

## Agenda – Finance Committee

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Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: 7 November 2018

Meeting time: 09.00

For further information contact:

Bethan Davies

Committee Clerk

0300 200 6372

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

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

(09.00)

### 2 Paper(s) to note

(09.00)

(Pages 1 – 3)

#### 2.1 PTN1 – Letter from the Cabinet Secretary for Finance – Capital Investment Bonds – 24 October 2018

(Pages 4 – 5)

### 3 Wales Audit Office and the Auditor General for Wales's Estimate 2019–20

(09.00–10.00)

(Pages 6 – 116)

Adrian Crompton, Auditor General for Wales

Isobel Garner, Chair, Wales Audit Office Board

Kevin Thomas, Director of Corporate Services

Steve O'Donoghue, Director of Finance and Human Resources

Paper 1 – Estimate of the Income and Expenses for the Year Ended 31 March 2020

Paper 2 – Interim Report: An assessment of progress made against our 2018–19 Annual Plan during the period 1 April to 30 September 2018

### 4 Motion under Standing Order 17.42 to resolve to exclude the public from items 5 and 8–10

(10.00)



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

- 5 Wales Audit Office and the Auditor General for Wales's Estimate 2019–20: Consideration of evidence**  
(10.00–10.15)
- 6 Welsh Government Draft Budget 2019–20: Evidence session 7 (Office for Budget Responsibility)**  
(10.15–11.15) (Pages 117 – 129)  
Robert Chote, Chairman, Office for Budget Responsibility
- 7 Autism (Wales) Bill: Evidence session – Cabinet Secretary for Health and Social Services**  
(11.15–12.00) (Pages 130 – 141)  
Vaughan Gething AM, Cabinet Secretary for Health and Social Services  
Matthew Jenkins, Deputy Director, Partnerships and Cooperation  
Gareth Haven, Finance Division
- Paper 3 – Letter from Paul Davies AM – 31 October 2018
- 8 Autism (Wales) Bill: Consideration of evidence**  
(12.00–12.10)
- 9 Welsh Government Draft Budget 2019–20: Consideration of evidence**  
(12.10–12.20)
- 10 Public Services Ombudsman (Wales) Bill**  
(12.20–12.30) (Pages 142 – 143)  
Paper 4 – Public Services Ombudsman (Wales) Bill

## Concise Minutes – Finance Committee

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Meeting Venue:

Committee Room 2 – Senedd

Meeting date: Thursday, 25 October  
2018

Meeting time: 09.20 – 11.41

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

<http://senedd.tv/en/5139>

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### Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Neil Hamilton AM Mike Hedges AM Jane Hutt AM Nick Ramsay AM David Rees AM
Witnesses:	Jim Harra, HMRC Jackie McGeehan, HMRC Victoria Winckler, Bevan Foundation Dyfed Alsop, Welsh Revenue Authority Sam Cairns, Welsh Revenue Authority Rebecca Godfrey, Welsh Revenue Authority
Committee Staff:	Bethan Davies (Clerk) Georgina Owen (Deputy Clerk)



	Owen Holzinger (Researcher) Christian Tipples (Researcher)
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## **1 Introductions, apologies, substitutions and declarations of interest**

1.1 The Chair welcomed Members to the meeting.

1.2 The Chair welcomed Rhun ap Iorwerth AM as a permanent member of the Committee.

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

2.1 The papers were noted.

2.1 PTN1 – Letter from the Chair of the Economy, Infrastructure and Skills Committee – Funding for major infrastructure projects – Mutual Investment Model – 18 October 2018

## **3 Welsh Government Draft Budget 2019–20: Evidence session 4 (Bevan Foundation)**

3.1 The Committee took evidence from Victoria Winckler, Director of the Bevan Foundation on the Welsh Government Draft Budget 2019–20.

## **4 Welsh Government Draft Budget 2019–20: Evidence session 5 (Welsh Revenue Authority)**

4.1 The Committee took evidence from Dyfed Alsop, Chief Executive, Welsh Revenue Authority; Sam Cairns, Head of Operational Delivery; and Rebecca Godfrey, Chief Strategy Officer on the Welsh Government Draft Budget 2019–20.

## **5 Welsh Government Draft Budget 2019–20: Evidence session 6 (HMRC)**

5.1 The Committee took evidence from Jim Harra, Second Permanent Secretary, HMRC; and Jackie McGeehan, Deputy Director, Income Tax policy, HMRC on the Welsh Government Draft Budget 2019–20.

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

6.1 The motion was agreed.

**7 Welsh Government Draft Budget 2019–20: Consideration of evidence**

7.1 The Committee considered the evidence received.

# Agenda Item 2.1

Mark Drakeford AM/AC  
Ysgrifennydd y Cabinet dros Gyllid  
Cabinet Secretary for Finance



Llywodraeth Cymru  
Welsh Government

Llyr Gruffydd  
Finance Committee  
National Assembly for Wales  
Cardiff Bay  
CF991NA

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

24 October 2018

Earlier this year I wrote to the Finance Committee to make it aware of my request to the Secretary of State for Wales for the UK Government to bring forward secondary legislation to enable Welsh Ministers to issue bonds for capital investment expenditure.

I am writing to update the committee that the draft order has been laid in the House of Commons. Subject to approval, the order will come into effect from 1 December 2018.

As I have said when I have appeared before the committee on a number of occasions, when it comes to the use of capital to fund infrastructure investment in Wales, we will always use conventional capital first and then those sources of borrowing, which represent the best value of money to the taxpayer to minimise the long-term financial implications on the Welsh Government's budget.

It is my intention to continue to borrow from HM Treasury, through the National Loans Fund, while this remains the cheapest source of funding available to us. However, the ability to issue bonds will provide the Welsh Government with the full suite of borrowing powers for the future.

I will continue to update the Finance Committee about our borrowing plans as part of the usual budget process.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Rydym yn gallu darparu gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

I am copying this letter to the chair of the Constitutional and Legislative Affairs Committee for information.

In gywir,

Mark.

**Mark Drakeford AM/AC**

Ysgrifennydd y Cabinet dros Gyllid.

Cabinet Secretary for Finance

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

## Estimate of the Income and Expenses for the Year Ended 31 March 2020



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



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

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

© Wales Audit Office 2018

**Adrian Crompton**  
Auditor General for Wales

**Isobel Garner**  
Chair, Wales Audit Office

# Preface

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

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

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

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

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

A draft Fee Scheme, prepared under Section 24 of the Public Audit (Wales) Act 2013, is included for consideration alongside the Estimate in view of their interdependency.

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# Foreword

The vital role of independent audit in supporting sound decision making is never more heightened than when resources are scarce. Our aim is for the people of Wales and the National Assembly to know whether public resources are being managed wisely.

The Auditor General supports the work of the Public Accounts Committee, and other Assembly Committees as needed, as well as providing reports to over 800 public bodies across Wales. From the smallest town and community council to the Welsh Government itself, covering health, local government and many other public bodies too, the Auditor General can follow the public pound wherever it is spent.

As well as playing our part in protecting public money and supporting public services across Wales, we are committed to driving our own operating model to be as efficient and effective as possible. Over the past five years we have reduced the operating costs of the Wales Audit Office by some 14%. Our stakeholder feedback is extremely positive, and our staff survey results compare with the top 10% of Civil Service organisations. But, we cannot rest on our laurels. Our vision is for the people of Wales to trust us, for public bodies to value our work and, for our staff to excel.

2019-20 represents the first full financial year under our new Auditor General, Adrian Crompton. This Estimate sets out the funding needed for 2019-20 and explains how we plan to spend £21.4 million in providing resources to the Auditor General and running the Wales Audit Office. That represents just one thousandth of the £19.6 billion spent on Wales's public services annually. In other words, the cost of public audit is much less than 1p for every pound spent.

Our Estimate for next year commits us to find savings of £574,000 through the year.

More than two-thirds of our income arises not from the Consolidated Fund but from the fees we charge for our work. Next year, as well as reducing our call on the Fund, we are committing to not increase the overall fees we charge the bodies we audit, meaning a significant reduction in our income in real terms. Mindful of the financial pressures on the public sector, we will continue to look to reduce fees wherever we can, whilst still maintaining audit quality for all audited bodies. Our audited bodies tell us they support this approach,

In March 2018 we laid our [Annual Plan for 2018-19](#) at the Assembly. This Estimate secures funding for our forward priorities for 2019-20, with our updated Annual Plan for 2019-20 to be laid before the National Assembly in March 2019.



**Isobel Garner**  
Chair, Wales Audit Office



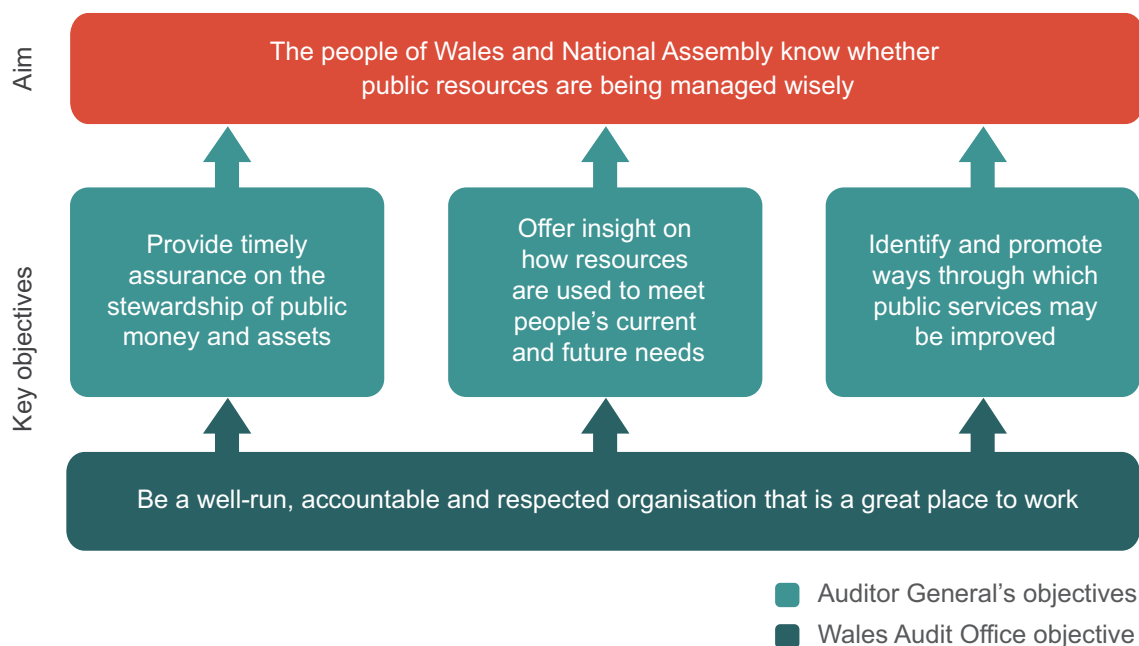
**Adrian Crompton**  
Auditor General for Wales

# Our Work – Making Public Money Count

## What do we do?








- 1 As the statutory external auditor for most of the public sector in Wales, the Auditor General is responsible for the audit of the majority of public money spent in Wales. Every year, he reports on the accounts of over 800 public bodies in Wales, undertakes annual improvement assessments at all 28 local government improvement authorities and structured assessments at all 10 NHS bodies. He publishes around 14 national reports annually, looking at value for money and proper use of public money, certifies around £2.5 billion worth of grant claims, and advises on the work of the Public Accounts Committee.
- 2 The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional resource from private sector accountancy firms, to enable the Auditor General to carry out his functions. Our joint aim and key objectives are shown below.

Exhibit 1: Wales Audit Office Aims and objectives



- 3 The main operational activities of the Auditor General are set out in [Exhibit 2](#).

## Exhibit 2: Wales Audit Office main operational activities

ACTIVITY	SCALE
Audit of accounts prepared by most public bodies in Wales	 <b>42</b> Central Government Bodies
	 <b>11</b> Health Bodies
	 Over <b>800</b> Local Government Bodies
Performance audit work including assessments of value for money, improvement planning, performance reporting and compliance with the requirements of the Wellbeing of Future Generations Act	 <b>28</b> Local Government Bodies
	 <b>10</b> Health Bodies
	 <b>44</b> public bodies specified in the Well-being of Future Generations Act
Certification of grant claims and returns	 <b>21</b> local government schemes (around 400 claims with a total value of some £2.5 billion).

## ACTIVITY

## SCALE

### Value-for-money studies



Typically around **14** studies each year, looking at value for money in key areas of public spending.

### Good Practice Exchange



Working with others to share learning and good practice.

### Other significant activities

#### Includes:

- checking requests for grant of approval to draw from the WCF;
- anti-fraud and other data-matching exercises, including the NFI;
- responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others;
- providing support to the Public Accounts Committee and other National Assembly committees



# Our budget 2019-20

## Changes in our call on the WCF from 2018-19 to 2019-20

- 4 We are reducing our overall call on the WCF by £115,000 for 2019-20. This is shown in [Exhibit 3](#).
- 5 We have achieved this in the context of internal cost pressures, the need to fund our strategic priorities and wider public sector funding restraint.

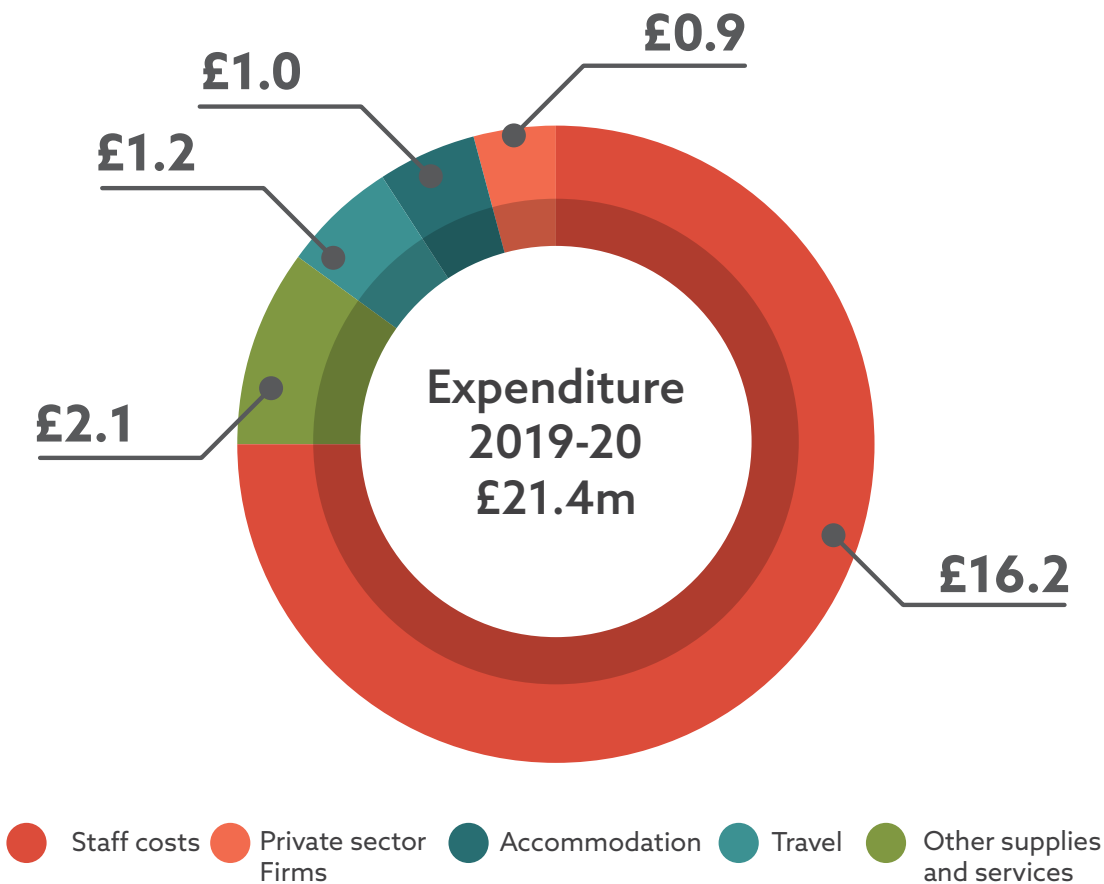
### Exhibit 3: changes in WCF funding from 2018-19 to 2019-20

<b>2018-19</b>	<b>£'000</b>
Revenue Funding 2018-19	6,981
Capital Funding 2018-19	280
<b>Total WCF Funding 2018-19</b>	<b>7,261</b>
<hr/>	
<b>Changes for 2019-20</b>	<b>£'000</b>
Cyclical funding for National Fraud Initiative (alternate year funding)	(130)
Reduction in respect of preparatory work for Welsh Revenue Authority	(50)
Reduced capital investment 2019-20	(70)
Implementation phase of strategic transformation projects	50
Preparedness review for withdrawal from the European Union (EU)	85
<hr/>	
<b>2019-20</b>	<b>£'000</b>
Revenue Funding 2019-20	6,936
Capital Funding 2019-20	210
<b>Total WCF Funding 2019-20</b>	<b>7,146</b>

## Our costs

- 6 Our planned revenue expenditure for 2019-20 is just over £21.4 million. We will need to make efficiency savings in the year of some £574,000 to meet inflationary increases including pay awards and staff increments
- 7 Making these savings avoids the requirement to increase our fees and our call on the WCF.
- 8 This budget means the cost of public audit in Wales is much less than one penny for every £1 spent by public services in Wales<sup>1</sup>.
- 9 **Exhibit 4** shows our key areas of expenditure. More detail is provided in **Exhibit 5**.

Exhibit 4: Wales Audit Office expenditure 2019-20



<sup>1</sup> £19.6 billion spend on Welsh Public Services in 2016-17.

Exhibit 5: Wales Audit Office revenue expenditure 2019-20

Previous year's Estimate £'000	Expenses	Estimate, year to 31 March 2020 £'000
15,286	Staff costs	15,185
617	Short-term contracted staff	737
1,231	Travel and subsistence	1,216
960	Accommodation	993
962	Private sector firms (including VAT)	905
500	Balance of irrecoverable VAT	500
397	ICT	480
300	Wales Audit Office Governance Arrangements	300
275	External training	289
145	Translation of documents	165
194	Legal and professional fees	162
130	NFI data collection	-
628	Other supplies and services	479
<b>21,625</b>	<b>EXPENSES TOTAL</b>	<b>21,411</b>

- 10 The Government Actuary Department (GAD) is currently undertaking a valuation of the Civil Service Pension Scheme, the results of which are not expected until later this year. The Cabinet Office is expecting this to result in a significant increase to employer contribution rates. Given the uncertainty, no provision for any increase in rates has been made within our Estimate for 2019-20. In the event of a significant increase we may need to return to the Finance Committee with a Supplementary Estimate for 2019-20 and, potentially, a revised Fee Scheme for the year, depending on the extent of any increase.

### Our income – funding our running costs

- 11 Around 68% of our expenditure is funded through fees charged to audited bodies; the remaining 32% is provided from WCF.
- 12 **Exhibit 6** summarises estimated income for the year, **Exhibit 7** breaks down this income by type.

Exhibit 6: Wales Audit Office income 2019-20

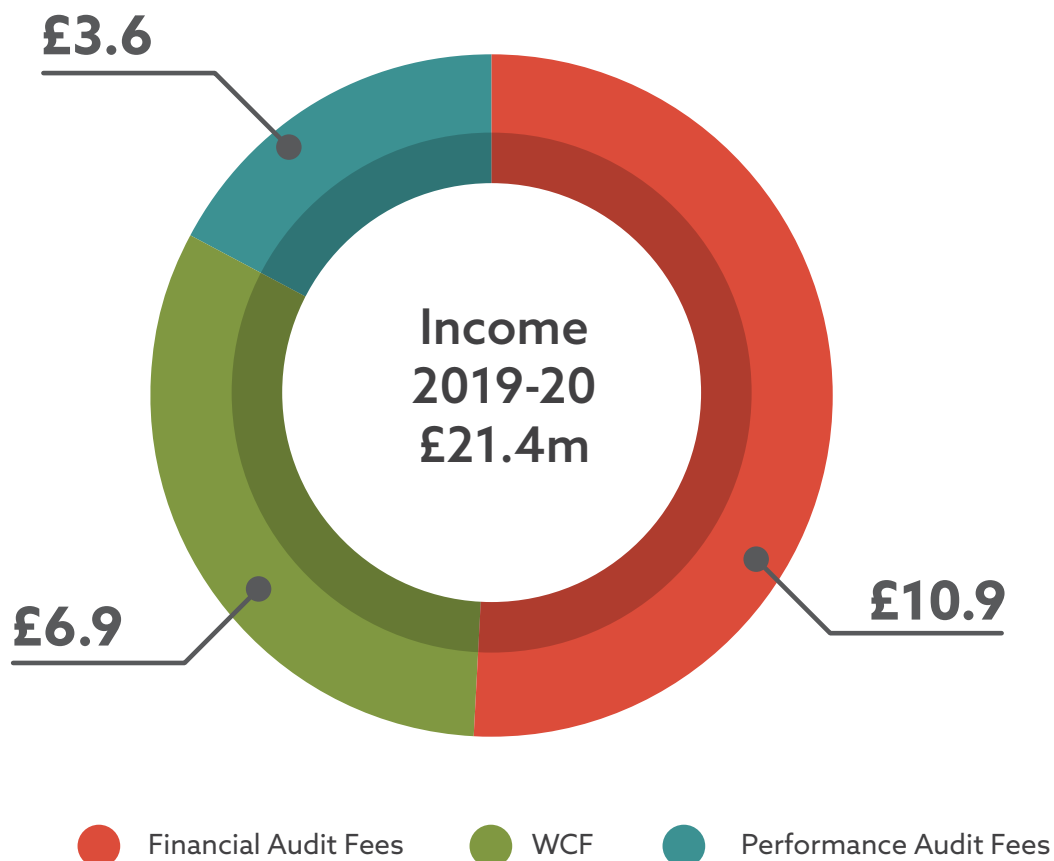


Exhibit 7: breakdown of income by type

Previous year's Estimate £'000	Income	Estimate, year to 31 March 2020 £'000
13,193	Audit fees	13,277
1,451	Grant certification fees	1,198
<b>14,644</b>	<b>INCOME TOTAL</b>	<b>14,475</b>
<b>6,981</b>	<b>Total revenue budget to be funded by WCF</b>	<b>6,936</b>

- 13 The income we receive from fees is governed by the Wales Audit Office Fee Scheme, approved by the Assembly's Finance Committee. Legislation requires us to publish a Fee Scheme at least on an annual basis.
- 14 Included within this Estimate document is our draft Fee Scheme for 2019-20 ([Appendix 1](#)). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2019-20 before the National Assembly and then confirm estimated fees for next year to our audited bodies.
- 15 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates.
- 16 In August 2018 we consulted audited bodies on the basis of a cash-freeze in fees charged, with the intention of reducing fees wherever we are able to realise efficiencies on individual audits.
- 17 Just nine of the 90 bodies that we consulted, from across all the sectors audited, responded to our consultation. This compares to 22 responses a few years ago and suggests that our fee levels are less of a concern to audited bodies than they were. Those that did respond told us that:
- audited bodies value free participation in the National Fraud Initiative. Our Estimate includes provision for its continuation.
  - audited bodies are pleased that we do not plan to increase the fees charged for 2019-20.
  - some responses asked that we look at options for reducing our fees in line with the budget reductions being faced by our audited bodies.
- 18 The Board welcomes the feedback and has taken it into account in finalising this Estimate and the enclosed draft Fee Scheme.
- 19 Separate to this Estimate, we continue to discuss with the Assembly's Finance Committee the benefits of simplifying the complicated public audit fee regime in Wales, under which the Wales Audit Office has to operate. We are urging the Committee to consider progressing legislative changes to simplify the fee regime in Wales, to bring it more in line with those applicable to other audit bodies in the UK.

## Capital investment

20 Our capital investment priorities for 2018-19 to 2022-23, linked to our medium term IT and Estates Plans, are set out in [Exhibit 8](#). All capital investment is funded from WCF through this Estimate.

### Exhibit 8: capital investment 2018-19 to 2022-23

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
Planned PC/ infrastructure renewal	115	95	95	95	95
Video conferencing infrastructure renewal	15	25	25	25	25
Corporate Systems	100	50	50	90	90
Estates strategy	50	40	40	40 <sup>2</sup>	40
<b>TOTAL</b>	<b>280</b>	<b>210</b>	<b>210</b>	<b>250</b>	<b>250</b>

<sup>2</sup> This may need to increase – see paragraph 26.

## Planned PC/infrastructure renewal

- 21 A rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains up to date and reliable. We have increased the allocation for this priority to reflect our investment in hybrid laptops which allow our staff to work more effectively with touch screens and wireless headsets. Our transformation project on how we will work in the future is expected to increase demand for new user-facing technology.
- 22 Periodically, we need to refresh the data network infrastructure associated with our offices in order to ensure it remains supportable and able to accommodate future connectivity demands. As we transition to 'cloud services' the requirement to invest in network infrastructure is reducing.

## Video Conferencing Infrastructure Renewal

- 23 Our video conferencing facilities continue to prove themselves in reducing the costs, environmental and staff time impacts of business travel and we continue to invest in facilities at our three office locations and at some client sites. All staff are also able to use PC-based video conferencing when working remotely and from offices with no VC facilities. Funding in the capital programme will allow for a rolling replacement programme as units become obsolete.

## Corporate Systems

- 24 In 2017-18 and 2018-19 we have invested in replacements or upgrades for two core corporate systems – those for Finance and HR. We are also investing in improvements to the systems used to manage our audit work.
- 25 The amount allocated in our proposed capital programme has been reduced for 2019-20 and 2020-21 and increased towards the end of the programme to fund any replacement or upgrades for key systems as required.

## Estates strategy

- 26 Towards the end of our five-year programme, the leases on our three office buildings in Cardiff, Swansea and Abergele will be due for renewal or ending, and our capital programme provides for ongoing investment required to maintain those buildings. Our latest transformation project on future ways of working is due to report in 2019 and will inform a strategic review of future workplace requirements. This may affect future demand for capital expenditure, which will be reflected in future Estimates.



## New reporting standards

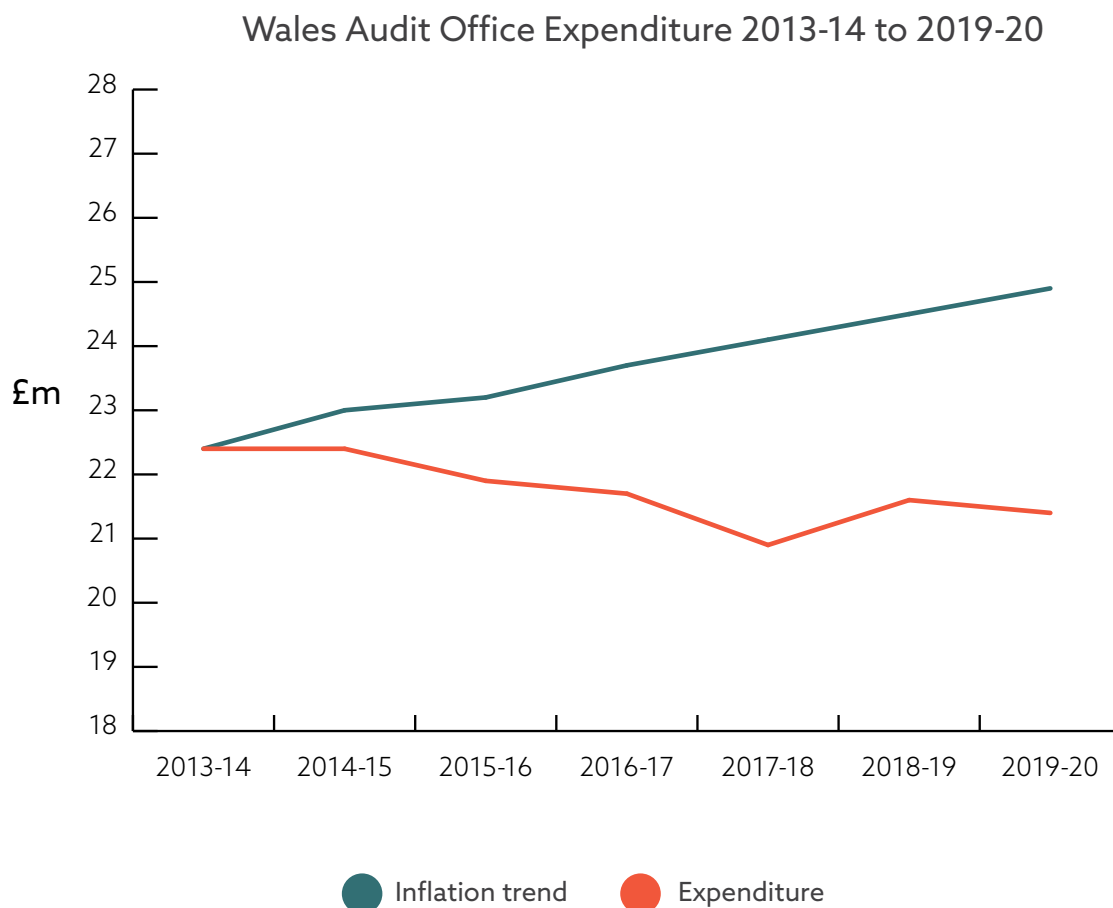
- 27 There is potential that the Financial Reporting Manual (FReM) for 2019-20, due to be published later this year, will require the adoption of International Financial Reporting Standard 16 (IFRS 16) on accounting for leases.
- 28 In the event that this is adopted, a technical Supplementary Estimate will be required to regularise the change as it will be necessary to treat future lease obligations as capital assets within our accounts.

# Value for money at the Wales Audit Office

## Our history

- 29 Since the creation of the Wales Audit Office Board in 2013-14, we will have reduced the cost of public audit in Wales by 14% in real terms<sup>3</sup> based on this Estimate. This is represented in **Exhibit 9**. The cumulative savings generated across those years will amount to over £13 million.
- 30 We have achieved this reduction in expenditure despite allocating additional resources to new areas of spend during the period, such as Investigative Studies, growth in our Good Practice Exchange work, our investment in a graduate training scheme and investment in organisational transformation.

Exhibit 9: expenditure 2013-14 to 2019-20



<sup>3</sup> Based on GDP deflators published by ONS, June 2018.

## Our approach

- 31 We work hard to absorb cost increases from pay agreements, contractual salary increments, general inflation and other unavoidable increases. We do this by:
- setting out a savings, efficiency and effectiveness programme within our Medium-Term Financial Plan;
  - refining and developing audit approaches;
  - regularly revisiting our staffing levels and staff skills mix:
    - over the past three years we have reduced the number of senior manager and Director level posts by six (9%) and increased the number of graduate trainees to 45.
  - transforming how we work:
    - Data Analytics (DA) – we are using previously awarded WCF funding to explore how we can best use data analytics tools to enhance the way we do our audit work
    - Communications – we will be implementing recommendations from a recent project that looked at enhancing the impact of our work
    - Future Ways of Working – a team of staff from across the organisation will be exploring new ways of working to make best use of staff time, office accommodation, tools and technology
    - Extensive use of Video Conferencing and introduction of Skype for Business enabling staff to meet without the need to travel.
    - Simplification of routine processes to improve operational efficiency.
    - Implementation of a new staff travel scheme which has reduced annual travel costs by 11%.

## Our impact

32 We measure our performance and the impact we are having through the performance indicators set in our Annual Plan and reported on at the year-end. These comprise:

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

Performance for our last reported year, 2017-18, can be found in our [Annual Report and Accounts](#), laid at the Assembly on 8 June 2018.

33 We look to set stretching targets annually and commit to them through our Annual Plan, to which the Assembly's Finance Committee holds us to account.

34 We take feedback from our audited bodies which is then reflected in our performance indicators.

# How we use our resources to deliver our objectives

35 The resource requirements set out in this Estimate are aligned with our four organisational objectives as explained below.

Exhibit 10: Wales Audit Office objectives



36 **Exhibit 11** demonstrates how we fund these objectives from both fees and the WCF.

Exhibit 11: funding our objectives

Objective Supported		Funding	
		Fee Income	WCF
		£'000	£'000
	Audit of accounts and certification of grants for almost 800 public sector bodies across Wales	10,922	
	Local improvement assessments and local performance audit work, including meeting the requirements of the Well-being of Future Generations Act 2015	3,553	
	Delivering value-for-money studies by the Auditor General including Local Government National Studies, all-Wales summaries of local NHS audit work and meeting the requirements of the Well-being of Future Generations Act 2015 for Welsh Government Sponsored Bodies.  Responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others (See paragraphs 38 to 46)		3,002
	Support for Wales Audit Office audit trainees, Finance Skills Development and apprenticeships in the Wales Audit Office  Training for our graduate trainee programme along with free secondments to other public-sector bodies and the development of an apprenticeship scheme (See paragraphs 47 to 51)		567
	Technical support, including compliance and quality assurance.		547
	The Good Practice Exchange. (See paragraphs 52 to 54)		540
	Investment in staff learning and development (includes staff time and training budgets).		500
	Transformation including Data Analytics, Communications and Future Ways of Working (See paragraphs 55 to 59)		360

Objective Supported		Funding	
		Fee Income	WCF
		£'000	£'000
●	Wales Audit Office Governance		300
●	Equalisation of all-Wales travel costs		300
● ●	Research and development associated with our Local Government performance audit work		280
● ●	Providing support to the Public Accounts Committee and other National Assembly committees.		190
● ●	Preparatory work for the Early Closure of Local Government Accounts		120
●	Sectoral intelligence		130
● ● ●	Cyclical funding for the National Fraud Initiative		50
●	Depreciation funding for capital assets		50
		<b>14,475</b>	<b>6,936</b>

37 Set out below is more information on some of the priority areas for WCF funding in 2019-20.

### National reports, including reactive work – £3.002 million

- 38 We aim to deliver at least 14 national reports each year drawing on audit work across various parts of the Auditor General's programme. Of these reports, we would typically expect that at least ten would, by their nature, provide material to support the scrutiny work of the Public Accounts Committee and/or other National Assembly committees.
- 39 The Auditor General is required to take account of the views of the Public Accounts Committee when determining the work to be undertaken as part of his programme of value for money examinations. He updates the Public Accounts Committee regularly on all audit work in progress that could support the Committee's own work. Planning for the programme of work for 2019-20 and beyond is currently underway.
- 40 Some recently completed national reports include a review of [Primary Care Out-of-Hours Services](#) and a report on [Managing the Impact of Brexit on EU Structural Funds](#).

- 41 We will continue to commit resources to provide the necessary capacity and to develop our capability to carry out reactive work in response to issues brought to our attention through correspondence from the public, elected representatives and others. The resources committed for this purpose from the 2019-20 estimate relate primarily to the work of the investigative studies team that we established in 2015. Recent examples of national reports led by the investigative studies team include a review of the [Welsh Government's relationship with Pinewood](#), which was used by the National Assembly's Culture, Welsh Language and Communications Committee to inform its inquiry into film and TV production in Wales.
- 42 We have increased the funding allocated to this area by £85,000 for 2019-20 to allow scope for a report on preparedness for withdrawal from the EU.
- 43 To date, the Auditor General's work on Brexit has addressed the most immediate practical implications of Brexit for Wales, which are the cessation of European-funded programmes re the Structural Funds (circa £2.1 billion) and agricultural support (circa £1.2 billion). Two value for money studies have been produced:
- **Managing the impact of Brexit on EU Structural Funds** published on 31 July 2018; and
  - our report on the Rural Development Programme 2014-20 which is currently being finalised and will be published later in the autumn.
- 44 We plan to issue a further report in the summer of 2019 which would look at preparedness for withdrawal from the EU across the Welsh public sector, including the Welsh Government itself. The target audience could well be the Public Accounts Committee as usual, but the report might also/instead be considered by the National Assembly's External Affairs Committee, which is leading within the Assembly itself on Brexit scrutiny.
- 45 We have estimated that the work involved in this review would be equivalent to two medium to large national studies and whilst the Auditor General is content to absorb some of this additional work by substituting other planned studies, there is a requirement for some additional resource to ensure that he is able to appropriately cover other risks and topics that should feature in his further work programme.
- 46 In the event of there being no transitional agreement with the EU, it may be necessary to return to the Finance Committee with a Supplementary Estimate for 2019-20 to allow us to respond more quickly to the challenges faced.



## Financial Training Programme – £0.57 million

- 47 Since 2014, we have incrementally expanded our graduate trainee accountant scheme to remodel our workforce and to achieve greater agility and a stronger and more versatile skills base. By September 2018, we had recruited a total of 45 trainees across Wales – our target level – who are at various stages of their professional development.
- 48 Our graduate trainee scheme also operates as part of a pan-Wales programme designed to enhance the learning experience of our trainees by providing them with opportunities to undertake secondments to other public bodies in Wales, while also providing capacity to those bodies to carry out development work.
- 49 It is our broad ambition, in conjunction with the Finance Skills Development Group, to offer attractive jobs for graduates in Wales who in time will become part of the future pool of finance talent available to the wider Welsh public sector.
- 50 In 2018-19 we have used funding from the Consolidated Fund to expand our programme to include an apprenticeship programme, with four Financial Audit apprentices starting in September 2018.
- 51 The following table details what we have achieved to date with this funding.

## Financial Training Programme – Achievements to date

### Recruitment

We recruited an additional 12 new graduate trainees in 2018. This increases the total number of Wales Audit Office graduate trainees to 45 as at September 2018. We have also welcomed the first four apprentices into the Wales Audit Office.

### Secondments

We are continuing our trainee secondment programme. Eight Wales Audit Office trainees are due to be seconded to other public sector bodies during 2018-19 (Carmarthenshire County Council, Cardiff Council, Aneurin Bevan University Health Board, Natural Resources Wales, Arts Council Wales, Companies House, Abertawe Bro Morgannwg University Health Board and Betsi Cadwaladr University Health Board). In addition, we are continuing to extend the initiative to allow qualified staff to undertake valuable secondments. Appropriate safeguards are always put in place to ensure the Auditor General's audit independence.

### Skills development

An enhanced trainee skills development programme has been rolled out that will culminate in an accredited junior leadership programme. This will constitute accredited first line management training in the final year of a trainee's professional studies. The first three trainees have already completed their training. Other public bodies have shown an interest in this junior leadership programme and it is anticipated that staff from other organisations will also join the programme during the next financial year.

### Management

All line managers for our trainees have received advanced training in coaching techniques to enhance their capability as people managers. This will better enable them to support trainees as they progress through their leadership development programme.

### Trainee conference

A third trainee conference has been arranged for 16 October 2018 at which we are expecting around 190 finance students from across the public sector in Wales. We have achieved a high level of interest from students and public-sector leaders (who are supporting and speaking at the event). The event continues to receive high levels of trainees' satisfaction scores.

### Trainee networks

The Finance Skills Development Group has established three trainee networks covering the whole of Wales. These networks allow trainees from a range of employers, and studying for different qualifications, to come together and network, share experiences and hear from a variety of speakers to further enhance the trainees' professional development.

## Exchange of Good Practice – £0.54 million

- 52 Our Good Practice Exchange (GPX) was established in 2006 to gather and share relevant knowledge and innovative practices to support the Welsh public sector to deliver better services using shared learning seminars, online guidance, case studies and social media.
- 53 Examples of events being delivered in 2018-19 include seminars on Digital Ambition, and Working in Partnership; webinars on sustainable procurement, adverse childhood experiences, moving from outputs to outcomes and a series of podcasts on behaviour change. A full list of events is available on [our website](#), with events running in both North and South Wales.
- 54 We know that our GPX programme is well regarded, with 88% of public services' Chief Executives in Wales saying that our work in promoting good practice has benefited public services. It also attracts a national and international profile, with research telling us it is leading edge in the world of public audit.

## Transformation projects – £0.36 million

- 55 We are using WCF funding to support three key projects aimed at transforming the way that we deliver audit by 2025. An update from each of these projects is provided below.

## Data Analytics – £0.26 million

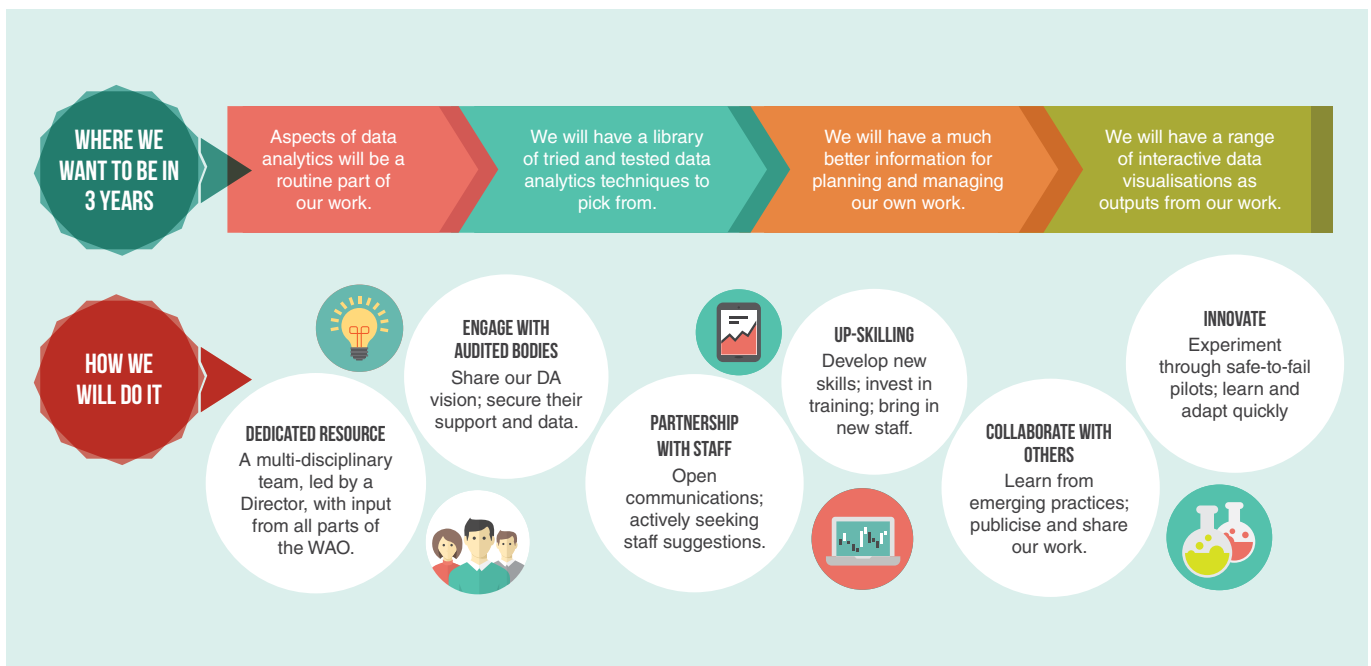
- 56 Following the success of our Cutting Edge Audit project in 2017-18, we asked for specific funding from 2018-19 to invest in developing our expertise in the use of DA. We set out below our achievements to date and our future plans.

Exhibit 12: data analytics project – achievements to date

**Data Analytics Project – Achievements to date**

**Strategy launch**

A visually engaging, one page strategy finalised following staff consultation. It is serving well as an overarching vision to guide the programme. An extract is shown below.



**Data Analytics Project – Achievements to date**

**Strengthening our governance arrangements**

We now have an agreed suite of governance documents. Our programme Director reports to the Assistant Auditor General. We provide assurance to our Management Committee and Board through routine updates. We have adopted a form of agile project management whose principles include ‘iterative development’, which aligns well with our research and development work.

## Data Analytics Project – Achievements to date

### **Recruitment**

We have two programme managers (one from financial audit and one from performance audit) and a specialist advisor, supported by a delivery team which consists of three full time members (two of which are temporary positions – including one secondee from the Office for National Statistics (ONS)). Two data science apprentices joined the team in September 2018. We bolster our DA capacity by involving and upskilling staff from across the Wales Audit Office wherever possible.

### **Collaboration with other bodies**

We have reached agreement with other UK Public Audit Forum (PAF) bodies to work together on 14 data analytics projects.

As a result we are working with the Northern Ireland Audit Office (NIAO) who are leading on the successful Govtech funding bid on behalf of the PAF bodies to jointly explore DA solutions with private firms.

## Data Analytics Project – Achievements to date

### Research and development

During the year we have made progress on more than 15 pilots from our project pipeline. Some examples are described below.

#### Financial audit dashboard

Using data techniques we have recreated the accounts of an audited body from a general ledger download. The interactive tool allows auditors to have the data at their fingertips and manipulate it for risk assessment and sample selection.

#### Assembly Watch

Our Assembly Watch app uses specialist software to retrieve information from the National Assembly's meeting minutes. The app helps us to monitor the Wales Audit Office's impact in the Assembly by analysing the number of times Assembly committees refer to our work; a key performance indicator. The app replaces a time-consuming manual exercise, produces much higher quality data analysis and the results are provided in an interactive format.

#### Land Registry data analysis

We have built a workflow that rapidly analyses 3.5 million records from the Land Registry (in just 20 seconds). The aim is to improve the efficiency and quality of our analysis of public bodies' land and buildings, as part of our financial audits. The workflow extracts Welsh records, and imports the results into a reporting tool, where auditors are provided with a searchable, filterable tool relevant to the body they are auditing.

#### Youth wellbeing data tool

An interactive software tool collates data about youth services and the wellbeing of young people and is being used by our staff involved in a national study on Youth Wellbeing. The tool automatically refreshes to ensure it includes the most up-to-date data from external sources and is presented in a visually engaging way which aids data analysis and trends. The interactive elements allow users to filter by area and explore longer-term trends.

#### Geographical mapping app

We have created an app using specialist software that allows staff to overlay data on a map of Wales. The app allows users to show how performance indicators (or other relevant data) vary by area of Wales. The maps will be used as graphics in our reports, and in future we hope to create interactive maps as public products from our work.

### **Transforming communications – £0.05 million**

- 57 In 2017-18, we used some of our transformation funding to support a project looking at how we maximise the audience for our audit work. The project team's recommendations covered the following areas:
- Engaging with stakeholders to better understand the audiences for audit work and their requirements
  - Developing the style and content of our reporting to maximise the reach, accessibility and impact of our work
  - Exploring the use of new technologies and techniques for communicating with our audiences
  - Better integrating with the work of the Communications Team with project delivery teams to maximise the impact of our work
- 58 We are seeking an increase of £50,000 in transformation funding for 2019-20 to help us implement these recommendations.

### **Future Ways of Working – £0.05 million**

- 59 A project team to look at how we should work in the future will start work in September 2018. Key areas of focus will be:
- How we make best use of office accommodation and tools and technology
  - Flexible working arrangements to address peaks in demand

## Forward look

- 60 Our Medium Term Financial Plan suggests that, given expected upward pressure on pay and prices, it will be increasingly difficult to maintain our commitment to restrict any additional call on WCF to new demands and to keep any increases to our fees to an absolute minimum.
- 61 Our budget for 2019-20 includes an expectation of significant cost savings in the year on top of the 14% reduction in our costs achieved since 2013-14. Whilst we continue to strive to find additional savings areas, this cannot be at the expense of the quality of public audit in Wales.
- 62 Should the pressure on pay and prices exceed our expectations, we may need to revisit our costing and funding assumptions.
- 63 The evolving landscape for our public audit work presents a complicated picture for the Wales Audit Office, encompassing:
- the impact of Brexit on funding and legislation;
  - continued public sector funding restraint and responses to it, along with evolving public expectations of public services;
  - the political landscape between Westminster and Wales and the impacts of further devolution and tax-raising powers for Wales;
  - the Welsh Government's legislative programme and any impacts for the work of the Auditor General;
  - seamless public services across Wales, with greater partnerships and collaborations, such as City Deals;
  - digitisation of service delivery, increased public access to audit-related data and expanded use of social media and other digital communication;
  - earlier closure of local government accounts after 2019-20, with resultant impacts on resourcing across both local government and the Wales Audit Office; and
  - continued pay restraint in the public sector causing leakage of professional talent.



- 64 We are actively planning for all of the above, both in terms of our financial and workforce plans, in order to ensure that we continue to provide quality audit services, by:
- continuing to set an annual efficiency savings target, £574,000 in 2019-20, through our efficiency and effectiveness programme – to help ensure every pound we spend has maximum impact;
  - reviewing our workforce planning strategy and considering the skills mix and workforce model that will be required in the future – so we can reshape our workforce over time, preparing for changes to our work programme;
  - capitalising on our strategic intelligence to inform developing policy and position ourselves for effective responses such as to Brexit and the Welsh Government legislative programme; and
  - investing in DA and digitisation and providing capacity to support organisational change.
- 65 Our interim and annual reports, together with our annual Estimates, demonstrate how we are facing the challenges and remaining focused on ensuring the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.
- 66 Future Estimates will consider how we build capacity for income generation to help bridge the forecast shortfall in our Medium Term Financial Plan.

# The budget ambit 2019-20

## Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2020

- 67 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 68 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2020, the Budget Motion will authorise:
- the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
  - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
  - the amount which may be paid out of the WCF to the Wales Audit Office.
- 69 These requirements, which due to the variability of income streams can only be estimates, are summarised in [Exhibit 13](#).

Exhibit 13: summary of the estimated 2019-20 budget requirements

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office:	
• Revenue	6,936
• Capital	210
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services; recoveries of costs, such as seconded staff, staff loans, car leasing payments; recoveries of any costs incurred for a third party; and interest received on working balances – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	14,475
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	6,946

70 **Exhibit 14** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2020.

Exhibit 14: reconciliation of resource requirement to cash drawing requirement from the WCF

	£'000
Net request for resources – revenue and capital	7,146
Non-cash adjustment – depreciation and accruals	(200)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	6,946

# Appendix 1 – Draft Fee Scheme 2019-20

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# Overview

## Introduction

- 1 This Fee Scheme has been prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013 (the Act) ([Annex 1](#)). The Fee Scheme, following approval by the National Assembly's Finance Committee, provides the basis on which the Wales Audit Office charges fees.
- 2 The Board has listened carefully to stakeholder feedback in relation to our cost-efficiency agenda and the fee rates we set. In seeking the National Assembly's support for our Estimate for 2019-20, we proposed in the Estimate:
  - an increase in fee rates to be offset by reductions in audit days and skills mix to keep our fee scales unchanged from 2018-19.
  - to continue in line with previous National Assembly agreement to fund National Fraud Initiative (NFI) work from our charge on the Welsh Consolidated Fund rather than through fees charged to participating bodies. Feedback told us that audited bodies welcome this approach.
  - to continue to provide public sector secondment opportunities for our accounting trainees, without impacting on fees charged for audit work.
  - to maintain capacity for transformational thinking in our approaches to audit work. Feedback reinforced the need for us to do more developmental work as part of balancing the overall cost of audit on public bodies.
- 3 This Fee Scheme reflects the approved Estimate and in broad terms sets out:
  - the enactments under which the Wales Audit Office charges audit fees.
  - the arrangements for setting those fees, which comprise either:
    - fee scales that set out fee ranges for particular areas of audit work in local government; or
    - fee rates for work not covered by fee scales.
- 4 Broadly, 68% of our expenditure is funded through fees charged to audited bodies and a grant from the Welsh Government to support improvement assessment work. The remaining 32% is provided directly from the Welsh Consolidated Fund through vote of the National Assembly. Further information about our expenditure and funding is contained in annual estimates of income and expenditure which are laid before the National Assembly.

## List of enactments

- 5 **Annex 2** sets out the enactments under which the Wales Audit Office may and must charge fees.

## Fee rates and fee scales

- 6 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees we charge may not exceed the full cost of exercising the function to which the fee relates. Our fee rates are set at a level to recover that full cost.
- 7 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, as a result of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 8 During 2017-18 we consulted widely on legislation governing the fee regime in Wales which is more complex than in other parts of the UK and creates inefficiency and additional cost for the public sector in Wales. The outcome of this consultation has been submitted to the Finance Committee and we await their response.
- 9 We went beyond the statutory fee consultation requirements and, in August 2018, consulted all audited bodies and other stakeholders on our fee scales for 2019-20. A total of 92 different bodies were consulted. We received responses from just seven of those bodies. Those responses told us that:
- audited bodies continue to welcome free participation in the National Fraud Initiative; and
  - whilst welcoming our commitment to freeze our fee scales and overall fees for 2019-20, some audited bodies asked if we could go further and reduce fees in line with the reductions in funding being experienced by those bodies.
- 10 In 2018-19 we reduced our fee scales through audit efficiencies and have maintained these scales at 2018-19 levels for 2019-20 despite the necessary increase in hourly rates.
- 11 The Board welcomed the feedback and responds to it through this Fee Scheme and our Estimate.

12 **Exhibit 15** sets out the hourly fee rates for audit staff.

**Exhibit 15: fee rates for audit staff**

Grade	Proposed fee rate (£ per hour) 2019-20	Fee rate (£ per hour) 2018-19
Engagement director	161	159
Audit manager	115	112
Principal Auditor	94	93
Senior Auditor	73	66/76
Auditor	57	57
Graduate trainee	46	44

13 We are required to prescribe fee scales for:

- work relating to the audit of local government bodies;
- work under the Local Government (Wales) Measure 2009; and
- data-matching work (NFI).

14 Fee scales for the audit of the 2018-19 financial accounts and 2019-20 improvement audits and assessments are provided in **Annex 3** in relation to work conducted at unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, town and community councils and local government pension funds. A separate fee scale is provided in relation to the NFI.

15 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.

- 16 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 17 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 18 The fee rates apply to all audit work that the Wales Audit Office will charge for, except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done by agreements prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears to the Wales Audit Office that the work involved in a particular audit differs substantially from that originally envisaged, the Wales Audit Office may charge a fee which differs from that originally notified.
- 19 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service. To meet their statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 20 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of Wales Audit Office staff.

## **Charging of fees**

- 21 Each body's Engagement Director will explain that body's skills mix for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 22 Audited bodies are expected to pay the Wales Audit Office's invoices within their performance target for creditor payments, usually 10 days in the public sector. We may charge for the administrative costs incurred in pursuing late payments.



- 23 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.

## Annex 1 – Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
  - a a list of the enactments under which the Wales Audit Office may charge a fee;
  - b where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
  - c where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
  - d where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
  - a include different provision for different cases or classes of case; and
  - b provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
  - a must review the scheme at least once in every calendar year;
  - b may revise or remake the scheme at any time; and
  - c must lay the scheme (and any revision to it) before the National Assembly.
- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
  - a section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
  - b section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees)

to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.

- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the National Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

## Annex 2 – List of enactments under which the Wales Audit Office may and must charge fees

### Exhibit 16: list of enactments under which the Wales Audit Office may and must charge fees

Nature of work	Enactments
<b>The Wales Audit Office may charge fees for the following activities</b>	
<ul style="list-style-type: none"> <li>Audit of accounts by the Auditor General (other than local government accounts).</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(2) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>Value for money studies undertaken by agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(3)(a)-(c) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(3)(ba) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(3)(ca) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(3)(d) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>An extraordinary audit of the accounts of a local government body.</li> </ul>	<ul style="list-style-type: none"> <li>Section 37(8) of the Public Audit (Wales) Act 2004</li> </ul>
<ul style="list-style-type: none"> <li>Data-matching exercises.</li> </ul>	<ul style="list-style-type: none"> <li>Section 64F(A1) of the Public Audit (Wales) Act 2004</li> <li>A fee scale must be prescribed for this work</li> </ul>
<ul style="list-style-type: none"> <li>Advice and assistance provided by the Auditor General for registered social landlords.</li> </ul>	<ul style="list-style-type: none"> <li>Section 145D(2) of the Government of Wales Act 1998</li> </ul>

Nature of work	Enactments
<b>The Wales Audit Office must charge fees for the following activities</b>	
<ul style="list-style-type: none"> <li>Work under the Local Government (Wales) Measure 2009.</li> </ul>	<ul style="list-style-type: none"> <li>Section 27 of the Local Government (Wales) Measure 2009</li> <li>A fee scale must be prescribed for this work</li> </ul>
<ul style="list-style-type: none"> <li>Grant certification services.</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(4)(a) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>Studies at the request of educational bodies under section 145B of the Government of Wales Act 1998.</li> </ul>	<ul style="list-style-type: none"> <li>Section 23(4)(b) Public Audit (Wales) Act 2013</li> </ul>
<ul style="list-style-type: none"> <li>Auditing the accounts of a local government body and undertaking studies by agreement with a local government body.</li> </ul>	<ul style="list-style-type: none"> <li>Section 20(A1)(a)-(b) of the Public Audit (Wales) Act 2004</li> <li>A fee scale must be prescribed for the audit of the accounts of local government bodies</li> </ul>
<ul style="list-style-type: none"> <li>Benefit administration studies for the Secretary of State. The Auditor General may conduct, or assist the Secretary of State in conducting, a benefit administration study only if the Secretary of State has made arrangements for the payment to the Wales Audit Office of a fee in respect of the study. The amount of the fee must be a reasonable amount agreed between the Secretary of State and the Wales Audit Office.</li> </ul>	<ul style="list-style-type: none"> <li>Section 45 of the Public Audit (Wales) Act 2004</li> </ul>
<ul style="list-style-type: none"> <li>Assisting Her Majesty's Chief Inspector of Education and Training in Wales with inspections of local authorities. The Auditor General for Wales shall not provide such assistance unless, before he does so, the Chief Inspector has agreed to pay the Wales Audit Office a fee.</li> </ul>	<ul style="list-style-type: none"> <li>Section 41A of the Education Act 1997</li> </ul>
<ul style="list-style-type: none"> <li>Programmes of studies relating to registered social landlords undertaken by agreement between the Welsh Ministers and the Auditor General. It shall be a term of every such programme that the Welsh Ministers must pay to the Wales Audit Office a sum in respect of the costs incurred.</li> </ul>	<ul style="list-style-type: none"> <li>Section 145C(3) of the Government of Wales Act 1998</li> </ul>

## Annex 3 – Fee scales for work undertaken at local government bodies

### Unitary authorities

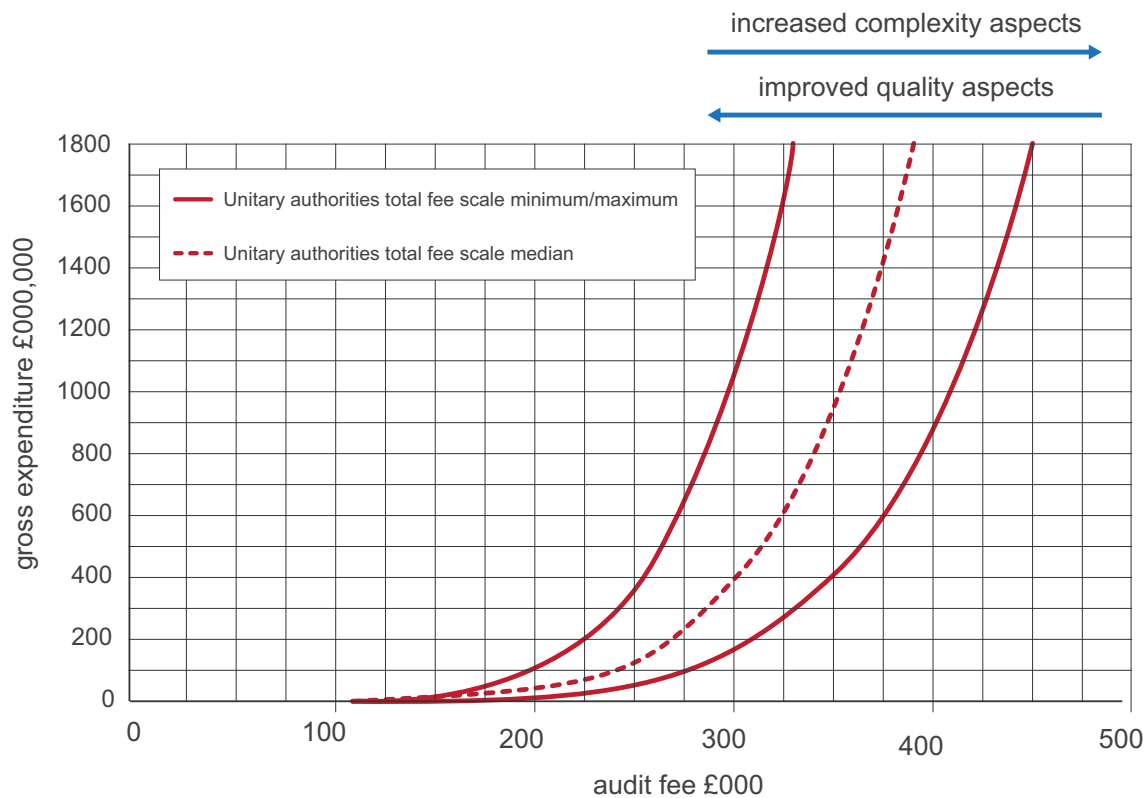
Exhibit 17: fee scale for audit of 2018-19 accounts

Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
100	117	138	158	138
200	141	166	191	166
300	157	185	212	185
400	169	199	229	199
500	180	211	243	211
600	189	222	255	222
700	197	231	266	231
800	204	240	276	240
900	210	247	284	247
1,000	216	254	292	254
1,100	222	261	300	261
1,200	227	267	307	267

Exhibit 18: fee scale for 2019-20 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All unitary authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	83	99	115	99

Exhibit 19: graphic of total fee scale for unitary authorities<sup>4</sup>



<sup>4</sup> 'improved quality aspects' refers to the quality of the accounts production process i.e. the quality of the draft financial statements and the supporting working papers.

## Fire and rescue authorities

Exhibit 20: fee scale for audit of 2018-19 accounts

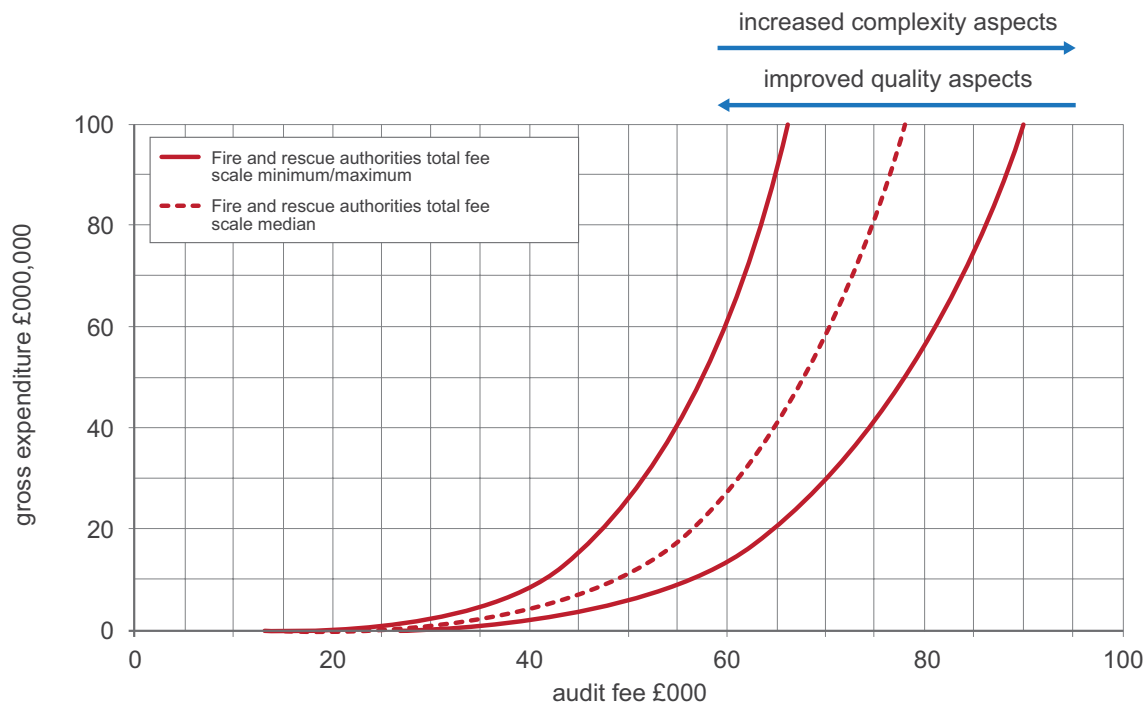
Gross expenditure £000,000	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
20	34	40	46	40
40	41	49	56	49
60	46	54	62	54
80	50	58	67	58
100	53	62	71	62

Exhibit 21: fee scale for 2019-20 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All fire and rescue authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	16	19	16



Exhibit 22: graphic of audit total fee scale for fire and rescue authorities



## National park authorities

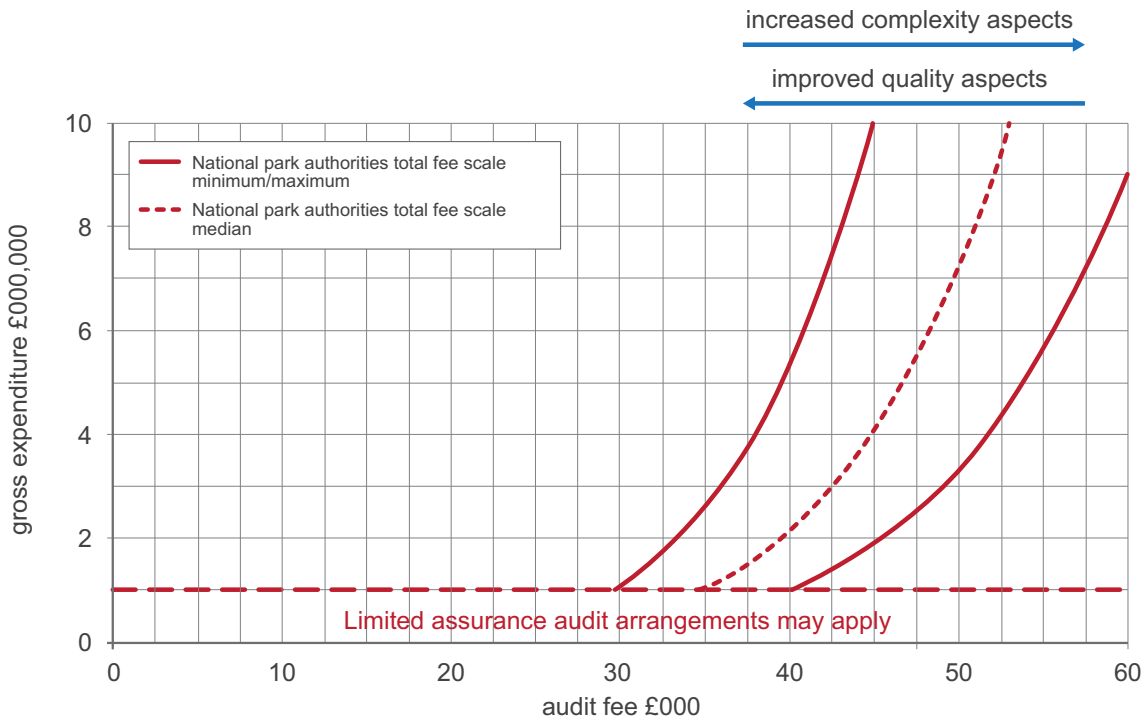
Exhibit 23: fee scale for audit of 2018-19 accounts

Gross expenditure £000,000	Combined fee range for PCC and CC £000			Previous year median £000
	Minimum	Median	Maximum	
2	21	25	29	25
4	26	30	35	30
6	29	34	39	34
8	31	36	42	36
10	33	38	44	38

Exhibit 24: fee scale for 2019-20 for performance audit work (including improvement audits, assessments and special inspections under the Local Government (Wales) Measure 2009)

All national park authorities	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	14	17	19	17

Exhibit 25: graphic of total fee scale for national park authorities



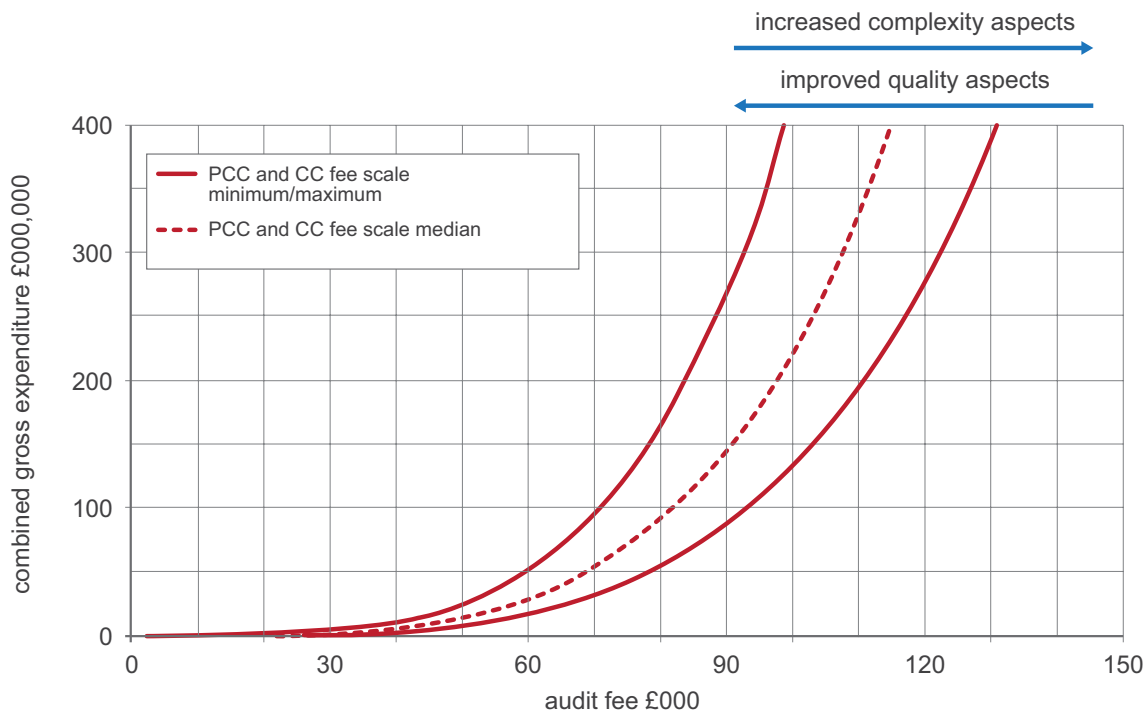
## Police and crime commissioners and chief constables

Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 26: fee scale for audit of 2018-19 accounts

Combined gross expenditure of PCC and CC £000,000	Combined fee range for PCC and CC £000			Previous year median £000
	Minimum	Median	Maximum	
50	56	66	76	66
100	67	79	91	79
150	74	87	100	87
200	79	94	108	94
250	84	99	114	99
300	88	104	120	104
350	91	108	124	108

Exhibit 27: graphic of total fee scale for police and crime commissioners and chief constables



## Town and community councils with annual income or expenditure under £2.5 million

Town and community councils in Wales are subject to a limited assurance audit regime. Since 2016-17, we have charged for this work on a time basis rather than the historical basis of a fixed fee according to expenditure/income bands.

The fee rate charges are as set out in [Exhibit 28](#).

In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor's concerns.

It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The ranges provided in the table below are for indicative purposes only.

### Exhibit 28: estimated time charges for the audit of 2018-19 accounts of town and community councils

Annual income or expenditure	Indicative baseline charge	Indicative upper range fee
£0 – £5,000	£140	£280
£5,001 – £100,000	£160	£320
£100,001 – £500,000	£200	£380
£500,001 – £2,500,000	£240	£460

## Local government pension funds

Exhibit 29: fee scale for audit of 2018-19 accounts

All pension funds	Fee range £000			Previous year median £000
	Minimum	Median	Maximum	
	33	40	55	40

## Fee rates for other work in local government

The audit of other types of local government body, work which goes beyond the general duties of the Auditor General, and grant certification work

Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in [Exhibit 15](#). It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.

For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.

Exhibit 30: Estimates of the relative proportions of financial audit staff grades to be used for different types of grants work are provided below.

Grade of staff	Complex grants staff mix %	All other grants staff mix %
Engagement director	1 to 2	0 to 1
Audit manager	4 to 6	1 to 2
Senior auditor	18 to 21	12 to 16
Auditor/ graduate trainee	77 to 71	87 to 81

Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity or any particular issues in respect of the grant in question.



Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return

## Fee scales for work undertaken under the National Fraud Initiative (data matching)

In order to support Welsh public bodies in combating fraud, the Auditor General conducts the National Fraud Initiative (NFI) in Wales on a biennial basis. The NFI is also run in England, Scotland and Northern Ireland. The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £30 million of fraud and overpayments in Wales and £1.3 billion across the UK.

The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.

Since April 2016, the National Assembly has met the costs of running the NFI through payment from the Welsh Consolidated Fund as approved through the Wales Audit Office's Estimate, so ensuring that voluntary participants are not charged a fee for participation. As required by legislation, the fees for mandatory participants are shown below.

### Exhibit 31: NFI fees

Type of body	Fee 2019-20 £
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards.	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Mandatory participants will also be provided with access to the NFI Application Checker without charge.



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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Interim Report

An assessment of progress made against  
our 2018-19 Annual Plan during the period  
1 April to 30 September 2018



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

This Interim Report covers the period from 1 April to 30 September 2018 and 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 the requirements of the Public Audit (Wales) Act 2013.

The Interim Report includes an assessment of the extent to which:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for 2018-19 under section 25 of the Public Audit (Wales) Act 2013;
- progress has been made toward achieving the priorities set out in the Plan; and
- progress has been made towards achieving our key performance indicator targets.

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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This document is also available in Welsh.

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# Foreword

This Interim Report describes the progress we have made to date towards delivering our **Annual Plan 2018-19: Making public money count**.

In the Report we focus on progress made against our three-year priorities and key performance indicator targets, which are aimed at enhancing the impact of public sector audit in Wales and are underpinned by our overall vision:

- The people of Wales trust us
- Public bodies value our work
- Our people excel

We confirm that there has been no need to deviate significantly from the work programmes laid out in our Plan. All planned work has either been delivered, or is progressing to plan, which is a credit to the professionalism, dedication and hard work of the staff of the Wales Audit Office and the co-operation that we receive from the bodies that we audit.

The last six months have been a period of significant internal change at the Wales Audit Office, and we have worked hard to ensure an effective handover of the office of Auditor General for Wales and Chief Executive Officer, following the retirement of Huw Vaughan Thomas, while maintaining the delivery of our work programmes.

Through using our unique remit to follow the public pound, we are committed to building on this momentum in the second half of 2018-19, through giving further consideration to our changing operating environment and positioning ourselves to ensure we remain fit-for-the-future.



**Isobel Garner**  
Chair, Wales Audit Office



**Adrian Crompton**  
Auditor General for Wales

# Summary of our Annual Plan 2018-19

## 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

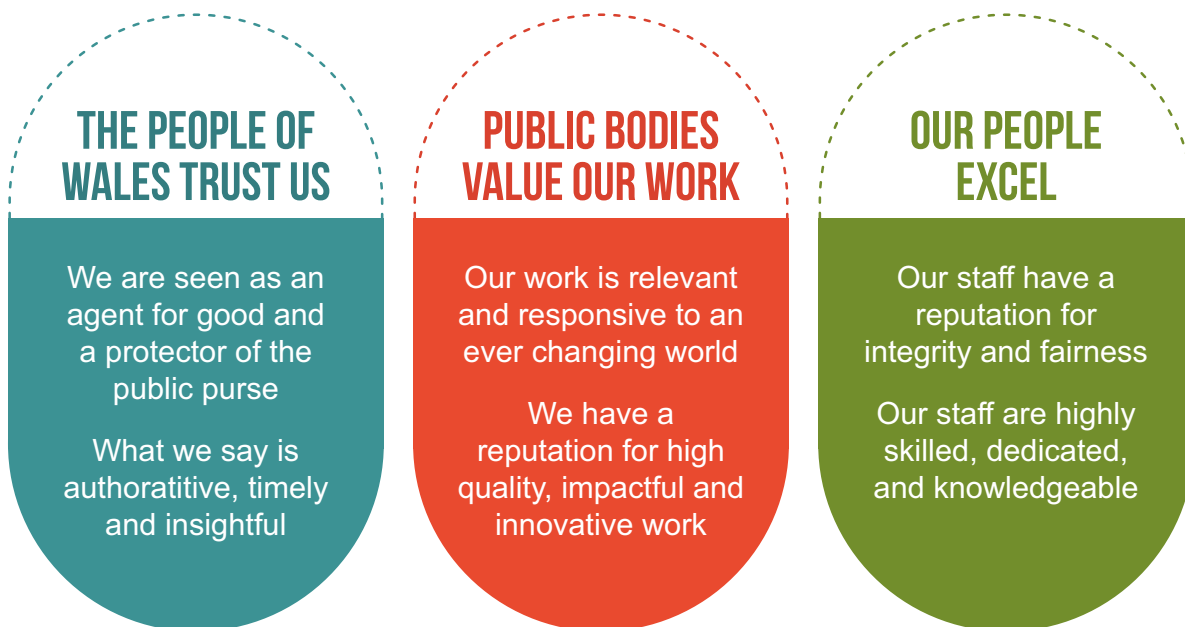
Audit projects	Good practice work	Our people and finances
Supporting effective scrutiny and accountability	Engagement and joint working activity	Our governance and leadership



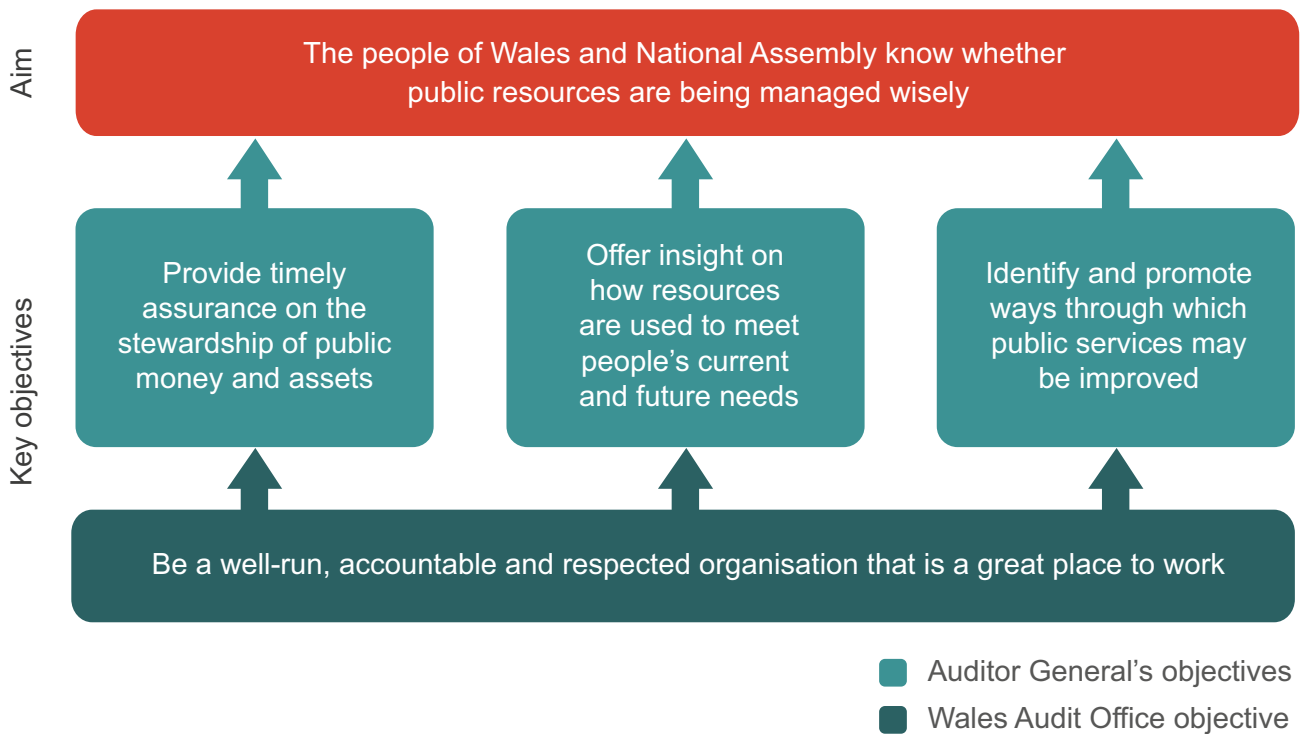
# Overview

During the period 1 April to 30 September 2018, the exercise of the functions of the Auditor General for Wales and the Wales Audit Office has been consistent with the vision and objectives laid out in our Plan

Over the past six months we have ensured that our new vision statement, which captures our ongoing aspirations, serves as a guide for everything that we do.



All of the work that we have undertaken during the interim reporting period has been firmly focused on achieving our overall aim – that the people of Wales and National Assembly know whether public resources are being managed wisely – through delivering our key objectives of providing timely assurance, offering insight, identifying and promoting improvement and being a well-run organisation.



# Performance analysis

## **There has been no need to deviate significantly from the planned work programmes of the Auditor General and Wales Audit Office**

All of our planned work for 2018-19, as laid out in our **Annual Plan** has either been delivered, or is progressing to plan.


The appendices to this report provide detailed information on the programmes of work carried out by the Auditor General and the Wales Audit Office from 1 April to 30 September 2018.


In the Plan, we indicated that the programme of audit work undertaken for consideration by the Public Accounts Committee retains a degree of flexibility to respond to changing circumstances, priorities and risks, and that the plans for certain value-for-money studies were under review. Since publishing our Plan, changes have been made to some studies as the scope of the work has become more clearly defined.



## We have made good progress towards achieving our three-year priorities and key performance indicator targets



As of 30 September 2018, we have made good progress towards achieving the ten three-year priorities set out in our [Annual Plan](#) for 2018-19. Exhibit 1 provides a brief commentary on progress made to date towards achieving each priority.



### Exhibit 1 – Commentary on progress made towards achieving our three-year priorities

Priority	Commentary
<p>Integrate the Auditor General’s duties under the Well-being of Future Generations (Wales) Act 2015 into delivery of our audit work programmes.</p> 	<p>In May 2018 we published <a href="#">Reflecting on Year One</a>, our assessment of how public bodies in Wales have responded to the requirements placed on them by the Act. The report was particularly designed to support organisations during this early transition phase.</p> <p>In partnership with the Future Generations Commissioner’s Office, we also held a well-attended <a href="#">stakeholder conference</a> to share and discuss the findings from the report.</p> <p>As outlined in the appendices to this Interim Report, relevant audit work has subsequently been integrated into our health and local government work plans for 2018, and into our studies programme, to meet the Auditor General’s duties under the Act.</p>



Priority	Commentary
<p>Examine the integrated delivery of public services in Wales from the perspective of people who use the services.</p> 	<p>We place particular emphasis on the importance of understanding the perspectives of service users when considering the effectiveness of service delivery arrangements.</p> <p>During the reporting period we completed our review of local authority services to rural communities, which included carrying out telephone and face-to-face surveys with over 1,500 people living in rural Wales.</p> <p>In addition, as part of our current <b>Social services and well-being study</b>, we are interviewing carers to understand the level of care and support they receive and how well their needs are being addressed.</p> <p>Our ongoing review of <b>Planning services</b> also includes a public survey (which we launched at the Royal Welsh Show) to gather views on how well local planning authorities are supporting the long-term wellbeing of their communities.</p> <p>In July 2018, we published a summary of our local audit findings on <b>Primary Care Out-of-Hours Services</b>. Our work included a survey of patients that had recently contacted out-of-hours services. To further understand how it feels to be a patient using these services, the study team also undertook a 'mystery shopping' exercise to assess the effectiveness of information on GP phone lines and websites. The findings from both the patient survey and mystery shopping exercise helped shape our recommendations at both the local and national levels.</p>

Priority	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>In addition to our usual extensive engagement with the Public Accounts Committee, we briefed the Assembly’s Culture, Welsh Language and Communications Committee on the findings of our review of the <b>Welsh Government’s relationship with Pinewood</b>.</p> <p>During the reporting period, we also published a <b>Guide to Welsh Public Finances</b> for those involved in scrutinising public services. Target audiences include elected politicians who sit on scrutiny committees, independent members of public boards and committees, academics, civil society organisations and the media.</p> <p>Further information on how we have supported effective scrutiny and accountability over the last six months is provided in <b>Appendix 3</b> of this report.</p>
<p>Enhance the collective impact of external audit, inspection and review in Wales by making better shared use of intelligence and resources.</p> 	<p>In spring 2018, the first biannual meeting was held between Estyn, Care Inspectorate Wales and the Wales Audit Office, aimed at bringing greater consistency to the approach adopted by <b>Inspection Wales</b> partners to sharing information and intelligence about individual authorities.</p> <p>During the reporting period, meetings have also been held between operational staff of all Inspection Wales partners in the North Wales region. It is planned that, following the North Wales pilot, these meetings will be replicated at all regional clusters, thereby providing an opportunity for colleagues to discuss issues of mutual interest and ensure greater alignment of work plans.</p> <p>Alongside our ongoing programme of joint working with Estyn on local education authority reviews, the Wales Audit Office and Health Care Inspectorate Wales have worked closely together over the last six months on facilitating a series of events for relevant practitioners to share learning about how the hospital discharge service can provide better outcomes for individuals.</p>

Priority	Commentary
<p>Engage with other audit agencies in the UK and internationally, to share and inform best practice and intelligence.</p> 	<p>Over the last six months we have maintained our regular and ongoing engagement with other audit agencies, including through working groups of the <b>Public Audit Forum</b>. We have considered topics such as the exploration of a reciprocal secondment programme, benchmarking of performance and sharing intelligence on key issues such as the General Data Protection Regulation (GDPR) and Brexit.</p> <p>We have also built and maintained links with overseas audit offices, including through our membership of <b>EURORAI</b>, and hosted a study visit from the Auditor General of Malta in September 2018.</p>
<p>Enhance the readability and accessibility of our audit products to maximise their reach and impact.</p> 	<p>In early 2018, an internal task-and-finish project was established to explore ways through which we can transform the way we communicate and increase engagement with our work. In July 2018, the project group made a range of recommendations to management, including for improving the readability of our reports, and gaining a better understanding of the different needs of our audiences. Consideration is currently being given as to how best these recommendations can be implemented.</p> <p>We have also continued to work hard to ensure that our website is accessible to a wide audience and to ensure a better experience for all users. Our website was <b>accessibility accredited</b> by the Digital Accessibility Centre in March 2017, and we have recently procured a further assessment by the Shaw Trust which will be completed by the end of the financial year.</p> <p>In addition, we have carried on making greater use of webinars and podcasts as additional and effective methods of facilitating the sharing of learning and emerging ideas on <b>Good Practice</b> between public service providers.</p>

Priority	Commentary
<p>Utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings.</p> 	<p>Through the <b>Estimate</b> process, we secured additional funding in 2018-19 to progress data analytics projects across various areas of the business, including through recruiting dedicated staff, purchasing relevant software licenses and procuring specialist training. In particular, over the reporting period we have developed: a portal for collating NHS data from numerous sources; a financial audit sampling tool; a geospatial mapping app; and an online library enabling staff to share tools, techniques and tips on using analytics in their work.</p> <p>Collaboration is also a key element of our work in this area. In May 2018, members of our data analytics team met with colleagues from the other UK audit agencies to identify how we can better collaborate and share good practice on innovations. We are currently exploring further collaborative options, including with Data Cymru, the Office for National Statistics and the Welsh Government’s Chief Statistician.</p>
<p>Adopt new ways of working to provide an efficient and fit-for-the-future audit service as our operating environment changes.</p> 	<p>We continue to explore new and more innovative ways of undertaking and presenting the findings of our audit work. Over the interim reporting period, this has included piloting the approach we will take to deliver the Auditor General’s duties under the Well-being of Future Generations (Wales) Act, and making greater use of ‘facts only reporting’ such as our report on the <b>Welsh Government’s Relationship with Pinewood</b>.</p> <p>We have also recently launched our latest task-and-finish project looking at challenging some of our more ‘traditional’ ways of working. Areas of investigation for this project include: striking the right balance between the flexible working needs of individual staff and the demands of the overall business; considering whether our current premises are configured in the most effective way; and exploring what kind of offices we are likely to need in the future.</p>



Priority	Commentary
<p>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.</p> 	<p>We launched our <b>People Strategy</b> in April 2018, setting out our four priorities for the period 2018 to 2021 to help ensure that the Wales Audit Office is a great place to work. The priorities in the Strategy were informed by the areas of improvement highlighted in our 2017 staff survey (as reported in our <b>Annual Report and Accounts for 2017-18</b>) and the analysis of employment information published in our <b>2016-17 Equality Report</b>. Over the reporting period we have commenced and carried out work on a number of the projects that will contribute to delivering the overall Strategy.</p> <p>Several of the projects underpinning our People Strategy are also aligned with and will serve to assist us in achieving the equality objectives laid out in our new <b>Strategic Equality Plan</b>.</p>
<p>Improve our management of knowledge and data, including through effectively responding to the introduction of the General Data Protection Regulation.</p> 	<p>We have now completed the key stages of our General Data Protection Regulation (GDPR) implementation programme, including developing a guide for staff on data protection law and delivering a comprehensive training programme to all staff.</p> <p>We have also published a <b>Privacy Notice</b> on our website outlining what to expect when the Wales Audit Office collects personal information and explaining how we protect the privacy of individuals.</p> <p>In May 2018, we wrote to all audited bodies about fair processing and the secure transfer of information. In the letter we outlined that the Auditor General's access rights are not affected by GDPR, and requested that fair processing notices issued by those bodies to employees, contractors and service users include reference to the collecting and sharing of data with the Auditor General in connection with his audit work.</p>

In 2018-19 we reviewed and revised our framework of key performance indicators when preparing the **Annual Plan** to more clearly align our measures with our strategic objectives. We use a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks.



The overall position as of 30 September 2018 in terms of achieving our 27 key performance indicator targets is summarised in **Exhibit 2**.

Where appropriate, we assess our level of performance on a rolling annual basis. For performance measures where this applies, the figures describe our performance for the period 1 October 2017 to 30 September 2018.

Exhibit 2 – Position as of 30 September 2018 in terms of achieving our key performance indicator targets

## DELIVERY AND IMPACT

	98% our recommendations were fully accepted for implementation	
	£0 potential savings identified through our work	
	89% of stakeholders perceived that we are delivering the Auditor General's objectives	
	89% of key audit products were delivered on time	
	1,326 people attended our shared learning seminars and webinars	
	98% of attendees at our good practice exchange events rated them useful	
	32% of website visits resulted in an action e.g. download of a report	
	10,338 website visits where at least one action was performed	
	Klout score reflecting our social media reach *	
	1 instance where a response to a concern raised about public spending was not issued within 30 days	
	19 National reports published	

\*The Klout score measure has been discontinued. We are currently seeking an alternative to provide a meaningful insight on our levels of engagement across all social media platforms.
















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

## LEADERSHIP AND CULTURE

	70% of staff felt a strong emotional connection and commitment to the organisation	
	83% of staff felt positive about our organisational objectives and purpose	
	52% of staff felt positive about our leadership and change management	
	77% of staff felt positive about our organisational culture	
	74% of staff felt positive about the effectiveness of their manager	
	82% of staff felt they were treated fairly and inclusively	
	61% of staff felt positive about our learning and development arrangements	
	81% of staff felt positive about the resources available to them and their workload.	

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

## MANAGING THE BUSINESS

	7.9 days were lost per member of staff per annum	
	1.5% variance in gross expenditure that was set out in our 2018-19 Estimate	
	Proportion of suppliers paid within 10 working days*	
	£0.25m of cost savings and efficiencies identified throughout the business	
	£3,340 estate costs per full-time equivalent member of staff	
	0 complaints were received and upheld regarding our Welsh language provision	
	Level 4 Accredited to Level 4 of the Green Dragon Environmental Standard	
	402 tonnes of CO <sub>2</sub> equivalent emissions produced	

\*We are currently unable to report against this KPI due to transition over to a new finance system.

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

# 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 audit of accounts, certification of grant claims and returns, improvement audits and assessments, local government studies and wellbeing of future generations audit work.

<b>Audit of accounts</b>	<b>Improvement audits and assessments</b>
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	22 unitary authorities 3 fire and rescue authorities 3 national park authorities
<b>Studies completed or substantially completed</b>	<b>Well-being of future generations audit work</b>
Strategic Commissioning of Accommodation Services for Adults with Learning disabilities Services to rural communities Use of data	22 unitary authorities 3 fire and rescue authorities 3 national park authorities Reflecting on Year One – How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015
<b>Certification of grant claims and returns</b>	<b>Ongoing studies</b>
Up to 22 schemes worth approaching £3 billion and involving around 175 individual claims	Tackling violence against women, domestic abuse and sexual violence Planning Services Social Services and Well-being (Wales) Act 2014 Cross-cutting review of the Integrated Care Fund Town and community councils' internal audit arrangements

## 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 Services Department. The Auditor General audits the annual accounts of each NHS body, and reports 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

### Ongoing studies

Primary care  
Integrated care fund  
Clinical coding  
Orthopaedics

### 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, and instead only provides an annual opinion on their accounts and, for listed bodies, undertakes wellbeing of future generations audit work. Performance audit work, conducted within this sector currently sits within the Auditor General's 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 potentially 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 throughout 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 performance of audit work where there are issues or learning of wider relevance.

In addition to the reports described in this section, in June 2018 the Auditor General provided the Public Accounts Committee with an update letter on NHS finances to support the Committee's scrutiny of the Welsh Government and NHS bodies. During July, Huw Vaughan Thomas provided his valedictory reflections and observations to the Committee; giving his personal perspective on the challenges, risks and opportunities facing all those who strive to improve the governance, scrutiny and delivery of public services in Wales.

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

Picture of Primary Care

Speak my language: Overcoming language and communication barriers in public services

Reflecting on year one - How have public bodies responded to the Well-being of Future Generations (Wales ) Act 2015

The Welsh Government's relationship with Pinewood

Primary Care Out-of-Hours Services

Guide to Welsh Public Finances

Timber Sales Contracts awarded by Natural Resources Wales (memorandum)

Managing the impact of Brexit on EU Structural Funds

Summary reports in progress

Radiology

Outpatients appointments (follow up)

National Fraud Initiative 2016-17

Ongoing value-for-money studies and reactive examinations

Waste management (procurement of waste treatment infrastructure)

Waste management (waste prevention)

Waste management (municipal recycling)

The My Travel Pass scheme

Business finance

The 2014-2020 Rural Development Programme

NHS agency costs

Fiscal devolution in Wales (follow-up report for consideration by the Finance Committee)

Improving the well-being of young people

The cross-cutting review of the Integrate Care Fund

Primary care services

A465 (Section 2) road improvement

Preparedness for exiting the European Union

# Appendix 2 – Good practice work

## Good Practice Exchange

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 experiences of global experts to these conversations.

Our programme of shared learning seminars and webinars is flexible and further topics are added during the course of the year. More information on our **Programme of good practice work**, can be accessed on our website.

### Shared learning seminars delivered

- Using digital to improve the lives of individuals
- Partnership working between voluntary bodies and public sector bodies
- Alternative delivery models

### Shared learning webinars delivered

- Sustainable procurement
- Moving from outputs to outcomes
- Adverse childhood experiences

### Good practice guides delivered

- Grants management

### External facilitation of shared learning and community support

- Futures Generations Commissioner
- Good Practice Wales
- Public Health Wales (ACE's Hub)
- Regional Centres of Expertise, Bangor University
- Measuring the Mountain
- 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 continues to play 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. During the interim reporting period the outputs from our work supported 13 meetings of the Committee, including evidence sessions on NHS informatics, the 21st century schools and education programme, housing adaptations, NHS finances and Natural Resources Wales, as well as ongoing work on topics including the Supporting People Programme and the Circuit of Wales project.

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 legislation. During the last six months this has included our report on the [Welsh Government's relationship with Pinewood](#) being used by the Assembly's Culture, Welsh Language and Communications Committee to support their inquiry into Film and TV production in Wales. Our study team briefed the committee members on our audit findings, and then supported two oral evidence sessions with Welsh Ministers.

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

Throughout the interim reporting period we have continued to attend most meetings of the audit committees of the principle bodies that we audit, providing regular briefings and reports on our work. This has included presenting the findings of our 2017 NHS Structured Assessment work on financial savings at a meeting of the Chairs of audit committees of NHS Wales and presenting on the role and work of the Auditor General to the newly-formed Board of Health Education and Improvement Wales.

## 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. During the interim reporting period, we received 37 such pieces of correspondence, and took steps to ensure that we responded to such concerns promptly and in a fair, proportionate and professional manner.

In addition, 9 individuals contacted us between 1 April 2018 and 30 September 2018 indicating that they wished to make a whistleblowing disclosure.

## Appendix 4 – Engagement and joint working activity

Over the reporting period, the Auditor General and the 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.

We have also worked closely with 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 able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or 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 should 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
- 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
- NHS Bridgend Change Transition Board
- NHS Wales Informatics Review Governance Group

### 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
- Working with the NAO and Commonwealth Parliamentary Association on providing support to the Auditor General's office in Montserrat on introducing a new financial audit process.

# Appendix 5 – Our governance and leadership

During the first half of 2018-19, we made good progress on delivering the priorities for the Wales Audit Office's programme of work in terms of its governance and leadership. In particular, we:

- Put arrangements in place that ensured an effective handover of the office of Auditor General for Wales and Chief Executive Officer of the Wales Audit Office to Adrian Crompton, following the retirement of Huw Vaughan Thomas.
- Continued to 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.
- Monitored the delivery of key organisational transformation projects, exploring whether changes can be made to:
  - the way we traditionally undertake our work;
  - the way we utilise emerging technologies;
  - the way we handle and manage data; and
  - the way we communicate the findings of our work.
- Launched a new **Strategic Equality Plan** and made arrangements to ensure that good progress is made in the first year of the Plan towards achieving our revised equality objectives.

In the second half of the year, we will be turning our focus more fully to the remaining priority set out in our Plan: examining how we can maximise our contribution to achieving the seven Welsh well-being goals.



## Appendix 6 – Our people and finances

Over the first six months of 2018-19, we made good progress on delivering the priorities for our work in terms of our people and finances.

### Our people

- We launched our **People Strategy** in April 2018 and have since developed a three-year work programme to ensure effective and efficient delivery of the Strategy. Good progress has been made to date under each of the Strategy priority areas, with ongoing oversight from three staff delivery groups chaired by members of the Senior Leadership Team and with specific interests in organisational culture, people development, and equality and diversity.
- The content of the People Strategy delivery plan was also heavily informed by the areas of improvement highlighted in our 2017 staff survey (as reported in our **Annual Report and Accounts for 2017-18**), the learning from the all-staff ‘unconference’ held in February 2018, and the analysis of employment information published in our **2016-17 Equality Report**.
- Scoping work is currently underway for a project aimed at challenging and transforming the way we traditionally undertake our work, including through inviting staff to offer their views and ideas around flexible working, work locations, digital working and supporting systems. The project group is scheduled to be making its recommendations to the Board in spring 2019.
- During October 2018, we are also running our 2018 staff survey focused on further improving our understanding of the employee experience at the Wales Audit Office and identifying areas where we need to improve. We are again using the same core survey questionnaire that is being used in the 2018 Civil Service People Survey, to enable effective benchmarking of our results.

## Our finances

- Our financial position to the end of September 2018 was broadly in line with our planning assumptions for the period. Our forecasts confirm we are on track to ensure compliance with our **Assembly-approved budget ambits**, to deliver our annual efficiency savings target of £250,000 in 2018-19, and to achieve our outturn-on-budget performance indicator target for the financial year.
- As outlined in our Estimate for the year, areas of particular financial focus for the reporting period have been:
  - improving our use of data analytics, including the use of computer coding to automate aspects of our data analysis, and the use of data visualisation software to present the outputs from our work in more insightful ways to achieve greater impact and understanding;
  - preparing for the introduction of earlier closure of Welsh local government accounts;
  - developing, designing and launching a new public sector accounting apprenticeship scheme for Wales;
  - facilitating the biennial running of the National Fraud Initiative in Wales;
  - supporting a range of capital investment projects linked to our IT strategy, including a rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains reliable and up-to-date, video conferencing infrastructure renewal and refreshing the data network infrastructure associated with our offices.
- In addition, we successfully introduced a new finance IT system on 1 April 2018 and, during the first half of the year, focused on embedding the new system and making the necessary revisions to our supporting processes. The improved functionality of the new system has also enabled us to respond robustly and effectively to internal audit recommendations to strengthen our purchase order processes.

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# Agenda Item 7

## Paul Davies AM/AC

Aelod Y Ceidwadwyr Cymreig dros Preseli Penfro  
Conservative Member for Preseli Pembrokeshire

Llyr Gruffydd AM  
Chair, Finance Committee  
National Assembly for Wales

31 October 2018

Dear Llyr,

### Autism (Wales) Bill

Further to my appearance before the Finance Committee to give evidence on the Autism (Wales) Bill, I would like to clarify a miscalculation in my evidence. You will be aware that, whilst it has not been possible to provide an accurate figure for the total costs of autism in Wales, the estimated figure included in the RIA is £1.1 billion per year. The RIA refers to a reduction of 1% in autism spend resulting in a saving of £1 million annually, a figure I also referred to in my evidence to the Finance Committee. However, this is an under estimation of the potential savings as, based on a total cost of £1.1 billion, a 1% reduction in autism spend would actually result in annual savings of £11 million, which is a far more substantial benefit. I would be grateful if this revised figure could be taken into consideration during the Finance Committee's continued scrutiny of the Bill.

I am copying this letter to the Chair of the Health, Social Care and Sport Committee.

Yours sincerely,



Paul Davies AM  
Preseli Pembrokeshire  
Leader of the Welsh Conservative Assembly Group

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

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# Agenda Item 10

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

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