introductions, apologies, substitutions and declarations of
interest**
(09.15)
- 3 Paper(s) to note**
(09.15) (Pages 22 – 24)
- 4 Wales Audit Office and the Auditor General for Wales's Annual
Report and Accounts 2017–18 and Annual Plan for 2018–19:
Evidence session**
(09.15–10.15) (Pages 25 – 247)
Huw Vaughan Thomas, Auditor General for Wales
Alison Gerrard, Board Member, Wales Audit Office
Steve O'Donoghue, Director of Finance, Wales Audit Office
Matthew Hockridge, Head of Planning and Reporting, Wales Audit Office



Paper 2 – The Wales Audit Office and Auditor General for Wales's Annual Report and Accounts 2017–18

Paper 3 – Wales Audit Office – Final Audit Findings Report – Year Ended 31 March 2018

Paper 4 – Making public money count: Auditor General for Wales and Wales Audit Office Annual Plan for 2018–19

5 Consideration of proposals to amend the Public Audit (Wales) Act 2013: Evidence session

(10.15–10.45)

(Pages 248 – 274)

Huw Vaughan Thomas, Auditor General for Wales

Alison Gerrard, Board Member, Wales Audit Office

Steve O'Donoghue, Director of Finance, Wales Audit Office

Martin Peters, Head of Law and Ethics, Wales Audit Office

Paper 5 – Letter from the Wales Audit Office to the Chair – The Public Audit (Wales) Act 2013 – 21 June 2018

Paper 6 – Proposals for a bill to amend the Public Audit (Wales) Act 2013

Paper 7 – Draft Public Audit (Amendment) (Wales) Bill

6 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

(10.45)

7 Wales Audit Office and the Auditor General for Wales's Annual Report and Accounts 2017–18 and Annual Plan for 2018–19: Consideration of evidence

(10.45–10.55)

8 Consideration of proposals to amend the Public Audit (Wales) Act 2013: Consideration of evidence

(10.55–11.00)

- 9 Consideration of the appointment of the Auditor General for Wales**
(11.00–11.10) (Pages 275 – 289)
Paper 8 – Appointment of the Auditor General for Wales
- 10 Approach to scrutiny of the Welsh Government's Draft Budget 2019–20**
(11.10–11.20) (Pages 290 – 297)
Paper 9 – Approach to scrutiny of the Welsh Government's Draft Budget 2019–20
- 11 Consideration of a legislative budget process**
(11.20–11.50) (Pages 298 – 323)
Paper 10 – Legislative budget process
- 12 Childcare Funding (Wales) Bill: Consideration of draft report**
(11.50–12.05) (Pages 324 – 336)
Paper 11 – Draft report

Document is Restricted

Agenda Item 3

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 2 – The Senedd

Meeting date: Wednesday, 27 June 2018

Meeting time: 09.02 – 12.07

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4841>

Attendance

Category	Names
Assembly Members:	Simon Thomas AM (Chair) Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM
Witnesses:	Mark Drakeford AM, Cabinet Secretary for Finance Matthew Denham-Jones, Welsh Government Sharon Bounds, Welsh Government Lesley Griffiths AM, Cabinet Secretary for Energy, Planning and Rural Affairs Tim Render, Welsh Government Peter Ryland, WEFO Tony Clark, Welsh Government
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Deputy Clerk)



	Martin Jennings (Researcher)
	Gareth David Thomas (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting.

1.2 Apologies were received from Steffan Lewis AM and David Rees AM.

2 Paper(s) to note

2.1 The paper was noted.

3 Welsh Government First Supplementary Budget 2018–19: Evidence session

3.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance; Matthew Denham-Jones, Deputy Director, Financial Controls; and Sharon Bounds, Head of Budgetary Control on the Welsh Government's First Supplementary Budget 2018–19.

4 Motion under Standing Order 17.42 to resolve to exclude the public from items 5, 8 and the start of the meeting on 5 July 2018

4.1 The motion was agreed.

5 Welsh Government First Supplementary Budget 2018–19: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Inquiry into preparations for replacing EU funding for Wales: Evidence session 7 (Cabinet Secretary for Energy, Planning and Rural Affairs)

6.1 The Committee took evidence from Lesley Griffiths AM, Cabinet Secretary for Energy, Planning and Rural Affairs; Tim Render, Director, Environment and Rural Affairs; and Tony Clark, Head of Finance, Natural Resources and Food on its inquiry into the preparations for replacing EU funding for Wales.

7 Inquiry into preparations for replacing EU funding for Wales: Evidence session 8 (Cabinet Secretary for Finance)

7.1 The Committee took evidence from Mark Drakeford AM, Cabinet Secretary for Finance; and Peter Ryland, Chief Operating Officer, Welsh European Funding Office on its inquiry into preparations for replacing EU funding for Wales.

8 Inquiry into preparations for replacing EU funding for Wales: Consideration of evidence

8.1 The Committee considered the evidence received.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

ANNUAL REPORT AND ACCOUNTS

2017-18



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

The Annual Report for the year ended 31 March 2018 has been jointly prepared, and is laid before the National Assembly for Wales, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and containing matters as directed by the Treasury.

The Annual Report demonstrates that, during 2017-18:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the [Annual Plan](#) prepared for the year under section 25 of the Public Audit (Wales) Act 2013, with no significant changes made to planned work; and
- the priorities set out in the Plan for 2017-18 have been substantively achieved.

The Accounts for the year ended 31 March 2018 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 the Treasury.

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. We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

WALES AUDIT OFFICE
24 CATHEDRAL ROAD
CARDIFF
CF11 9LJ

Telephone 02920 320 500

Email info@audit.wales

This document is also available in Welsh.

SNAPSHOT OF THE YEAR

APRIL

Concluded that there were significant shortcomings in how the Welsh Government managed the risks to taxpayers' money associated with the Circuit of Wales project.

Produced a leaflet for NHS audit committee members aimed at supporting the scrutiny and challenge of the use of single tender actions.



MAY

Reported that continuing improvements are evident in the quality and timeliness of the accounts of central government bodies, but there is scope for some bodies to improve on their annual reporting.

Recommended that the Welsh Government and Councils develop an up-to-date and reliable picture of the condition and suitability of the education estate.



JUNE

Invited views on proposals for simplification of the fee regime under which the Wales Audit Office operates.

Established that medium-term financial planning in Welsh councils is generally effective, but there are shortcomings in some councils' plans for achieving the further savings they need to make.



JULY

Established that the way in which Cardiff and Vale University Health Board had procured and managed certain HR consultancy contracts fell well short of the standard that the public has a right to expect.

Recommended that the Welsh Government swiftly completes the review of its funding formula for health boards, to ensure that variations in funding levels properly reflect differences in population health needs.



AUGUST

Highlighted that progress has been slow in addressing some key weaknesses in the Supporting People Programme, which helps vulnerable people in Wales to live as independently as possible.

Issued annual reports outlining that each of the Welsh National Park Authorities was likely to comply with its duty to secure continuous improvement in 2017-18.



SEPTEMBER

Hosted a seminar focused on the importance of engaging with service users and sharing examples of how public bodies across Wales have done so using a range of different and innovative methods.

Published a report on the progress we had made in 2016-17 towards delivering our equality objectives, which included information on our workforce diversity and structural pay gaps.



OCTOBER

Highlighted some innovative ways through which councils have approached the governance of service change and which there may be merit in other organisations exploring.

Ran a new staff survey to gain a better understanding of the employee experience at the Wales Audit Office, using the same core questionnaire as the 2017 Civil Service People Survey.



DECEMBER

Updated our assessment for the Finance Committee on the effectiveness of preparations for fiscal devolution in Wales, highlighting the remaining key risks and challenges, particularly those associated with digital tax collection.

Produced a checklist aimed at supporting NHS board members to seek assurance on how local district nursing resources are being managed.



NOVEMBER

Reported that public bodies are not using National Procurement Service frameworks as much as anticipated, and that many of its members were dissatisfied with the service.

Facilitated a webinar aimed at raising awareness of the impact adverse childhood experiences can have on demand for public services, and discussing how integrated delivery can help prevent such experiences.

JANUARY

Outlined that a significant proportion of town and community councils in Wales continue to receive avoidable qualified audit opinions, and there remains scope to develop and improve their governance and management of public money.

Concluded that local authorities are reacting to the problems caused by homelessness with varying degrees of success, but there is limited focus on preventing the fundamental causes of homelessness.



FEBRUARY

Invited views and comments on a revised draft of the Auditor General's Code of Audit Practice, which prescribes how we carry out our work and embodies best professional practice.

Reported that relatively high user satisfaction with housing adaptations masks a hugely complicated, reactive and inequitable system that is not delivering for all those who may need it.



MARCH

Delivered a seminar where we shared examples of how public services are collaborating to deliver a hospital discharge service which provides better outcomes for individuals.

National Assembly for Wales approved the nomination of Adrian Crompton as the new Auditor General for Wales, who will take up post in July 2018.



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PERFORMANCE REPORT

A REVIEW OF THE WORK OF THE AUDITOR GENERAL AND WALES AUDIT OFFICE IN 2017-18, INCLUDING AN ANALYSIS OF OUR DELIVERY AND PERFORMANCE, AND OUR POSITION AT THE END OF THE YEAR



Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

7 June 2018

OVERVIEW

Statement from the Auditor General



2017-18 was a very productive year for us in terms of audit delivery. Thanks to the professionalism, dedication and hard work of Wales Audit Office staff and contractors, we successfully delivered the broad programme of audit work laid out in our Annual Plan to a high quality standard.

A selection of case studies has been included in this Report to give more insight on some of the projects that we have been involved with, and the significant contribution that our work makes in terms of holding public bodies to account and helping improve the delivery of public services in Wales.

In addition, we have made substantial progress on our longer-term priorities for transforming the way we deliver our audit programme. This has included developing and piloting our approach for undertaking examinations under the Well-being of Future Generations (Wales) Act 2015, focusing more on work that examines regional and other partnership working arrangements, and strengthening engagement with our work among Assembly committees.

During 2017-18, I also announced my retirement. It has been a great privilege since 2010 to serve as the Auditor General for Wales, and to have the opportunity to oversee the establishment and rapid development of the newly-reconstituted Wales Audit Office.

I would like to thank my many talented and professional colleagues, and our many supportive stakeholders, without whom none of our achievements would have been possible. I would also like to thank Isobel Garner and the members of the Wales Audit Office Board for their advice and support over the last five years.

I wish Adrian Crompton well in his role as the next Auditor General. I am sure that, under his leadership and with the continuing support of the Board, the Wales Audit Office will continue to go from strength to strength.

Huw Vaughan Thomas
Auditor General for Wales

Statement from the Chair



2017-18 at the Wales Audit Office was a year very much focused on reflecting on our changing operating environment and positioning ourselves to ensure we remain fit-for-the-future. Alongside the development of an overall vision statement for the organisation, the Board oversaw a number of key corporate initiatives.

In October, we ran a new staff survey to gain a better understanding of the employee experience. The results of the survey were really encouraging; for the majority of survey questions and themes, responses from our staff were more typical of (and in some cases significantly better than) a Civil Service People Survey 'high performing'

organisation.

Where the survey results did suggest there is room for improvement, we will be taking these matters forward in 2018-19 through the delivery of our new People Strategy. A lot of work has gone into the development of the Strategy over the last year, which is centred on embedding a framework of values and behaviours that define our organisational culture.

In addition, following two separate public consultation exercises, we published a revised suite of equality objectives for the next four years, and a case for simplifying the fee regime within which we operate.

This has also been a year of change for the Board itself. We said goodbye to Peter Price and David Corner, who served as non-executive members. My thanks go to them both for their significant and distinctive contributions. We then welcomed their successors, Alison Gerrard and Bill Richardson, who each bring a wealth of knowledge and experience to the fold.

And, of course, in light of his imminent departure, on behalf of us all at the Wales Audit Office I would like to say a big thank you to Huw. Over the last eight years, he has brought authority, commitment and dedicated leadership, significantly strengthening the post of Auditor General and helping establish the Wales Audit Office as a respected and influential organisation. We wish him well for the future.

Despite the change agenda, it was still another strong year in terms of organisational performance. Strategic risks were well managed and we achieved many of the challenging targets we had set for our key performance indicators. 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.

Isobel Garner

Chair, on behalf of the Wales Audit Office Board

Who we are and what we do

The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector.

The Auditor General is responsible for the audit of the majority of public money spent in Wales, including the funds that are voted on annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.

The Wales Audit Office employs professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions. The Wales Audit Office employed around 270 staff as of 31 March 2018.

The Auditor General uses the resources provided by the Wales Audit Office to independently examine whether public money in Wales is being managed wisely and is properly accounted for.

PUBLIC SECTOR AUDIT INVOLVES:

- ▶ PROVIDING AN OPINION ON THE ACCOUNTS
- ▶ CONSIDERING WHETHER PUBLIC MONEY IS BEING USED FOR APPROVED PURPOSES (REGULARITY)
- ▶ CONSIDERING HOW PUBLIC BUSINESS IS BEING CONDUCTED (PROPRIETY)
- ▶ EXAMINING WHETHER PROPER ARRANGEMENTS ARE IN PLACE TO SECURE VALUE FOR MONEY

The Auditor General's functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.

We identify good practice from across the full breadth of the Auditor General's audit work and disseminate this through our [Good Practice Exchange](#) and other media, including shared learning seminars and webinars.

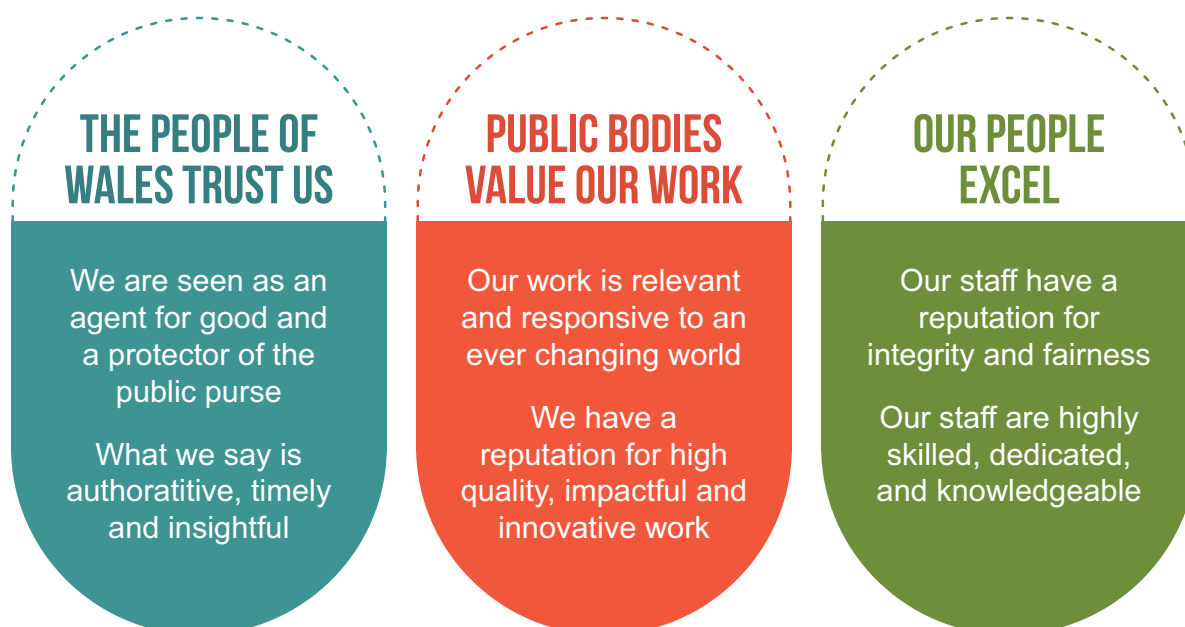
We also work closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work.

We undertake our work in accordance with the Auditor General's [Code of Audit Practice](#). The Code prescribes the way in which the Auditor General's audit and certain other functions are to be carried out, and embodies what appears to the Auditor General to be best professional practice.

Each year we publish an [Annual Plan](#) that provides more information on:

- a how we follow the public pound in Wales;
- b our vision and values;
- c our aim and objectives;
- d our operating environment;
- e our three-year strategic priorities;
- f our planned programmes of work for the next 12 months; and
- g how we measure and report on our performance.

Our vision



Key issues and risks that we face

As outlined in greater detail in our current Annual Plan, we consider the following factors to be those that will have the greatest influence over the way we deliver our work and achieve our aim and objectives over the next three years:

- a We remain in a period of financial constraint
- b Governance arrangements are now required to have a wider scope
- c The political and policy landscape continues to evolve
- d We live in an increasingly networked society

In response to our operating environment, our Plan for delivering our programmes of work during 2018-19 and for the three-year period 2018-2021 is underpinned by ten strategic priorities.

An account of our risk management in 2017-18, alongside a description of the principal risks and uncertainties we face, is provided in the Governance Statement.

Our strategic priorities

	Integrate the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 into the delivery of our audit work programmes.
	Examine the integrated delivery of public services in Wales from the perspective of people who use the services.
	Strengthen engagement with our work among Assembly committees and identify ways to further enhance our work on supporting effective scrutiny and accountability.
	Enhance the collective impact of external audit, inspection and review in Wales by making better shared use of intelligence and resources.
	Engage with other audit agencies in the UK and internationally, to share and inform best practice and intelligence.
	Enhance the readability and accessibility of our audit products to maximise their reach and impact.
	Utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings.
	Adopt new ways of working to provide an efficient and fit-for-the-future audit service as our operating environment changes.
	Deliver a people strategy that responds to the results of our staff survey, helps us to achieve our equality objectives and enables our staff to excel in their work.
	Improve our management of knowledge and data, including through effectively responding to the introduction of the General Data Protection Regulation.

Performance indicators

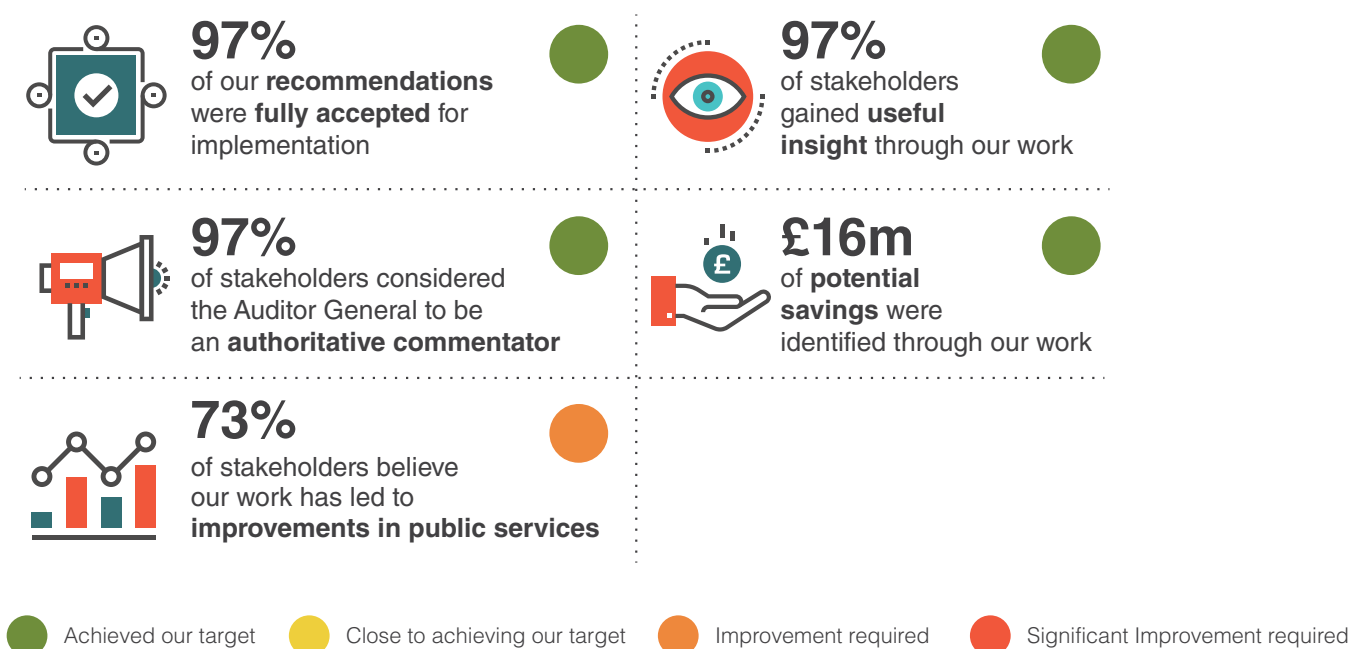
A framework of key performance indicators, centred on seven themes and questions about our activities, was included in our [Annual Plan for 2017-18](#). We also developed a suite of targets, with reference to levels of performance at the end of 2016-17 and appropriate benchmarks.

Over the course of 2017-18, we used a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This included quarterly reporting to our Management Committee and Board on progress made in achieving our priorities and targets. Our suite of targets was also subject to further scrutiny and refinement during the year to ensure they remained suitably challenging but achievable within the specified timescales.

Overall, in 2017-18 we achieved our targets for 22 of the 35 performance indicators, and were close to achieving our targets for another 6 indicators. Our performance against the remaining 7 indicators will be a particular focus for improvement work in 2018-19. In addition, for 2018-19 we have reviewed and revised our framework of key performance indicators to align more clearly with our overall objectives.

Impact

To what extent is our work informing the people of Wales, helping public bodies in Wales to succeed, and valued by our stakeholders?



Delivery

Are we delivering our audits on time and to the required quality and professional standards?



99%
of requests to draw funds from the WCF were **processed within 24 hours**



88%
of key audit products were **delivered on time**



100%
of audits were delivered in accordance with **quality standards**



20
good practice products were **delivered**



19
National reports were published



Leadership

Are our governance and leadership arrangements operating effectively?



100%
of stakeholders said they have **confidence in our work**



81%
of staff feel that their **performance is evaluated fairly**¹



76%
of staff feel that their team are **encouraged** to come up with **new ways of doing things**



91%
of staff feel **trusted** to carry out their job **effectively**



82%
of staff feel they have a **clear understanding of the organisation's objectives**



● Achieved our target
 ● Close to achieving our target
 ● Improvement required
 ● Significant Improvement required

¹ Compared to an average of 65% for those organisations that participated in the 2017 Civil Service People Survey. A further 13% of our staff responded 'Neither agree nor disagree'

Financial

How well are we managing our finances and assets?



£3,317
estate cost per full-time equivalent member of staff



88%
of suppliers paid within 10 days of receipt of invoice



£1.4m
of cost savings and efficiencies identified throughout the business



Level of surplus at year end within **0.0%** of budget



£0.1m
of aged debts aged over 60 days



Social

How well are we promoting and supporting equality, well-being and learning?



71%
of staff feel that they are able to **access the right learning opportunities**



85%
of staff feel that they are **treated fairly at work**



80%
of staff feel able to strike a **good balance between work and private life**



7.6 days, on average, were **lost through sickness** per member of staff



0
complaints were received and upheld regarding our **Welsh language provision**²



● Achieved our target
 ● Close to achieving our target
 ● Improvement required
 ● Significant Improvement required

² One complaint regarding our Welsh language provision was received during 2017-18, which is currently being considered.

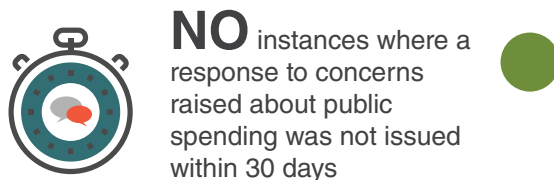
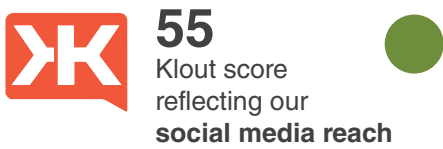
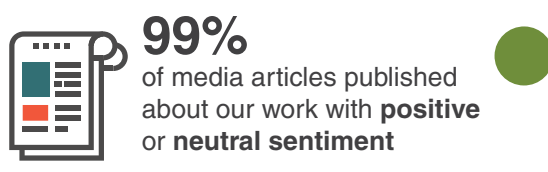
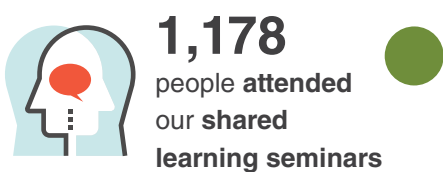
Environmental

How well are we managing our impact on the environment?



Communication

How well are we raising awareness of and encouraging engagement with our work?



● Achieved our target ● Close to achieving our target ● Improvement required ● Significant Improvement required

PERFORMANCE ANALYSIS

In this section we provide an assessment of the extent to which the programmes of work and three-year priorities set out in our [2017-18 Annual Plan](#) have been achieved, including through the use of case study examples.

This section should be read in conjunction with:

- [Appendix 1](#), which provides more detail on the Auditor General’s programme of work delivered in 2017-18, and includes the Auditor General’s report on disclosures of information; and
- [Appendix 2](#), which provides further commentary on the progress we have made towards achieving our three-year priorities.

Consistent with our Plan, our analysis is divided into six sections which are aligned with our objectives. The first four sections relate to the Auditor General’s work programme. The remaining two sections relate to the Wales Audit Office’s work programme.



In 2017-18, we successfully delivered the entire programme of work laid out in our Annual Plan for the year. And we are on track to deliver (and in some cases have already completed the necessary work on) all of our three-year priorities.

Audit projects

The Auditor General's programme of work covers a broad range of public bodies, including unitary authorities, local health boards, NHS Trusts, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, local government pension funds and town and community councils.

The programme of audit work includes audits of accounts, local performance audits, certification of grant claims and returns, value for money examinations and studies, and the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies. It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General.

During 2017-18, all of our audit projects were completed or progressed in alignment with our Plan.

The quality of our work is of paramount importance to us and our stakeholders. [The Code of Audit Practice](#), which is reviewed on an annual basis, prescribes the way in which the Auditor General's audit and certain other functions are to be exercised, and is designed to complement International Standards on Auditing and embody best professional practice.

Our Transparency Statement provides more detail on how the Wales Audit Office is meeting high standards in the way it works and in the quality of its work.

Our Management Committee is of the view that this quality framework is operating effectively, and that the arrangements are continuing to develop.

ISSUED OVER
800
AUDIT OPINIONS
ON THE ACCOUNTS OF
LOCAL GOVERNMENT
BODIES

CERTIFIED 20
GRANT SCHEMES
WORTH APPROACHING
£3
BILLION

19
NATIONAL REPORTS
WERE PUBLISHED

APPROVED AROUND
£1 BILLION
OF PAYMENTS OUT
OF THE WELSH
CONSOLIDATED
FUND EVERY MONTH

Case study: Capturing service user perspectives

When receiving services from councils, users often do not have a choice of provider. So, when designing and delivering services, it is important that councils understand the perspective of the service users whose needs they are trying to meet. We place particular emphasis in our audit work on the importance of understanding the perspectives of service users when we are considering the effectiveness of service delivery arrangements.

Over the last year, we have made significant efforts and have employed a wide variety of approaches to capture service user perspectives relevant to a number of areas of our audit work at each local authority area in Wales. These included house-to-house surveys of social housing tenants, exit surveys of library and contact centre users, telephone surveys of people who have received housing adaptations, and a number of focused workshops with service user groups.

While each project followed a broadly similar approach, the specific focus and method was tailored between councils to best align with local circumstances.

Our work on obtaining service user perspectives has had significant impact. We informed council departments of our findings as we carried out the work, which led to several councils taking action to address the issues we had identified before we formally published our findings.

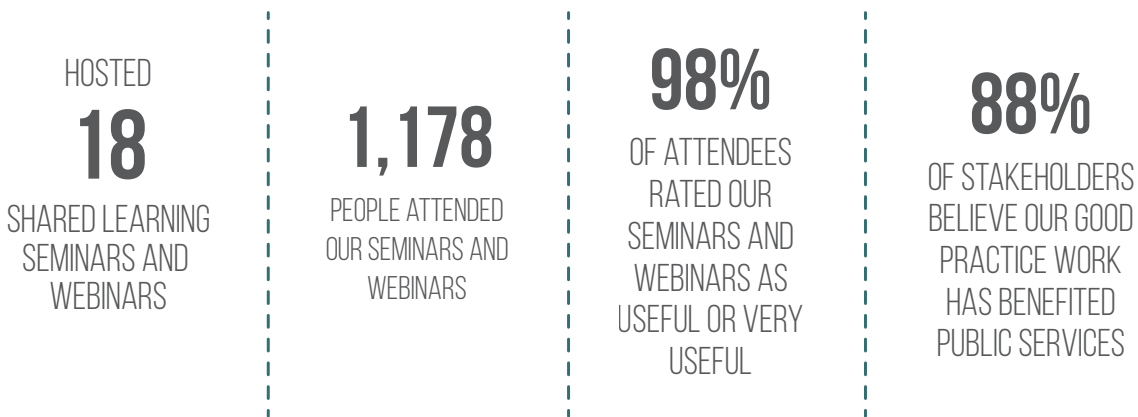
We recognise that engaging with service users, including those who share protected characteristics, requires detailed planning and the application of specialist skills and knowledge. We are using the learning and experience from carrying out these projects in 2017-18 to improve our audit methods, and we are committed to continuing to seek service users' views as an integral part of our future audit work.



Good practice work

One of the two main strands of our good practice work is the provision of [online resources](#) that enable the public, service users, service providers, policy makers and decision makers to access information that will leave them better informed. Our other strand of activity involves facilitating conversations where the learning from comparative successes and failures is shared face-to-face.

During 2017-18, all of our good practice work has been completed or has progressed in alignment with our Plan.



Case study: Making greater use of webinars and podcasts

During the last year, we successfully made greater use of webinars and introduced the use of podcasts as additional and effective methods of facilitating the sharing of learning and emerging ideas on good practice between public service providers.

We had previously received feedback from various stakeholders and attendees of our seminars recommending that we make greater use of the webinar format to open up access to a wider range of attendees, particularly where topic areas are of interest right across an organisation and to partnerships, and to reduce travel time and time out of the office for delegates.

Throughout the year, on-going conversations were held with our stakeholders to help determine which topics and areas of learning would be best suited to the webinar format. To maximise accessibility and participation, we then made particular efforts to ensure that the timing of our webinars was aligned with when many public sector bodies open up social media channels for staff. After the live streaming event, the recorded discussion was made available for viewing on [YouTube](#), allowing complete freedom of choice as to when and where delegates access the learning. A good example of how this worked in practice was our [Adverse Childhood Experiences](#) webinar, where around 250 individuals listened and contributed to the live streaming, but with a further 350 views of the content, sometimes of the whole webinar but often of particular sections that relate to specific topics.

Over the course of the year we then extended this concept by piloting the preparation of short podcasts which can be downloaded onto smart phones or mobile devices. Each [Podcast](#) comprises of a more in-depth conversation by an expert speaker, based on their personal experiences relating to the topic area.

“THE PANEL SET-UP WAS A REFRESHING CHANGE FROM THE ‘DEATH BY POWERPOINT’ OF MANY WEBINARS - AND THE SPEAKERS CHOSEN WERE VERY ENGAGING”

QUOTE FROM AN ATTENDEE OF THE ADVERSE CHILDHOOD EXPERIENCES WEBINAR

Supporting effective scrutiny and accountability

Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of matters relating to the use of resources in the discharge of public functions in Wales. Where applicable, our work can also inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation³. In 2017-18, we presented 16 reports for consideration by the Public Accounts Committee and other Assembly committees.

Throughout the year, we also attend most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work, and will provide further advice and support to audit and scrutiny committees.

In addition, we regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets, and the Auditor General is a 'prescribed person' for making whistleblowing disclosures.

THE OUTPUTS
FROM OUR WORK
SUPPORTED

29

MEETINGS OF THE
PUBLIC ACCOUNTS
COMMITTEE

77

PIECES OF
CORRESPONDENCE
RECEIVED THAT
RAISED POTENTIAL
CONCERNS ABOUT
PUBLIC SPENDING

NO

INSTANCES WHERE
A RESPONSE TO
CONCERNS RAISED
ABOUT PUBLIC
SPENDING WAS
NOT ISSUED
WITHIN **30 DAYS**

31

INDIVIDUALS
CONTACTED US
INDICATING THAT
THEY WISHED TO
MAKE A
WHISTLEBLOWING
DISCLOSURE

³ For example, the findings of our examination of how local authorities address homelessness were noted by the Public Accounts Committee, but were also relevant to the Equality, Local Government and Communities Committee's inquiry into poverty in Wales.

Case study: Preparing for fiscal devolution

On 1 April 2018, the new Welsh Revenue Authority successfully opened its doors to collect the first Welsh taxes in nearly 800 years – a significant milestone in the devolution journey.

Over the last two years, our financial and performance audit staff have been working closely together to examine the Welsh Government’s fiscal devolution programme.

Our aim has been to help the Welsh Treasury and Welsh Revenue Authority to ‘get it right first time’ – rather than coming in afterwards in the more ‘traditional’ audit role of examining what might otherwise (potentially) have gone wrong.

The Auditor General provided a senior member of his team from the outset to attend meetings of the Welsh Government’s Implementation Programme Board as an ‘observer’ – providing real-time constructive challenge and sharing examples of good practice learning from previous audit reports but, crucially, without compromising the Auditor General’s independence as the external auditor.

We also published two reports, in [November 2016](#) and [December 2017](#), assessing the Welsh Government’s evolving preparedness to take on fiscal powers. These two reports, and the Welsh Government’s constructive responses to them, have supported timely and effective scrutiny by the National Assembly’s Finance Committee of this landmark programme.

Looking ahead to the planned implementation of the Welsh Rate of Income Tax in April 2019, we intend to continue with this future-focused audit approach, as a practical example of our values⁴ in action.



⁴ As laid out in our [Annual Plan for 2018-19](#), over the past 12 months we have developed a set of values which define our organisational culture and core beliefs.

Engagement and joint working activity

Over the reporting period, the Auditor General and Wales Audit Office have continued to exercise their commitment to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work.

Consistent with our Plan, we have also worked closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work, and have undertaken a small amount of commissioned audit work.

The Wales Audit Office is able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of, those bodies. But, we are mindful that all such activities should be self-financing and should not be undertaken to the detriment of our core audit work in Wales.

From time to time, we are proud to represent Wales on the international stage in relation to our work. In 2017-18, we regularly delivered papers at EURORA⁵ events, and were invited by the National Audit Office of the Republic of Kosovo to share our experience and learning on performance audit in local government, and on facilitating the exchange of good practice.

ACTIVE MEMBER OF

12

KEY EXTERNAL
WORKING GROUPS
AND AN OBSERVER
ON EIGHT OTHER
KEY GROUPS

AUDITED
**£250
MILLION**
OF EUROPEAN
FUNDS USED TO
SUPPORT FARMERS
AND AGRICULTURE
ACROSS WALES

56%
OF STAKEHOLDERS
BELIEVE WE WORK
WELL WITH OTHER
EXTERNAL REVIEW
BODIES⁶

FACILITATED THE
DETECTION AND
PREVENTION OF
FRAUD AND ERROR
WORTH MORE THAN
**£5.4
MILLION**

⁵ A co-operation project among public sector audit institutions in Europe.

⁶ A further 40% of stakeholders who responded to our survey answered 'Don't know'.

Case study: Developing our methodology for undertaking sustainable development examinations



The Well-being of Future Generations (Wales) Act 2015 requires that we examine how public bodies are applying the sustainable development principle. This represents a new focus for our work and the Auditor General was keen that we work collaboratively with our stakeholders in 2017-18 to develop an audit approach that is meaningful, proportionate and adds value. Nine public bodies volunteered to take part in a programme of pilot activity over the course of the year.

Early in the year, we involved over 100 internal and external stakeholders in initial methodology development sessions to build a collective understanding of the Auditor General's new duty and to discuss ideas for an audit approach. We then worked closely with the pilot bodies to develop a methodology through considering how we could assess ways of working, what behaviours we should be looking for, and through what means. The Office of the Future Generations Commissioner has been involved in the process throughout, following agreement of a [Memorandum of Understanding](#).

Each pilot project has been a rich source of learning for us, and has also provided valuable feedback to the bodies on meeting the requirements of the legislation. Auditors and pilot bodies are now working together to evaluate the approaches and will continue to be involved in refining them.

Case study: Helping the NHS strengthen its approach to making financial savings

NHS bodies are facing significant financial pressures, and need to produce cost improvement plans each year to help achieve financial balance. Our 2017 NHS structured assessment work included a detailed analysis of NHS organisations' approach to planning and delivering financial savings.

This work highlighted some significant variation in practice across Wales, and in general a need to secure some fundamental improvements in how savings plans are developed, delivered and monitored. NHS bodies have accepted all of our recommendations for strengthening current arrangements. We have pulled together the key national messages and presented them to the NHS Wales Efficiency Healthcare Value and Improvement Board. We shall also be sharing the findings with other key Wales groups such as Directors of Finance and Audit Committee Chairs.

This additional engagement at the all Wales level has provided insight into current practices alongside an analysis of what 'good looks like', and identified where wider system actions can help secure the improvements that are needed.



Our governance and leadership

The Public Audit (Wales) Act 2013 prescribes the framework for our governance arrangements, most notably in relation to the composition and functions of the Wales Audit Office Board, and the relationship between the Wales Audit Office and the Auditor General.

Our Board combines the knowledge and skills of non-executive, executive and elected employee members to provide dimensions of insight and experience that are helping to shape our strategic direction. Our governance arrangements provide us with a real opportunity to further develop and progress as a business.

The Wales Audit Office also has a senior management structure which is designed to provide clear lines of reporting and accountability, and to enable the Auditor General's work to inform the public and influence public service delivery in the most efficient and effective way.

In a survey of key stakeholders conducted in early 2018, 86% of respondents either agreed or strongly agreed with the statement 'the Wales Audit Office appears to be a well-run organisation'.

Our Governance Statement provides an outline of the control structure of the Wales Audit Office, accounts of corporate governance and risk management for the year, and a description of the principal risks and uncertainties we faced in 2017-18. Further information on membership of the Board and the Management Committee during 2017-18 is provided in the Directors' Report.

During the year, the Board approved, amongst other business, the [Annual Report and Accounts](#) for 2016-17, an [Estimate](#) of income and expenses for 2018-19, an [Interim Report](#) on progress made against the 2017-18 Annual Plan, a [Fee Scheme](#) for 2018-19 and an [Annual Plan](#) for 2018-19 which includes additional information on our vision, values and strategic priorities. These documents were laid before the National Assembly and scrutinised by its Finance Committee.

On 25 January 2018, for the second year running, the Wales Audit Office was shortlisted as a finalist in the Achievement in Financial Reporting and Accountability category at the [Public Finance Innovation Awards 2018](#), which showcase and reward achievements within public finance and governance.



Our use of resources

We have been working hard to embed the principle of sustainable development⁷ in the way we run our business, and in the way we resource the Auditor General's audit work, for a number of years. In this section we provide some high-level commentary on how we have managed our use of resources in 2017-18.

While neither the Auditor General nor the Wales Audit Office are listed public bodies for the purposes of the Well-being of Future Generations (Wales) Act 2015, we nonetheless seek to maximise our contribution to achieving the seven Welsh well-being goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales.

In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2017-18 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#)⁸.



The Wales Audit Office supports the Sustainable Development Goals

⁷ 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'

⁸ In accordance with the HM Treasury [Public sector annual reports; sustainability reporting guidance 2017-18](#)

Financial management and efficiencies

Robust financial management and cost efficiency remains a priority at the Wales Audit Office.

In 2017-18, our total gross expenditure was some £687,000 (3.1%) lower than the previous year, reflecting savings made through our on-going efficiency agenda. Our year-end out-turn was an underspend of £71,000 against the approved Estimate for the year.

We were able to use savings made on staffing and other costs of £500,000 during the year to fund a voluntary exit scheme as part of our ongoing workforce planning. This will deliver annual savings of £194,000 in the future, positively impacting on our Medium Term Financial Plan.

Overall savings identified for 2017-18 total some £1.4 million, including savings from previous voluntary exit schemes along with savings identified from reviewing our audit approaches and our transformation projects. We anticipate that the outcome of our work on the use of data analytics, along with a project examining our future ways of working, will help us ensure that we continue to provide value for money in the delivery of public audit in Wales.

We invested £313,000 of capital funding in five areas in 2017-18, which will deliver further efficiency savings in coming years:

- £129,000 for new hybrid laptops which allow our staff to work more efficiently and help reduce our use of paper
- £89,000 for the purchase and implementation of a new integrated finance system, which will allow for better, more timely, financial reporting and make it easier for staff to comply with our procurement procedures
- £42,000 for developing the use of Skype for Business to increase the ability of staff to attend meetings via videoconference and to take calls and meetings whilst off site
- £41,000 for an improved performance audit information management system, which will allow us to better manage our performance audit work in the future
- £12,000 for new software to allow staff to book meeting rooms more effectively

Learning and development

As a professional audit body and an accredited training provider with three professional accountancy bodies, the Wales Audit Office is committed to a rolling programme of trainee recruitment. Through our annual recruitment campaigns we aim to attract the highest possible calibre of candidate.

During the 2017-18 financial year, 35 trainees successfully moved on to the next stages of their studies, collectively achieving a 97% first-time pass rate for examinations with the Institute of Chartered Accountants in England and Wales (ICAEW).

In 2017-18, we continued to work in partnership with other publicly funded bodies in Wales on the Finance Skills and Development Initiative, which aims to make public finance a more attractive career option for graduates and to raise the standard of financial management in the country. Under the initiative, partner organisations including the Wales Audit Office offer secondment opportunities for finance trainees to spend periods of time at other publicly funded bodies. In 2017-18, eight Wales Audit Office trainees completed placements at bodies including Betsi Cadwaladr University Health Board, the DVLA, the BBC, Cardiff and Vale College and a number of local authorities. We also facilitated a reciprocal inward secondment from Betsi Cadwaladr University Health Board.

We continue to invest more broadly in learning and development to support our staff in the delivery of their work. In 2017-18, the average amount of time spent per employee on a range of learning and development activities was 9.3 days. Some of the training was designed and delivered in-house, and where appropriate and cost-effective, we commissioned external support to deliver training to our bespoke requirements.

An electronic evaluation form enables us to quickly capture outcomes and then measure the success and impact of the training courses. 99% of staff felt that the courses they attended in 2017-18 were effective in helping them meet their objectives.



Staff engagement and the employee experience

During the course of the year we used a variety of media and mechanisms to provide Wales Audit Office employees with useful information, to encourage the involvement of employees in the organisation's performance, and to consult with employees so that their views can be taken into account when making decisions which are likely to affect their interests.

These included:

- posting regular blogs from members of the Board and Management Committee, and making Board and Management Committee minutes readily available for viewing on our intranet;
- encouraging staff to share information and good practice through an internal social media network;
- arranging 'partnership forum' meetings with trade union representatives, and engaging such representatives in the process for preparing or revising specific policies and organisational development initiatives, where relevant; and
- holding a well-received all-staff 'unconference' in February 2018.

In October 2017, we ran a new staff survey to gain a better understanding of the employee experience at the Wales Audit Office and identify where we need to improve. We used the same core survey questionnaire as used in the 2017 [Civil Service People Survey \(CSPS\)](#).

The survey covered a range of themes, from the leadership and culture of the organisation through to how individual teams function.

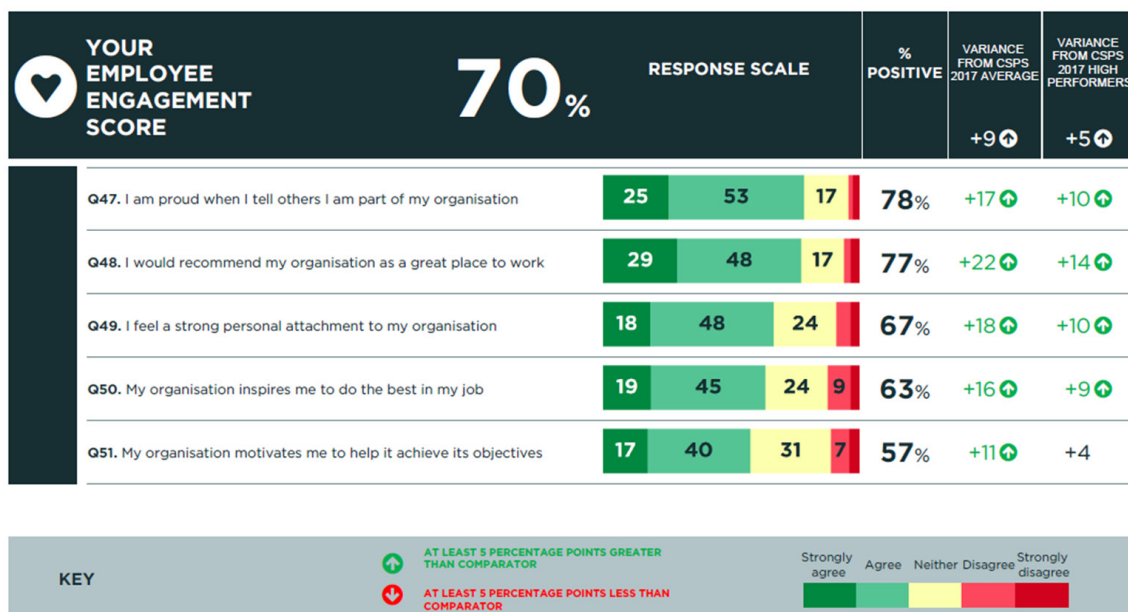
Overall, the results of the survey were very encouraging. In particular, it was reassuring to note that colleagues across the Wales Audit Office feel very positive about the relationships within their teams and feel a strong connection to our organisational objectives and purpose. This positivity was reflected in our strong overall engagement index score of 70%.

2017 was the first time we had run a staff survey using the CSPS questionnaire. Inevitably, therefore, we had limited scope for looking at our direction of travel for many of the individual survey questions. Despite the absence of complete trend data, what we did have was a very robust set of benchmarking data against which to compare ourselves.

For the majority of survey questions and themes, responses from our staff were more typical of (and in some cases significantly better than) a CSPS ‘high performing’ organisation. However, the survey results also suggested that there is room for improvement in a number of areas, which we are now having a careful look at. These include ensuring that:

- all staff, including in particular those who are new to the organisation, feel sufficiently challenged by their work;
- all colleagues feel that the learning and development opportunities that we offer support and lead to their overall career development; and
- all staff, including in particular younger colleagues, feel safe to challenge the way things are done in the organisation.

In early 2018, we explored the reasons behind the survey results in more detail through discussions at team meetings, and offered all staff the opportunity to actively shape our response at a conference held in Swansea in February 2018. We will be repeating the survey in October 2018.



Employee well-being

We are committed to encouraging a healthy lifestyle and a good work-life balance amongst our staff. We also want our staff to feel valued and fully supported when they are experiencing difficulties, irrespective of whether or not there is an impact on their ability to undertake their role.

Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their wellbeing, including through an annual programme of events and through offering a health screening service.

In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility. The employee assistance programme provides staff with professional advice and emotional support on a range of matters.

At an organisational level, in our staff survey we included the four questions being used by the Office for National Statistics as part of their Measuring National Wellbeing programme:

- a Overall, how satisfied are you with your life nowadays?
- b Overall, to what extent do you think the things you do in your life are worthwhile?
- c Overall, how happy did you feel yesterday?
- d Overall, how anxious did you feel yesterday?

Again responses from our staff were typically more positive than those of a CSPS 'high performing' organisation.

We also closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 7.6 days per employee were lost to sickness absence during the reporting year ending 31 March 2018 (compared to 6.5 days per employee for the previous year, and an average of 8.5 days for the public sector⁹).



⁹ Source: [Health and Well-Being at Work \(Public Sector\): CIPD, May 2018](#)

Equality and human rights

The Auditor General for Wales and Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010. We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998.

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.

Our recently published [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) on progress made towards delivering our equality objectives in 2016-17 is available on our website. Our report for 2017-18 will be published in summer 2018.

**SUSTAINABLE
DEVELOPMENT
GOALS**

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

The Auditor General and Wales Audit Office take pride in providing a bilingual audit service. Our public documents are available in both English and Welsh, we have a fully bilingual website, and throughout 2017-18 we communicated with the public, audited bodies and the media in both languages. We also actively encourage staff to learn Welsh and to use the Welsh language in their work and socially.

We are committed to implementing and maintaining the new Welsh Language Standards. Our [Compliance Notices](#) can be found on our website, alongside our [Annual Report on the Welsh Language](#).

Community and charity work

The Wales Audit Office recognises the benefits that community and charity work by staff can bring to the wider community, and applauds its 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.

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.

Wales Audit Office staff chose charities in the mental health field as the focus for their fundraising activities in 2017-18. Over the course of the year and in their own time, our staff held a number of fundraising events:

- several members of staff took part in events such as half marathons and ‘tough mudders’; and
- we held a number of other events in our offices, including regular raffles and cake sales, and a Six Nations Championship scores and results predictor competition.

In total, staff raised over £3,000 for mental health charities. For 2018-19, the staff-chosen focus for fundraising activities will be charities involved in helping people who are homeless or who have been dispossessed.



Environmental stewardship¹⁰

RE-ACCREDITED AT
LEVEL 4
OF THE GREEN
DRAGON
ENVIRONMENTAL
STANDARD

REDUCED OUR
GREENHOUSE GAS
EMISSIONS AND
USE OF PAPER BY
NEARLY
9%

REDUCED OUR
CONSUMPTION OF
ELECTRICITY BY
20%

USED CARBON
CREDITS TO OFFSET
56%
OF OUR
GREENHOUSE
GAS EMISSIONS

We were re-accredited for 2017-18 at Level 4 (the second highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management. Although we did not quite reach our target of achieving Level 5 (the highest level) in 2017-18, we aim to do so in 2018-19.

As part of this commitment, to support the global reduction of greenhouse gas emissions, we have offset¹¹ 233 tonnes (56%) of our carbon dioxide equivalent emissions (tCO₂e) resulting from our business travel, by supporting the following projects:

- a UK trees and protecting the Amazon (140 tCO₂e)
- b Wind Based Power Generation by Panama Wind (93 tCO₂e)

In 2017-18 we invested in Skype for Business – a system which allows our staff to collaborate and communicate with each other, and with outside contacts, through phone calls, video conferencing, screen sharing and instant messaging, via their laptops and regardless of where they are working. This significantly reduces the need for colleagues and client staff to travel to meet and work together.

Many of our staff also now use laptops which combine the size format of tablets with mobile device functionality, reducing the need for the printing of meeting papers and enabling them to take notes onscreen.

We are committed to using recycled stationery products and using the Buying Standards as a guide for cleaning, construction and purchase of equipment. We also invested in multi-functional machines that are of high productivity, value for money and have low environmental impact for our offices.

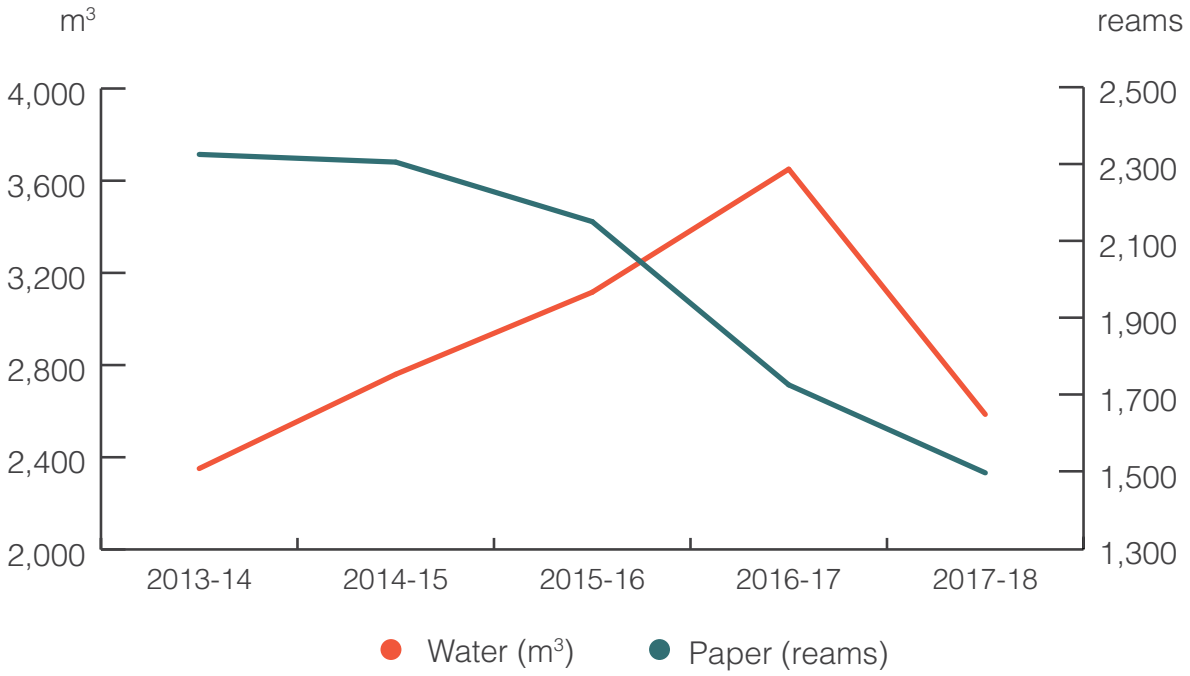


¹⁰ Prepared in accordance with [HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance 2017-18](#)

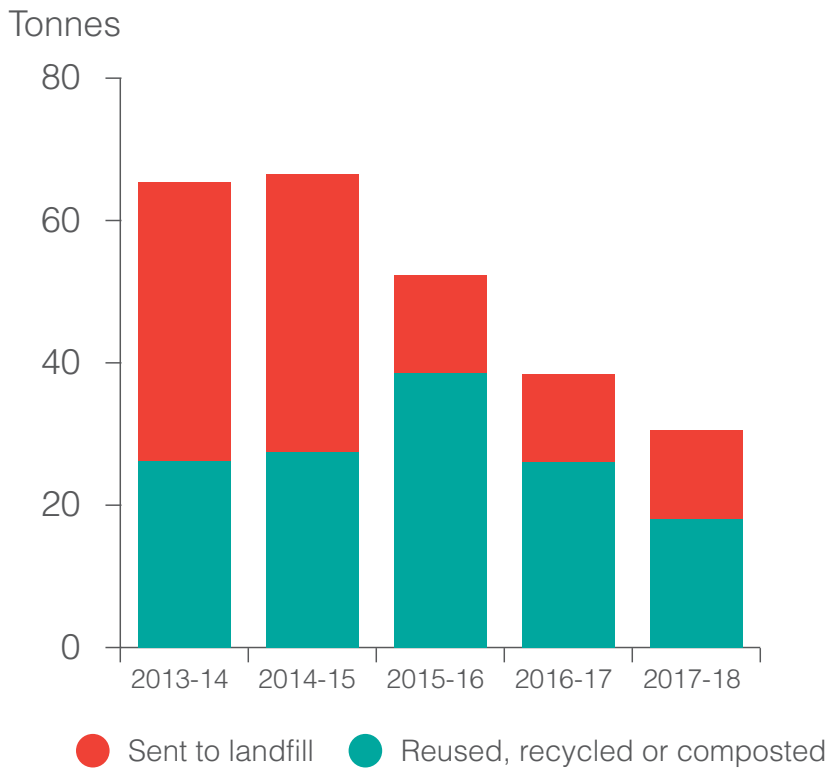
¹¹ Carbon offsetting is the use of carbon credits to enable organisations to compensate for some of their emissions.

Organisations can make up for some of the carbon emissions by buying credits in projects by funding an equivalent carbon dioxide saving elsewhere.

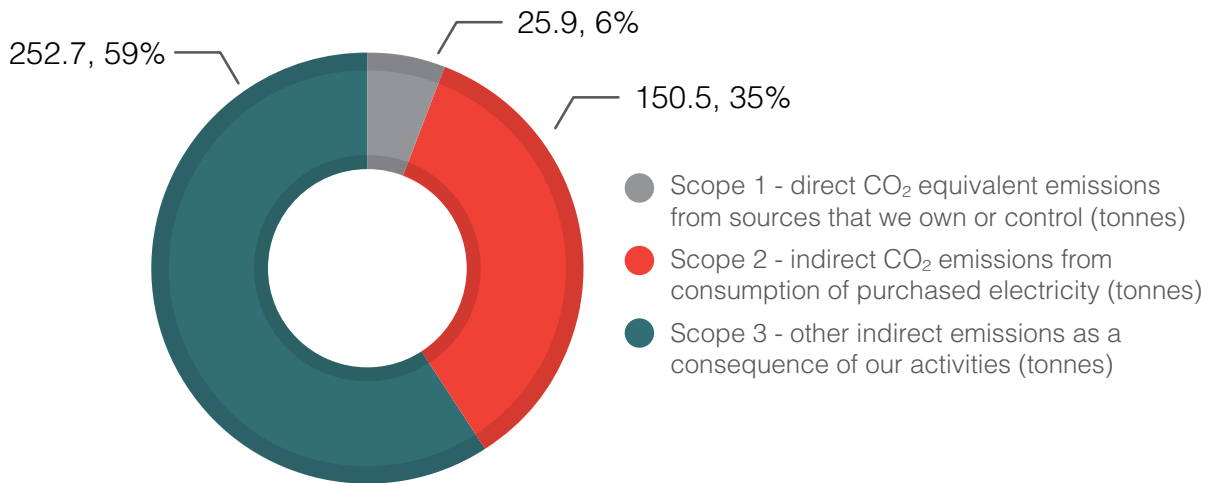
Finite resource consumption



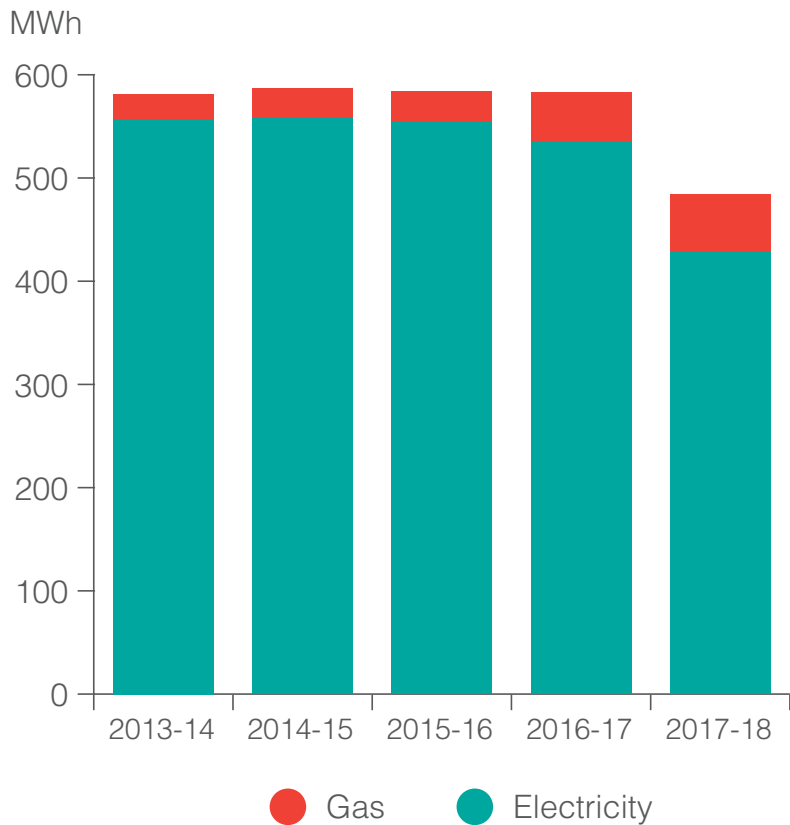
Waste minimisation and management



Greenhouse gas emissions



Energy consumption



	2017-18	2016-17	2015-16	2014-15	2013-14
Environmental management					
Level of Green Dragon accreditation	4	4	4	4	4
Finite resource consumption¹²					
Water consumption m ³	2,586	3,650	3,116	2,760	2,351
Water consumption m ³ per FTE	10.0	13.9	10.5	12.0	10.1
Water supply costs £	3,564	6,219	6,280	4,754	4,348
Paper consumption in reams	1,496	1,725	2,150	2,305	2,325
Paper supply costs £	3,737	4,269	5,609	6,349	6,426
Waste minimisation and management¹³					
Total waste tonnes	33.2	38.7	54.9	66.5	65.8
Reused, recycled or composted	18.1	26.0	38.6	27.4	26.2
ICT waste recycled and reused (externally)	0.2	0.7	2.6	0.0	0.0
Furniture and equipment (externally)	0.0	2.6	12.3	0.0	0.0
Mixed recycling, paper, food waste, garden	17.9	22.6	23.7	27.4	26.2
Landfill	12.4	12.4	13.7	39.1	39.2
Hazardous	2.7	0.4	2.5	0.0	0.4
Reused, recycled, composted as % of total waste ¹⁴	54.5	67.0	70.4	41.1	39.8
Total disposal costs £	9,964	13,466	16,400	7,337	6,229

12 Good practice for water usage within an office is considered to be between 4 m³ and 6 m³ and per Full-Time-Equivalent (FTE) per annum ([Greening Government Commitment targets](#)). However, we do not include office visitors in our calculation which is likely to have a substantial impact on our figures due to the number of shared learning events held at our Cardiff headquarters.

13 Calculated using appropriate WRAP conversion factors; hazardous waste includes ICT disposals and interceptor cleaning.

14 81.5% for the Welsh Government in 2016-17 ([State of the Estate Report 2016-17](#)). 4.5 tonnes of unrecyclable car park cleaning waste has significantly impacted on our recycling rate in 2017-18.

	2017-18	2016-17	2015-16	2014-15	2013-14
Greenhouse gas emissions¹⁵					
Total emissions tonnes CO ₂ e	419.0	483.7	533.0	563.1	539.5
Attributable to business travel	242.1	233.2	272.3	275.7	252.1
By car	215.7	199.5	232.7	239.1	231.2
By rail and air	26.4	33.7	39.6	36.6	20.9
Attributable to energy consumption	160.7	227.8	233.8	263.3	261.8
Electricity	150.5	220.5	228.3	257.7	257.5
Gas	10.2	7.3	5.5	5.5	4.3
Attributable to other ¹⁶	16.1	22.6	23.6	24.1	25.6
Total expenditure on business travel £000 ¹⁷	1,204	1,232	1,258	1,214	1,173
Cost per FTE of business travel £	4,658	4,720	4,972	5,037	4,827
Total energy expenditure £	54,676	57,051	64,394	63,119	56,556
Efficiency of estate					
Cost per FTE £ ¹⁸	3,317	3,072	3,228	3,397	3,431
Cost efficiency ¹⁹ £ per m ²	306	287	300	278	285
Space efficiency m ² per FTE ²⁰	10.8	10.7	10.7	12.2	12.0

15 Calculated in accordance with [DEFRA Environmental Reporting Guidelines](#).

16 Attributable to energy transmission and distribution, waste disposal and water usage and treatment.

17 Includes costs of leased cars, transport allowances and travel and subsistence.

18 Compared to £3,380 for the Welsh Government as of 31 March 2017.

19 Including rent, rates and other costs. In 2017-18, we undertook exterior redecoration and repairs at our largest office (a requirement of our lease terms) leading to reduced cost efficiency. However, our office space has reduced by 90 m² since June 2016 after an office relocation to smaller and more environmentally efficient premises, which has also led to a reduction in our other running costs.

20 Compared to 15.1 m² per FTE for the Welsh Government as of 31 March 2017. 2015-16 was the first year that we included contractors in our FTE total, to ensure a like-for-like benchmarking comparison.

ACCOUNTABILITY REPORT

**KEY STATEMENTS AND REPORTS THAT ENABLE US TO MEET
ACCOUNTABILITY REQUIREMENTS AND DEMONSTRATE
COMPLIANCE WITH GOOD CORPORATE GOVERNANCE**



Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

7 June 2018

Directors' report

General matters

On 1 April 2014, the Wales Audit Office became fully established under the Public Audit (Wales) Act 2013 with the transfer of staff, property, rights and liabilities from the Auditor General.

Information on our register of interests and how access to the information in that register may be obtained, and on our reporting of personal data related incidents, is provided in the Governance statement.

Auditor of the Wales Audit Office

RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Finance Committee of the National Assembly for Wales for a period of 43 months commencing 1 March 2015.

In addition to their work to form an opinion on the financial statements, 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 National Assembly.

Details of the cost of external audit services are disclosed in the Notes to the financial statements.

The Wales Audit Office Board



Alison Gerrard
Non-executive
member



Amanda Hughes
Elected employee
member



Bill Richardson
Non-executive
member



**Huw Vaughan
Thomas**
Auditor General,
and Chief Executive



Isobel Garner
Chair of the Board



Kevin Thomas
Appointed
employee member



Lindsay Foyster
Non-executive
member



Louise Fleet
Elected employee
member



Steven Burnett
Non-executive
member and
Senior Independent
Director

The Wales Audit Office Management Committee



Anthony Barrett
Assistant Auditor
General



**Huw Vaughan
Thomas**
Auditor General,
Accounting
Officer and Chief
Executive



Jane Holownia
Sector Lead,
Local Government
and Criminal
Justice



Kevin Thomas
Director of
Corporate
Services



Mike Usher
Sector Lead,
Health and
Central
Government



**Steve
O'Donoghue**
Director of
Finance and HR

Statement of Accounting Officer's responsibilities

Under paragraph 33 of Schedule 1 to the Public Audit (Wales) Act 2013, the Auditor General is the Accounting Officer for the Wales Audit Office and must, for each financial year:

- keep proper accounts and proper records in relation to them; and
- prepare a statement of accounts in the form and on the basis set out in the Accounts Direction issued by the National Assembly for Wales.

The responsibilities of an Accounting Officer, including 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](#) published by the Welsh Government.

Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the National Assembly, including that the Accounting Officer must:

- ensure that there is a high standard of financial management in the Wales Audit Office and that its financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity;
- ensure funds are applied only to the extent and for the purpose authorised by the National Assembly;
- ensure that the resources for which the Wales Audit Office is responsible are properly and well managed and safeguarded; and
- provide advice to the Wales Audit Office on all matters of financial propriety and regularity.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the [Government Financial Reporting Manual](#), and in particular to:

- observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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 net resource out-turn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

As Accounting Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware;
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information; and
- this annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for this annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance statement

This statement sets out the control structure of the Wales Audit Office, and provides an account of corporate governance and risk management, alongside a description of the principal risks and uncertainties we face.

My responsibilities as Accounting Officer are set out in the Statement of accounting officer's responsibilities. In discharging these responsibilities and amongst other requirements, I must seek to ensure that:

- a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
- the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.

Corporate governance

The governance framework

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 on [page 53](#).

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.

There is a Senior Independent Director whose responsibilities include: deputising for the Chair when he or she is unable to act; appraising the performance of the Chair; receiving reports from whistleblowers outside the normal line management chain; and overseeing the election of employee members to the Board.

The relationship between the Wales Audit Office and the Auditor General is governed by a [Code of Practice](#) which is approved by the National Assembly and reviewed periodically.

The Board has established two committees which operate in an advisory capacity:

- The Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member
- The Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member

The elected employee Board members are not members of the Management Committee 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.

I have established a Management Committee – which I chair - to advise me in my capacity as Auditor General, Chief Executive and Accounting Officer. It comprises the Wales Audit Office's five most senior managers and meets every month.

The Board and its Committees, and the Management Committee are supported by a Board Secretary. There is a forward programme of business that informs their provisional agenda, designed to ensure that business is conducted as efficiently and effectively as possible.

Further information on membership of the Board and Management Committee can be found in the Directors' Report.

FINANCE COMMITTEE OF THE NATIONAL ASSEMBLY

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.



MANAGEMENT COMMITTEE

Directs and oversees implementation of the vision, aim and objectives, and strategic priorities laid out in the joint annual plan of the Auditor General and Wales Audit Office.



Attendance at Board and committee meetings 2017-18

	Board	ARAC	RHRC	MC
Number of meetings held	6	4	3	13
Members of the Board and its committees				
Alison Gerrard, Chair of the Audit & Risk Assurance Committee (ARAC) ²¹	5	4		
Amanda Hughes	6	4		
Bill Richardson ²²	4		2	
David Corner ²³	1	1		
Dianne Thomas, Independent Member of ARAC ²⁴		2		
Huw Vaughan Thomas ²⁵	6	2	3	11
Isobel Garner ²⁶	6	4		
Kevin Thomas ²⁷	6	4		11
Lindsay Foyster, Chair of the Remuneration & HR Committee (RHRC) ²⁸	6	1	3	
Louise Fleet	6		3	

21 Alison Gerrard was the independent member of the ARAC until 1 September 2017 and attended one Board meeting in that capacity. From 4 September 2017, she was appointed as a non-executive member of the Board. She chaired one Committee meeting as the interim Chair before her permanent appointment in that role on 29 November 2017.

22 Bill Richardson was appointed as a non-executive member of the Board from 17 October 2017 and to the RHRC on 29 November 2017. He attended one meeting of the Board in an observer capacity.

23 David Corner was a non-executive member of the Board and Chair of the ARAC until his resignation from the Wales Audit Office on 24 July 2017.

24 The Wales Audit Office appointed Dianne Thomas as the independent member of the ARAC on 29 November 2017, effective from 1 December 2017.

25 Huw Vaughan Thomas attended ARAC and RHRC meetings in his capacity as Chief Executive and Accounting Officer.

26 Isobel Garner's appointment as Chair of the Wales Audit Office was extended on 19 July 2017.

27 Kevin Thomas attended ARAC meetings in his capacity as Director of Corporate Services.

28 Lindsay Foyster's appointment as Chair of the RHRC commenced on 29 November 2017. She attended one meeting of the ARAC as part of the Board's learning and development arrangements.

	Board	ARAC	RHRC	MC
Number of meetings held	6	4	3	13
Peter Price ²⁹	2		1	
Steve Burnett ³⁰	6		3	
Members of the Management Committee (MC) who are not Board members³¹				
Anthony Barrett	6	1		9
Gillian Body ³²				3
Jane Holownia	2	2		12
Mike Usher	6			12
Steve O'Donoghue ³³	6	4	3	13

29 Peter Price's term of appointment as a non-executive member of the Board, during which he also acted as Chair of the RHRC, ended on 16 October 2017.

30 Steve Burnett was re-appointed as a non-executive member of the Board from 17 October 2017.

31 Management Committee members attended meetings of the ARAC as necessary to give briefings, participate in discussions or to take their advice. They have a standing invitation to attend Board meetings.

32 Gillian Body left the Wales Audit Office under a voluntary exit agreement on 30 June 2017 and was not replaced.

33 Steve O'Donoghue, as Director of Finance and HR, is required to attend all meetings of the Board, ARAC and RHRC.

Account of corporate governance

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

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

The level of assurance sought and provided is proportionate to the associated levels of assessed risk.

The Board is satisfied with the quality of the information it receives though there is some scope to improve both its breadth and timeliness; guidance is in hand to address these points.

When carrying out our work, the Wales Audit Office and I (in my capacity both as Auditor General and Accounting Officer) apply formal [Schemes of Delegation](#), which we have reviewed and updated during the year. The schemes of delegation inform the terms of reference of the Board, its committees and the Management Committee, which are reviewed annually.

The Board operates a Code of Conduct under which the Board Secretary maintains members' registers of interests which are reviewed annually and updated during the year to capture any changes notified by members. This ensures that potential conflicts of interest, including risks to the Auditor General's independence, are identified on an ongoing basis and appropriate action taken to mitigate them. The Wales Audit Office publishes the Registers on its website.

The Chair of the Wales Audit Office and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the Finance Committee.

The Head of Internal Audit and the external auditor continued to have open and confidential access to the Chair of the Audit and Risk Assurance Committee. In addition, the Committee held a private session with the internal and external auditors before each committee meeting.

The Board is satisfied that the Wales Audit Office is compliant with the requirements of the [Code of Good Practice for Corporate Governance in central government departments](#) insofar as its requirements are relevant and practical. The arrangements did not comply with the Code's requirements in respect of the following aspects:

- The Board's composition is prescribed by statute, and to include ministerial representation and government officials would risk compromising my independence as Auditor General.
- 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

In 2017-18, the Board continued to implement an action plan developed from the report of an independent evaluation of its effectiveness completed in 2016. The appointment of two new non-executive members in October 2017, the impending election of two employee members early in 2018-19 and the departure of the current Auditor General in July 2018 means that some development activities are ongoing as working relationships change and evolve.

At the end of the year, work was ongoing in respect of:

- refocusing the Board's work programme, taking account of the assurance map (see Report of the Audit and Risk Assurance Committee) and to ensure that its time is well-spent;
- developing guidance on the form and content of Board and committee papers;
- considering how the Board can engage more effectively with staff, following discussions at the staff conference in February;
- considering whether and how to measure the Board's impact; and
- reviewing how the relationship between the Auditor General and the Wales Audit Office operates in practice to inform a review of the Code of Relationship Practice.

As part of their annual reporting requirements, the Board committees each complete a self-assessment of their effectiveness. The Audit and Risk Assurance Committee has adopted the National Audit Office's checklist which captures the good practice principles described in HM Treasury's Audit Committee Handbook. The Remuneration and HR Committee has adapted the checklist to ensure that it is relevant and proportionate to its needs. The Board is satisfied with the robustness of the assessments and content that there are no matters of concern.

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 May 2017 and will next be conducted early in 2018-19. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle, with input from the Chair of the Finance Committee.

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 through the performance appraisal process.

Report of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2018, summarising its conclusions from the work it had undertaken during 2017-18.

During the year, management – working with the Committee – completed the development of an assurance map, which the Board adopted in September 2017. The Committee saw this articulation of the control framework as a significant step towards ensuring that the Wales Audit Office has more robust assurance that the right levels of control are in place to manage effectively the risks that affect the achievement of its aim and objectives.

The assurance areas illustrated overleaf were agreed by the Board as a framework around which to structure the map.

Existing controls and sources of assurance are then listed under each assurance area, and any gaps relative to meeting the assurance needs of the Board are highlighted and discussed.

Based on the work undertaken during the year, the Committee provided assurance that:

- the risk management arrangements appeared to be operating effectively within a policy framework that was clear and unambiguous;
- the financial management and reporting arrangements were governed by a delegation framework and clear guidance, both of which were refreshed and updated during the year;
- the arrangements to enable staff to report wrongdoing in the workplace in the public interest and for money laundering reporting were robust;
- the Wales Audit Office's counter-fraud arrangements were also robust though management needed to increase the pace with which training was rolled-out across the organisation;
- the draft annual governance statement is consistent with the Committee's view of the control framework; and
- there appear to be no significant gaps in the assurance framework though management was considering the articulation of the arrangements to ensure the prevention of fraud, corruption and bribery.

The Committee's self-assessment demonstrates that it is following accepted good practice. With the Board's adoption of its assurance map, the Committee will be better able to focus on those areas of greatest risk and to ensure that it can triangulate the assurances it receives from management.



STRATEGIC DIRECTION



**GOVERNANCE, LEADERSHIP
& CULTURE**



**OPERATING MODEL /
APPROACH TO RESOURCE
DEPLOYMENT**



**EXTERNAL STAKEHOLDER
RELATIONSHIPS AND
REPUTATION**



**WORKFORCE AND PEOPLE
STRATEGY**



INFORMATION STRATEGY



**STEWARDSHIP OF PHYSICAL
& ICT ASSETS**



**EFFECTIVENESS OF BUSINESS
SYSTEMS**



**SAFEGUARDING
ARRANGEMENTS**



**SECURING VALUE FOR MONEY
IN OUR USE OF RESOURCES**



**ARRANGEMENTS FOR
MONITORING THE EXERCISE
OF THE AUDITOR GENERAL'S
FUNCTIONS**

Report of the Remuneration and HR Committee

Much of the work of the Remuneration & HR Committee had a direct impact on the day-to-day decisions that affected staff most directly. The Committee recorded its appreciation of the work in-year to update the HR policy framework, ensuring that it meets the Board's strategic objectives. The establishment of a programme of routine review and updating was particularly important and the Committee expects this momentum to be maintained.

In completing its work, the Committee identified some general points of process and procedure that may have wider application beyond its work. In particular, management needs to plan more effectively to accommodate the role of the Board and its committees in the decision-making process to protect the integrity of the arrangements in place.

From its self-assessment, the Committee concluded that:

- it needs to maximise the value that the elected employee member's perspective can bring to its work and the Board has approved changes to the terms of reference to clarify the role; and
- constructive relationships with the executive are important to the Committee's effectiveness and that building those relationships outside the confines of formal meetings is necessary but guidance is needed to ensure that the Committee's assurance role is not undermined.

Changes to the Wales Audit Office's scheme of delegation and the Board's approval of a People Strategy mean that the Committee's remit has evolved and the Board has approved a revised terms of reference to reflect its new role.

Internal auditor’s report

BDO LLP were appointed as the internal auditors of the Wales Audit Office for the year ended 31 March 2018.

During 2017-18, eight internal audit reports were issued by BDO LLP on reviews of financial controls (interim and final), IT support, operational capacity and workforce planning, strategic procurement, business planning and management information, implementation of a new finance system, and fraud controls.

Summary of the levels of assurance provided in internal audit report opinions in 2017-18

Design of internal control framework	Substantial			1	4
	Moderate			2	1
	Limited				
	None				
Assurance level	None	Limited	Moderate	Substantial	
Operational effectiveness of internal controls					

In his annual statement of assurance for 2017-18, the Head of Internal Audit reported that:

‘We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Wales Audit Office’s risk management and internal control arrangements.

In our opinion, based on the reviews undertaken and completed during the period, we are able to conclude that risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were generally achieved by the end of the period under review.’

Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP were appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21. An internal audit strategy and plan for 2018-19 was prepared for consideration and was approved by the Audit & Risk Assurance Committee at its meeting on 28 February 2018.

Risk appetite and management

Given the nature of our business, our tolerance of risk in areas of professional audit judgement, regularity, propriety and financial management is low. In other areas, such as in relation to the exchange of good practice and engaging more effectively with the public, we are prepared to accept more risk in order to take advantage of opportunities to pursue our aim and objectives.

The Wales Audit Office is committed to adopting best practice in the identification, evaluation and cost-effective control of risks to ensure they are reduced to an acceptable level or eliminated. It is acknowledged that some risks will always exist and will never be eliminated – but these too must be monitored and controlled.

Risk management and control framework

The Board has overall responsibility for risk management, and receives and considers a strategic risk register and a report which summarises any significant changes to the organisation's risk profile at each of its meetings.

The Board is supported by the Audit and Risk Assurance Committee, which reviews and advises the Board on:

- its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
- the Wales Audit Office's overall risk assessment processes that inform executive decision making;
- the Wales Audit Office's capability to identify and manage risk;
- the remit of the risk management function; and
- management's responsiveness to risk assessment.

The Management Committee is responsible for: approving and overseeing the implementation of the Wales Audit Office's risk management policy and agreeing any resources needed to support this corporately; assessing and managing strategic risks; and reviewing the operational risk register every six months.

The Accounting Officer advises the Board and its committees on the system of internal control, and is supported in doing so by the Management Committee.

Risk assessment

At each of its meetings in 2017-18, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed strategic risk register which:

- provided an assessment of inherent levels of risk and assigned risk targets;
- described the key controls that had been put in place to mitigate risk likelihood and impact and achieve targets;
- provided an assessment of residual levels of risk;
- identified risk movements and highlighted changes that had been made to mitigating controls since the last Board meeting; and
- summarised the content of the register through inherent and residual risk heat maps and profiles.

A number of key strategic risks fluctuated during the year and particularly engaged the time of the Board and Management Committee. These included:

- the role of the Auditor General might not be recognised appropriately in forthcoming legislation;
- the need to realise the benefits of having a more diverse workforce, particularly at the management and senior management level; and
- the risk of there being insufficient funding from fees and financing from the Welsh Consolidated Fund for the Auditor General to deliver his statutory functions in a way that delivers the desired levels of impact and added value.

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

In 2017-18, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through testing individual strategic risks, to determine whether, in the round, the risk management arrangements were robust. Over the course of the year, the Committee considered four strategic risks, alongside undertaking two reviews of the operational risk register. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.

A number of risks were successfully managed and removed from the strategic risk register during 2017-18. The risks were either closed completely or de-escalated to the operational risk register for ongoing management by the relevant risk lead.

The Wales Audit Office also faces a number of newly identified risks going forward into 2018-19, which have been reflected in our strategic risk register. In particular:

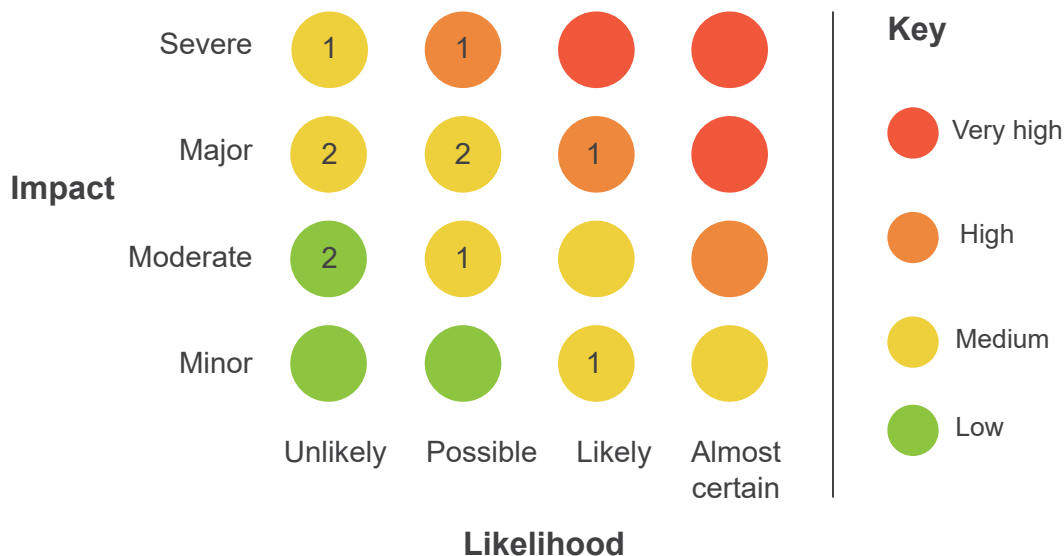
- failing to recognise and understand the changing landscape in which we operate, including in relation to Brexit, fiscal devolution and local government reform, and to modernise our audit approach accordingly;
- not adopting best professional practice in our approach to and investment in data analytics, resulting in a failure to deliver efficiencies and achieve the greatest possible impact; and
- failing to respond effectively to the results of the staff survey undertaken in October 2017, which focused on current levels of staff engagement and on gaining a better understanding of the employee experience.

We have commissioned work to mitigate these new risks.

I will continue to ensure that risks are generally well managed, that where there are weaknesses, appropriate actions are in place to tackle them, and that the Wales Audit Office’s internal controls are regularly reviewed to ensure they remain effective.

The Wales Audit Office’s strategic risk profile

A summary of the Wales Audit Office’s strategic risk profile as of 31 March 2018 is provided in the following ‘heat map’, which highlights the number of strategic risks and the assessed levels of residual risk following the application of controls to mitigate their impact and likelihood.



Information governance

As Auditor General, I have wide-ranging access to information for the discharge of my audit functions. These powerful statutory access rights bring with them a responsibility to ensure that the information obtained by me and the Wales Audit Office is safeguarded properly.

The Wales Audit Office therefore has an Information Governance Policy and an Information Security Policy which set out staff obligations and responsibilities, data processing requirements, monitoring and reporting arrangements, and explain how staff can obtain further support and guidance.

Data protection

The protection of personal data is especially important, and during the year the organisation has been making preparations for the enforcement of the General Data Protection Regulations (GDPR) in May 2018. This work has included:

- providing training to staff across the organisation on the principles, practical requirements and impact of the GDPR;
- undertaking data mapping to record information about the personal information that is processed by the Wales Audit Office, the purposes of the processing, the legal basis for the processing, data retention and details of technical and organisational security measures;
- providing guidance setting out GDPR principles, record keeping and fair processing requirements so as to ensure that all data processing conducted is fair and lawful, appropriate fair processing (privacy) notices are used and suitable records maintained;
- designating a Data Protection Officer;
- introducing a new privacy impact assessment; and
- revising policies, codes and contracts to ensure that they meet the requirements of the regulations.

The Director of Corporate Services is accountable to the Board for information governance. The Wales Audit Office has adopted ISO 27001, the international standard for information security management, scaling its arrangements in line with the needs of the organisation.

There were no personal data related incidents reportable to the Information Commissioner's Office in 2017-18.

Openness and transparency

We are committed to openness and transparency in the way we operate as a business and have adopted the Model Publication Scheme prepared and approved by the Information Commissioner. The Scheme commits us to making certain information routinely available to the public.

In the 2017-18 financial year, we received 36 requests for information, and met the statutory deadlines for all but two of these requests. In one of the cases where we did not meet the statutory 20 working-day deadline, the request was embedded in correspondence regarding comments on a draft report and was not identified initially on receipt. In the other case, as permitted by the Freedom of Information Act, an additional nine working days were required in order to properly apply public interest tests in respect of exemptions.

We were not subject to any reviews in 2017-18 by the Information Commissioner.

Whistleblowing (internal)

All Wales Audit Office staff are encouraged to raise issues of concern about misconduct or wrongdoing that come to their attention while at work. The Wales Audit Office Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance.

We have a well-established internal whistleblowing policy which reflects the provisions of the Public Interest Disclosure Act 1998, sets out the mechanism for raising such matters, and applies to staff of the Wales Audit Office and all contractors and others working for the Wales Audit Office in any capacity.

It is difficult to directly assess the effectiveness of our whistleblowing arrangements, as we have had no internal disclosures in the year, or in preceding years. However, in our staff survey which was undertaken in October 2017 and to which 85% of staff responded, we asked staff to rate their response to the following statement on a strongly agree to strongly disagree scale: 'I am confident that if I raised a concern under the Wales Audit Office's whistleblowing arrangements it would be investigated properly'. 76% of those staff responded 'strongly agree' or 'agree' to this question, with a further 17% responding 'neither agree nor disagree'. While this result indicates extensive confidence in arrangements, it suggests that there is some further work to do to ensure all staff are aware of and are confident in those arrangements.

We have specific arrangements for reporting information governance problems, such as potential threats to information security, which are operated by the same staff as the whistleblowing arrangements. While the volume of reporting is not high – a handful of concerns raised during the year – this does indicate that staff have some confidence in making reports where appropriate.

REMUNERATION AND STAFF REPORT

Remuneration report

Auditor General for Wales

The Auditor General's remuneration is determined by the National Assembly for Wales 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 current Auditor General, Huw Vaughan Thomas, was appointed by Her Majesty the Queen and took office on 1 October 2010 for a non-renewable period of eight years. The Auditor General will be retiring from the role on 20 July 2018 and will be succeeded by Adrian Crompton following his appointment by Her Majesty the Queen. The gross salary cost of the Auditor General during 2017-18 was £161,744 (2016-17: £153,117³⁴).

Mr Huw Vaughan Thomas has opted for a partnership pension account (a form of personal stakeholder pension to which an employer contributes). Total employer contributions to this account during 2017-18 were £23,333 (no member contributions were made). (2016-17: £23,333³⁵, no member contributions).

Wales Audit Office Board

The Wales Audit Office Board comprises five non-executive members appointed by the National Assembly, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Director of Corporate Services.

The terms of appointment for 4 of the 5 non-executive Board members would have ended in October 2017, so the Finance Committee of the National Assembly for Wales undertook a recruitment campaign during the year. The Finance Committee determined that the term of office for the Chair of the Board, Isobel Garner, be extended for a further 3 years. Steven Burnett was reappointed for a term of 17 months to March 2019 and 2 new non-executive members, Alison Gerrard³⁶ and Bill Richardson were appointed for a 4 year term, replacing former members David Corner and Peter Price.

³⁴ Salary restated from £153,000 to £153,117 for 2016-17 to rectify an oversight by the National Assembly for Wales. Salary reported for 2015-16 is also restated from £153,000 to £153,117.

³⁵ Employer contributions restated from £27,923 to £23,333 for 2016-17 to rectify a calculation error by the National Assembly for Wales. Employer contributions reported for 2015-16 are also restated from £26,701 to £26,318.

³⁶ Alison Gerrard was appointed from 4 September 2017 following the early resignation of David Corner in July 2017.

The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the Assembly, and in the case of the Chair, is met from the WCF directly, in accordance with the Public Audit (Wales) Act 2013. For enhanced transparency, the remuneration of the Chair of the Wales Audit Office Board is disclosed in this report. The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot, in May 2014. The allowances that they receive for their Board related duties are set by the Board³⁷ and disclosed in this report. The Auditor General and the Director of Corporate Services receive no additional allowances for their Board related duties.

The information on pages 71 to 83 in the Remuneration and Staff Report is subject to audit.

³⁷ Employee members do not participate in this decision

Single total figure of remuneration for Wales Audit Office Board members

	Remuneration / Allowance		Tax-inclusive expenses ³⁸		Single total figure of remuneration	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	£	£	£	£	£	£
Isobel Garner (Chair) ³⁹	25,000	25,000	9,403	5,741	34,403	30,741
Steven Burnett	12,500	12,500	3,324	3,068	15,824	15,568
David Corner ⁴⁰	3,583	12,500	1,805	9,176	5,388	21,676
Lindsay Foyster	12,500	12,500	1,156	488	13,656	12,988
Alison Gerrard ⁴¹	6,771	-	1,412	-	8,183	-
Peter Price ⁴²	5,786	12,500	386	454	6,172	12,954
Bill Richardson ⁴³	5,712	-	1,480	-	7,192	-
Amanda Hughes ⁴⁴	4,167	4,167	1,982	1,194	6,149	5,361
Louise Fleet	4,167	4,167	457	276	4,624	4,443
Total	80,186	83,334	21,405	20,397	101,591	103,731

38 In addition to the remuneration or allowance for their role, Board and non-executive committee members are able to claim for their travel and expenses. The personal tax liability in respect of these expenses is settled by the Wales Audit Office under a PAYE Settlement Agreement with HMRC.

39 The Chair's remuneration is met directly from the WCF. The Chair's travel and expenses are met by the Wales Audit Office. The Chair's remuneration is disclosed here for transparency.

40 David Corner resigned from his role as a Board Member on 24 July 2017.

41 Alison Gerrard was a non-executive member of ARAC until 3 September 2017.

42 Peter Price's term of office came to an end on 16 October 2017.

43 Bill Richardson was appointed as a member of the Wales Audit Office Board on 17 October 2017.

44 Amanda Hughes and Louise Fleet are employee members of the Wales Audit Office Board. The allowances disclosed above relate solely to their Board member duties.

Non-executive committee members

The Wales Audit Office Board has appointed an independent member of its Audit and Risk Assurance Committee (ARAC). Remuneration for this post was determined by the Board and is non-pensionable. Following Alison Gerrard's appointment as a Board member in September 2017, Dianne Thomas was appointed to this role in December 2017.

Single total figure of remuneration for ARAC members

	Remuneration		Tax-inclusive expenses		Single total figure of remuneration	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	£	£	£	£	£	£
Alison Gerrard	2,541	5,000	79	142	2,620	5,142
Dianne Thomas	1,667	-	399	-	2,066	-
Total	4,208	5,000	478	142	4,686	5,142

Wales Audit Office staff

The Wales Audit Office pay policy is available on our [website](#).

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.

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.

When determining pay strategies, the Board considers:

- the need to recruit, retain and motivate suitably able, qualified and high-calibre people;
- overall affordability;
- pay practices in the wider public sector and comparator organisations; and
- relevant legal obligations including equality and anti-discrimination requirements.

Pay ranges for all staff are available on our [website](#). 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.

During 2017-18, no payments were made to previous members of staff whose remuneration would have been disclosable (2016-17: Nil).

Single total figure of remuneration for senior managers

Set out below are details of the remuneration and pension interests of members of the Management Committee. The Auditor General's performance appraisal summary of Management Committee members is subject to scrutiny by the Board's Remuneration Committee.

	Year to 31 March 2018				
	Salary ⁴⁵	Benefits in kind	Taxable expenses ⁴⁶	Pension benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125		17,200	29	165-170
Gillian Body ⁴⁷	30-35			(3)	25-30
Jane Holownia (0.8 FTE)	85-90			13	100-105
Alan Morris ⁴⁸	-			-	-
Steve O'Donoghue	85-90			45	130-135
Kevin Thomas	120-125		14,100	21	155-160
Mike Usher	105-110			16	120-125

	Year to 31 March 2017				
	Salary	Benefits in kind	Taxable expenses	Pension benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	300	15,100	37	170-175
Gillian Body	120-125			(1)	120-125
Jane Holownia (0.8 FTE)	20-25 ⁴⁹			5	25-30
Alan Morris	80-85	1,000		59	140-145
Steve O'Donoghue	80-85			64	145-150
Kevin Thomas	120-125		19,300	50	190-195
Mike Usher	105-110			33	135-140

45 Including Travel Allowance paid to Anthony Barrett (£5,160), Gillian Body (£1,290), Kevin Thomas (£5,160) and Jane Holownia (£3,015). Mike Usher is entitled to Travel Allowance but did not access this in 2017-18 or 2016-17.

46 Being the tax-inclusive value of payments made to Anthony Barrett and Kevin Thomas for travel to a main place of work.

47 Gillian Body left the Wales Audit Office under a Voluntary Exit Agreement at the end of June 2017 (Full year equivalent salary in the range of 120-125). Details of this agreement were included in the Annual Report and Accounts for 2016-17. The salary disclosed is for 3 months of the year.

48 Alan Morris retired at the end of December 2016.

49 Jane Holownia was appointed to the Management Committee in January 2017.

Salary

'Salary' includes gross salary and any other allowance (eg, travel allowance) to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind represents leased-car benefits provided by the Wales Audit Office and treated by Her Majesty's Revenue and Customs (HMRC) as a taxable benefit. These benefits are in line with a standard entitlement for all mobile staff.

The Wales Audit Office provides a death-in-service benefit equivalent to a payment of one year's salary for any member of staff who dies whilst in the employment of the Wales Audit Office. The annual cost of this scheme in 2017-18 was £22,349 (2016-17: £18,679). This is a group insurance policy, and as such, cannot be directly attributed to any one member of staff and hence is excluded from the table above.

Expenses of senior staff

Information on the expenses of Management Committee members is published on the Wales Audit Office [website](#).

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Pension entitlements for senior managers

	Accrued pension at pension age as at 31 March 2018 and related lump sum	Real increase / (decrease) in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase / (decrease) in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Anthony Barrett	45-50	0-2.5	777	720	9	-
Gillian Body	50-55 plus lump sum of 155-160	0 plus lump sum of 0	1,144	1136	(3)	-
Jane Holownia	45-50	0-2.5	816	748	9	-
Steve O'Donoghue	45-50	2.5-5	563	507	21	-
Kevin Thomas	55-60	0-2.5	852	797	2	-
Mike Usher	40-45 plus lump sum of 105-110	0-2.5 plus lump sum of 0	764	716	-	-

Cash equivalent transfer values (CETV)

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.

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 cash equivalent transfer value

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

The relationship between the remuneration of the highest-paid director and the median remuneration of the workforce is as disclosed in the following table.

	2017-18	2016-17
Band of highest-paid director's total remuneration ⁵⁰ excluding pension contributions (£'000)	135-140	140-145
Median total remuneration based on full-time-equivalent staff (excluding pension contributions)	£42,757	£44,065
Range of total remuneration excluding pension contributions	£16,381- £138,632	£16,300- £141,452
Remuneration ratio	3.24	3.21

In 2017-18, no employees received remuneration in excess of the highest-paid director (2016-17: none). Remuneration ranged from £16,381 to £138,632 (2016-17: £16,300 to £141,452). The reduction in median remuneration reflects the increased number of graduate trainees employed by the Wales Audit Office. The lowest remuneration reflects work-experience placements. The reduced remuneration for the highest-paid director reflects a reduction in taxable travel expenses.

For transparency, the Auditor General's total remuneration of £161,744 (excluding pension contributions) represented 3.78 times the median total remuneration for the Wales Audit Office (2016-17: £153,117⁵¹, ratio: 3.47).

Off Payroll Engagements

The Wales Audit Office had no contracts during 2017-18 which met the HM Treasury definition of off payroll arrangements. (2016-17: none)

⁵⁰ Total remuneration includes salary, travel allowance and benefits in kind. In the case of the highest-paid director, it also includes taxable expenses. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

⁵¹ Salary restated from £153,000 to £153,117 for 2016-17 to rectify an oversight by the National Assembly for Wales. Salary reported for 2015-16 is also restated from £153,000 to £153,117. This did not affect the remuneration ratio.

Redundancies, early retirements and severances

The Wales Audit Office operates voluntary-severance arrangements in accordance with the Civil Service Compensation Scheme. These schemes are in accordance with workforce planning requirements and have resulted in reductions to the staffing cost base of the Wales Audit Office.

The cost of the scheme in 2017-18 was £501,078 (2016-17: £695,700). This will deliver savings estimated at £194,000 annually.

7 employees (2016-17: 16) entered into approved exit packages during 2017-18 as detailed below:

Exit package cost band	2017-18			2016-17		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Less than £25,000	–	1	1	–	8	8
£25,001-£50,000	–	2	2	–	3	3
£50,001-£100,000	–	2	2	–	4	4
£100,001-£150,000	–	1	1	–	-	-
£150,001-£200,000	–	1	1	–	1	1
Total	–	7	7	–	16	16

No members of staff retired early on health grounds during the year.

Staff report

Senior leadership

The following table details the number of senior staff by band at 31 March 2018

	31 March 2018	31 March 2017
Band A (£92,430 - £116,256)	2	3
Band B (£81,686 - £102,762)	3	3
Band C (£73,579 - £89,268)	8	8
Total	13	14

Posts in Band A and B form the Management Committee, chaired by the Auditor General. With posts in Band C, they collectively form the Senior Leadership Team.

Staff numbers

The average number of full-time equivalent staff employed increased by three during the year; the number of permanent staff fell by eight with an increase of eleven staff on fixed-term contracts. This reflects an increase in the number of graduate trainees in line with our workforce planning assumptions and the [Graduate Trainee Programme](#).

	2017-18	2016-17
Average number of full-time-equivalent, UK-based, permanent staff employed during the year	209	217
Average number of full-time-equivalent, UK-based, staff on fixed-term contracts employed during the year	38	27
Audit and inspection contractors (average number of full-time equivalents in year)	8	9

Staff and associated costs

	2017-18	2016-17
	£'000	£'000
Staff salaries	11,016	10,992
Seconded-in staff	29	69
Short-term contract staff	249	301
Non-executive member remuneration	59	68
Social security costs	1,299	1,294
Pension costs (PCPS)	2,365	2,379
Pension costs (stakeholder pensions)	18	4
	15,035	15,107
Transport allowance and leased cars	709	720
Subscriptions ⁵²	75	73
	15,819	15,900
Audit and inspection contractors	104	216
	15,923	16,116
Redundancy, early retirement and severance costs	501	702
Less monies received in respect of outward secondments	(153)	(45)
Net staff costs	16,271	16,773

⁵² Fees for the membership of professional bodies, eye tests and health screening.

Bought-in services⁵³

	2017-18	2016-17
	£'000	£'000
Payments to private accountancy firms	795	952
Research and other consultancy costs	21	199
	816	1,151

These costs relate to services bought in by the Auditor General that directly relate to audit, inspection, advice or research functions. The cost has reduced in line with a planned reduction in contracted-out work as part of a long-term savings plan and workforce planning.

The following information (pages 84 to 86) in the Remuneration and Staff report is not subject to audit.

Staff policies, equality and diversity

The Auditor General for Wales and the Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010.

We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. 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.

Our recently published [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) on progress made towards delivering our equality objectives in 2016-17, which provides information on employment matters such as diversity issues and equal treatment in employment, is available on our website. Our report for 2017-18 will be published in summer 2018.

⁵³ Exclusive of VAT

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 (numbers of persons employed as of 31 March 2018)

	Male	Female	Prefer not to say	No data
Directors	8	2	-	3
Other employees of the Wales Audit Office	89	126	-	37

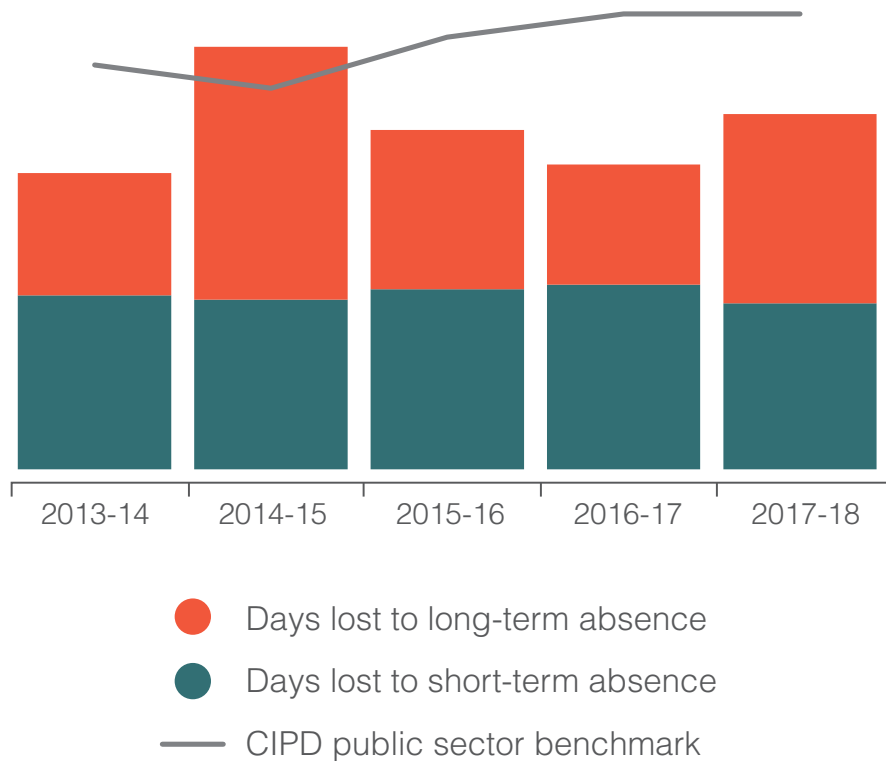
Sickness absence

- Our staff sickness levels increased by an average of one day per person due to an increase in long-term absence. Days lost due to short term absence reduced slightly when compared to 2016-17.
- The overall absence figure was two days less than the Chartered Institute of Personnel and Development (CIPD) benchmark⁵⁴, but exceeded our corporate target of 6.5 days.
- In order to help staff manage their health, we have in place Health Screening, an Employee Assistance Programme, Mental Health Champions and a programme of well-being awareness events run through the year.

	2017-18	2016-17
Average working days lost per member of staff	7.7	6.5
Due to short-term absence	3.6	3.9
Due to long-term absence (periods of ≥21 days)	4.1	2.6

⁵⁴ Mean of 9.8 days per employee per year for those public service organisations that responded to the 2016 CIPD annual Absence Management Survey.

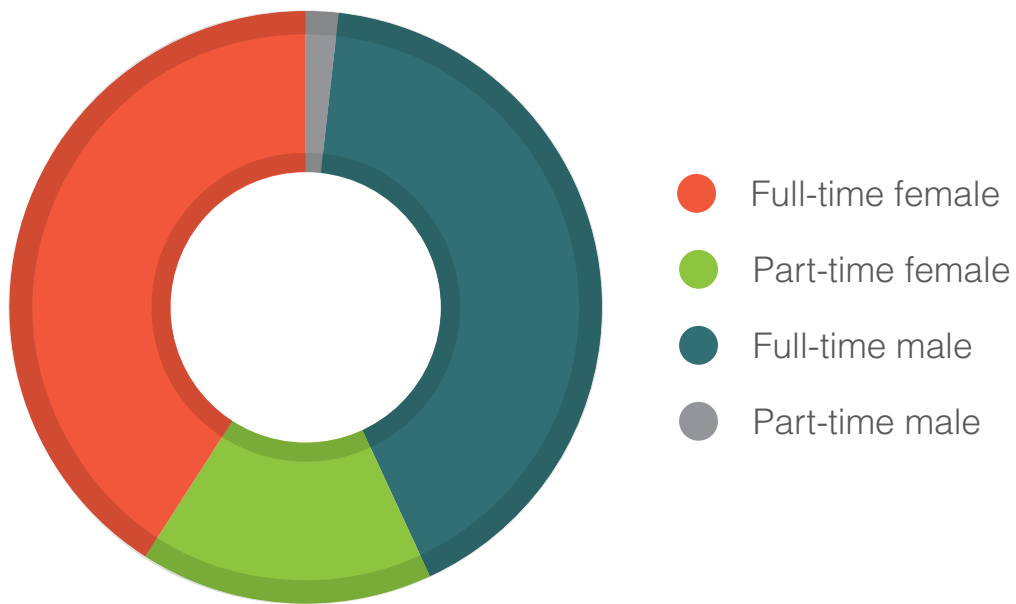
Staff sickness absence 2013-14 to 2017-18



Our workforce

- The proportion of part-time employees increased by 1.5% in 2017-18. This increase included a reduction for men of 0.8% and a 1.4% increase for women.
- The percentage of staff on permanent employment contracts reduced reflecting an increase in graduate trainees on four-year training contracts. This was planned as part of our workforce planning assumptions.
- Our annual staff turnover rate has reduced slightly as compared to 2016-17 to 10%.

	2017-18	2016-17
Working patterns		
Part-time employees as a percentage of total	17.7	16.2
For men	4.1	4.9
For women	28.1	26.7
Employment contract type		
Percentage of staff on permanent employment contracts	82.0	88.5
Turnover		
Annual staff turnover rate percentage	10	10.5



Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer
7 June 2018

RESOURCE OUT-TURN AND AUDITORS' REPORT

Summary of Resource Out-turn 2017-18

The information on page 87 to 90 is subject to audit.

This statement provides a comparison of the Estimate for 2017-18 (including changes made through the Supplementary Budget Motion), as voted by the National Assembly with actual income and expenditure for the year.

NOTE		2017-18 Estimate			2017-18 Out-turn			2016-17 Out-turn	
		Gross expenditure	Income	NET TOTAL	Gross expenditure	Income	NET TOTAL	Net total out-turn compared to estimate	NET TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SORO1	Revenue	21,545	(14,694)	6,851	20,969	(14,122)	6,847	(4)	6,486
SORO2	Capital	380	–	380	313		313	(67)	222
SORO2	Total Resources	21,925	(14,694)	7,231	21,282	(14,122)	7,160	(71)	6,708
SORO3	Net Cash Requirement			7,031			6,308	(723)	6,233

Arising from the operations of the Wales Audit Office for the financial year 2017-18:

- the net total out-turn on revenue resources was £4,000 within the approved net resources of £6,851,000;
- the out-turn on capital spend was £67,000 within the approved capital budget of £380,000; and
- After taking account of non cash adjustments, £723,000 is due to the Welsh Consolidated Fund (WCF). This reflects the timing of year end transactions.

Notes to the Summary of Resource Out-turn

Note SORO1: Analysis of Estimate 2017-18

	2017-18 Estimate			2016-17 Estimate
	Estimate	Supplementary Estimate	NET	NET
	2017-18	2017-18	TOTAL	TOTAL
	£'000	£'000	£'000	£'000
Expenditure	21,680	(135)	21,545	21,747
Income	(15,154)	460	(14,694)	(15,261)
Net Total	6,526	325	6,851	6,678
Capital	380	-	380	250
Net Resource Requirement	6,906	325	7,231	6,928
Net Cash Requirement	6,706	325	7,031	6,728

Note SORO2: Analysis of net resource out-turn 2017-18

2016-17 Out-turn £'000		2017-18 Estimate £'000	2017-18 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
Expenses					
15,204	Staff costs	15,411	14,909	(502)	Staff vacancies during the year exceeded expectations
517	Contractor staff	735	353	(382)	Reduced use of contractor staff
1,232	Travel and subsistence	1,299	1,204	(95)	Reduction in travel linked to investment in ICT and video conferencing
1,099	Private sector firms (incl VAT)	874	917	43	Increased work in year
912	Accommodation	938	931	(7)	
455	ICT	399	494	95	Investment in Data Analytics in year
624	Balance of irrecoverable VAT	390	519	129	Reflects increased capital expenditure
332	Wales Audit Office Governance Arrangements	300	300	0	
295	External training	255	292	37	Additional investment in staff training in year
139	Legal and professional fees	201	120	(81)	Reduced consultancy expenditure
115	Translation of documents	145	158	13	
823	Other costs	598	772	174	Includes increased depreciation costs and staff conference
21,747	TOTAL EXPENSES	21,545	20,969	(576)	
Income					
(13,263)	Audit fees	(13,288)	(12,755)	533	Reduction in the amount of audit work carried out
(1,540)	Grant certification fees	(1,406)	(1,351)	55	Reduction in number of grants requiring certification
(433)	WPI Grant	-	(5)	(5)	Completion of previous year reviews
(25)	Other income	-	(11)	(11)	
(15,261)	TOTAL INCOME	(14,694)	(14,122)	572	
6,486	NET REVENUE RESOURCE	6,851	6,847	(4)	
222	CAPITAL EXPENDITURE	380	313	(67)	

Income from audit and grant certification fees was £588,000 less in 2017-18 than anticipated in the Estimate. As a consequence, our staffing and other costs were reduced accordingly through vacancy management and lower than planned use of short-term contractors. Despite these challenges, the net cost of the Wales Audit Office was £4,000 less than anticipated when the Estimate was agreed.

The financial management summary on page 33 provides further explanation of cost efficiency at the Wales Audit Office.

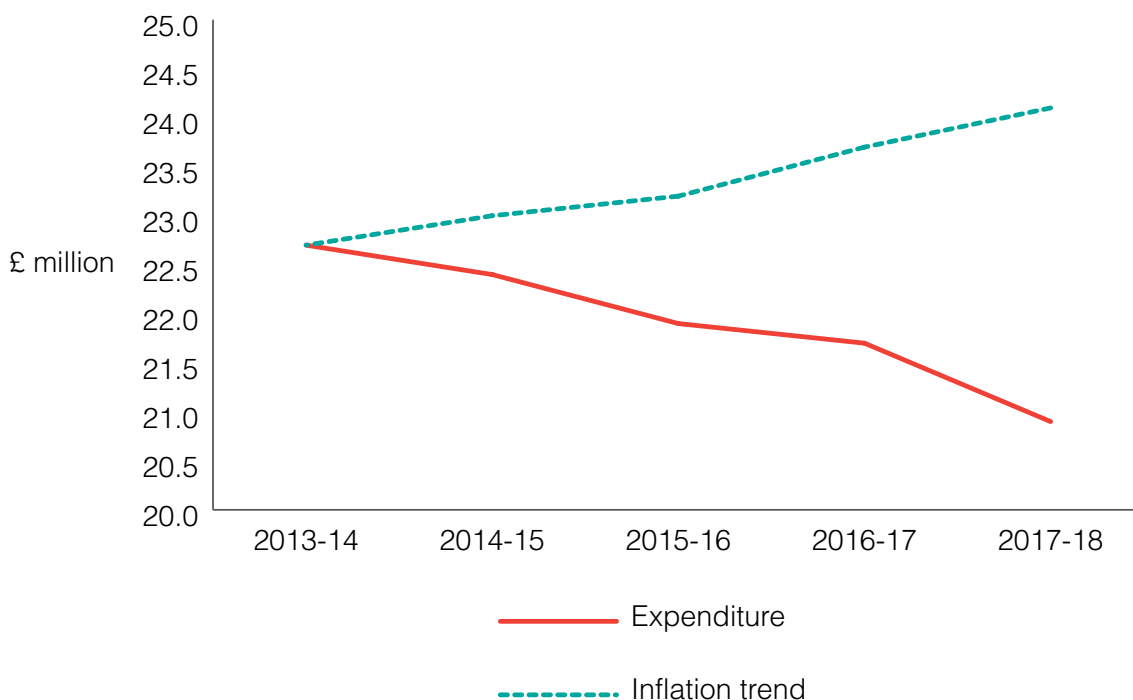
Audit fee income is governed by the Fee Scheme approved by the Finance Committee of the National Assembly. A breakdown of this income is included in Note 1 to the Financial Statements.

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

	2017-18			2016-17
	Supplementary Estimate	Out-turn	Variance	Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	6,851	6,847	(4)	6,486
Capital resources	380	313	(67)	222
Adjustments:				
Non-cash items (depreciation)	(200)	(226)	(26)	(204)
Movements in working capital other than cash:	–			
Increase /(reduction) in receivables and work in progress	–	(698)	(698)	(504)
(Increase)/reduction in payables and deferred income		242	242	98
(Increase)/reduction in provisions		(170)	(170)	135
Total net cash requirement	7,031	6,308	(723)	6,233

Long-term expenditure trends

Since 2013-14, the Wales Audit Office has reduced its expenditure by 13% in real terms⁵⁵, as represented below. The cumulative saving generated across those years amounts to £6.8 million, reducing both the call on the WCF, other than for new responsibilities, and the amount required to be raised from charging fees to audited bodies.



Future budgeted expenditure and income of the Wales Audit Office is voted annually by the National Assembly.

The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.

Any special payments and disclosable losses in 2017-18 are disclosed in Note 14 to the Financial Statements.

⁵⁵ Based on GDP deflators published by ONS March 2018.

Independent Auditors' Report to the National Assembly for Wales

Opinion on financial statements

We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2018 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. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.

The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act.

In our opinion the financial statements:

- give a true and fair view of the state of the Wales Audit Office affairs as at 31 March 2018 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 financial statements

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.

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

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We also audit the Summary of Resource Outturn and associated notes and the information in the Accountability Report that is described in the report as having been audited.

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

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Wales Audit Office and the Auditor General for Wales's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Wales Audit Office and the Auditor General for Wales have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters

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

As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 49, 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Assembly intends to dissolve the Wales Audit Office without continuation of its operations.

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

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.

Auditor's responsibilities for regularity opinion on financial statements

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.

This report is made solely to the National Assembly for Wales 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 National Assembly for Wales 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 National Assembly for Wales for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

8th June 2018

Third Floor

One London Square

Cross Lanes

Guildford

Surrey

GU1 1UN

FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS FOR THE WALES AUDIT OFFICE,
ALONGSIDE SUPPORTING AND EXPLANATORY NOTES.

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

		2017-18	2016-17
	Note	£'000	£'000
Expenditure			
Staff and associated costs	Staff report ⁵⁶	16,271	16,773
Bought-in services	Staff report	816	1,151
Other operating costs	3	3,882	3,823
		20,969	21,747
Income			
Audit fee income	1	(14,106)	(14,803)
Inspection grant	1	(5)	(433)
Other operating income	2	(11)	(25)
		(14,122)	(15,261)
Net expenditure		6,847	6,486
Total comprehensive net expenditure for the year		6,847	6,486

The notes that follow on pages 102 to 119 form part of these financial statements.

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

⁵⁶ Staff costs note on page 82 of the Remuneration and Staff Report

Statement of Financial Position at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	4	593	590
Intangible assets	5	233	149
Total non-current assets		826	739
Current assets			
Trade receivables and work in progress	6	1,432	2,136
Other receivables	7	556	550
Cash and cash equivalents	8	3,017	2,789
Total current assets		5,005	5,475
Total assets		5,831	6,214
Current liabilities			
Trade and other payables	9	(1,745)	(2,253)
Deferred income	10	(2,556)	(2,290)
Provisions for other liabilities and charges	11	(687)	(485)
WCF (see Summary of Resource Out-turn)		(723)	(495)
Total current liabilities		(5,711)	(5,523)
Total assets less current liabilities		120	691
Non-current liabilities			
Provisions for other liabilities and charges	11	(733)	(765)
Total non-current liabilities		(733)	(765)
Total assets less liabilities		(613)	(74)
Taxpayers' equity			
General fund		(613)	(74)
		(613)	(74)

The notes that follow on pages 102 to 119 form part of these financial statements.

The financial statements on pages 98 to 119 were approved by the Wales Audit Office Board and authorised for issue on 7 June 2018 and are signed on its behalf by:

Huw Vaughan Thomas

Auditor General for Wales and Accounting Officer

7 June 2018

Statement of Cash Flows for the year ended 31 March 2018

		2017-18	2016-17
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(6,847)	(6,486)
Adjustments for non-cash transactions: depreciation and amortisation	3	226	204
Increase/(decrease) in provisions	11	170	164
Changes in working capital			
(Increase)/decrease in trade and other receivables	6,7	698	(504)
Increase/(decrease) in trade and other payables	9,10	(242)	98
Net cash outflow used from operating activities		(5,995)	(6,524)
Cash flows used from investing activities			
Purchases of property, plant and equipment	4	(152)	(190)
Purchases of intangible assets	5	(161)	(32)
Net cash outflow from investing activities		(313)	(222)
Cash flows from financing activities			
WCF		7,031	6,728
WCF repaid		(495)	(143)
Net financing		6,536	6,585
Movements in cash and cash equivalents	8	228	(161)

The notes that follow on pages 102 to 119 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	£'000
Balance at 31 March 2016	179
Changes in taxpayers' equity in 2016-17	
Total comprehensive expenditure	(6,486)
WCF finance	6,728
	421
Payable to WCF	(495)
Balance at 31 March 2017	(74)
Changes in taxpayers' equity in 2017-18	
Total comprehensive net expenditure	(6,847)
WCF finance	7,031
	110
Due to WCF	(723)
Balance at 31 March 2018	(613)

The notes that follow on pages 102 to 119 form part of these financial statements.

Notes to the Financial Statements

These financial statements have been prepared in accordance with the 2017-18 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

The accounting policies contained in the FReM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Wales Audit Office for the purpose of giving a true and fair view has been selected. Significant policies adopted by the Wales Audit Office are described alongside the note to which they refer. They have been applied consistently in dealing with items considered material in relation to the accounts.

These financial statements have been 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.

The potential impact of IFRS 16 (Leases) issued in January 2016 but not effective until 1 January 2019 is disclosed in Note 12. We have considered the impact of IFRS 15 (Revenue from contracts with customers) and believe that there is no material difference from the accounting treatment currently applied.

There are no other new accounting standards issued, but not yet effective, that would have had a material effect on these financial statements had they been applied in this reporting period.

The financial statements have been prepared on a going concern basis as set out below:

The Wales Audit Office works to annual funding arrangements by statute. Although voted funding has only been approved for nine months after the date of signing these statements, an Estimate for the 2019-20 financial year will be presented to the Finance Committee of the National Assembly in the autumn of 2018-19 and there is no reason to believe that funding will not be approved for that financial year.

The Wales Audit Office is not liable for corporation tax.

Critical accounting estimates and areas of judgement

- Revenue recognition is based on time charged to projects adjusted where applicable to reflect stage completion of work done. An assessment is undertaken at the year-end to consider the reasonableness of income recognised taking into account the cost to complete of audit projects. This treatment is in line with IAS 18 (Revenue) and directly impacts the valuation of work in progress and deferred income in these financial statements.
- Income recognised in advance of invoices being raised is treated as Work in Progress (See Note 6). Invoices raised in advance of work being done is treated as Deferred Income (See Note 10).
- Provisions have been 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. (See Note 11).
- The dilapidations provision represents an estimate of the costs the Wales Audit Office may incur in making good its leased properties at the end of the leases. This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of the leased assets. Dilapidation 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 the cost was identified, based on estimates provided by independent surveyors.

Note 1 (a): Wales Audit Office operating segments

2017-18

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(10,687)	(3,419)	-	(14,106)
Grant	-	(5)	-	(5)
Other income	-	-	(11)	(11)
Total	(10,687)	(3,424)	(11)	(14,122)
Expenditure	10,851	3,260	6,858	20,969
	164	(164)	6,847	6,847

2016-17

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(11,161)	(3,642)		(14,803)
Grant		(433)		(433)
Other income			(25)	(25)
Total	(11,161)	(4,075)	(25)	(15,261)
Expenditure	11,118	4,118	6,511	21,747
	(43)	43	6,486	6,486

The Wales Audit Office reports income and expenditure on its two main audit functions for which fees are charged and also for activities which are funded directly from the Welsh Consolidated Fund (WCF).

Note 1 (b): Analysis of audit fee income

	2017-18			2016-17		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(5,598)	(2,265)	(7,863)	(5,772)	(2,381)	(8,153)
Local Government Grant Certification	(1,351)		(1,351)	(1,540)		(1,540)
NHS	(1,900)	(1,154)	(3,054)	(2,009)	(1,261)	(3,270)
Central Government Audit	(1,838)	-	(1,838)	(1,840)		(1,840)
	(10,687)	(3,419)	(14,106)	(11,161)	(3,642)	(14,803)

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

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 of completion of projects.

Operating income, whether derived from direct government grant or fees generated from audited bodies, is credited to the year of account in which the work is done. Invoices raised in advance of the work being done is classed as deferred income (see Note 10). Work done in advance of income received is classed as work in progress (see Note 6). Funding drawn from the WCF is not direct government grant and is credited directly to taxpayers' equity.

Note 2: Other operating income

	2017-18	2016-17
	£'000	£'000
Other operating income ⁵⁷	(11)	(25)
	<hr/>	<hr/>
	(11)	(25)

Note 3: Other operating costs

	2017-18	2016-17
	£'000	£'000
Accommodation		
Rent lease costs	454	453
Other accommodation costs	411	384
Supplies and services ⁵⁸	1,806	1,805
Recruitment	70	69
Depreciation and amortisation	226	204
Professional fees		
Internal audit services	43	39
External audit fees	38	36
Other professional fees	47	64
Staff travel and subsistence	495	512
Staff learning and development	292	257
	<hr/>	<hr/>
	3,882	3,823

No non-audit services were provided by our external auditors in 2017-18. (2016: £nil).

⁵⁷ Other operating income includes charges for training provided, personal use of mobile phones and recharges for refreshments.

⁵⁸ Includes irrecoverable VAT. All other totals in this note are net of VAT

Note 4: Property, plant and equipment

Fixed assets are held at depreciated cost.

	Furniture and fittings	Information technology	Office equipment	Total
2017-18	£'000	£'000	£'000	£'000
Cost				
At 31 March 2017	1,329	377	160	1,866
Additions		152		152
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	1,302	519	157	1,978
Depreciation				
At 31 March 2017	949	214	113	1,276
Provided in period	68	67	14	149
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	990	271	124	1,385
Net book value				
At 31 March 2018	312	248	33	593
At 31 March 2017	380	163	47	590
Asset financing				
Owned	312	248	33	593

	Furniture and fittings	Information technology	Office equipment	Total
2016-17	£'000	£'000	£'000	£'000
Cost				
At 31 March 2016	1,296	306	132	1,734
Additions	68	86	36	190
Disposals	(35)	(15)	(8)	(58)
At 31 March 2017	1,329	377	160	1,866
Depreciation				
At 31 March 2016	907	186	108	1,201
Provided in period	79	43	13	135
Disposals	(37)	(15)	(8)	(60)
At 31 March 2017	949	214	113	1,276
Net book value				
At 31 March 2017	380	163	47	590
At 31 March 2016	389	120	24	533
Asset financing				
Owned	380	163	47	590

Under the Wales Audit Office's capitalisation policy, individual and grouped computer equipment and software and other equipment in excess of £5,000 and office refurbishments are capitalised. Depreciation is calculated from the date the asset commences its useful life.

Subsequent expenditure on assets which meets these capitalisation criteria would be further capitalised. Items not meeting these criteria would be treated as revenue expenditure in the year.

Depreciation is provided on all property, plant and equipment assets calculated to write off the cost, less estimated residual value, of each asset in equal annual instalments over its expected useful life as follows:

Furniture and fittings (including IT infrastructure)	10 years (or shorter of asset life or length of lease for fittings in leased buildings)
Computer equipment	Three years
Office equipment	Five years

In the opinion of the Auditor General, there is no material difference between the net book value of assets at current values and at their depreciated replacement cost. An annual assessment of impairment is carried out to confirm that this remains the case.

Note 5: Intangible assets

Intangible assets are stated at amortised historic cost. The assets are amortised on a straight-line basis over the shorter of the term of licence or useful economic life (five years). Amortisation is calculated from the date the intangible asset commences its useful life.

	Total
2017-18	£'000
Cost	
At 31 March 2017	503
Additions	161
Disposals	(1)
At 31 March 2018	<u>663</u>
Amortisation	
At 31 March 2017	354
Provided in period	77
Disposals	(1)
At 31 March 2018	<u>430</u>
Net book value	
At 31 March 2018	<u>233</u>
At 31 March 2017	<u>149</u>
Asset financing	
Owned	<u>233</u>

	Total
2016-17	£'000
Cost	
At 31 March 2016	479
Additions	32
Disposals	(8)
At 31 March 2017	503
Amortisation	
At 31 March 2016	291
Provided in period	71
Disposals	(8)
At 31 March 2017	354
Net book value	
At 31 March 2017	149
At 31 March 2016	188
Asset financing	
Owned	149

In the opinion of the Auditor General, there is no material difference between the net book value of assets at current values and at their historical cost. An annual assessment of impairment is carried out to confirm that this remains the case.

Note 6: Trade receivables and work in progress

Receivables and work in progress are valued at fair value initial recognition and then subsequent measurement at amortised cost using effective interest method less provision for impairment.

Work in progress relates to amounts due on completed work where the fee is yet to be issued or where work done falls into different account periods. This is stated at full cost less provision for foreseeable losses and amounts billed on account.

A provision for impairment of trade receivables would be established when there is evidence that the Wales Audit Office will not be able to recover all amounts due in accordance with contracts.

	31 March 2018	31 March 2017
	£'000	£'000
Trade receivables		
Central government	222	161
Local government	276	449
NHS	236	178
External to government	4	25
Work in progress		
Central government	535	609
Local government	152	704
NHS	7	10
	<u>1,432</u>	<u>2,136</u>

Included in the above figures is £67,000 that is overdue but not yet impaired. No issues regarding the eventual receipt of this amount are anticipated.

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

A provision for bad and doubtful debts has not been required in 2017-18 (2016-17: not required).

Note 7: Other receivables

	31 March 2018	31 March 2017
	£'000	£'000
Prepayments and accrued income ⁵⁹	543	546
Loans to employees ⁶⁰	13	4
	<u>556</u>	<u>550</u>

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

Note 8: Cash and cash equivalents

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

	31 March 2018	31 March 2017
	£'000	£'000
Balance at 1 April	2,789	2,950
Net change in cash and cash equivalents	228	(161)
Balance at 31 March	<u>3,017</u>	<u>2,789</u>

	31 March 2018	31 March 2017
	£'000	£'000
Current account (Government Banking Service)	3,017	2,789
	<u>3,017</u>	<u>2,789</u>

⁵⁹ Mainly advance payments for rent and other property-related costs.

⁶⁰ Cycle loans and prepayments for salary sacrifice car leases.

Note 9: Trade payables and other current liabilities

	31 March 2018	31 March 2017
	£'000	£'000
Trade payables (due within one year)	40	431
VAT	77	62
Taxation and social security costs	357	352
Accrual for holiday entitlement not yet taken	474	509
Other accruals ⁶¹	797	899
	<u>1,745</u>	<u>2,253</u>

The Wales Audit Office aims to pay 95% of all undisputed supplier invoices within 30 days of receipt and 84% within 10 days. In 2017-18, 98% were paid within 30 days and 88% within 10 days.

Staff holiday entitlement is based on the date on which they were employed. The calculation of the accrual for holiday entitlement is therefore based on individual holiday anniversaries rather than a fixed holiday year.

Note 10: Deferred income

Audit fee income recognised in our accounts is assessed by reference to time charges and a review of work in progress. We invoice for most of our work on an instalment basis through the year. Deferred income represents income that has been billed but not yet recognised.

	31 March 2018	31 March 2017
	£'000	£'000
Deferred income	2,556	2,290
	<u>2,556</u>	<u>2,290</u>

⁶¹ The majority of the other accruals (£371,000) relates to trade payable invoices received post year-end. £260,000 is in respect of pension contributions for March 2018, paid in April 2018.

Note 11: Provisions for liabilities and charges

Provisions are recognised when an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where 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 the discount is recognised within relevant expense.

	Dilapidations ⁶²	Early retirement and severance ⁶³	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
At 31 March 2017	631	612	7	-	1,250
Provided in year	16	496	-	143	655
Provisions utilised in year	-	(479)	(5)	-	(484)
Provisions released in year	-	-	(1)	-	(1)
At 31 March 2018	647	629	1	143	1,420

Analysis of expected timing:

	Dilapidations	Early retirement and severance	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
Not later than one year	-	543	1	143	687
Later than one year and not later than five years	629	86	-	-	715
Later than five years	18	-	-	-	18
	647	629	1	143	1,420

62 The Wales Audit Office uses HM Treasury's discount rate as set out in PES (2017) 10 for balances of 0-5 years of -2.42% and for 5 to 10 years of -1.85% to calculate this balance

63 The Wales Audit Office uses HM Treasury's discount rate as set out in PES (2017) 10 of 0.10% to calculate this balance.

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

This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of the leased assets. Dilapidation 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 the cost was identified, based on estimates provided by independent surveyors.

The early retirement and severance provisions represent the future liability of the Wales Audit Office in respect of members of staff who have left under redundancy, early retirement and severance schemes.

The car scheme provision reflects a commitment to compensate staff who have agreed to a buy-out of terms and conditions relating to the provision of leased cars and transport allowance. This provision was established in 2015-16 and the large majority of qualifying employees received payments in 2016-17. The remaining balance is in respect of employees whose leased car arrangements have not yet ended.

The Firms' income provision represents a refund of fees due to two audited bodies as a result of over-invoicing in prior periods by a contractor Firm.

Note 12: Operating leases

The Wales Audit Office holds operating leases for cars and its operational offices. Operating lease rentals are charged on a straight-line basis over the lease term. Lease incentives received are recognised in the Statement of Comprehensive Net Expenditure as an integral part of the total lease expense. Where the Wales Audit Office enjoys the benefit of rent-free periods in leases, that benefit is credited evenly over the period from the inception of the lease until the first rent review.

There were aggregate minimum lease payments at 31 March 2018 in respect of non-cancellable car leases:

	31 March 2018	31 March 2017
	£'000	£'000
Within one year	10	34
	10	34

There were aggregate minimum lease payments at 31 March 2018 in respect of three office accommodation leases. The Wales Audit Office has three operational offices at Cardiff, Swansea and Abergele.

	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£'000	Number of properties	£'000	Number of properties
Within one year	443	3	443	3
Between two and five years	1,735	3	1,774	3
Over five years	79	1	385	3
	2,257		2,602	

Office accommodation leases are subject to periodic rent reviews.

IFRS16 issued in January 2016 but not effective until 1 January 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in financial statements. It is not yet known if this standard will be adopted within the FReM; if it had been adopted for 2017-18 there would have been an increase to both assets and liabilities of £2.435 million. The Wales Audit Office has performed an assessment of the impact on net expenditure for the year and deemed there is no material impact.

Note 13: Capital commitments

There were capital commitments of £28,000 in respect of the remaining consultancy work on a new finance system which was completed in April 2018. (31 March 2017: Nil).

Note 14: Losses and special payments

During 2017-18 a loss of £44,000 was incurred when it became necessary to refund two audited bodies for fees paid for 2014-15 for audit work that was not completed to a satisfactory standard by a contractor firm.

There were no special payments or disclosable losses in 2016-17.

Note 15: Derivatives and financial instruments

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. 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. The Wales Audit Office can also invest surplus funds, which has been done through an overnight interest-bearing account during the year. These activities do not give rise to any significant financial risk.

Liquidity risk

Given the nature of our business, our tolerance of risk in areas of financial management is low.

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

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

Foreign currency risk

The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases of foreign currency are made in connection with foreign travel and other associated costs such as hotels. 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 in arriving at the operating surplus.

Credit risk

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

There is no difference between the book values and fair values of the Wales Audit Office's financial assets and liabilities as at 31 March 2018 (31 March 2017: nil).

Note 16: Related party transactions

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.

Isobel Garner (Non-Executive Chair of the Wales Audit Office Board) is married to the Chief Executive of a local council which is audited by the Auditor General. This is disclosed for transparency although it does not meet the definition of a related party transaction.

During the year, no other members of the non-executive committees, 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 69).

Note 17: VAT

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 Terms⁶⁴

Accruals basis	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent, is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
Amortisation	The apportionment of the cost of an intangible fixed asset over its useful life.
Assets	Something that the organisation owns or uses eg, equipment or software rights.
Capital expenditure	Spending on non-current (fixed) assets.
Current assets	An asset that is expected to be converted to cash within the next 12 months.
Current liability	A liability that is expected to be settled within the next 12 months.
Deferred income	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
Depreciation	The apportionment of the cost of a tangible fixed asset over its useful life.
Estimate	For the Wales Audit Office the annual Estimate of Income and Expenses approved in plenary by the Budget Motion. The National Assembly 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.
Taxpayers' equity	The net assets of the organisation.

64 Full definitions are available in the FReM

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 National Assembly to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, National Assembly 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.

APPENDICES

APPENDIX 1 — PROGRAMMES OF WORK DELIVERED IN 2017-18

Audit work carried out at local government bodies

Audit of accounts

22 unitary authorities
 3 fire and rescue authorities
 3 national park authorities
 4 police and crime commissioners
 4 chief constables
 8 pension funds
 A number of other smaller local government bodies including joint committees and harbour authorities
 Audits of over 735 town and community councils on a limited assurance basis

Improvement audits and assessments

22 unitary authorities (including themed reviews of scrutiny and service user perspective)
 3 fire and rescue authorities
 3 national park authorities

Well-being of future generations audit work

22 unitary authorities
 3 fire and rescue authorities
 3 national park authorities

Studies completed or substantially completed

Strategic commissioning of learning disability services by local authorities
 Improving well-being through housing adaptations
 How local government manages demand (homelessness services)

Certification of grant claims and returns

Up to 20 schemes worth approaching £3 billion and involving around 300 individual claims
 Outcomes-focused reports

Summary reports

Good governance when determining significant service changes
 Financial management and governance in local councils 2016-17
 Local government financial reporting 2016-17

Ongoing studies

Services to rural communities
 Use of data
 Cross-cutting review of the Integrated Care Fund

Audit work carried out at NHS bodies

Audit of accounts

7 local health boards
3 NHS trusts
Local health board summarised accounts
NHS trusts summarised accounts

Structured assessments

7 local health boards
3 NHS trusts
All Wales comparison of aspects of governance

Well-being of future generations audit work

7 local health boards
Velindre NHS Trust
Public Health Wales NHS Trust

Studies completed or substantially completed

GP Out-of-Hours services
Discharge planning

Local performance audit work

7 local health boards
3 NHS trusts
Betsi Cadwaladr University Health Board governance review

Ongoing studies

Primary care services
Cross-cutting review of the Integrated Care Fund

Audit work carried out at central government bodies

Welsh Government accounts

Welsh Government consolidated accounts
Non-domestic rating account
Welsh Consolidated Fund account
Whole of Government Accounts

Welsh Government companies

Hybu Cig Cymru
Careers Choice
Life Sciences Hub
Sector Development Wales

Accounts of Welsh Government sponsored bodies

Arts Council of Wales
Arts Council of Wales Lottery Fund
Social Care Wales
Higher Education Funding Council for Wales
National Library of Wales
National Museums and Galleries of Wales
Natural Resources Wales
Sports Council for Wales Main and Trust Accounts
Sports Council for Wales Lottery Fund
Local Democracy and Boundary Commission for Wales
Qualifications Wales

Accounts of commissioners, inspectors and regulators

Children's Commissioner for Wales
Older People's Commissioner for Wales
Public Services Ombudsman for Wales
Welsh Language Commissioner
Estyn
Education Workforce Council
Future Generations Commissioner

National Assembly for Wales accounts

National Assembly for Wales Commission
Assembly Members Pension Fund

Well-being of future generations audit work

Welsh Government
Natural Resources Wales
Higher Education Funding Council for Wales
Arts Council of Wales
Sports Council for Wales
National Library of Wales
National Museums and Galleries of Wales

Summary reports

Central government accounts 2015-16
Central government accounts 2016-17

Audit work undertaken for consideration by the Public Accounts Committee

Value-for-money studies, summary reports or reactive examinations completed

The Welsh Government's Initial Funding of the Circuit of Wales Project
 21st century schools and education programme
 Implementation of the NHS Finances (Wales) Act 2014
 Cardiff and Vale University Health Board Public Interest Report
 Welsh Government financial support for Carmarthenshire Energy Ltd
 Emergency ambulance commissioning arrangements
 Supporting People programme
 Public procurement in Wales
 The National Procurement Service
 Fiscal devolution in Wales: an update on preparations for its implementation (follow-on report for consideration by the Finance Committee)
 Informatics systems in NHS Wales

Reactive examinations in progress

Pinewood Studios Wales
 NHS agency costs

Summary reports in progress

Well-being of future generations audit work (year one commentary)
 GP Out-of-Hours services
 Radiology

Ongoing value-for-money studies

Primary care services
 Overcoming language and communication barriers in public services
 Waste management (waste prevention)
 Waste management (municipal recycling)
 Waste management (procurement of waste treatment infrastructure)
 Business finance
 Improving the well-being of young people
 The 2014-2020 Rural Development Programme
 The 2014-2020 European Structural Funds programmes
 The cross-cutting review of the Integrated Care Fund

Good practice work

Shared learning seminars delivered

Well managed risks (part 1)
Improving digital leadership and ownership
How different methods of engagement can help involve the citizen in public service delivery
Early closure of local government accounts
Using alternative delivery models to deliver public services
The role of scrutiny in relation to the Well-being of Future Generations (Wales) Act 2015
I'm a patient, get me out of here - how public services are collaborating to deliver a hospital discharge service which provides better outcomes for individuals
Well-managed risks (part 2)

Shared learning webinars delivered

Governance: supporting improvement across complex public service delivery
Integrating information technology through open standards
Building financial resilience in public services
How understanding adverse childhood experiences can help integrated service delivery

Good practice guides delivered

Grants management
Checklist for NHS board members when seeking assurance on how local district nursing resources are being managed
Leaflet highlighting the most important considerations for NHS audit committee members in their scrutiny and challenge of the use of single tender actions

External facilitation of shared learning and community support

Academi Wales summer school
Futures Generations Commissioner
Good Practice Wales
Wales Centre for Behaviour Change, Bangor University
Welsh NHS Confederation
Working With Not To co-production practitioner groups
Participation Cymru
Natural Resources Wales
Aneurin Bevan UHB

Supporting effective scrutiny and accountability

The Auditor General's report on disclosures of information

The Auditor General is a 'prescribed person' for making whistleblowing disclosures about the proper conduct of public business and fraud, value for money, and corruption in relation to the provision of public services. The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 require the Auditor General to publish a report for each financial year setting out:

- a the number of disclosures made to the Auditor General in that year that he believes to be qualifying disclosures⁶⁵;
- b the number of qualifying disclosures where the Auditor General has decided to take action;
- c a summary of the types of action that the Auditor General has taken; and
- d a summary of how the information disclosed has affected the Auditor General's ability to perform his functions.

The Auditor General's main functions are summarised in our [Annual Plan](#) for each year and are described in more detail in our [Guide to Welsh public audit legislation](#).

In 2017-18, 31 individuals wrote to or telephoned the Auditor General or the Wales Audit Office indicating that they wished to make a whistleblowing disclosure. However, in only 11 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 11 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. In the other three cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending, and in one of these cases, the Auditor General is undertaking an authority-wide review of whistleblowing arrangements. One or more of the three cases may result in a published report.

Generally, where the Auditor General has received information that has been relevant to his functions, this has helped to inform his work, and in three cases, the information has enabled the Auditor General to identify issues meriting significant examination.

⁶⁵ Disclosures that meet the criteria set out in section 43B of the Employment Rights Act 1996 and which engage the protection from detriment provided by that Act.

Engagement and joint working activity

Joined up delivery

These include:

National Fraud Initiative with other UK audit agencies

Working with Estyn to undertake follow-up inspections of Regional Education Improvement Consortia and support their delivery of improvement conferences

Annual certification of the accounts of the European Agricultural Funds

Follow-up joint review with Healthcare Inspectorate Wales of governance arrangements at Betsi Cadwaladr University Health Board

Development of a memorandum of understanding with the Future Generations Commissioner

Working with other Inspection Wales partners on joint work on support for young people

Participation with observer status on external working groups

These include:

Partnership Council for Wales

Welsh Revenue Authority Implementation Programme Board

Finance Minister's Welsh Tax Forum

Local Government Data Unit Board

NHS Wales Efficiency, Healthcare Value and Improvement Group

Public Appointments Working Group

Health Education and Improvement Wales Establishment Programme Board

National Procurement Service and Value Wales – Review Oversight Board

Membership of external working groups

These include:

EURORAI

International Integrated Reporting Council's Public Sector Integrated Reporting Network
Public Audit Forum

CIPFA/LASAAC Local Authority Code Board

ICAEW Public Sector Audit Committee

CIPFA Audit and Accounting Standards Panel
Inspection Wales initiative

DWP Housing Benefit and Welfare Reform
UK Inspectorates liaison group

Financial Reporting Council Public Sector Advisory Group

Participation in NHS Escalation and Intervention Protocol with Welsh Government and Healthcare Inspectorate Wales

OECD Auditor Alliance

Participation in twice-yearly healthcare summits

Commissioned audit work

A range of charity audits

Chief Auditor to and audit of the accounts of the Government of Anguilla

Waste management and trade refuse benchmarking groups

APPENDIX 2 — PROGRESS MADE DURING THE YEAR TOWARDS ACHIEVING OUR THREE-YEAR PRIORITIES

Planned priorities	When	Progress	Commentary
Develop an approach, through working in collaboration with key stakeholders, to deliver the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015.	2017-2018	On track	<p>The project plan for this priority is overseen by a Programme Board comprising four members of our Management Committee and chaired by the Auditor General for Wales. Audit work reflecting on How public bodies have responded to the introduction of the Act was completed at all 44 listed bodies in 2017-18. We will be sharing the learning from this work via a stakeholder seminar.</p> <p>Pilot work on developing an audit approach that is meaningful, proportionate and adds value is on track to be completed, and a Memorandum of Understanding has been agreed with the Future Generations Commissioner's Office. Associated work for 2018-19 has been integrated within the audit plans for all listed bodies.</p>
Focus on work that examines regional and other partnership working arrangements, including the interface between health and social care provision.	2017-2019	On track	<p>In February 2018, we published a local government study on improving wellbeing through Housing Adaptations, which had a particular focus on partnership working and collaboration arrangements between health, social care and housing organisations.</p> <p>We also commenced a cross-cutting study of the Integrated Care Fund. In addition to the Welsh Government's role, we are examining whether Regional Partnership Boards are providing effective oversight and the difference that is being made by funded projects on the ground.</p> <p>Informed by the Findings of a Call for Evidence, we are in the process of planning a review to look at the collaborative and regional working arrangements established to deliver the requirements of the Social Services and Well Being (Wales) Act 2014.</p>

Planned priorities	When	Progress	Commentary
<p>Strengthen engagement with our work among Assembly committees, and identify ways to further enhance our work on supporting effective scrutiny and accountability.</p>	<p>2017-2021</p>	<p>On track</p>	<p>In addition to our usual extensive engagement with the Public Accounts Committee, in 2017-18 we gave evidence on budgetary and fiscal matters to the National Assembly's Finance Committee.</p> <p>Our audit work also served to inform a report by the Economy, Infrastructure and Skills Committee on the Rail franchise and South Wales metro, and we engaged with researchers and clerks supporting the Health, Social Care and Sport Committee to discuss our review of the Implementation of the NHS Finances (Wales) Act 2014.</p> <p>In September 2017, Wales Audit Office staff participated in a network event, hosted by the National Assembly's Public Accounts Committee, to share experience about the way in which equivalent committees work across the UK and beyond.</p>
<p>Enhance the collective impact of external audit, inspection and review in Wales through working more closely with Inspection Wales and other partners and by making better shared use of intelligence and resources.</p>	<p>2017-2019</p>	<p>On track</p>	<p>With our Inspection Wales partners, we continued to share an agreed programme of work for the year, focused on enhancing the collective impact of our work. A particular area of focus in 2017-18 was Planning and co-ordinating our work which looks at service provision for young people.</p> <p>In 2017-18, for the second year running, we shared a stand at the Royal Welsh Show with our Inspection Wales partners to raise awareness of, and engage with the public on our work.</p> <p>As separate initiatives, we also attended quarterly meetings held between the Public Services Ombudsman for Wales and the Welsh Commissioners, and continue to work closely with Healthcare Inspectorate Wales through jointly contributing to the Welsh Government's tripartite review meetings.</p>

Planned priorities	When	Progress	Commentary
Facilitate strategic transformation of audit, through improving our use of data and technology, and our methods of communication.	2017- 2020	On track	<p>During the last year we established a Data Analytics Group, led by a director and focused on developing and implementing a data analytics strategy for the Wales Audit Office. Via the Estimate process, the National Assembly has approved our use of funding to support this three-year project, and we have already taken steps to recruit and appoint additional dedicated expertise to support the work of our staff in this area.</p> <p>We also commenced a further transformation project during the year, with particular emphasis on how we report on, and engage others with, the findings of our work.</p>
Revise our model for the deployment of audit resources in preparation for upcoming changes to our operating environment, including in particular the introduction of faster closure of local government accounts.	2017-2020	On track	<p>Work on preparing for the earlier closure of local government accounts is progressing well. We undertook further pilot audit work at a larger group of authorities in 2017-18, and held a related Shared Learning Seminar in October 2017.</p> <p>We also secured additional approved financing from the National Assembly totalling £420,000 over the next three years to support this major project and ensure we maintain timely delivery of our programme of audit work.</p> <p>In addition, we have continued to take steps to streamline our audit approach more generally over the last year, including through more closely aligning our programmes of financial and performance audit work and how resources are deployed to deliver that work.</p>

Planned priorities	When	Progress	Commentary
<p>Refresh our people strategy and stimulate culture change within the Wales Audit Office by embedding a new framework of agreed values and behaviours.</p>	<p>2017-2018</p>	<p>Complete</p>	<p>Over the course of 2017-18, we developed a People Strategy for the Wales Audit Office which, following a period of consultation with staff, we then launched in April 2018. A central theme of the strategy is the embedding of a framework of values and behaviours that define our organisational culture and core beliefs.</p> <p>We have established three Director-led groups, with particular interests in culture, people development and equality, to oversee and monitor delivery of the Strategy.</p>
<p>Formulate and apply action plans aimed at narrowing our overall gender, age and ethnicity pay gaps and ensuring our compliance with the new Welsh language standards.</p>	<p>2017-2018</p>	<p>Complete</p>	<p>We published our annual Equality progress report for 2016-17 in September 2017, which included a commitment to address, through the development of our new People Strategy, the feedback received from a staff focus group which looked at ways through which we can narrow our overall pay gaps.</p> <p>During the latter part of 2017-18, we then developed, consulted externally on, and published a revised Strategic Equality Plan. The Plan includes two equality objectives specific to addressing pay gaps.</p> <p>Substantive progress was also made over the course of the year to ensure compliance with applicable Welsh language standards. Our key priorities in this area include providing accelerated learning, alongside further opportunities for learners and Welsh speakers to use the Welsh language in the workplace.</p>

Planned priorities	When	Progress	Commentary
<p>Develop proposals for simplifying and improving the cost-effectiveness of the funding arrangements for the Wales Audit Office, for consideration by the National Assembly.</p>	<p>2017-2018</p>	<p>Complete</p>	<p>In June 2017, we published a Consultation Paper explaining why the fee regime under which the Wales Audit Office currently operates is overly complex, and inviting views on proposals for its simplification.</p> <p>We received responses to the consultation from across the range of public bodies that we audit. Taking account of those responses, we then prepared a Case for Change report which we published in October 2017 for consideration by the National Assembly.</p> <p>The Assembly's Finance Committee considered the report and took evidence on 15 March 2018. We have very much welcomed the willingness of the National Assembly's Finance Committee to explore this issue, and we look forward to continued discussions with the Committee on how it takes this matter forward.</p>

Planned priorities	When	Progress	Commentary
<p>Increase our engagement with stakeholders and our use of external benchmarking to help enhance the impact of our work.</p>	<p>2017-2018</p>	<p>On track</p>	<p>In 2017-18, the newly-established Assistant Auditor General reviewed and reinvigorated the role of audit Engagement Directors, with the particular aim of generating and acting on feedback about our work from stakeholders. In early 2018, we undertook a stakeholder survey, and have referenced some of the key outcomes from that survey in this Report.</p> <p>We also carried out work to implement the key recommendations from an external review of our arrangements for measuring and reporting on the impact of our work. In particular, this work has led to the roll-out of training to further strengthen the quality and style of our audit recommendations.</p> <p>In terms of external benchmarking, one of the key developments we made in 2017-18 was to run a new staff survey to gain a better understanding of the employee experience at the Wales Audit Office, using the same core survey questionnaire that was used in the 2017 Civil Service People Survey (CSPS).</p> <p>It was pleasing to note that, for the majority of survey questions and themes, responses from our staff were more typical of (and in some cases significantly better than) a CSPS 'high performing' organisation.</p>

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WALES AUDIT OFFICE

Final Audit Findings Report

Year ended 31 March 2018

Presented to the Audit and Risk Assurance Committee
By RSM UK Audit LLP

on 05 June 2018



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This report has been prepared for the sole use of Wales Audit Office and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 INTRODUCTION AND COVERAGE

This report summarises our key findings in connection with the audit of the financial statements of Wales Audit Office in respect of the year ended 31 March 2018.

The scope of our work has already been communicated to you via our Audit Plan document dated 28 February 2018.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 5.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

2 AUDIT AND ACCOUNTING ISSUES IDENTIFIED AT PLANNING STAGE

Management over ride of internal controls

Area of audit focus	Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or by-pass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk.
Our approach	<p>We will test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements, tracing selected entries back to source documentation.</p> <p>We will review significant accounting estimates and policies which could involve bias resulting in a material misstatement.</p> <p>We will discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report.</p>
Response	<p>The testing was completed as planned with no significant issues identified to report to management.</p> <p>We have tested a sample of the journal entries posted during the year, and this did not highlight any erroneous entries, or items indicative of undue management bias.</p> <p>We have reviewed the significant estimates adopted in the preparation of the financial statements, and we have not identified any areas where there are any indications of management bias.</p>

Income recognition, WIP and deferred income

Area of audit focus

The recognition of income, WIP and deferred income is considered to be a significant risk due to the level of judgement applied to the stage of completion of an audit assignment and any provisions required.

Our approach

We will 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 in order to determine that the revenue recognition is appropriate and consequently whether the WIP and deferred income are appropriately stated.

We will review correspondence with audit managers to establish the estimated costs to complete and any required provisions at the year end, considering the impact of any time spent after the year end on these estimations.

We will also review time postings after the year end for any time posted by employees relating to work done before the year end that may not have been factored into the above calculations.

Response

In prior year audits, we recommended that the Office should regularly consider the actual expected out-turn on projects, and factor this in when calculating the stage of completion for revenue recognition.

This has now been done quarterly, by way of a cost to complete exercise, involving the Resource Managers. This has resulted in management processing an adjustment to reduce reported revenue where costs are expected to exceed the quoted fees by £62k.

We have reviewed costs on a sample of closed projects in the year and, on average, costs exceed the budgeted fees by approximately 3%.

If this sampled difference was applied to the remaining open projects at year end, work in progress would be reduced by a further £141k. This amount has been included as an unadjusted judgemental journal in Section 5 of this report.

As in prior years, we have estimated the potential amount of refund that would be due on open projects which are currently in a deferred income position. A potential reclassification has been included in Section 5.

We also noted as part of our testing that there was audit work in progress of £98k relating to the 2015/16 year end. Difficulties experienced by the WAO in performing this local council audit, which had previously performed by a contracted firm, has resulted in a significant increase in costs to complete the audit.

Although not yet agreed with the council, we understand that the audit fee has been informally discussed and that a further bill will be raised. This has been estimated internally as the £98k referred to above.

As this amount is unconfirmed and still subject to discussion and agreement, concerns remain over its value and recoverability. An adjustment has been made to reverse this amount, as reported in Section 5.

Reputation

Area of audit focus

Due to public interest in the financial statements there is a desire to maintain reputation and demonstrate exemplary financial management. Accounting judgements may be influenced by the desire to demonstrate good financial management and remain within the Estimate.

Our approach

Independent technical review of the accounts and key judgement areas. Review of judgemental aspects in year-end balances particularly focusing on any;

- Round sum provisions
- Estimates
- Recoverability of debtors
- Disclosure of remuneration

Response

During the course of the audit, we have not identified any areas from the WAO's operations that suggests there are any matters whereby the reputation could appear to be significantly damaged.

We have reviewed judgemental areas, aside of the WIP provisioning, and not noted any areas of inappropriate activity, or areas where the Office has not been acting in a manner which could damage its reputation.

We did however note one complaint made during the year from Community Councils in North Wales with regards to communication in the Welsh language. There was the perception that the contracted audit firm performing the audit not providing a sufficient service in the Welsh language.

Under the Act, the Auditor General for Wales is required to make sufficient efforts to communicate in Welsh. In considering this particular issue, the WAO notes that the contract with the firms is with the WAO and not the AGW.

However, in an effort to improve ongoing relations and services provided, the WAO has taken action to ensure that ongoing services are performing at the highest possible standard.

We have considered the potential reputational impact and risk associated with the above complaint and considered the actions taken by the WAO. We believe the actions taken are a reasonable response to the issue noted.

3 AUDIT AND ACCOUNTING ISSUES IDENTIFIED DURING THE AUDIT

Repayment of fee and recovery of costs

Issue

Management have been notified that the WAO over-invoiced two councils for work performed in both the current year and prior year. This has arisen due to the WAO being wrongly invoiced by an external audit firm, and the councils being invoiced based on the expected fee, rather than a 'per diem' rate.

The draft financial statements included a provision of £83k, being the difference between the amount due to the two Councils (£143k), less the expected recovery of costs from the external firm (£60k).

We understand that the final amounts to be paid and received are yet to be agreed.

Resolution

Whilst the liability cannot be fully quantified, we are satisfied that it is appropriate to retain a liability for the expected amount payable.

As the amount and timings of the amount recoverable from the third party audit firm is uncertain, we consider that this amount should not be recognised at the year end. We have included an adjustment to adjust this expected recovery to removed. We are satisfied that no specific disclosure is required in respect of this.

We have included a control observation in Section 6 in relation to this matter.

Rates prepayment and accrual

Issue

During the course of the audit we identified that there were council rates statements raised during the year that related to annual rates for the 31 March 2019 year end. No accounting entries had been made for this cost. As a result both prepayments and accruals were understated on the Statement of Financial Position.

The appropriate treatment would have been to increase both prepayments and accruals to recognise the future liability in the financial statements. This is consistent with the prior year.

Resolution

An adjusted journal has been raised in Section 5 to adjust for this accounting entry.

HMRC death in service refund

Issue

It was noted during the prior year audit that correspondence was received from HMRC confirming that the Death in Service costs are not taxable. We noted that during the year to 31 March 2018, a rebate of £58k was received in respect of taxes paid on these costs historically.

This credit has been classified as Other income by management, however this should be considered as a negative cost as this credit would never have been incurred if these costs weren't originally incurred.

Resolution

An adjustment has now been reported, as detailed in Section 5.

Firms' actual outturn position

Issue

As part of our testing over the interaction with firms, we noted that there was a Wales Audit Office overhead allocation to the fees billed to the client. Under the Act, the Office is not entitled to make a surplus on any projects.

This overhead cost allocation exercise is performed at the start of the year to include a majority of indirect costs, however excluding governance costs, HR, ICT and training. We are aware this method fee rate modelling was adopted after taking legal advice when first using this method.

We note however that there is currently no retrospective review to assess the actual cost allocation from the Wales Audit Office. We appreciate that this would be an administrative burden and the Office has sought advice as to the definition of cost and believe this overhead allocation to be appropriate and reasonable.

Resolution

We currently understand that the definition of "cost" within the act is being discussed. We recommend that the definition of indirect cost allocation is also considered with any amendments of the Act.

4 REGULARITY ISSUES IDENTIFIED DURING THE AUDIT

Procurement

Issue

It was noted that for one purchase made only half of the expected supporting documentation as required per the procurement policy could initially be found. For the size of purchase, two written quotations were required. A team member in receipt of these documents is currently unavailable during the audit. Business Services are in the process of locating the second quotation. Regardless, the issue pertains to maintenance of accounting records in line with WAO policy. As such, we have yet to gain evidence that the policy has been followed on this particular item. The value of this particular item was less than £2k.

Resolution

Whilst the above is not material in terms of regularity, we note that a process is already in place. Further training is needed to ensure greater consistency in the application of this process to ensure that all documents received are saved in an accessible location.

Final comment

We note that post the initial findings, the second written quotation was located and provided to us, with no breaches noted of the procurement policy. The comments within the resolution section remain appropriate however.

5 UNADJUSTED/ADJUSTED MISSTATEMENTS

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose we consider "clearly trivial" to be any matter less than £5,000 individually and £10,000 in aggregate.

We advised management of all these misstatements and requested management to correct them.

	Profit (£'000)	Net assets (£'000)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Bought in costs	80		To adjust the provision back to amounts owed to County Councils, amounts owed back to WAO not yet confirmed.
Provisions		(80)	
Provisions		20	
Income	(20)		
Prepayments		162	To recognise the business rates invoices that were received pre-year end
Trade Creditors		(162)	
Income	98		To remove income expected but not yet agreed with/by authority
Work in progress		(98)	
Other income	58		To reallocate amounts received in respect of HMRC DIS rebate.
Staff costs	(58)		
Total	158	(158)	
Unadjusted misstatements Factual	Dr/(Cr)	Dr/(Cr)	
<i>None identified</i>			
Unadjusted misstatements Judgemental	Dr/(Cr)	Dr/(Cr)	
Deferred Income		87	To reallocate potential refund creditor as at year end
Other Payables		(87)	
Income	141		To provide against open projects at historic production in excess of fee rate
Work in progress - Provisions		(141)	
Underlying total	141	(141)	

6 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls 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.

Monitoring of billing schedules/bills raised

Fact and potential consequence	<p>As noted in Section 3 above, the WAO over-invoiced two Councils in previous years.</p> <p>We understand from management that there was an awareness within the WAO with regard to the costs and bills being raised on these particular audits being particularly high, however no internal action was taken to investigate these costs.</p> <p>As a result, this over-invoicing will need to be recovered, and the Office may not be able to recover the full level of the costs paid to the external audit firm who undertook the work.</p>
Possible action	<p>The WAO already has the processes in place to be able to ensure that similar issues do not re-occur. The technical team within the WAO are able to monitor costs on all ongoing audits and compare them to budgeted and historical costs for these audits. Any significant variances should be investigated and explained.</p> <p>Furthermore, the results of this investigation should be communicated to all those required so that the appropriate action can take place.</p> <p>A systematic process should be put in place to regularly review and discuss such variances, and appropriate review and approval of invoices should occur, to ensure that invoices are being raised on the correct basis.</p>
Management response	<p>Agreed. A PPL exercise will be arranged to ensure that the responsibility for monitoring work done by contractor firms, including fees being charged, is clearly understood by all those involved in the process.</p>
Timing of implementation and responsibility	<p>Responsibility is Assistant Auditor General and timing is immediate.</p>

WIP costs to complete exercise

Fact and potential consequence	<p>It was noted during our review of the costs to complete exercise that the assumptions made in the Resource Managers assessment of open projects at year end appeared to be under resourced in some instances. Consideration for average historical performance as well as the probability of realistic small overspends of general audit practice could have been built in to the cost to complete exercise with more detail.</p> <p>It was noted that a large proportion of the open projects at year end were estimated to run exactly to budgeted costs.</p>
Possible action	<p>The cost to complete exercise should factor in acknowledgement to the appropriateness of historical actual performance. We appreciate that there are few periods for comparison, though these should remain under review.</p>
Management response	<p>Partially agreed. Resource managers now assess the cost to complete of all projects each month and as a result overall management of projects is much improved than historical performance would suggest. This will however be kept under review.</p>
Timing of implementation and responsibility	<p>Responsibility: Head of Finance. Timing: on-going.</p>

7 SIGNIFICANT FINDINGS FROM THE AUDIT

Accounting practices, including accounting policies

We have reviewed the accounting policies adopted by the WAO, and found that these are consistent with those adopted in previous years, remain appropriate and have been generally fully disclosed.

Accounting estimates

As part of our audit, we review the significant accounting estimates contained within the financial statements of the WAO. We note the following:

Costs to complete/work in progress

Our work indicates that the historical estimates of costs to complete are materially accurate, and that estimates made by the Resource Managers are an appropriate basis to determine percentage completion

Dilapidations provision

These continue to be derived using latest available third party surveyor reports, and there is no evidence that these are not an appropriate source of evidence to derive such provisions. The Wales Audit Office should consider procuring a more current survey of the Cardiff office, so the required level of provision can be updated.

Refund provisions

Subject to comments made previously, this appears to be derived on an appropriate basis.

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 Companies Act 2006. The following disclosure matters were brought to your attention and subsequently reflected in the revised financial statements:

- It was noted that in the first draft of the financial statements, the voluntary disclosure for the IFRS 16 total lease costs was calculated incorrectly. This was subsequently updated.
- During the audit, it was noted by WAO management that the polarisation of working capital movements in the SORO was the wrong way around. It was then further identified that the polarisation of the Statement of Cash Flows was also incorrect. Both were subsequently updated.

The following disclosure issues were identified by our review of the financial statements, but were not updated, which we can accept on the grounds that they are not significant to the opinion we provide on the financial statements:-

- Clarification within the notes to the accounts, which areas are considered key judgements, and which balances are reliant on key management estimates
- Inclusion of a clear accounting policy for pensions
- Enhancement of the current accounting policy for revenue recognition

Significant difficulties encountered during the audit

No significant difficulties were encountered during the course of our audit and we would like to take this opportunity thank the finance team for their assistance during the audit.

8 UNCERTAINTIES, RISKS, EXPOSURES, JUDGEMENTAL ISSUES AND GOING CONCERN

There are no further matters that we wish to bring to the attention of the committee.

Going concern

Given the ongoing funding received from the Welsh Government, we are satisfied that we can agree with the Directors that there are appropriate grounds for concluding that the WAO remains a going concern.

9 FEES

We confirm that the fees charged during the year in respect of services performed for Wales Audit Office are consistent with those contained within our Audit Plan submitted to you and dated 28 February 2018.

10 INDEPENDENCE

In accordance with International Standard on Auditing (UK) 260 "Communication with those charged with governance", there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Wales Audit Office and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP's independence and the objectivity of the audit principal, John Da Costa and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 28 February 2018.

APPENDIX A - DRAFT LETTER OF REPRESENTATION

RSM UK Audit LLP
Third Floor
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

Dear Sirs

Audit of Financial Statements– Year ended 31 March 2018

We confirm to the best of my knowledge and belief, and having made appropriate enquiries of other senior executives of the Wales Audit Office, the following representations given to you in connection with your audit of the financial statements for the period ended 31 March 2018.

The following representations reflect circumstances up to the date of this letter, on which the financial statements were approved, and management's knowledge and intentions regarding the future of the Wales Audit Office.

Responsibility for financial statements

We acknowledge our responsibilities under the Public Audit (Wales) Act 2013 and Treasury Directions made in accordance with that Act for maintaining adequate accounting records and for preparing financial statements in accordance with the applicable accounting framework that give a true and fair view and for making accurate representations to you.

We confirm that we have taken all the steps we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors were unaware.

Availability of information

All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records. All other records and related information have been made available to you, including the minutes of all committee meetings, which are a complete and authentic record of the proceedings at those meetings. I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

Related party transactions

We have disclosed to you the identity of the related parties and all related party relationships and transactions of which I am aware. There were no transactions with the WCF and with the audited bodies other than those in the ordinary course of business (fees) requiring disclosure in the financial statements. There were no other transactions with related parties requiring disclosure during the year.

Use of funds and regularity

- We acknowledge our responsibility, as specified by the Public Accounts Committee of the National Assembly under the Public Audit (Wales) Act 2013, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the National Assembly for Wales and that the financial transactions conform to the authorities which govern them.
- To the best of our knowledge and belief we confirm that, in all material respects, the expenditure disbursed and income received during the year ended 31 March 2018 have been applied to purposes intended by Parliament and the National Assembly for Wales and the financial transactions conform to the authorities which govern them.
- Neither the board nor the senior management team have knowingly authorised a course of action, the financial impact of which was that transactions infringe the requirements of regularity.
- All transactions undertaken by the Wales Audit Office have been properly reflected and recorded in the accounting records.
- There were no events of which we are aware which involve suspected non-compliance with the framework of authorities which govern the running of the Office.

Assets

1. General

All assets included in the Statement of Financial Position belong to the Wales Audit Office and except as disclosed in the accounts were free from any charge. All non-current assets belonging to the Wales Audit Office are included.

2. Impairment of non-current assets

Each non-current asset is worth to the Wales Audit Office at least the amount at which it is included in the Statement of Financial Position, either through continued use by the Wales Audit Office or through the opportunity for sale on the open market.

Liabilities

1. General

All known liabilities of the Wales Audit Office at 31 March 2018 have been included in the balance sheet. All secured liabilities are disclosed.

2. Contingent liabilities

There were no contingent liabilities at the balance sheet date. All guarantees or warranties or other financial commitments have been fully disclosed in the financial statements. There were no known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.

We confirm we have disclosed to you all banking and financing arrangements including related contracts and hedging products. We confirm that no tax avoidance schemes were used by the Wales Audit Office.

Accounting estimates

We confirm that all significant assumptions used in making accounting estimates, including where applicable those measured at fair value, are reasonable in the circumstances, and appropriately reflect our intentions and our ability to carry out the specific courses of action necessary to justify the accounting estimates and disclosures. The disclosures in the financial statements relating to accounting estimates are complete and appropriate.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We further confirm to you that the estimated value of the dilapidations provisions are, to the best of our knowledge, an accurate assessment of the expected value to return the three properties back to their original state. We hereby confirm to you that the value of the dilapidations provisions in total is £646,676.

We confirm directly to you that the estimated value of the provision for costs repayable to local authorities, in respect of overbilled amounts by contracted firm auditors totals £143,000. This estimate is to the best of our knowledge an accurate assessment of the expected value of the provision expected to be refunded to local authorities.

Commitments

All commitments of the Wales Audit Office of a material amount, whether of a capital or revenue nature, have either been provided for or noted in the financial statements as appropriate. An adequate provision has been made for any losses, which may be expected to result there from, or from events which had occurred before 31 March 2018.

Remuneration report

All amounts paid to members of the Wales Audit Office Management committee have been appropriately included in the Remuneration Report.

All items of personal expenditure paid by the Wales Audit Office on the Management committee's behalf have either been reimbursed by the individuals concerned or have been treated as benefits in kind.

The benefits in kind in respect of the PAYE settlement will be met by the Wales Audit Office. This has been fully disclosed in the remuneration report.

No member of the Management committee or their connected persons had any indebtedness (or agreement concerning indebtedness) to the Wales Audit Office at 31 March 2018 or at any time during the year.

Governance Statement

We confirm the Governance Statement within the Annual Report fairly reflects the Wales Audit Office's current position in relation to our compliance with internal control requirements set out in HM Treasury's guidance.

Fraud and regulation

We acknowledge that the responsibility for the detection of fraud, error and non-compliance with laws and regulations rests with me. We confirm that we are not aware of any known or suspected frauds, error and non-compliance, involving management, employees or third parties which may have a material effect on the financial statements. We confirm that, insofar as we are able to determine, in my opinion the financial statements are not materially misstated as a result of fraud.

In particular we confirm that the Wales Audit Office has made full disclosure of actual or suspected fraud brought to our attention by employees, former employees and other external parties.

We confirm that there has been no possible or actual instance of non-compliance with those laws and regulations which are central to the Wales Audit Office's ability to conduct its business, except as explained to you and as disclosed in the financial statements.

Events subsequent to the date of the Statement on Financial Position

There were no events, transactions or discoveries since the Statement of Financial Position date which:

- would have a material effect on the financial statements, or
- are of such importance to users of the financial statements that they should be disclosed in the financial statements.

Yours faithfully

Signed on behalf of the board of Wales Audit Office

.....
Huw Vaughan Thomas

Auditor General for Wales and Accounting Officer

APPENDIX B - UPDATED FINANCIAL REPORTING DEVELOPMENTS

Details of amendments to the 2017–18 FReM

Latest developments

Paragraph	Change	Reason for change
1.1.5	Footnote added: Early application of EU adopted IFRS before the effective date is permitted with the consent of the relevant authority.	In certain circumstances, entities may wish to early adopt certain EU adopted IFRS. A footnote has been added to clarify that this is permitted with the consent of the relevant authority.
1.2.1 b)	Footnote added as reference the IFRS Practice Statement 2: Making Materiality Judgements issued by the IASB in September 2017.	To reflect release of the new Practice Statement.
2.2.8	Deleted paragraph referencing the Disclosure Initiative.	Activities of the IASB's disclosure initiative have been subsumed into the relevant accounting standards or are at an early stage in the research/consultation stage process. An explicit reference to the disclosure initiative is no longer required.
5.2.8 bullet point 3	Performance Report - Additional requirement to include a brief description of the business model and environment, organisational structure, objectives and strategies.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.2.10 bullet point 1	Performance Report - Additional requirement to provide explanatory narrative around the link between KPIs, risk and uncertainty.	To strengthen performance reporting.
5.2.10 bullet point 2	Performance Report - Additional requirement to provide an explanation of the relationships and	To strengthen performance reporting.

Paragraph	Change	Reason for change
	linkages between different pieces of information within the ARAs.	
5.2.10 bullet point 3	Performance Report - Inclusion of the need to report on non-financial information pertaining to social matters, respect for human rights, anti-corruption and anti-bribery matters.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.2.10 bullet point 4	Performance Report - Additional requirement to provide information on environmental matters including the impact of the entity's business on the environment.	Enhanced reporting on sustainability to strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
5.3.27	Separate the reference to the guidance from the statement that departments should exclude ALBs from the calculation.	Clarify that the guidance did not only apply to departments.
5.3.28 f)	Staff Report - Additional requirement to provide information on other employee matters such as diversity issues and equal treatment in employment and occupation not already disclosed as well as employment issues, health and safety at work, trade union relationships and human capital management such as carer management and employability.	To strengthen non-financial reporting for the benefit of users of the accounts and align with the introduction of Non-Financial Reporting Regulations 2016 (SI 2016/1245) which implement the EU Non-Financial Reporting Directive (2014/95/EU) for financial years beginning on or after 1 January 2017.
8.1.6 – 8.1.7	Amendments made to the text reference all possible sources of EU income.	To address gap in the wording.
8.2.20 – 8.2.21	New section added for Devolved Tax Accounts – Scotland.	Differentiate accounting and disclosure requirements for bodies in Scotland.

Paragraph	Change	Reason for change
8.4.1 – 8.4.2	New section added for the Apprenticeship Levy.	Apprenticeship Levy required to be recorded for the first time in 2017-18.
9.1.1	Alpha Pension Scheme added.	New pension scheme.
10.2.2 b)	Revised wording on what information needs to be reported for each operating segment.	Update terminology.
10.2.6 b)	The following line has been deleted: “contributions from employees are to be shown in the financial statements as a deduction from the current service cost”.	Following discussions during 2015-16 accounts, it was identified that this adaptation was not appropriate for WGA. By removing this adaptation, WGA will revert back to the requirements of IAS 19.
10.4.3	Wording amended on the governance body for WGA.	WGA advisory group has been disbanded and the governance function is now performed by the HM Treasury Audit Committee. Wording updated to reflect that HMT AC scope goes beyond WGA.
Annex 4	Link to 2016-17 CBG changed to 2017-18 CBG.	Updated link.
Department Yellow, Agency Pink, NDPB Green	Illustrative disclosure added reconciling liabilities arising from financing activities.	Amendments to IAS 7. Illustrative disclosures available for those early adopting in 2017-18.
Department Yellow, Agency Pink, NDPB Green	Throughout, additional line items and guidance notes added.	To provide additional guidance, improve clarity and consistency emphasising that material transactions and balances should be separately identified in the primary statements and notes.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Making public money count

Our Annual Plan for 2018-19, including additional
information on our vision and strategic priorities



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

This Annual Plan of the Auditor General for Wales and the Wales Audit Office for the year ending 31 March 2019, which includes additional information on our vision and three-year strategic priorities, has been jointly prepared by the Auditor General for Wales and the Chair of the Wales Audit Office under section 25(1) of the Public Audit (Wales) Act 2013.

It is laid before the National Assembly for Wales by the Auditor General for Wales and the Chair of the Wales Audit Office under section 26 of the Public Audit (Wales) Act 2013.

The National Assembly has made provision through Standing Order 18.11(i) for its Finance Committee to be responsible for considering and reporting to the Assembly on the Annual Plan.

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. We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

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Website www.audit.wales
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This document is also available in Welsh.

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Foreword

This Annual Plan sets out our planned programmes of work and priorities for the coming year, alongside our longer-term vision and strategic priorities for the period 2018 to 2021.

The vision statement, which we have developed over the last 12 months, outlines our longer-term aspirations and serves as a guide for all of our future actions. It is accompanied by a set of values which define our organisational culture and core beliefs.

In the Plan, we have provided an updated description of the factors we believe will have greatest influence over the way we deliver our work over the next three years, and have redefined the strategic priorities that underpin how we will respond to that environment and achieve our overall aim and key objectives.

One of these priorities is to utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings. Another is to enhance the readability and accessibility of our audit products to maximise their reach and impact.

A third important priority is to deliver a people strategy that responds to the areas of improvement highlighted amongst the very positive results from our recent staff survey, and fully enables our staff to excel in their work.

When preparing the Plan, we have taken the opportunity to review and further refine our framework of key performance indicators and associated targets, to ensure they remain fully aligned with our objectives and are suitably challenging.

Overall, our focus remains firmly fixed on ensuring that our methods of work and audit products are regularly updated. Through reflecting on our stakeholders' expectations we enable the Auditor General's work to continue to offer insightful scrutiny and drive improvement in the Welsh public sector.



Isobel Garner
Chair, Wales Audit Office



Huw Vaughan Thomas
Auditor General for Wales

Summary of our plan

OUR VISION

The people of Wales trust us

Public bodies value our work

Our people excel

OUR AIM

The people of Wales and National Assembly know whether public resources are being managed wisely

OUR VALUES

Independence
Integrity
Fairness
Collaboration
Future focus
Innovation

OUR OBJECTIVES

Provide timely assurance on the stewardship of public money and assets

Offer insight on how resources are used to meet people's current and future needs

Identify and promote ways through which public services may be improved

Be a well-run, accountable and respected organisation that is a great place to work

OUR PERFORMANCE INDICATORS

Delivery and impact indicators
Leadership and culture indicators
Managing the business indicators

OUR STRATEGIC PRIORITIES



OUR OPERATING ENVIRONMENT

We remain in a period of financial constraint
The political and policy landscape continues to evolve
Governance arrangements are now required to have a wider scope
We live in an increasingly networked society

OUR WORK PROGRAMMES

Audit projects	Good practice work	Our people and finances
Supporting effective scrutiny and accountability	Engagement and joint working activity	Our governance and leadership

Who we are

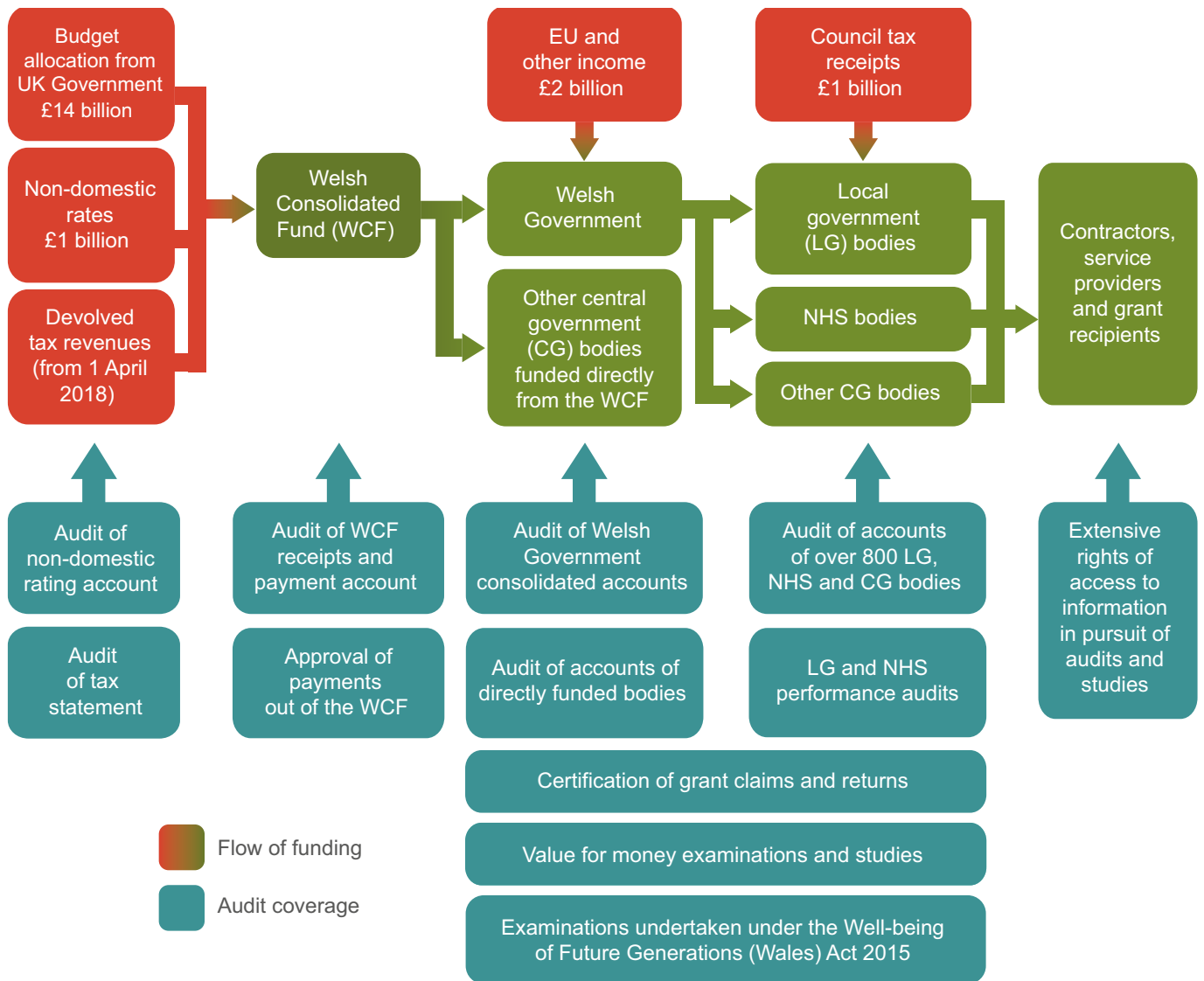
- 1 The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector.
- 2 The Auditor General is responsible for the audit of the majority of public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 3 The Wales Audit Office employs professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions. The Wales Audit Office currently employs around 270 staff.
- 4 The Auditor General uses the resources provided by the Wales Audit Office to independently examine whether public money in Wales is being managed wisely and is properly accounted for.

Public sector audit involves:

- **Providing an opinion on the accounts**
 - **Considering whether public money is being used for approved purposes (regularity)**
 - **Considering how public business is being conducted (propriety)**
 - **Examining whether proper arrangements are in place to secure value for money**
- 5 The Auditor General's 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 the Auditor General's audit work and disseminate this through our **Good Practice Exchange** and other media, including shared learning seminars and webinars.
 - 7 We also work closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work.
 - 8 We undertake our work in accordance with the Auditor General's **Code of Audit Practice**. The Code¹ prescribes the way in which the Auditor General's audit and certain other functions are to be carried out, and embodies what the Auditor General considers to be best professional practice.

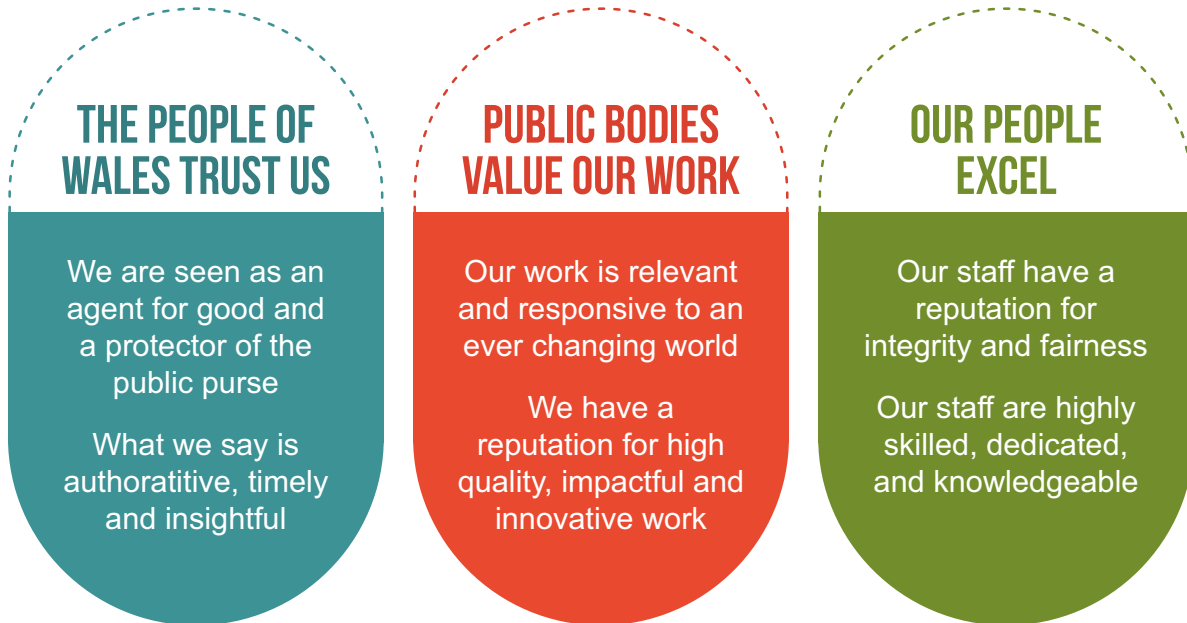
1 The Auditor General intends to publish a revised **Code of Audit Practice** by May 2018.

How we follow the public pound in Wales



Our vision and values

Our vision



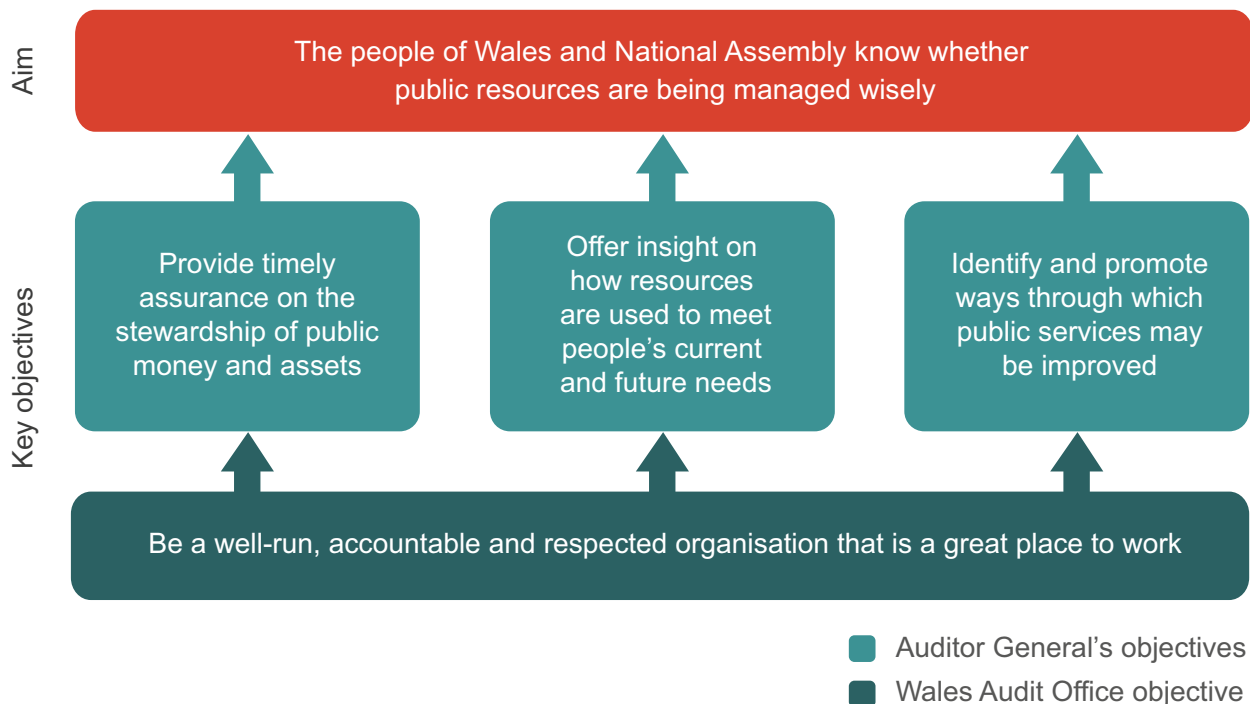
- 9 Over the past 12 months we have developed a vision statement which outlines our aspirations and serves as a guide for all of our future actions, and a set of values which define our organisational culture and core beliefs.

Our values



Our aim and objectives

- 10 Our aim is that the people of Wales and National Assembly know whether public resources are being managed wisely. It is expressed as an outcome to which we are a key contributor due to our wholly independent status, professional expertise and extensive rights of access to information.
- 11 Our first three objectives focus on effectively achieving what we consider to be the threefold purpose of audit – providing assurance, offering insight and promoting improvement.
- 12 Our fourth objective underpins the first three; in order for the Auditor General to deliver a high-quality audit service, the Wales Audit Office must be an accountable, well-run and respected organisation that is a great place to work.



Our operating environment

- 13 We consider the following factors to be those that will have greatest influence over the way we deliver our work and achieve our aim and objectives over the next three years.

We remain in a period of financial constraint

- 14 Those charged with delivering public services continue to face real-terms reductions in annual budgets, while seeking to meet rising public expectations and an appetite for greater user involvement in service design, address changing demographic demands, and maintain and improve service provision.
- 15 Public services need to make radical changes to the way they provide services if they are to build effectively on the increasingly collaborative approach being adopted in Wales. With many public service leaders expecting to make deeper cuts to services, a more holistic and long-term approach is needed to mitigate impacts on the public.

The political and policy landscape continues to evolve

- 16 A broad range of policy and political factors are likely to influence how we deliver and resource our work over the next few years. These include:

Implications of Brexit

- 17 It remains difficult to fully assess the effect that 'Brexit' will have on the Welsh public finances and our work. However, it now appears likely that the current EU arrangements for agricultural funding and associated audit work will continue beyond the next three years.

Fiscal devolution

- 18 **Fiscal devolution** refers to the transfer of certain tax raising and borrowing powers from Westminster to Wales. The Welsh Revenue Authority will commence collecting the two new devolved Welsh taxes from 1 April 2018 and the Welsh rate of income tax will be introduced in April 2019. The Auditor General will be auditing these new arrangements, liaising closely with the National Audit Office where appropriate.

Proposals for local government reform

- 19 On 20 March 2018, the Cabinet Secretary for Local Government and Public Services launched a consultation Green Paper which outlines the Welsh Government's ambitions for strengthening local government, including through merging and creating larger unitary authorities. Taken alongside the statutory Public Services Boards established under the Well-being of Future Generations (Wales) Act 2015, governance challenges are increasing in local government in Wales.

Requirement for earlier closure of local government accounts

- 20 The deadlines for preparing, auditing and publishing the accounts of local government bodies in Wales will be brought forward by 2020-21.

Introduction of the General Data Protection Regulation (GDPR)

- 21 The GDPR introduces new requirements for personal data processing across the EU for all public bodies, including the Auditor General and the Wales Audit Office. The UK Government has incorporated the GDPR into UK law, which comes into force on 25 May 2018.

Developments in Health and Social Care

- 22 The Social Services and Well-being (Wales) Act requires audited bodies to deliver health and social care services in fundamentally different ways. Our future audit work in health and social care will also need to take full account of the Welsh Government's response to the Parliamentary Review of Health and Social Care that was published in January 2018.

Governance arrangements are now required to have a wider scope

- 23 The National Assembly has placed legal requirements on the public sector in Wales to strengthen governance arrangements in accordance with a defined sustainable development principle. Each public body listed in the Well-being of Future Generations (Wales) Act 2015 must work to improve the economic, social, environmental and cultural well-being of Wales. To do this they must set and publish well-being objectives that are designed to maximise their contribution to achieving each of the well-being goals, and then take action to make sure they meet those objectives.

- 24 The well-being duties on the 44 listed public bodies, including the Welsh Government, commenced on 1 April 2016. The first well-being objectives of those bodies were set and published by 1 April 2017. Listed bodies are required to report annually on progress made towards meeting their objectives.
- 25 Under Section 15 of the Act, the Auditor General must examine the extent to which public bodies listed in the Act have acted in accordance with the sustainable development principle when setting wellbeing objectives, and when taking steps to meet those objectives.

We live in an increasingly networked society

- 26 Significant advances in information technology are leading to the increased digitisation of many aspects of service delivery, increased public access to data, and new opportunities and ways to interact and engage through social media and other forms of digital communication.
- 27 Digital transformation and inclusion form a central part of the Welsh Government's plans to make public services more accessible and meaningful to their users, and to achieve better outcomes.
- 28 An increasingly networked society does not just have implications for the public bodies that we audit. It also impacts quite profoundly on audit agencies and other external review bodies. We too need to stay abreast of technological developments and enhance the quality of our work by taking advantage of new ways of gathering data and intelligence, reporting on our findings and maximising awareness of and engagement with our work.

Our strategic priorities

29 In response to our operating environment, our Plan for delivering our programmes of work during 2018-19 and for the three year period 2018 to 2021 is underpinned by the following strategic priorities.

Strategic priorities

	Integrate the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 into the delivery of our audit work programmes.
	Examine the integrated delivery of public services in Wales from the perspective of people who use the services.
	Strengthen engagement with our work among Assembly committees and identify ways to further enhance our work on supporting effective scrutiny and accountability.
	Enhance the collective impact of external audit, inspection and review in Wales by making better shared use of intelligence and resources.
	Engage with other audit agencies in the UK and internationally, to share and inform best practice and intelligence.
	Enhance the readability and accessibility of our audit products to maximise their reach and impact.
	Utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings.
	Adopt new ways of working to provide an efficient and fit-for-the-future audit service as our operating environment changes.
	Deliver a people strategy that responds to the results of our staff survey, helps us to achieve our equality objectives and enables our staff to excel in their work.
	Improve our management of knowledge and data, including through effectively responding to the introduction of the General Data Protection Regulation.

Our planned programmes of work

- 30 Our planned programmes of work for 2018-19 can be divided into six sections, which are aligned with our objectives as illustrated below, and are underpinned by our strategic priorities.



- 31 The first four sections of the Plan relate to the Auditor General's work programme. The Auditor General's priorities for 2018-19 in exercising his functions are outlined in the following appendices:

Appendix 1 - Audit projects

Appendix 2 - Good practice work

Appendix 3 - Supporting effective scrutiny and accountability

Appendix 4 - Engagement and joint working activity

- 32 During the first half of the year, we will be seeking views from the public and a range of stakeholder organisations to inform our thinking on the content of the Auditor General's work programme beyond 2018-19.

- 33 The remaining two sections of the Plan relate to the Wales Audit Office's work programme. The Wales Audit Office Board's priorities for 2018-19 in exercising its functions are outlined in the following appendices:

Appendix 5 – Our governance and leadership

Appendix 6 – Our people and finances

- 34 The resources available, and which may become available to the Wales Audit Office, as per the approved **Estimate of Income and Expenses for the Year Ended 31 March 2019**, are to be used in delivering these work programmes.

Measuring and reporting on our performance

- 35 In 2018-19 and over the next three years, we will use a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This will include regular reporting to our Management Committee and Board on progress being made in delivering our priorities and achieving our key performance indicator targets. It will also include internal audit reports to our Management Committee and Audit and Risk Assurance Committee.
- 36 We will place particular emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 37 We will report on our performance externally through our Annual Report and Accounts and Interim Report(s), and by providing evidence at meetings of the National Assembly's Finance Committee.
- 38 We have reviewed and revised our framework of key performance indicators when preparing this Plan, which is now more clearly aligned with our overall objectives.



- 39 Our suite of targets has been developed with reference to current levels of performance, appropriate external benchmarks and our own improvement aspirations. The targets will be subject to further scrutiny and refinement during 2018-19 to ensure they are suitably challenging but achievable within the specified timescales.

Appendix 7 – Key performance indicators and targets

Appendix 1 – Audit projects

Audit work carried out at local government bodies

The Auditor General’s programme of work in local government covers a broad range of bodies, including unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, local government pension funds and town and community councils. The programme includes audits of accounts, certification of grant claims and returns, improvement audits and assessments, local government studies and well-being of future generations audit work.

Audit of accounts

22 unitary authorities
3 fire and rescue authorities
3 national park authorities
4 police and crime commissioners
4 chief constables
8 pension funds
A number of other smaller local government bodies including joint committees and harbour authorities
Audits of over 735 town and community councils on a limited assurance basis

Local Government studies

Services to rural communities
Use of data
Tackling violence against women, domestic abuse and sexual violence
Value for money of planning services
Social Services and Well Being Act 2014
Cross-cutting review of the Integrated Care Fund

Improvement audits and assessments

22 unitary authorities
3 fire and rescue authorities
3 national park authorities

Well-being of future generations audit work

22 unitary authorities
3 fire and rescue authorities
3 national park authorities

Certification of grant claims and returns

Up to 22 schemes worth approaching £3 billion and involving around 175 individual claims

Audit work carried out at NHS bodies

The Auditor General's work across NHS Wales covers all seven local health boards and the three NHS Trusts, as well as the work of the Welsh Government's Health and Social Care Department and the newly-created Special Health Authority, Health Education and Improvement Wales. The Auditor General audits the annual accounts of each NHS body, and reports publicly on the arrangements in place to secure economy, efficiency and effectiveness in their use of resources, and on whether listed bodies are acting in accordance with the sustainable development principle.

Audit of accounts

7 local health boards
3 NHS trusts
Local health board summarised accounts
NHS trusts summarised accounts
Health Education and Improvement Wales

Structured assessments

7 local health boards
3 NHS trusts
All Wales comparison of aspects of governance
Health Education and Improvement Wales

Local performance audit work

7 local health boards
3 NHS trusts
Health Education and Improvement Wales

Health studies

Orthopaedic Services (follow up)
Clinical coding (follow up)
Cross-cutting review of the Integrated Care Fund

Well-being of future generations audit work

7 local health boards
Velindre NHS Trust
Public Health Wales NHS Trust

Audit work carried out at central government bodies

The central government sector in Wales covers a diverse range of public bodies, including the Welsh Government and its sponsored bodies, the offices of various statutory commissioners, inspectors and regulators, and the National Assembly Commission.

Unlike for local government and health bodies, the Auditor General is not required to conduct a programme of performance audit work at each central government body, but instead only provides an annual opinion on their accounts and, for listed bodies, undertakes well-being of future generations audit work. Other performance audit work conducted within this sector currently sits within his programme of value for money studies.

Welsh Government accounts

Welsh Government consolidated accounts
Non-domestic rating account
Welsh Consolidated Fund account
Approval of payments out of the Welsh Consolidated Fund

Accounts of Welsh Government sponsored bodies

Arts Council of Wales
Arts Council of Wales Lottery Fund
Higher Education Funding Council for Wales
National Library of Wales
National Museums and Galleries of Wales
Natural Resources Wales
Sports Council for Wales Main and Trust Accounts
Sports Council for Wales Lottery Fund
Local Democracy and Boundary Commission for Wales
Qualifications Wales

National Assembly for Wales accounts

National Assembly for Wales Commission
Assembly Members Pension Fund

Non-Ministerial Departments

Welsh Revenue Authority

Welsh Government companies

Hybu Cig Cymru
Careers Choice
Life Sciences Hub
Sector Development Wales

Accounts of commissioners, inspectors and regulators

Children's Commissioner for Wales
Older People's Commissioner for Wales
Public Services Ombudsman for Wales
Welsh Language Commissioner
Estyn
Education Workforce Council
Future Generations Commissioner
Social Care Wales

Well-being of future generations audit work

Welsh Government
Natural Resources Wales
Higher Education Funding Council for Wales
Arts Council of Wales
Sports Council for Wales
National Library of Wales
National Museums and Galleries of Wales

Audit work undertaken for consideration by the Public Accounts Committee

This programme of audit work includes value for money examinations, the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies, and examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General. The outputs from much of this programme support the work of the National Assembly's Public Accounts Committee and other Assembly committees.

The programme of work retains a degree of flexibility to respond to changing circumstances, priorities and risks. There may also be additional outputs in 2018-19 arising from follow-up work on previous audit topics, from examinations undertaken in response to issues of public or parliamentary concern, or from local programmes of audit work where there are issues or learning of wider relevance.

Value-for-money studies

Access to public services with the support of specialist interpretation and translation
Waste management (municipal recycling)
Waste management (waste prevention)
Waste management (procurement of waste treatment infrastructure)
The 2014-2020 European Structural Funds programmes
Business finance
The 2014-2020 Rural Development Programme
The cross-cutting review of the Integrated Care Fund
Fiscal devolution in Wales (follow-on report for consideration by the Finance Committee)
Improving the well-being of young people
Primary care services

Summary reports and outputs

Radiology
GP Out of Hours services
Outpatients appointments (follow up)
Well-being of future generations audit work (year one commentary)
National Fraud Initiative 2016-17

Reactive examinations

NHS agency costs
Pinewood Studios Wales

Appendix 2 – Good practice work

Through our **Good Practice Exchange** we provide freely available online resources that enable the public, service users, service providers, policy makers and decision makers to access information that will leave them better informed.

A key focus of our good practice work involves facilitating conversations between service providers and users where the learning from comparative successes and failures is shared face-to-face. Increasingly we are looking to bring the views and experience of global experts to these conversations.

Our programme of shared learning seminars and webinars is flexible and further topics will be added during the course of the year.

Shared learning seminars

- Using digital to improve the lives of individuals
- Building resilient communities
- Partnership working between voluntary bodies and public sector bodies
- Alternative delivery models
- Preventing hospital admissions
- Youth - the experiences of 16-25 year olds when accessing and using public services in Wales

Shared learning webinars

- Sustainable procurement
- Moving from outputs to outcomes
- Adverse childhood experiences
- Using data effectively
- Financial audit – early closure of local government accounts
- Cybersecurity – governance arrangements

Good practice guides

- Grants management

External facilitation of shared learning and community support

- Academi Wales summer school
- Community Housing Cymru
- Future Generations Commissioner
- Good Practice Wales
- Institute of Chartered Accountants in England and Wales
- NHS Wales Finance Directors Network
- Older People's Commissioner for Wales
- One Voice Wales
- Public Health Wales
- Wales Centre for Behaviour Change, Bangor University
- Welsh Language Commissioner
- Welsh NHS Confederation
- Working With Not To co-production practitioner groups

Appendix 3 – Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts Committee and other Assembly committees

Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of matters relating to the use of resources in the discharge of public functions in Wales. Our work can also, where applicable, inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.

In 2018-19, we will continue to provide regular briefings to the Public Accounts Committee on the content of the Auditor General's published reports, which will help the Committee determine its subsequent course of action. We will also provide further advice and support to the Committee as required, particularly in relation to:

- a the development of members' briefings for evidence sessions with witnesses from the Welsh Government and other organisations;
- b the development of the Committee's reports; and
- c providing advice on the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports.

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

Throughout the year, we will attend most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work.

We will also provide further advice and support to audit and scrutiny committees, where applicable, particularly in relation to:

- a providing support and guidance to committee chairs to support them in being more effective in their role; and
- b providing good practice seminar opportunities and awareness raising sessions for committee members on particularly relevant issues.

Supporting the public and their local elected representatives

We regularly receive **correspondence from the public**, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets. The Auditor General is also a 'prescribed person' for raising whistleblowing concerns about the proper conduct of public business and fraud, value for money, and corruption in relation to the provision of public services.

In 2018-19, we will continue to ensure that we:

- a respond to such concerns promptly, and in a fair, objective and professional manner;
- b appreciate the importance of the issues to those who have taken the time to highlight them;
- c issue audit reports where we consider these are merited; and
- d make sure that we do not use public money looking at issues that are not relevant to our audit work, or spend too much time on minor issues.

Appendix 4 – Engagement and joint working activity

The Auditor General and Wales Audit Office are committed to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work.

We are also committed to working closely with the other UK audit agencies through the Public Audit Forum, and with the other main external review bodies in Wales through the Inspection Wales initiative, to enhance the efficiency and effectiveness of public audit and the collective impact of our work. We are also proud to represent Wales on occasion on the international audit stage.

The Wales Audit Office is able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of those bodies, both in the UK and overseas. But, we are mindful that all such activities should be self-financing and must not be undertaken to the detriment of our core audit work in Wales.

Joined up delivery

These include:

- National Fraud Initiative with other UK audit agencies
- Working with Estyn to undertake follow-up inspections of Regional Education Improvement Consortia and support their delivery of improvement conferences
- Annual certification of the accounts of the European Agricultural Funds
- Application of a memorandum of understanding with the Future Generations Commissioner

Participation with observer status on external working groups

These include:

- Partnership Council for Wales
- Welsh Revenue Authority Implementation Programme Board
- Finance Minister's Welsh Tax Forum
- Local Government Data Unit Board
- NHS Wales Efficiency, Healthcare Value and Improvement Group
- Public Appointments Working Group
- Health Education and Improvement Wales Implementation Programme Board
- National Procurement Service and Value Wales – Review Oversight Board

Membership of external working groups

These include:

- EURORAI
- International Integrated Reporting Council's Public Sector Integrated Reporting Network
- Public Audit Forum
- CIPFA/LASAAC Local Authority Code Board
- ICAEW Public Sector Audit Committee
- CIPFA Audit and Accounting Standards Panel
- Inspection Wales initiative
- DWP Housing Benefit and Welfare Reform
- UK Inspectorates liaison group
- Financial Reporting Council Public Sector Advisory Group
- Participation in NHS Escalation and Intervention Protocol with Welsh Government and Healthcare Inspectorate Wales
- OECD Auditor Alliance

Commissioned audit work

- A range of charity audits
- Chief Auditor to and audit of the accounts of the Government of Anguilla
- Waste management and trade refuse benchmarking groups

Appendix 5 – Our governance and leadership

As prescribed by the Public Audit (Wales) Act 2013, we have non-executive and executive members of the Wales Audit Office Board, alongside two employee-elected members who provide an extra dimension of insight and experience

THE BOARD IS RESPONSIBLE FOR...

- Monitoring the exercise of the Auditor General's functions
- Providing the Auditor General with advice
- Employing staff and providing resources for the exercise of the Auditor General's functions
- Charging fees for work done by the Auditor General
- Preparing jointly with the Auditor General an annual plan and estimate of income and expenses

The Board has also established two committees which operate in an advisory capacity: an Audit and Risk Assurance Committee and a Remuneration and HR Committee.

The Wales Audit Office has a Management Committee to provide clear lines of reporting and accountability, and to enable the Auditor General's work to inform the public and influence public service delivery in the most efficient and effective way.

The priorities for the Wales Audit Office's programme of work for 2018-19 in terms of its governance and leadership are to:

- a put arrangements in place to ensure an effective handover of the office of Auditor General for Wales and Chief Executive of the Wales Audit Office following the retirement of Huw Vaughan Thomas;
- b use the Board's new assurance map, which aligns relevant controls and sources of assurance with the Board's information requirements, to ensure that governance is comprehensive and robust;
- c oversee the delivery of key organisational transformation projects, exploring whether changes can be made to:
 - i the way we traditionally undertake our work;
 - ii the way we utilise emerging technologies;
 - iii the way we handle and manage data; and
 - iv the way we communicate the findings of our work;
- d launch a new Strategic Equality Plan and make arrangements to ensure that good progress is made in the first year of the Plan towards achieving our revised equality objectives; and
- e examine how we can maximise our contribution to achieving the seven Welsh well-being goals.

Our Board



Alison Gerrard
Non-executive
member



Amanda Hughes
Elected employee
member



Bill Richardson
Non-executive
member



**Huw Vaughan
Thomas**
Auditor General,
and Chief Executive



Isobel Garner
Chair of the Board



Kevin Thomas
Appointed
employee member



Lindsay Foyster
Non-executive
member



Louise Fleet
Elected employee
member



Steven Burnett
Non-executive
member

Our Management Committee



Anthony Barrett
Assistant Auditor
General



**Huw Vaughan
Thomas**
Auditor General,
Accounting
Officer and Chief
Executive



Jane Holownia
Sector Lead,
Local Government
and Criminal
Justice



Kevin Thomas
Director of
Corporate
Services



Mike Usher
Sector Lead,
Health and
Central
Government



**Steve
O'Donoghue**
Director of
Finance and HR

Appendix 6 – Our people and finances

Our people

In April 2018 we will launch a new people strategy, entitled 'GREAT together', to help us achieve our overall vision, aim and objectives. The strategy is underpinned by the Wales Audit Office desired behaviours: being genuine, respectful, energetic, adaptable and trustworthy.

During October 2017, we ran a new staff survey to try to gain a better understanding of the employee experience at the Wales Audit Office and identify where we need to improve. We used the same core survey questionnaire that was used in the 2017 Civil Service People Survey (CSPS). For the majority of survey themes, responses from staff were more positive than the CSPS average, and more typical of (and in some cases significantly better than) a CSPS high performing organisation. While the results from the survey were very encouraging, they also identified a number of areas for further improvement that we intend to address through delivery of the strategy.

The key priorities for our work in terms of our people in 2018-19 are to:

- a develop a work programme to ensure effective and efficient delivery of the newly-launched people strategy;
- b respond effectively to the outcomes from our October 2017 staff survey;
- c evaluate the learning from our recently-held staff 'unconference'; and
- d undertake scoping work for a project aimed at challenging and transforming the way we traditionally undertake our work.

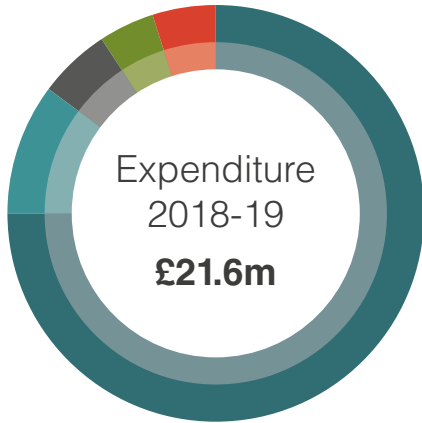


Our finances

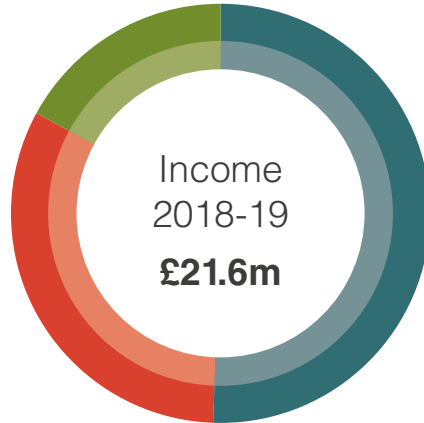
The National Assembly’s Finance Committee scrutinises our use of resources, including through consideration of this Plan, **our Estimate, Fee Scheme, Interim Report(s) and Annual Report and Accounts.**

Approximately two thirds of Wales Audit Office funding comes from fees charged to audited bodies in accordance with a scheme of fees approved by the National Assembly. Most of the remainder comprises approved financing from the Welsh Consolidated Fund, our use of which is subject to scrutiny from the Board at regular intervals during the year.

The key priorities for our use of resources in 2018-19 are laid out in our most recent Estimate, which was considered and approved by the National Assembly’s Finance Committee in November 2017. £16.4 million of planned expenditure relates to resources to be made available to the Auditor General to carry out his work programme². A further £5.2 million provides a range of corporate enabling services, including accommodation and other support services, such as legal advice, ICT and HR³.



- Staff costs - £16.2m
- Other costs - £2.2m
- Travel - £1.2m
- Private sector Firms - £1.0m
- Accommodation - £1.0m



- Financial Audit Fees - £10.9m
- WCF - £7.0m
- Performance Audit Fees - £3.7m

² 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 the purpose of undertaking his work programme.

³ This is deemed as the resources required to support the Wales Audit Office’s work programme.

Appendix 7 – Key performance indicators and targets

DELIVERY AND IMPACT

No.	Indicator	Description	Target
DI1	Accepted recommendations	Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies	90%
DI2	Savings identified	Value of potential savings identified through our work	At least £30 million during 2018-2021
DI3	Making a difference	Percent positive stakeholder survey score for how well we are perceived to be delivering the Auditor General's objectives	At least 85%
DI4	On time	Proportion of key audit products delivered on time	95%
DI5	National reports	Number of national reports published	14 per annum
DI6	Attendees of good practice events	Number of attendees at our shared learning seminars and webinars	1,000 per annum
DI7	Satisfaction with good practice events	Proportion of attendees of our good practice exchange events who rated the events useful or very useful overall	At least 90%
DI8	Website visits – proportion	Proportion of website visits where at least one action is performed e.g. download a report, click on a video	At least 50%
DI9	Website visits - number	Number of website visits where at least one action is performed	30,000 per annum
DI10	Social Media	Klout score - a measure of our social media influence by analysing our Twitter account activity	At least 55 out of 100
DI11	Correspondence handling	Number of instances where a full or interim response to concerns about public spending raised through correspondence is not issued within 30 working days of receipt	Nil

LEADERSHIP AND CULTURE

No.	Indicator	Description	Target
LC1	Employee engagement	Percent positive annual staff survey (aligned with the Civil Service People Survey) engagement index score	At least the 9th decile score for the latest Civil Service People Survey (CSPS)
LC2	Organisational objectives and purpose	Percent positive annual staff survey score for 'organisational objectives and purpose' theme	At least the 7th decile score for the latest CSPS
LC3	Leadership and managing change	Percent positive annual staff survey score for 'leadership and managing change' theme	At least the 8th decile score for the latest CSPS
LC4	Organisational culture	Percent positive annual staff survey score for 'organisational culture' theme	At least the 9th decile score for the latest CSPS
LC5	My manager	Percent positive annual staff survey score for 'my manager' theme	At least the 9th decile score for the latest CSPS
LC6	Inclusion and fair treatment	Percent positive annual staff survey score for 'inclusion and fair treatment' theme	At least the 9th decile score for the latest CSPS
LC7	Learning and development	Percent positive annual staff survey score for 'learning and development' theme	At least the 9th decile score for the latest CSPS
LC8	Resources and workload	Percent positive annual staff survey score for 'resources and workload' theme	At least the 9th decile score for the latest CSPS

MANAGING THE BUSINESS

No.	Indicator	Description	Target
MB1	Sickness absence	Average working days lost per member of staff per annum	Less than 6 days
MB2	Financial balance	Level of variance in gross expenditure from that set out in our Estimate for 2018-19	Within 2% of budget
MB3	Supplier payments	Proportion of suppliers paid within 10 working days of receipt of invoice	At least 90%
MB4	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business	£250,000
MB5	Efficiency of estate	Costs including for rent and rates per whole-time equivalent	Less than £3,300
MB6	Welsh language provision	Number of complaints received and upheld regarding our Welsh language provision	Nil
MB7	Environmental management	Level of Groundwork Wales Green Dragon Environmental Standard accreditation	Level 5 (highest level)
MB8	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of purchased electricity, or that are produced indirectly as a consequence of our activities.	Less than 450 tonnes

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References: IG/18/005/HVT/2856/SD
21 June 2018

Annwyl Simon

The Public Audit (Wales) Act 2013

Thank you for your letter of 17 April 2018 in which you ask for details of the specific legislative changes needed to address the complexity of fee arrangements and other problematic aspects of the Public Audit (Wales) Act 2013. You ask in particular for details of what amending legislation might look like and examples of areas of the 2013 Act beyond fees that might benefit from change. You also ask for details of the costs of the fee arrangements and the costs of the proposed changes.

We enclose an explanatory paper that sets out these specific matters, including a draft bill and explanatory notes. The draft bill and explanatory notes have been prepared by our external legal advisers, Bates Wells Braithwaite. For ease of reference, we have included in the explanatory paper a summary of the problems that the 2013 Act presents, including in respect of fees even though this was covered in some detail in the paper *The complex audit fee regime in Wales – a case for change*.

As the legislative changes needed are a matter of fairly limited amendment of the 2013 Act, and some similarly limited consequential amendments, the draft bill is short and rather technical in character. Consequently, in order to understand the effect of the provisions of the draft bill, we think it is best to read the draft bill in conjunction with the explanatory paper, rather than on its own. We should, however, say that the explanatory paper is not an Explanatory Memorandum as required by Standing Orders, though we would hope that much of the material might be useful in preparing such a document.

We should also mention that the matters that the draft bill addresses are confined to matters that are directly problematic to the WAO. We have not sought to address such matters as inconsistency between different pieces of legislation, e.g. the differences between the restriction periods in relation to subsequent office that apply to the Auditor General under the 2013 Act and those that are to apply to the Ombudsman under the Public Services Ombudsman (Wales) Bill. (In that example, restrictions on a former Auditor General apply for two years, while those applying to a former Ombudsman apply for between a year and a day and two years, depending on the date the person ceases to be the Ombudsman.) We imagine that the Committee may have other concerns that could be addressed in an amendment bill.

While it may seem fairly obvious, we should also mention for clarity that the draft bill and explanatory paper do not address changes in fee arrangements that do not require legislation. The main example that we have in mind is replacing cash audit fees for the Welsh Government, National Assembly for Wales Commission and the Public Services Ombudsman for Wales with notional fees, as set out in *The complex audit fee regime in Wales – a case for change*. That is a parallel administrative measure, which, because it does not affect the great majority of audited bodies and fee income, does not alter the need for legislation.

You ask specifically about the internal costs arising from the administration of process relating to section 23 of the Act, and about financial benefits that might result from changing the legislation. The explanatory paper includes details to address these points, but it may helpful if we draw out key points here.

Section 23 is general provision relating to fees, not just the “no more than full cost” rule (s23(5)(b)). It is not possible to precisely identify the full cost of the current fee arrangements; for example, while a portion of the WAO’s finance department’s costs will relate to fees, identifying that portion is a matter of estimation. Overall, we estimate the annual administrative cost of the current fee arrangements to be some £342,000.

Of the above figure, we estimate that between some £20,000 and £50,000 is attributable to the “no more than full cost” rule. We have provided this estimate as a range because it is extremely hard to identify the particular effort involved in monitoring and managing time for the purposes of the “no more than full cost” as opposed to other management purposes. But while there is uncertainty as to the amount, we are clear that the “no more than full cost” rule is an exacerbating factor that leads to additional cost.


The financial benefits of amending the legislation are likely to mainly consist of the avoidance of the additional cost arising from the “no more than full cost” rule and avoiding the costs of preparing interim reports. There may also be a few thousand pounds each year on average in contributions to the Welsh Consolidated Fund arising from surpluses on agreement work. Altogether, we estimate that the financial benefits will be net savings to Welsh public finances of between £57,000 and £77,000.

We hope that this is helpful. We should be very happy to discuss the paper and the draft bill.

Yn gywir



Huw Vaughan Thomas, CBE
Auditor General for Wales



Isobel Garner
Chair, Wales Audit Office

Proposals for a bill to amend the Public Audit (Wales) Act 2013

June 2018

1. Introduction

- 1.1 This paper sets out proposals for a short bill to amend the Public Audit (Wales) Act 2013 (“PAWA 2013”), so as to improve the efficiency of the administration of the Wales Audit Office (“WAO”). To provide context, it summarises problems that we face in the implementation of some of the Act’s provisions. In annexes we provide a draft bill, together with explanatory notes.
- 1.2 In essence, the proposed bill would revise WAO fee charging requirements, help decision-making by revising statutory quorum requirements and make progress reporting requirements more proportionate and streamlined.

2. Background

- 2.1 Audit is essential to supporting democratic scrutiny of the use of public money. The WAO supports the Auditor General for Wales (“AGW”) in auditing Welsh public sector bodies. The efficient and effective operation of the WAO is therefore a significant factor in ensuring good scrutiny of public money and achieving good value for money across the Welsh public sector.
- 2.2 The Public Audit (Wales) Act 2013 (“PAWA 2013”) established the WAO as a corporate body in the form of a board to monitor and advise the AGW, and to hold and provide resources required by the AGW for the purposes of the AGW’s functions. The PAWA 2013 was intended to improve governance and accountability arrangements in respect of the AGW and the AGW’s office. (Prior to the PAWA 2013, the “Wales Audit Office” was a term to describe the AGW and the AGW’s staff; there was no legal entity by that name.) The Welsh Government deemed such changes as necessary in view of accounting and propriety issues that arose from the actions of a former AGW (in post 2005-2010), such as:
 - (a) expenditure on early retirement settlements not being fully accounted for;
 - (b) expenditure of some £77,000 on training for the then AGW and Chief Operating Officer without recorded justification.
- 2.3 A key effect of the PAWA 2013 was that it modified responsibility for the organisation’s resources by making it no longer the sole responsibility of the AGW and

placing it under the control of the new WAO (in the form of a board). This shift in responsibility included removing the AGW's powers and duties to charge fees and assigning such powers and duties to the WAO.

- 2.4 The PAWA 2013 also added additional constraints on the charging of fees by the WAO, including:
- (a) Making the expenditure of money obtained from fees (as well as supply from the Welsh Consolidated Fund) subject to the approval of the Assembly through a budget motion;
 - (b) Requiring the preparation of a fee scheme each year setting out in detail the statutory basis for the charging of fees, and requiring each such scheme to be approved by the Assembly;
 - (c) Prohibition of fees charged to any particular body exceeding the full cost of exercising the particular function undertaken at the body to which the fee relates (the "no more than full cost rule").
- 2.5 The constraints above added to pre-existing requirements, such as the requirement to set and consult on fee scales for the charging of fees to local authorities.
- 2.6 The PAWA 2013 was also intended to improve governance arrangements generally through the establishment of the WAO as a board and providing that board with certain functions. Key elements include:
- (a) The WAO being required to consist of a majority of non-executive members (individuals not employed by the WAO), with the Chair of the WAO required to be a non-executive—the WAO must have five non-executive members, with the other members being the AGW, an executive member nominated by the AGW, and two employees of the WAO elected by employees of the WAO;
 - (b) The WAO non-executives being appointed by the Assembly;
 - (c) The WAO having a duty to monitor the exercise of the AGW's functions, and a power to advise the AGW about those functions, with the AGW having a duty to have regard to any advice given;
 - (d) The WAO having a duty jointly with the AGW to prepare an annual plan setting out their respective work programmes;
 - (e) The WAO having a duty jointly with the AGW to prepare an annual estimate of income and expenses of the WAO, and to lay those estimates before the Assembly for approval;
 - (f) The Chair of the WAO having a duty jointly with the AGW to prepare and lay before the Assembly annual and interim reports on progress against the annual plan;

(g) The Chair of the WAO having a duty to submit the accounts of the WAO to the WAO's external auditor (which is appointed by the Assembly) for audit and laying before the Assembly.

- 2.7 Among the detailed requirements in respect of the WAO's functions, PAWA 2013 requires the WAO to make procedural rules for regulating its procedures. In doing so, the PAWA 2013 requires the rules to set a quorum that provides that in all circumstances a meeting must have a majority of non-executive members present.
- 2.8 In many respects, the PAWA 2013 follows the pattern of legislation that applies to the National Audit Office ("NAO") and Audit Scotland¹. However, the strict "no more than full cost" rule does not apply to either. In the case of Audit Scotland, there is more tolerance built into the requirements. Charges must be "reasonable" and the "total sum received...taking one year with another" must be "broadly equivalent" to the expenditure in respect of the exercise of functions. In the case of the National Audit Office, no constraint applies other than fees must be in accordance with the fee scheme approved by the equivalent of the Assembly's Finance Committee, and, in the case of work undertaken by agreement, in accordance with the relevant agreement.
- 2.9 Similarly, other requirements of the PAWA 2013 are more extensive than those of the NAO and Audit Scotland equivalents. Neither the NAO nor Audit Scotland are required to produce interim reports. Likewise, there is no statutory quorum for Audit Scotland, and while there is reference to quorum in the legislation applying to the NAO, it is not so rigid in that the provision of a quorum rule is optional.

3. Summary of the problems arising from the Public Audit (Wales) Act 2013

- 3.1 While in many respects the arrangements brought in by the PAWA 2013 have worked well, as set out below there are five problems that cause inefficiency, and these can only fully be addressed through legislation.

The "no more than full cost" rule acts as a disincentive to improving audit efficiency, and is also complex to administer

- 3.2 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.
- 3.3 The problem is, however, deeper than the challenge of making accurate estimates, as the "no more than full cost" rule acts as a disincentive to economy and efficiency. For example, an audit team might identify a way of delivering an audit with less work. This

¹ For the NAO, see paragraph 8 of Schedule 3 to the Budget Responsibility and National Audit Act 2011. For Audit Scotland, see section 11 of the Public Finance and Accountability (Scotland) Act 2000.

might be because new automated systems enable a reduction in the amount of direct testing. 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 in the short term is not practical. Even if laying off auditors were practical, this would not provide motivation for efficiency.

- 3.4 Managing variations in workload using agency staff has generally not proved to be cost-effective, as hourly fee rates are high and lack of continuity reduces effectiveness. 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. The saved time could be applied to non-fee earning work, such as value for money study work—there is somewhat more scope for an expansion in study work as it is largely discretionary. However, such additional study work would be unfunded, as study work is not fee funded but funded by supply (resources from the Welsh Consolidated Fund voted by the Assembly through budget motions). Obtaining additional supply requires the submission of a supplementary estimate to the Assembly, and is a significantly time-consuming process in itself.
- 3.5 The “no more than full cost” rule is also complex to administer generally. 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 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 examine (audit) the accounts of an NHS body, such as a local health board, under section 61(a) of the Public Audit (Wales) Act 2004. 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”. This is the “regularity opinion”, and it is another one of the functions undertaken. 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 yet a further function. (Work to support the vfm conclusion is generally referred to as “local performance audit work”.)

If the local health board requires a grant claim to be certified, the duty to certify is 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, though not all will be exercised in the same year.

- 3.6 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 PAWA 2013 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 application of the no more than full cost rule to work done outside the Welsh public sector prevents the WAO contributing to the Welsh public finances

- 3.7 Under section 19 of the PAWA 2013, the WAO may agree to arrange to provide professional, technical and administrative services to other public bodies, including bodies outside Wales. Many such services are provided to public bodies outside Wales, as professional standards (the IFAC Ethical Standard issued for the UK by the Financial Reporting Council) prohibits the provision of many non-audit services to audited bodies. For example, the WAO has recently provided assistance to the National Audit Office of Kosovo to develop its local government audit work, and to the National Audit Office Malta for the training of performance auditors. A potential line of significant future work is the provision of EU Agricultural Fund grant certification work. Over the past decade, the WAO has established leading expertise for such work. With the UK leaving the EU, such grant certification work to EU rules is likely to be no longer required in Wales, but there is likely to be a market for the expertise in EU states.
- 3.8 The fees for such services are, however, subject to the “no more than full cost rule”. This means that despite such work usually being obtained on the basis of a competitive tender, any surplus of income over expenditure must be refunded. This prevents the Welsh public finances benefitting from surpluses made on agreement work.

The statutory non-executive majority quorum requirement makes the WAO excessively prone to being inquorate, so hampering decision-making

- 3.9 Paragraph 28(3) of Schedule 1 to the PAWA 2013 contains a requirement that “in all circumstances a quorum cannot be met unless a majority of the members present are non-executive members”.
- 3.10 This is problematic because of the size and composition of the WAO. Para 1 of Schedule 1 to the PAWA 2013 sets out that the WAO is to have nine members: five who are not employees of the WAO (“non-executive members”), the AGW and three employees of the WAO (“employee members”). Consequently, if any non-executive member is absent, and there is no absence on the part of the AGW or employee members, then the WAO is inquorate. Non-executive member absence easily arises for reasons such as sickness or travel disruption, with the potential for delays in decision-making. Of 28 board meetings since the commencement of the PAWA 2013, six (21%) have been inquorate because of the absence or resignation of non-executive members.
- 3.11 It appears that paragraph 28(3) of Schedule 1 to the PAWA 2013 does not take account of the fact that under paragraph 16 of Schedule 1 to the PAWA 2013, two of the three employee members are appointed on the basis of a ballot of all staff (the “elected members”). (The requirement for two elected members was a late amendment to the legislation on passage through the Assembly, so the consequences may not have been fully recognised. While there was debate about the possibility of creating “constituencies”, there was no coverage of the effect on quorum.) The elected members are by the nature of their appointment not executive members in the usual sense; they are not members of the board by virtue of being senior executive management of the organisation. They are not responsible for presenting matters for scrutiny or decision.
- 3.12 There is clearly much merit in having a majority of non-executive members; it enables a high degree of scrutiny of the management of the organisation so helping ensure that significant management decisions are appropriate. However, with paragraph 28(3) as it is, the rigidity of the arrangements prevent them being sufficiently robust to be workable in day-to-day real world conditions, as can be seen from the proportion of WAO meetings that have been inquorate. We would also suggest that in essence quorum is a practical matter for the board, rather than a matter that should be enshrined in legislation.
- 3.13 The existing statutory quorum also risks a potential reduction in the contribution of the elected employee members. When the WAO is inquorate, the elected members tend to recuse themselves, as they are not presenting matters for scrutiny or decision. While this is helpful in enabling quorum to be met, it means the voting power of the ordinary employee is reduced by 50% in response to a non-executive absence of 20%, although invariably decision-making is by consensus rather than a vote. Nevertheless,

this effect puts the full contribution of employee members at risk, which could, for example, lead to poorer consideration of issues affecting employees, such as equality matters in respect of employee terms and conditions.

The requirement for interim reports is disproportionately resource-consuming

3.14 Paragraph 3 of Schedule 2 to the PAWA 2013 requires the AGW and the Chair of the WAO to jointly prepare an interim report on the exercise of the functions of the AGW and the WAO.

3.15 There is, however, little Assembly or public interest in such reports. For example, in both November 2016 and November 2017, the Finance Committee, which is the Assembly Committee charged with considering such reports under Assembly Standing Orders, merely noted the interim report as a paper. There was no Committee discussion of the report. Furthermore, website statistics indicate little wider interest in the interim reports. For example, the 2015-16 interim report received 9 page visits in the fortnight following publication, compared with 81 page visits in the equivalent time span for the 2015-16 annual report.

3.16 The WAO estimates that each interim report costs some £20,000 to prepare over and above the ongoing internal reporting to the WAO on progress against the annual plan. The cost of such reports therefore seems to be disproportionate to the use made of them. It is also worth noting that there appears to be no other Welsh or UK public body that is subject to the requirement of preparing interim reports on the exercise of functions.

There are overlapping annual reporting requirements, causing confusion and undermining transparency

3.17 Paragraph 33 of Schedule 1 to the PAWA 2013 requires the AGW to prepare the statements of accounts of the WAO and to include additional information as directed by Treasury. The Treasury's accounts direction requires the AGW, like other central government bodies, to prepare accounts in accordance with the Treasury's Financial Reporting Manual² (the "FReM"). The FReM also requires an annual report to accompany the accounts, including a "performance section", the purpose of which is to "provide information on the entity, its main objectives and strategies". The FReM also sets out that external auditors (i.e. *not* the AGW in this case) review the performance report for consistency with other information in the financial statements. This reflects the professional standard (ISA 720³) that requires the

² Financial Reporting Manual, HM Treasury, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669344/2017-18_Government_Financial_Reporting_Manual.pdf

³ International Standard on Auditing 720, issued by the Financial Reporting Council, [https://www.frc.org.uk/getattachment/11b5e047-a2d7-4674-8281-cc57ec3d5e66/ISA-\(UK\)-720-Revised-June-2016_final.pdf](https://www.frc.org.uk/getattachment/11b5e047-a2d7-4674-8281-cc57ec3d5e66/ISA-(UK)-720-Revised-June-2016_final.pdf)

external auditor to consider whether the annual report is consistent with the accounts.

- 3.18 At the same time, paragraph 3 of Schedule 2 to the PAWA 2013 requires the AGW and the Chair of the WAO to prepare an annual report on the exercise each year of the functions of the AGW and the WAO. This requirement overlaps substantially with the requirements of the FReM. In practice, therefore, like other public bodies subject to such overlapping requirements, the AGW and Chair of the WAO jointly produce one “annual report and accounts” document, rather than an annual report on the discharge of functions and an annual report and accounts.
- 3.19 However, this leads to a lack of clarity in terms of the laying of documents before the Assembly. Paragraph 3(6)(a) of Schedule 2 and paragraph 35(2)(b) of Schedule 1 each require reports to be laid before the Assembly. However, in the case of paragraph 3(6)(a) of Schedule 2, it is the AGW and Chair of the WAO who are required to jointly lay the report, and in the case of paragraph 35(2)(b) of Schedule 1, it is the external auditor of the WAO who is required to lay a certified copy of the accounts (which under Treasury direction is accompanied by an annual report). In practice, this is resolved by laying the same document twice (though only one copy appears on the Assembly’s website), once by the external auditor and once by the AGW and the Chair of the WAO. Clearly, it is unsatisfactory that the legislation leads to such duplication, and it is not conducive to clarity of responsibility.

4. How the problems arising from the Public Audit (Wales) Act 2013 could be addressed with legislation

- 4.1 The five problems set out above could be addressed by legislation as follows. The draft bill at annex 2 embodies these suggestions. The overall intention is not to roll-back the overall system of checks and safeguards of the PAWA 2013, but to improve the economy, efficiency and effectiveness of the WAO by addressing the specific problems outlined above.

The complexity and disincentive to efficiency of the “no more than full cost” rule

- 4.2 This draft bill’s provisions would replace the “no more than full cost” rule, and the strict requirement for fees to be paid by the particular body that the function relates to, with a new requirement for the fee scheme prepared under section 24 of the PAWA 2013 to require the WAO to set fees so as to broadly breakeven. In particular, under the new provisions, the WAO must seek to ensure that the total sum of the fees charged for all work undertaken (except agreement work), taking one year with another, is broadly equivalent to the expenditure in connection with that work.
- 4.3 In short, the new provision will still require the WAO to seek to break even in terms of setting fees overall, but, by enabling the WAO to consider fees taking one year with another, it allows sufficient flexibility to accommodate differences between estimated

and actual costs without requiring additional invoices to be raised or refunds to be given, or complex offsetting arrangements. In applying the requirement to break even in the round rather than in respect of each particular function at each particular body, it also allows suitable flexibility, so that, for example, the first body subject to a new audit test does not face higher fees than others because of the additional costs that arise from initial implementation.

- 4.4 By providing a greater degree of tolerance, the changes would bring the requirements that apply to the WAO more closely into line with those that apply to Audit Scotland.

The “no more than full cost” rule preventing the WAO from contributing to the Welsh public finances

- 4.5 Section 3 of the draft bill would amend section 19 of the PAWA 2013 so as to release the WAO from the requirement to set fees for agreement work in accordance with a fee scheme (prepared under section 24 of the PAWA 2013). This would enable the WAO to charge fees for agreement work, such as audit services provided to overseas public authorities, at levels that lead to a surplus of income over expenditure and so provide a net positive contribution to the Welsh public finances. Under the existing requirement for all the WAO’s expenditure to be authorised by a budget motion, the surplus income could only either be used for a purpose approved by the Assembly or surrendered to the Welsh Consolidated Fund.

The statutory quorum requirement making the WAO prone to being inquorate

- 4.6 The draft bill would remove the requirement of the PAWA 2013 for the procedural rules of the WAO to provide that in all circumstances a quorum cannot be met unless a majority of the members present are non-executive members. This would allow the WAO to set more manageable quorum rules that would help ensure timely and effective board-level decision-making. It would also take account of the fact that the two elected employee members are not executive members in the usual sense. This would help ensure that the contribution of the elected employee members is maintained at an appropriate level and reduces the risk of poorer consideration of issues affecting employees, such as equality matters.

The disproportionate requirement of interim reports

- 4.7 The draft bill’s provisions would remove the requirement for the Auditor General and the Chair of the WAO to jointly prepare and lay interim reports on the exercise of functions. It would not affect the requirement for the Auditor General and the Chair of the WAO to jointly prepare annual reports on the exercise of functions. The draft bill would therefore enable a proportionate volume of reporting that matches the Assembly’s justifiable level of interest and capacity for considering reports.

Streamlining preparation and laying of annual reports

- 4.8 The draft bill streamlines arrangements for the laying of the annual report on the exercise of functions. It does this by requiring the Auditor General and the Chair of the WAO to provide the external auditor of the WAO with their annual reports, and requiring the external auditor to lay those reports as part and parcel of the laying of the annual accounts.

5. The costs of the problems and the costs and benefits of the solutions

- 5.1 Overall, the draft bill's provisions would incur a very small amount of initial implementation expenditure. The provisions would not lead to any additional ongoing expenditure but would lead to ongoing cost savings due to the removal of the requirement for interim reports, increased economy and efficiency in undertaking audit work and reduced fee administration. Increased efficiency and effectiveness would also arise in respect of board decision-making by reducing instances of quorum not being met and helping ensure appropriate levels of contribution of elected members.

The overall administrative cost of the current fee arrangements

- 5.2 It is not possible to precisely identify the full cost of the current fee arrangements. We estimate that the resources involved include up to 30% of the WAO's finance department's time and varying amounts of time among other staff. The time and tasks involved include:
- (a) annual consultation on and preparation of fee scales and the fee scheme;
 - (b) communications staff time spent in translating and publishing fee consultations and fee schemes each year;
 - (c) several hours each year of engagement directors' and other staff time taken up in discussion of fees with audited bodies;
 - (d) detailed time recording by staff—the completion of electronic timesheets;
 - (e) maintenance of the time recording system;
 - (f) monitoring and managing time spent on functions against budget.
- 5.3 In addition to staff time, a further relevant resource is the cost of the time recording system, for which the relevant cost is some £30,000 a year⁴ in terms of licences.
- 5.4 However, not all the time and other resources mentioned above are necessarily attributable entirely to the current fee arrangements. For example, even if the

⁴ Our current system is part of comprehensive audit documentation system, so the licence cost of that system is not a fair reflection of the cost of the time-recording system. We understand, however, that a licence for such a system for an office of our size would be in excess of £30,000 a year.

organisation were funded entirely by supply rather than in large part by fees, we would still want to have a time recording system, as it is a means of managing professional staff that are engaged in a range of tasks that differ in size and complexity. Our estimates of the time and cost that can reasonably be attributed to administration of fee arrangements are summarised in the table 1 below.

Table 1: Estimates of annual overall administrative costs of the current fee arrangements

Description	Total estimated amount (£)
Finance department administration, including calculation of fee rates and fees, keeping records, including of work done, raising invoices, debt management, preparation and administration of consultations on of fee scales and fee schemes 30% of Finance department time (£220,000)	66,000
Auditor time spent in fee estimation, internal moderation and discussion of consultation documents and responses (16.5 days at £500 including oncosts ⁵)	8,250
Engagement directors' discussions of fees with individual audited bodies: 74 discussions at an average of 1.5 hours, i.e. some 15 days at £500 a day	7,500
Communications staff time producing fee consultation documents and fee scheme (8 days at £250 a day)	2,000
Recording time for the purposes of fees etc (175 staff at 1/4hr a week for 52 weeks a year: 325 days at £400 a day)	130,000
Monitoring and managing time for fee-funded projects (246 days at £500)	123,000
Time spent managing timesheet system for fees (allocating jobcodes etc) 10 days at £500	5,000
Total	341,750

The administrative cost of the “no more than full cost” rule

5.5 Not all the cost of fee administration is attributable to the problem of the “no more than full cost” rule; the majority of fee administration would be incurred with any fee arrangements. Our estimates of the time and cost that can be attributed to the

⁵ Staff costs are based on the estimated actual staff salary for the grade concerned, with oncosts for employer national insurance and pension contributions. The daily rates for cost estimates are different to charge-out rates because overheads, such as accommodation costs, are not included. Using charge-out rates would overstate costs because of over-recovery of overheads.

problem of the “no more than full cost rule” are summarised in the table below. Estimating the amount of management time spent on monitoring for the purposes of the “no more than full cost rule” is particularly difficult. We have therefore given this a range. The effect on fee discussions is also very difficult to quantify, but some reduction of time seems likely, though the overall amount will only amount to a few thousand pounds worth of staff time.

Table 2: Estimates of costs attributable to the “no more than full cost” rule

Description	£
Finance department work in respect of under and overpayments vis a vis functions: 74 major bodies at an average of 2.5 hours each a year, i.e. some 26 days at £200 a day (incl oncosts)	5,200
Engagement directors’ and audit managers’ discussions of fees with individual audited bodies: 74 discussions at average of 0.5 hours, i.e. some 5 days at £500 a day	2,500
Particular effort in respect of monitoring and managing time for the purposes of the “no more than full cost rule” (between 40 and 80 days at £500 a day)	20,000 to 40,000
Total	27,700 to 47,700

The cost of the “no more than full cost” rule in terms of disincentive to improving audit efficiency

5.6 It is difficult to provide an estimate of the cost of the “no more than full cost” in terms of disincentive to improving audit efficiency other than in the form of an educated guess. With perhaps one in ten audits involving foregone efficiencies of five days of work, additional costs in the region of some £12,000 may be being incurred each year. Such foregone efficiencies may include, for example, missing opportunities to take advantage of automation, and maintaining excessively high standards of documentation.

The opportunity cost of the “no more than full cost” rule preventing WAO contributing surpluses on agreement work to the Welsh public finances

5.7 Over the past four years, refunds given on agreement work have amounted on average to some £7,500. While there is no certainty that future surpluses will be at this level, this is the best available indication of such surpluses.

The cost of interim reports

- 5.8 Producing an interim report each year costs some £20,000, including staff time spent in research and drafting, senior management review, board review, translation and publishing.

The cost of inquoracy

- 5.9 The potential for WAO meetings to become inquorate can cause delay in decision-making, but the financial effect is very small.

The cost of confusion arising from overlapping annual reporting requirements

- 5.10 Resolving the confusion arising from overlapping annual reporting and laying requirements required a small amount of work on the commencement of the 2013 Act in 2014. While non-recurring in the case of the WAO, similar queries from some audited bodies arise from time to time.

The cost of implementing the draft bill's provisions

- 5.11 A change in fee rules would require some revision of finance team procedures and instructions. We estimate that these changes would take at most a day at cost of about £400. Similarly, a change in respect of the statutory quorum rule would require revision of the board's rules, which would be a minor adjustment at minimal cost. We do not see any costs arising on an ongoing basis.

Summary of estimated financial costs and benefits of the draft bill provisions

- 5.12 We summarise our estimates of costs and benefits of the draft bill provisions in table 3 below.

Table 3: Summary of estimated costs and benefits of the draft bill provisions

Description	£
One-off transition costs	1,000
Annual direct cost of the draft bill's provisions	Nil
Annual indirect cost of the draft bill's provisions	Nil
Annual compliance cost of the draft bill's provisions	Nil
Total annual cost of the draft bill's provisions	Nil
Administrative cost of the "no more than full cost" rule avoided	(27,700 to 47,700)
Contributions from surpluses on agreement work	(7,500)
Cost of interim reports avoided	(20,000)
Net annual cost (saving) of the draft bill	(55,200 to 75,200)
<u>Summary of hard to quantify and non-cash costs and benefits</u>	
Removal of disincentive to undertake audit work more economically or more efficiently	
Simplifying board decision-operations, reducing instances of quorum not being met and helping ensure appropriate level of contribution of elected members, which would be conducive to, among other things, thorough consideration of equality issues in respect of staff terms and conditions	
Improved efficiency and clarity in preparing and laying annual reports	

Draft Public Audit (Amendment) (Wales) Bill

Explanatory Notes

Introduction

These explanatory notes relate to the draft Public Audit (Amendment) (Wales) Bill. They have been prepared in order to assist the reader in understanding the draft Bill. They do not form part of the draft Bill, but they should be read in conjunction with the draft Bill. They are not, and are not meant to be, a comprehensive description of the draft Bill.

Section 1 – Overview

This section sets out an overview of the [draft Bill].

Section 2 – Fees for the provision of services

This section amends section 19 of the PAWA 2013 so as to enable the Wales Audit Office (“WAO”) to continue to charge fees for services or functions exercised by agreement under section 19 of the PAWA 2013 while releasing it from the obligation to set fees for such work in accordance with a fee scheme (prepared under section 24 of the PAWA 2013). As section 3 of the [draft bill] removes from section 23(3)(d) of the PAWA 2013 provision for the charging of fees for work under section 19 of the PAWA 2013, a replacement provision for the charging of fees is necessary, and this is provided by section 2.

Section 3 – General provision relating to fees

This section removes the prohibition on fees charged under those enactments listed in section 23(3) of the PAWA 2013 from exceeding the full cost of the function to which they relate. This section also removes the requirement for fees to be paid by the particular body that the function relates to.

Section 3 repeals the power to charge fees for work under section 19 of the PAWA 2013 from section 23 of the PAWA 2013. However, as explained above, section 2 replaces this provision with an equivalent power in section 19 of the PAWA 2013. The net effect of these changes to fees charged under section 19 of the PAWA 2013 is that they may be set at a level above the related expenditure.

Section 4 – Scheme for charging fees

Section 4(2) reflects that, following the amendments made by sections 2 and 3, fees for work under section 19 of the PAWA 2013 are not subject to the requirement that fees do not exceed cost and the requirements of the fee scheme prepared under section 24 of the PAWA 2013.

Section 4(3) amends section 24(2) of the PAWA 2013 to introduce a new requirement for the fee scheme prepared under section 24 to include provision that the WAO must seek to ensure that the sum of the fees charged for all of the work undertaken under the enactments listed in section 24(1), taken together and taking one year with another, is broadly equivalent to all of its expenditure in

connection with that work. This new requirement is to take the place of the prohibition on fees exceeding the full cost of the function to which they relate, which is to be removed by section 3.

Section 5 – Quorum for WAO meetings

This section removes the requirement in paragraph 28(3) of Schedule 1 to the PAWA 2013 for the procedural rules of the WAO to provide that in all circumstances a quorum cannot be met unless a majority of the members present are non-executive members.

Section 6 – Interim reports

This section removes the requirements for the Auditor General and the Chair of the WAO to jointly prepare interim reports on the exercise of functions, and to lay these before the Assembly, as currently provided for by sub-paragraphs (3) to (5) of paragraph 3 of Schedule 2 to the PAWA 2013.

Section 7 – Laying of reports etc. before the Assembly

This section amends paragraph 3(6) of Schedule 2 to the PAWA 2013, to require the Auditor General and the Chair of the WAO to provide the WAO annual report, as soon as practicable to the auditor appointed under paragraph 34 of Schedule 1 and in any event no later than 5 months after the end of the financial year to which the annual report relates. This section also amends paragraph 35 of Schedule 1 to the PAWA 2013 so that the auditor of the WAO must lay the annual report, which is provided by the Auditor General and the Chair of the WAO in accordance with paragraph 3 of Schedule 2 to the PAWA 2013, before the National Assembly at the same time as laying the statement of accounts and any report.

Section 8 and Schedule 1 – Consequential amendments

Section 8 of the [draft Bill] gives effect to the consequential amendments made in Schedule 1. Those amendments relate to various fee charging powers to be found in enactments other than section 23(b) of the PAWA 2013 and related prohibitions on fees exceeding the full cost of the functions to which they relate. The amendments remove these prohibitions in line with the changes to sections 23 and 24 of the PAWA 2013 made by this [Bill].

Section 9 – Short title and commencement

Section 9 provides for all the provisions of the [draft Bill] to come into force on the day after the day the [draft Bill] receives Royal Assent. It also provides that the short title of the [draft Bill] is the Public Audit (Amendment) Wales Act 2018.

Public Audit (Amendment) (Wales) Bill

[DRAFT]

CONTENTS

[TO INSERT]

Public Audit (Amendment) (Wales) Bill

[DRAFT]

1 An Act of the National Assembly for Wales to make provision in relation to the charging of
2 fees by the Wales Audit Office; to make provision in relation to the quorum for meetings of
3 the Wales Audit Office; to make provision in relation to the reporting requirements of the
4 Auditor General and chair of the Wales Audit Office; and for connected purposes.

5 **Having been passed by the National Assembly for Wales and having received the assent**
6 **of Her Majesty, it is enacted as follows:**

7

8

Introduction

9 **1 Overview**

10 (1) The main provisions of this Act amend the Public Audit (Wales) Act 2013 so as
11 to—

12

13 (a) remove the prohibition on the Wales Audit Office (the “WAO”) charging
14 fees that exceed the full cost of exercising the function to which the fee
15 relates;

16

17 (b) require the WAO to include in a fees scheme a provision that seeks to
18 ensure that the sum of the fees charged for work undertaken under
19 specified enactments, taken together and taking one year with another, is
20 broadly equivalent to all of its expenditure in connection with that work;

21

22 (c) remove the requirement that the rules in relation to quoracy for WAO
23 meetings cannot be met unless there is a majority of non-executive
24 members;

25

26 (d) remove the requirement for the Auditor General and the chair of the
27 WAO to jointly prepare and lay interim reports before the National
28 Assembly on the exercise of their functions;

29

30 (e) co-ordinate the laying of the annual report on the exercise of functions of
31 the Auditor General and the WAO with the laying of the audited accounts
32 of the WAO.

33

34 *Amendments to the Public Audit (Wales) Act 2013*

35 **2 Fees for provision of services**

36 (1) Section 19 of the Public Audit (Wales) Act 2013 is amended as follows.

37 (2) After subsection (6) insert—

38 “(6A) The WAO may charge a fee in relation to any services provided or
39 functions exercised under this section.”.

40 (3) Omit subsection (8).

41

42 **3 General provision relating to fees**

43 (1) Section 23 of the Public Audit (Wales) Act 2013 is amended as follows.

44 (2) Omit paragraph (d) of subsection (3).

45 (3) Omit paragraphs (b) and (c) of subsection (5).

46

47 **4 Scheme for charging of fees**

48 (1) Section 24 of the Public Audit (Wales) Act 2013 is amended as follows.

49 (2) In subsection (2)(a) at the end insert “and which may only be charged in
50 accordance with this scheme”.

51 (3) In subsection (2) after paragraph (d) insert—

52 “(e) provision that the WAO must seek to ensure that the sum of the fees
53 charged for all of the work undertaken under the enactments mentioned
54 in subparagraph (a), taken together and taking one year with another, is
55 broadly equivalent to all of its expenditure in connection with that
56 work.”.

57

58 **5 Quorum for WAO meetings**

59 (1) Paragraph 28 of Schedule 1 of the Public Audit (Wales) Act 2013 is amended as
60 follows.

61 (2) Omit sub-paragraph (3).

62

63 **6 Interim reports**

64 (1) Paragraph 3 of Schedule 2 of the Public Audit (Wales) Act 2013 is amended as
65 follows.

66 (2) Omit sub-paragraphs (3) – (5) and 6(b).

67

68

69 **7 Laying of reports etc. before Assembly**

70 (1) The Public Audit (Wales) Act 2013 is amended as follows.

71 (2) In paragraph 35 of Schedule 1, in sub-paragraph (2)(b) after “report on it”
72 insert—

73 “and the annual report provided by the Auditor General and the chair of the
74 WAO in accordance with paragraph 3 of Schedule 2”.

- 75 (3) In paragraph 3(6) of Schedule 2, for sub-paragraph (a) substitute –
76 “(a) provide the annual report as soon as practicable to the auditor appointed
77 under paragraph 34 of Schedule 1 and in any event no later than 5 months
78 after the end of the financial year to which the annual report relates.”.
79

80 *General*

81 **8 Consequential amendments**

82 Schedule 1 (consequential amendments) has effect.
83

84 **9 Short title and commencement**

- 85 (1) This Act comes into force on the day after the day on which this Act receives
86 Royal Assent.
87 (2) The short title of this Act is the Public Audit (Amendment) (Wales) Act 2018.

88 **SCHEDULE 1**89 *(Introduced by section 10)*90 **CONSEQUENTIAL AMENDMENTS**

91

92 *Education Act 1997 (c. 44)*

93 1 In subsection (6) of section 41A of the Education Act 1997 omit the words from
94 “(which” to the end of that subsection.

95

96 *Government of Wales Act 1998 (c. 38)*

97 2 (1) The Government of Wales Act 1998 is amended as follows.

98 (2) In subsection 145C(3) omit the words “(which may not exceed the full cost
99 incurred in undertaking the programme)”.

100 (3) In section 145D, omit subsection (2A).

101

102 *Public Audit (Wales) Act 2004 (c.23)*

103 3 (1) The Public Audit (Wales) Act 2004 is amended as follows.

104 (2) In section 20, omit subsection (5A).

105 (3) In subsection 45(8), omit the words from “(but” to the end of that subsection.

106 (4) In section 64F, omit subsection (10).

107 (5) In section 67A, omit subsection (3).

108

109 *Government of Wales Act 2006 (c. 32)*

110 4 In subsection 144(2) of the Government of Wales Act 2006, omit subparagraph (g).

111

112 *Local Government (Wales) Measure 2009 (nawm 2)*

113 5 In section 27 of the Local Government (Wales) Measure 2009, omit subsection (4A).

114

115 *Local Democracy, Economic Development and Construction Act 2009 (c. 20)*

116 6 In subsection (4A) of section 50 of the Local Democracy, Economic Development and
117 Construction Act 2009, omit the words from “But” to the end of that subsection.

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Agenda Item 10

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

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Agenda Item 11

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

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Agenda Item 12

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

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