

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Bethan Davies
Meeting date: 21 September 2020	Committee Clerk
Meeting time: 14.30	0300 200 6372
	SeneddFinance@senedd.wales

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

- 1 Introductions, apologies, substitutions and declarations of interest**
(14.30)
- 2 Paper(s) to note**
(14.30) (Pages 1 – 4)
Minutes of the meeting held on 14 September 2020
- 3 Curriculum and Assessment (Wales) Bill: Evidence session**
(14.30–15.30) (Pages 5 – 32)
Kirsty Williams MS, Minister for Education
Georgina Haarhoff, Deputy Director, Curriculum
Sara James, Head of Schools Research, Knowledge and Analytical Services
Andrew Hobden, Economist, Economic Advice Division

Supporting papers:

[Curriculum and Assessment \(Wales\) Bill](#)

[Explanatory Memorandum](#)



FIN(5)16–20 P1 – Letter to the Minister for Education from the Children, Young People and Education Committee – financial information – 22 July 2020

FIN(5)16–20 P2 – Letter from the Minister for Education – response to the Children, Young People and Education Committee – 4 August 2020

FIN(5)16–20 P3 – Letter from the Minister for Education – 1 September 2020
Research Brief

BREAK (15.30–15.45)

4 Oversight of the Wales Audit Office – Scrutiny of the Annual Report and Accounts 2019–20 and the Annual Plan 2020–21: Evidence session

(15.45–17.00)

(Pages 33 – 311)

Adrian Crompton, Auditor General for Wales

Isobel Everett, Chair of the Wales Audit Office Board, Audit Wales

Kevin Thomas, Executive Director Corporate Services, Audit Wales

Supporting papers:

FIN(5)–16–20 P4 – Audit Wales’ Annual Report and Accounts 2019–20

FIN(5)–16–20 P5 – Wales Audit Office – Audit Findings Report – Year Ended 31 March 2020

FIN(5)–16–20 P6 – Audit Wales – Annual Plan 2020–21

FIN(5)–16–20 P7 – RSM UK Tax and Accounting Limited – Value for Money Review of the Wales Audit Office’s Travel and Subsistence arrangements

FIN(5)–16–20 P8 – Valedictory letter from Chair of the Wales Audit Office
Research Brief

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

(17.00)

6 Oversight of the Wales Audit Office – Scrutiny of the Annual Report and Accounts 2019–20 and the Annual Plan 2020–21:

Consideration of evidence

(17.00–17.15)

7 Curriculum and Assessment (Wales) Bill: Consideration of evidence

(17.15–17.30)

Concise Minutes – Finance Committee

Meeting Venue:

This meeting can be viewed

Video Conference via Zoom

on [Senedd TV](#) at:

Meeting date: Monday, 14 September
2020

<http://senedd.tv/en/6428>

Meeting time: 14.30 – 16.38

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd MS (Chair) Alun Davies MS Siân Gwenllïan MS Mike Hedges MS Rhianon Passmore MS Nick Ramsay MS Mark Reckless MS
Witnesses:	Julie James MS, Minister for Housing and Local Government Rebecca Evans MS, Minister for Finance and Trefnydd Andrew Hewitt, Welsh Government Tom Nicholls, Welsh Government Rob Owen, Welsh Government Simon White, Welsh Government Emma Williams, Welsh Government
Committee Staff:	Bethan Davies (Clerk)



	Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Joanne McCarthy (Researcher) Christian Tipples (Researcher)
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1 Introductions, apologies, substitutions and declarations of interest

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

2 Paper(s) to note

2.1 The papers were noted.

- 2.1 PTN 1 – Letter from the Counsel General and Minister for European Transition to the External Affairs and Additional Legislation Committee: Regional Investment after Brexit – 20 July 2020
- 2.2 PTN 2 – Letter from the Public Services Ombudsman for Wales to the First Minister: Public inquiry into the response to the Coronavirus pandemic in Wales – 30 July 2020
- 2.3 PTN 3 – Letter from the Minister for Local Government and Housing: Information relating to the Local Government and Elections (Wales) Bill – 27 July 2020
- 2.4 PTN 4 – Welsh Government's response to the Committee's report: Scrutiny of the Welsh Government's First Supplementary Budget 2020–21
- 2.5 PTN 5 – Letter from the Minister for Finance and Trefnydd: Information regarding the forward financial planning for directly funded bodies – 11 August 2020
- 2.6 PTN 6 – Letter from the Minister from Finance and Trefnydd: Update on the consequential Wales has received as result of COVID-19 – 19 August 2020
- 2.7 PTN 7 – Letter from the Secretary of State for Wales: Financial response to Covid-19 – 5 September 2020
- 2.8 PTN 8 – Letter from the Minister for Finance and Trefnydd: Update on Welsh Government's formal request to UK Government for devolution of further tax competence – 8 September 2020

3 Renting Homes (Amendment) (Wales) Bill: Evidence session

3.1 The Committee took evidence from Julie James MS, Minister for Housing and Local Government; Emma Williams, Director of Housing and Regeneration, Bill – Senior Research Officer; Simon White, Head of Housing Strategy and Legislation; and Rob Owen, Renting Homes Legislation Manager on the Renting Homes (Amendment) (Wales) Bill.

3.2 The Minister for Housing and Local Government agreed to provide an update on the Welsh Government's communications strategy for the Renting Homes (Wales) Act 2016 and the Renting Homes (Amendment) (Wales) Bill.

4 Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020: Evidence session

4.1 The Committee took evidence from Rebecca Evans MS, Minister for Finance and Trefnydd; Andrew Hewitt, Head of Tax Legislation and Dr Tom Nicholls, Economic Adviser on the Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020.

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

5.1 The motion was agreed.

6 Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020: Consideration of evidence

6.1 The Committee was content with the evidence and agreed not to report on the regulations.

7 Renting Homes (Amendment) (Wales) Bill: Consideration of evidence

7.1 The Committee was content with the evidence and agreed not to report on the Bill.

8 Consideration of the Forward Work Programme

8.1 The Committee considered its forward work programme for the Autumn term.

9 Engagement on the inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework

9.1 The Committee considered its approach to public engagement on the Inquiry into the implementation of the Wales Act 2014 and operation of the Fiscal Framework.

Agenda Item 3

Kirsty Williams MS, Minister for Education

Dyddiad | Date: 22 July 2020

Pwnc | Subject: **Curriculum and Assessment (Wales) Bill – financial information**

Dear Kirsty,

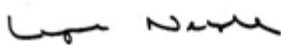
On **20 July 2020** we took evidence from the WLGA, ADEW and the Regional Education Consortia to inform our Stage 1 scrutiny of the Curriculum and Assessment (Wales) Bill.

During the session with the WLGA and ADEW, local government representatives told us that they would be submitting updated financial information to you to inform the Bill's Regulatory Impact Assessment. They explained that this information would be submitted by early September 2020, and would include—among other things—an assessment of the impact of COVID-19 on costs associated with the Bill, as well as approximations of costs for the next two financial years.

We are aware that, as a matter of course, a revised version(s) of the Explanatory Memorandum will be published during the course of the Bill's passage through the Senedd. However, given the current and changing context, we would welcome regular updates on the financial information available to you, and your understanding of the financial implications of the Bill.

I have copied the Chair of the Finance Committee for awareness, given its forthcoming work on the financial implications of the Bill.

Yours sincerely,



Lynne Neagle MS
Chair

Cc Llyr Gruffydd MS, Chair, Finance Committee

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



Senedd Cymru
Bae Caerdydd, Caerdydd, CF99 1SN

 SeneddPPIA@senedd.cymru

 0300 200 6565

Welsh Parliament
Cardiff Bay, Cardiff, CF99 1SN

 SeneddCYPE@senedd.wales

 0300 200 6565

Kirsty Williams AS/MS
Y Gweinidog Addysg
Minister for Education



Llywodraeth Cymru
Welsh Government

Lynne Neagle MS
Chair of Children, Young People and Education Committee

4 August 2020

Dear Lynne,

Thank you for your letter dated 22 July 2020 seeking further financial information following my recent attendance at the Children, Young People and Education Committee in relation to the Curriculum and Assessment (Wales) Bill.

To confirm the WLGA, ADEW and the Regional Consortia have been invited to provide additional financial information on the impact of the Curriculum and Assessment Bill to update the Regulatory Impact Assessment (RIA). This resumes the activity that commenced earlier in the year, and which needed to be paused in some cases as stakeholders responded to the urgent impact of Covid-19. However, it is worth noting the Bill SRO and Bill Manager did meet with the Regional Consortia and the RIA reflects their views at that time. This further invitation to contribute to the RIA will provide the Regional Consortia with an opportunity to reflect on that information in light of the ongoing impact of Covid-19 and the further guidance that has been published to support curriculum reform.

The RIA will be updated at the end of Stage 2 to reflect the additional information received. Ahead of this, I will update the CYPE Committee and the Finance Committee as we meet in the autumn.

In the meantime if you have further queries, please do not hesitate to contact me.

Yours sincerely,

Kirsty Williams AS/MS
Y Gweinidog Addysg
Minister for Education

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Kirsty.Williams@llyw.cymru
Correspondence.Kirsty.Williams@gov.wales

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

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

Kirsty Williams AS/MS
Y Gweinidog Addysg
Minister for Education



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd MS
Chair of the Finance Committee

01/09/2020

Dear Llyr,

On 1 September I laid an updated version of the Curriculum and Assessment (Wales) Bill Explanatory Memorandum.

I would draw the Committee's attention to paragraphs 3.48 – 3.50, which set out the type of Religion, Values and Ethics that must be provided for each category of school and the reasons why. This small but important amendment to the document has been agreed with Senedd lawyers.

The following has also been updated:

- Chapter 5 Table 5.1 line 70(1) – Replaced 'draft affirmative' with 'negative'
- Chapter 5 Table 5.2 line 33(2) – Replaced '[J017A]' with '24'.

Yours sincerely

Kirsty Williams MS
Minister for Education

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Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Kirsty.Williams@llyw.cymru
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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

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

Document is Restricted

Agenda Item 4



Annual Report and Accounts 2019-20

This Annual Report for the year ended 31 March 2020 has been jointly prepared, and is laid before the Senedd, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and containing matters as directed by the Treasury.

The Annual Report demonstrates that, during 2019-20:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for the year under section 25 of the Public Audit (Wales) Act 2013, with no significant changes made to planned work; and
- the priorities set out in the Plan for 2019-20 have been substantively achieved.

The Accounts for the year ended 31 March 2020 have been prepared by the Auditor General for Wales, as the Accounting Officer for the Wales Audit Office, in accordance with Schedule 1 of the Public Audit (Wales) Act 2013 and in a form directed by the Treasury.

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

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

Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Telephone 02920 320 500

Email info@audit.wales

This document is also available in Welsh.

◀ Snapshot of the year

April

Through our [Annual Plan](#), set out our ambitions for reaching our full potential as a driver of public service improvement

Awarded level 5 (the highest level) of the [Green Dragon Environmental Standard](#)



July

Issued reports on the accounts of most central government bodies in Wales



Reported that the [Integrated Care Fund](#) has had a [positive impact](#) in supporting partnership working between health and social care services

May



Held a [seminar](#) to facilitate the sharing of investigation techniques and discuss the use of data analytics in fraud prevention and detection

Invited expressions of interest from staff below director level to be appointed as employee members of the Executive Leadership Team

August

Reported that we have taken effective steps towards [meeting our equality duties and objectives](#)

Invited views and comments on our [proposed scheme of fees for audit work in 2020-21](#)



June

Concluded that [local planning authorities](#) have [limited capacity](#) and so lack [the resilience](#) to deliver long-term improvements

Launched an [NHS finances data tool](#) that automatically updates with the latest information and enables users to explore local trends and comparisons

September

Made a series of recommendations to councils for [improving access to the 'front door' of social care](#) and investing in preventative, community-based services

Issued [five interactive thematic reports](#) and a [related data tool](#) looking at the Welsh Government's work on supporting the well-being of young people



October

Published an interactive analysis of public spending in Wales over the last 20 years, with comparisons with the rest of the UK



Showed that the Welsh Government's investment and efforts seem to have helped to reduce the levels of fuel poverty but it has not met any of its targets

January

Issued a memorandum setting out the reasons for giving a 'qualified' regularity opinion on the 2018-19 accounts of Natural Resources Wales

Hosted a webinar with a panel of guest speakers for organisations that want to transform the way they collect, analyse and use data



November

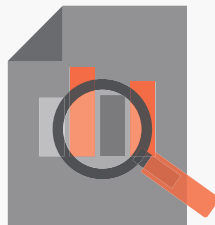
Highlighted that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system

Outlined several fundamental weaknesses in Cwm Taf Health Board's governance arrangements in respect of the quality of care and patient safety



February

Reported that a third of town and community councils in Wales did not meet the statutory deadline for publishing their audited accounts



Set out the interim findings from our review of the Welsh Government's handling of the A465 road improvement scheme

December

Reported on our compliance with the Biodiversity and Resilience of Ecosystems Duty and set out our key objectives for performing the Duty in the future

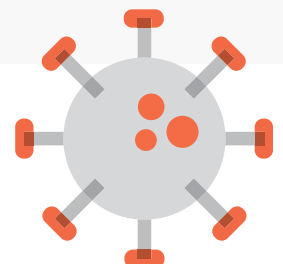


Hosted a conference for individuals working in publicly funded organisations across Wales who are studying towards a finance-related qualification

March

Described the steps we were intending to take over the coming year towards achieving our organisational ambitions and strategic objectives

Communicated that we have scaled down our work and are adopting alternative delivery approaches in response to the COVID-19 outbreak



Contents and readers' guide

Performance Report

A review of our work in 2019-20, including an analysis of our delivery and performance, and our position at the end of the year.

Overview

A summary of who we are, what we do, the key risks we face and how we have performed during the last year.

Statements from the Auditor General and Chair of the Board	9
Who we are and what we do	13
Key issues and risks that we face	16
Performance indicators	17

Performance analysis

An assessment of the extent to which the ambitions and programmes of work set out in our 2019-20 Annual Plan have been achieved.

Stakeholder feedback	23
Case study examples of our work	25
Our use of resources	34

Accountability Report

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

Corporate governance report

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

Directors' report	49
Statement of Accounting Officer's responsibilities	51
Governance statement	53

Remuneration and staff report

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

Remuneration report	72
Staff report	82

Resource outturn and auditor's report

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

Summary of resource outturn and associated notes	89
Independent auditor's report to the Senedd	94

Financial Statements

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

Statement of Comprehensive Net Expenditure	100
Statement of Financial Position	101
Statement of Cash Flows	103
Statement of Changes in Taxpayers' Equity	104
Notes to the Financial Statements	105
Glossary of terms	123

Appendices

Some more detail on the programmes of work we delivered in 2019-20 and progress made towards achieving our change commitments.

1	Programmes of work delivered in 2019-20	126
2	Progress made towards achieving our change commitments	131



Performance Report

A review of our work in 2019-20, including an analysis of our delivery and performance, and our position at the end of the year.

A handwritten signature in white ink, reading 'Adrian Crompton'.

Adrian Crompton

Auditor General for Wales and Accounting Officer

17 June 2020



Overview

Statement from the Auditor General

To start, I would like to pay tribute to all the public servants who are working so hard to see our country through the current crisis. As the organisation responsible for scrutinising most public bodies in Wales, we have a privileged insight into how vital they are to everyone's lives, especially in times like these. On behalf of everyone at Audit Wales – thank you.

While the last few weeks of 2019-20 could certainly not be described as 'business as usual', the previous 11 months were an extremely productive period for us in terms of audit delivery. We successfully delivered almost the entire programme of audits laid out in our Annual Plan, in a timely manner and to a high-quality standard. Most of the credit for this success must go to the professionalism, dedication and hard work of our staff and our contractors, for which I am extremely grateful.

A selection of case studies has been included in this Report to give more insight on some of the projects that we have been involved with and the contribution that work has made in terms of holding public bodies to account and helping improve the delivery of public services. A key focus for the year was increasing our use of data analytics to improve the efficiency and effectiveness of how we source, acquire and analyse information, and enhance the way we communicate our findings and recommendations. You will see reference to several interactive data tools which we built to bring together statistics and other information from audit reports into single, accessible resources.

In the midst of the COVID-19 pandemic, we are liaising closely with our audited bodies to ensure that our statutory duties and wider audit work are delivered without detrimental impact on the efforts of severely stretched public bodies to deal with the national emergency. But despite working and engaging entirely remotely, we are by no means passive. Well targeted and delivered public audit has a vital part to play at this time in ensuring value for money, good governance and accountability. Audit Wales is and will be playing its part to support Welsh public services respond to COVID-19 by:

- delivering high quality audits of accounts to give a trusted view on the financial position of the public sector;
- examining the key issues facing the public sector during the pandemic;
- facilitating the collection, analysis and sharing of learning across Welsh public services in as real time as possible; and
- exploiting our unique perspective to influence thinking on the resilience and future shape of public services in Wales.

People and organisations right across the Welsh public sector are developing novel and innovative ways of working in response to COVID-19 and to address longstanding issues. We have commenced work to capture and analyse such practice as it emerges, draw out the relevant points of learning and share the resulting insights swiftly with our key contacts across the Welsh public service. In our next Interim Report, which will be published in October, we will provide a more detailed update on the adaptations we have made to our audit coverage, and on the emerging outcomes from that work.

In closing, I would like to pay tribute once again to my colleagues across the Welsh public service and the phenomenal work they are doing for the people of Wales.



Adrian Crompton

Auditor General for
Wales

Statement from the Chair

What unprecedented times these are amid the lockdown measures introduced in response to the COVID-19 outbreak. Life has changed so much and so quickly. Staying in touch with loved ones, friends and colleagues feels more important than ever.

As an employer, we continue to closely monitor the fast-moving situation and operate in accordance with guidance issued by the Welsh Government. Each of our offices is currently shut and all our staff are carrying out their work remotely from home.

Our immediate priorities in terms of running the business have been fundamentally altered as we focus on adapting and minimising disruption to our audit work while ensuring we do the right thing by our people, keeping them safe. Central to this is the use of technologies that allow us to connect, work and collaborate flexibly among our teams and with the public bodies that we audit.

I have been so impressed at how well everyone at Audit Wales has adapted their roles while juggling this with life at home under lockdown, which I know comes with many challenges.

Looking back at the previous financial year, which seems so long ago now, we performed very well overall, and I am pleased with and proud of our achievements. Strategic risks were well managed, significant progress was made towards delivering our change commitments, and we achieved many of the challenging targets we had set for our key performance indicators. I pay tribute to our staff for all their hard work and commitment throughout the year. As a Board, we met formally six times during the year, and I am very grateful for the support of my fellow board members.

In October, we again ran our annual staff survey, using the same core questionnaire used by the Civil Service, to keep our finger on the pulse of staff engagement and the employee experience. It was the third year that we have run the survey in this format and again the results were encouraging. For many of the survey questions and themes, responses from our staff were more typical of a Civil Service 'high performing' organisation. However, we also continue to identify some important areas where we need to make further improvements, such as our provision of learning and development opportunities and our management of change. In the interests of greater transparency, from this year onwards we will be publishing the results of our staff surveys on our website.

You may also have noticed the name change to 'Audit Wales' in this Report. Very much a secondary issue in the current climate, but in response to feedback on how we communicate and engage, we took the decision last year to bring together the various strands of our work under a new, clearer umbrella identity. While not affecting our formal legal status, we will operate as Audit Wales henceforth in most of our public facing work. It is just one part of a wider programme of change for our audit reports; our website; our communications style and the way we engage more generally, that I hope you will recognise and value.

Take care and stay safe.





Isobel Everett

Chair of the Wales
Audit Office

Who we are and what we do

- 1 Independent audit of the activities of government and of the use of public funds is an essential component of democratic accountability. The public and their representatives need information which is impartial, timely, accurate, comprehensive and clear.
- 2 The Auditor General for Wales (the Auditor General) is the statutory external auditor of most of the Welsh public sector.
- 3 The Auditor General is responsible for the audit of most of the public money spent in Wales, including the funds that are voted annually by the Senedd. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 4 The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions.

Why we are here

<p>Assure</p>  <p>the people of Wales that public money is well managed</p>	<p>Explain</p>  <p>how public money is being used to meet people's needs</p>	<p>Inspire</p>  <p>and empower the Welsh public sector to improve</p>
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- 5 The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.
- 6 Together, as Audit Wales, we audit around £20 billion of income and expenditure, which is over a quarter of Welsh GDP.

Our core work



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



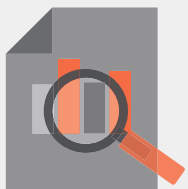
Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£2.5 billion**



Approving around **£1 billion** of payments out of the Welsh Consolidated Fund every month



Supporting effective scrutiny including the work of the Senedd Committees



Hosting **shared learning events** for over **1,100 attendees**



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



Participating with **observer status** on a range of key policy working groups

- 7 Each year we publish an Annual Plan that provides more information on:
 - a how we follow the public pound in Wales;
 - b our longer-term ambitions;
 - c our operating environment;
 - d our planned programmes of work and associated areas of focus for the next 12 months; and
 - e how we measure and report on our performance
- 8 In June 2019, we shared an update on national value for money examinations and studies that were currently in progress and due to commence later in the year. The programme retains a degree of flexibility to respond to changing circumstances, priorities and issues of public or parliamentary concern, and to incorporate learning of wider relevance from local audit work.
- 9 We are currently reviewing our audit work programme in light of the wider COVID-19 situation. We are continuing with work in progress as far as possible, working remotely and considering the impact of our work on public bodies at this difficult time.

Key issues and risks that we face

- 10 Over the coming years, we want to reach our full potential as a driver of change and improvement at the heart of public services and democratic accountability. We have four broad ambitions and, for each ambition, three strategic objectives, which collectively describe the path we are taking towards achieving that potential.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



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

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.


- 11 As outlined in greater detail in our current Annual Plan, we consider the following factors to be those that will have the greatest influence over the way we deliver our work and achieve our ambitions over the next few years:
- a The ramifications of the COVID-19 outbreak
 - b The implications of Brexit
 - c Embedding the sustainable development principle within Welsh public services
 - d Climate emergency
 - e Socio-economic challenges
 - f An increasingly networked society

An account of our risk management in 2019-20, alongside a description of the principal risks and uncertainties we face, is provided in the Governance Statement section of this Report.


Performance indicators

- 12 A framework of key performance indicators was included in our Annual Plan for 2019-20. We also developed a suite of targets, with reference to levels of performance at the end of 2018-19 and appropriate benchmarks.
- 13 Over the course of 2019-20, we used a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This included quarterly reporting to our Executive Leadership Team and Board on progress made towards achieving our performance targets.
- 14 Overall, in 2019-20 we achieved or were close to achieving our targets for 15 of the 20 indicators. Our performance against the remaining five indicators will be a focus for our improvement work in 2020-21.


End-of-year position in terms of achieving our key performance indicator targets




Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance










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

Table listing the key performance indicators that relate to our first three ambitions.


No	Indicator	Description	Target	Performance
1	On time	Proportion of key audit products delivered on time.	95%	93%
2	National reports	Number of national reports published.	18	18
3	Accepted recommendations	Proportion of recommendations or proposals for improvement that are fully accepted for implementation by audited bodies.	90%	98%
4	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2018-2021	£17.7 million during 2018-20

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


No	Indicator	Description	Target	Performance	
5	Making a difference	Percent positive stakeholder survey score for how well we are perceived to be delivering our ambitions.	85%	61% ¹	
6	Attendees at good practice events	Number of attendees at our shared learning seminars and webinars.	1,100 per annum	925	
7	Satisfaction with good practice events	Proportion of attendees of our good practice exchange events who rated the events useful or very useful overall.	At least 90%	93%	
8	Website visits – proportion	Proportion of website visits where at least one action is performed e.g. download a report, click on a video.	At least 50%	25%	
9	Website visits – number	Number of website visits where at least one action is performed.	30,000	32,955	
10	Correspondence handling	Number of instances where a full or interim response to correspondence is not issued within 30 working days.	Nil	Nil	

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


1 A further 29% of stakeholders answered, 'I don't know', with some stating they were not aware of our newly defined ambitions, and others feeling that the question was too high-level and non-specific. We have subsequently replaced this measure with three more nuanced indicators in our 2020-21 Annual Plan, and are using the feedback to inform our ongoing work on increasing our visibility, influence and relevance, and on developing a more diverse range of mechanisms for capturing the views of our stakeholders.




Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



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

Table listing the key performance indicators that relate to our fourth ambition.

No	Indicator	Description	Target	Performance
11	Employee engagement	Percent positive annual staff survey engagement index score – aligned with the Civil Service People Survey (CSPS).	Top decile score for the CSPS	69%
12	Employee experience	Percent positive annual staff survey thematic ² scores	Top decile scores for the CSPS	Suite of scores <u>published on our website</u>
13	Sickness absence	Average working days lost per member of staff per annum.	Less than six days	5.8 days
14	Financial balance	Level of variance in gross expenditure from that set out in our 2019-20 Estimate.	Within 2% of budget	Within 0.5% of budget
15	Supplier payments	Proportion of suppliers paid within ten working days of receipt of invoice.	At least 90%	82%

●

Achieved or close to achieving our target

●

Improvement required

●

Significant improvement required

2 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; organisational culture; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; pay and benefits; and taking action.

No	Indicator	Description	Target	Performance
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£574,000	£681,000
17	Efficiency of estate	Costs including for rent and rates per whole-time equivalent.	Less than £3,300	£3,368
18	Welsh language provision	Number of complaints received and upheld about our Welsh language provision.	0	0
19	Environmental management	Level of Groundwork Wales Green Dragon Environmental Standard accreditation.	5	5
20	Greenhouse gas emissions	Total CO ₂ equivalent emissions ³	Less than 450 tonnes	345 tonnes

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

3 From sources that we own or control, from consumption of purchased electricity, or that are produced indirectly as a consequence of our activities.

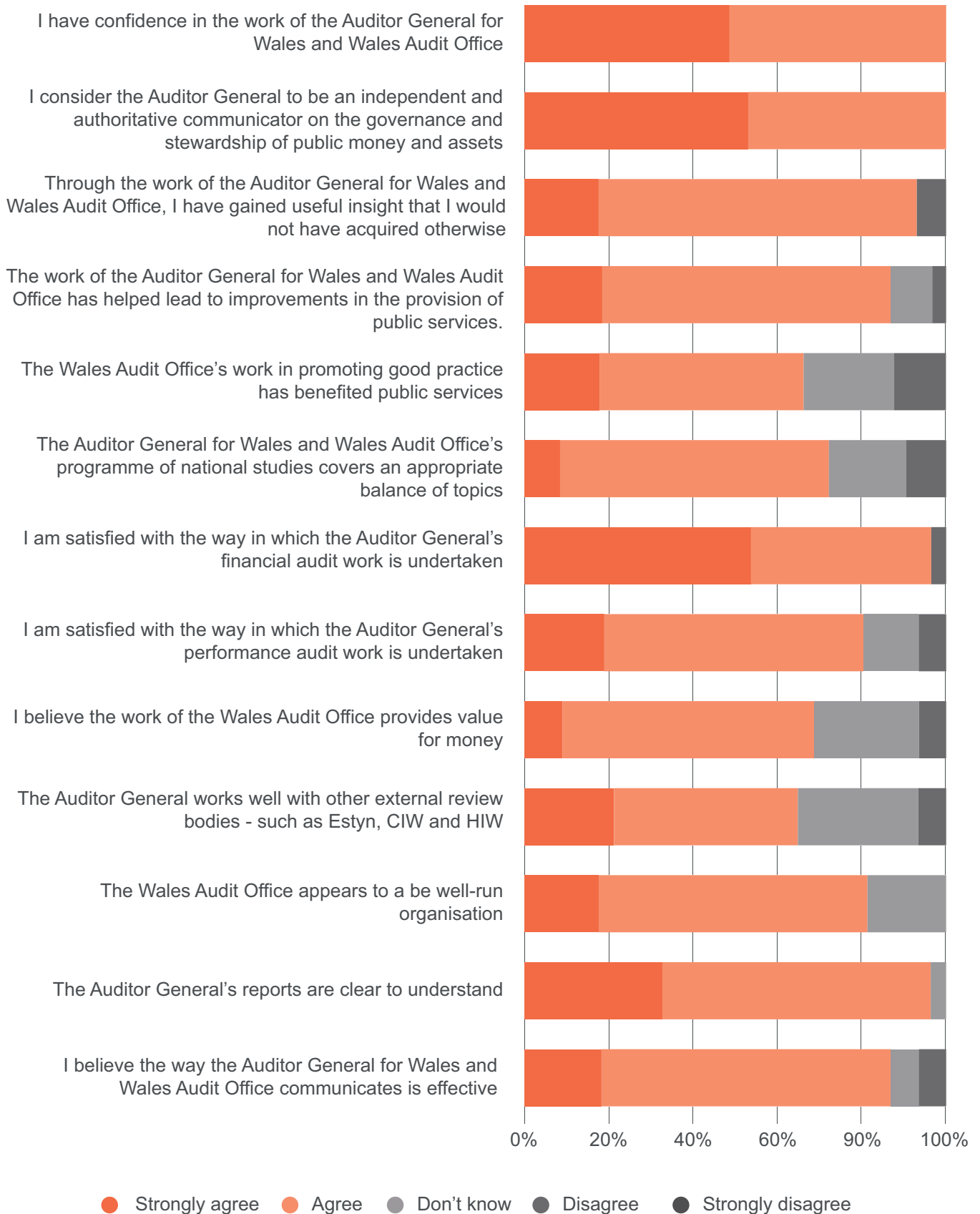
Performance analysis

- 15 During 2019-20, the exercise of our functions was consistent with the [Annual Plan prepared for the year](#), with no significant changes made to planned work. **Appendix 1** of this Report provides more detail on the programme of audit work delivered in 2019-20 and includes the Auditor General's report on disclosures of information.
- 16 **Appendix 2** of this Report provides further commentary on the progress we made towards achieving the change commitments set out in the Plan for 2019-20.
- 17 In the remainder of this section, we provide case study examples of the work we delivered during 2019-20 and the impact that work has had. Our case study examples are grouped together by their alignment with our overall ambitions.
- 18 We also provide the results of our latest stakeholder survey, and some high-level commentary on how we managed our use of resources in 2019-20, which serves as our Sustainability Report.
- 19 The quality of our work is of paramount importance to us and our stakeholders. The [Code of Audit Practice](#), which is reviewed on an annual basis, prescribes the way in which the Auditor General's audit and certain other functions are to be exercised, and is designed to complement International Standards on Auditing and embody best professional practice.
- 20 Our [Transparency Statement](#) provides more detail on how the Wales Audit Office is meeting high standards in the way it works and in the quality of its work. As outlined in the Statement, we carry out annual programmes of quality reviews on a sample of accounts audits and completed performance audit projects to ensure that they meet required quality standards. This year, our quality monitoring showed that 100% of the sampled 2018-19 accounts audits and 100% of the performance audit projects reviewed in 2019 met the required quality standards.
- 21 For 2020-21, the Auditor General is in the process of establishing a formal Audit Quality Committee. The Committee will be specifically responsible for providing the Auditor General with assurance that appropriate resources are in place to support management, monitoring and improvement of audit quality at Audit Wales. The membership of the Committee will include an Independent Professional Member; the first such member will be the Chief Operating Officer of the Northern Ireland Audit Office.

Stakeholder feedback

- 22 We currently gather external feedback every two years via structured interviews between audit Engagement Directors and Chief Officers of audited bodies. The latest survey was conducted at the end of 2019.
- 23 The survey comprises statements which invite a ‘strongly agree’ to ‘strongly disagree’ response alongside any supporting commentary the stakeholder wishes to provide. The survey is designed to gather insight on how our work and its impact is perceived and helps us identify where improvements can be made to better deliver our ambitions.
- 24 We received a total of 33 responses to the survey in 2019. Overall, the results suggest that the majority of audited bodies hold a positive picture of our work and its impact.
- 25 Many of the supporting comments received:
- a highlight the mutual respect and positive professional working relationships between auditors and audited bodies;
 - b commend the coverage, evidence-based content and balance of our reports, data tools and good practice products; and
 - c welcome our scrutiny, challenge and independent perspective.
- 26 However, a range of recommendations for improvement were also made through the interviews, many of which align and resonate with our overall ambitions and strategic objectives, and the analysis of our operating environment summarised in our latest Annual Plan. The feedback received will be used to inform our improvement work and programme of change projects throughout the course of 2020-21.
- 27 In addition, as outlined in our [Annual Plan for 2020-21](#), over the next year we are committed to developing a more diverse range of mechanisms for capturing the views of stakeholders on the value and impact of our work, with an initial focus on seeking the perspectives of Members of the Senedd.

Stakeholder survey results



Case study examples of our work



Fully exploiting our unique perspective, expertise and depth of insight

Case study 1: Supporting the well-being of young people

- 28 This study involved looking through the lens of one particular section of the population – 16 to 24-year olds – at how well the Welsh Government aligns different policy areas to support well-being⁴. Since well-being is a broad concept, we focused our work in five areas: youth homelessness; young adult carers; young parents; mental health; and skills and employability.
- 29 In our [summary report](#), which was published in September 2019, we pointed to three broad areas where we feel there are opportunities for improvement:

Being curious



Finding out more about what matters to young people and their experiences, what support is available and how much of a difference it is making.

Being purposeful



Communicating a clear purpose for public services that inspires and empowers people to work together to improve the well-being of young people.

Being brave



Encouraging experimentation, taking well-managed risks and celebrating success.

- 30 We also published more detailed reports for each of the five focus areas, alongside an [interactive data tool](#) showing how well young people are doing in different areas of their lives. The tool includes comparisons across Wales, by gender and by age group where possible.
- 31 Knowledge sharing with key officials, practitioners and other stakeholders was conducted regularly throughout the study, which resulted in the development of strong professional networks for sharing insights and future collaboration.

4 Our work was undertaken as one strand of a broader 'youth' external review initiative with Care Inspectorate Wales, Health Inspectorate Wales and Estyn.

Case study 2: Reviewing the use of household recycling centres

- 32 Household Recycling Centres (HRCs) provide the public with additional opportunities to recycle waste and can serve to significantly increase recycling rates for relatively low investment. Easy access to sites and efficient welcoming staff can help to increase appropriate waste segregation and the willingness of the community to use the facilities.
- 33 At Flintshire County Council, we conducted an online survey, to find out more about the public's views on using the HRCs. Over a five-day period (including a bank holiday weekend) we also visited each of the sites and spoke directly to a selection of service users. In total, we collected the views of nearly 900 individuals.
- 34 According to the people we surveyed, the single most popular item they brought to HRCs in the last two years was general waste. Around two-thirds of survey respondents felt that the household collections by the Council did not meet all their recycling and residual waste needs and felt they must use the HRCs to dispose of this additional material.
- 35 The Council Policy is that all general, non-recyclable bagged waste brought to HRCs will be opened for inspection to remove recyclable items. However, in our site visits, while we observed people being questioned by staff about the contents of their bagged waste, we saw few physical checks. Several survey respondents also told us that they did not wish to recycle and knew that their bagged waste was unlikely to be physically checked.
- 36 It is not possible to say how much potentially recyclable material is included in this general waste, but the number of skips we saw being filled with black bags over five days at each of the HRC sites would suggest it could be significant. Consequently, in [our subsequent report to the Council](#), the key recommendation we made was that it is likely to be beneficial to increase public understanding of how to recycle more effectively.

Case study 3: Advocating good financial management and governance at town and community councils

- 37 Town and community councils make a significant contribution to the social and economic development of their communities. Councils are now managing more public money and provide a wider range of services than ever before. To do so effectively, they must have good financial management and governance arrangements in place.
- 38 In February 2020, we published our eighth annual report summarising issues identified during our statutory annual audits of community councils. In the report, we draw attention to the progress made by most councils on improving their financial management and governance arrangements.
- 39 However, we also highlight that there remains some distance to go before all councils meet the required minimum standards and include examples of significant failings at some councils.
- 40 It is important that all councils learn from these mistakes, which include:
- a poor decision making leading to significant losses being incurred;
 - b failures by councils in properly managing their clerks;
 - c lack of payroll records and failures to properly administer PAYE taxation arrangements;
 - d ineffective or non-existent internal audit arrangements; and
 - e failures by clerks in maintaining complete accounting records, preparing annual accounts and dealings with the external auditor.
- 41 As outlined previously, we will be changing our arrangements for town and community council audits from the 2020-21 accounts onwards. The new arrangements are designed to help identify potential issues at individual councils at an earlier stage and prevent problems from escalating. As part of these arrangements, we hope to be able to share the data gathered via an interactive tool to help focus scrutiny and any necessary actions.
- 42 As part of our broader commitment to the sector, we are also considering how we can best support improvement through our good practice work, engagement with the sector at conferences and regional meetings and by developing a programme of think pieces on relevant issues.



Strengthening our position as an authoritative, trusted and independent voice

Case study 4: Informing wider reflections on the impact of devolution

- 43 Our [report on spending trends in Wales](#) coincided with the 20th anniversary of devolution in October 2019. We carried out this work to inform scrutiny of the Welsh Government's spending plans and to facilitate wider reflection on the impact of devolved government in Wales.
- 44 Using existing national statistics on public spending for the period 1999-00 to 2017-18, we produced an open access [data tool](#) and a commentary report looking at how trends in spending on areas like health, education, environment, have varied over time. We also explored how the trends in Wales followed or diverged from patterns in other parts of the UK.
- 45 Through our analysis, we identified some interesting and perhaps surprising patterns in spending. Following publication, we received positive feedback on the importance of our analysis, including from Members of the Senedd who told us it would help them to scrutinise and hold the Welsh Government to account.



Case study 5: Mapping counter fraud arrangements across the Welsh public sector

- 46 In June 2019, we published a paper describing the counter-fraud landscape across the Welsh public sector, which includes the Welsh Government and its sponsored bodies, the NHS in Wales and the 22 unitary local authorities.
- 47 The report informed a convention on counter fraud organised by the Senedd Public Accounts Committee. The Committee subsequently made recommendations to the Welsh Government in relation to capacity and leadership for counter fraud, which they have accepted and are actively exploring how they can be best implemented.
- 48 We are now at an advanced stage of preparing a follow-up counter fraud report, having recently completed fieldwork at some 40 public sector bodies across Wales. There are clear themes emerging from our work and we will convey some important messages to public sector leaders to help develop fraud prevention and detection arrangements that are fit-for-the-future.





Increasing our visibility, influence and relevance

Case study 6: Examining the effectiveness of local planning authorities

- 49 In June 2019, we presented the findings of our review of the effectiveness of local planning authorities at the Royal Town Planning Institute Cymru's annual conference.
- 50 The planning system controls the use of land and what is built on it, and is enforced by planning authorities, which are responsible for deciding whether a proposed development should be allowed to go ahead by granting or refusing planning permission.
- 51 In [our report](#), which is supplemented by a related [data tool](#), we conclude that while planning services are key to helping to deliver the aspirations of the Well-being of Future Generations Act, due to the complexity of the planning system, reducing capacity and variable decision making, authorities have some way to go make the step change needed.
- 52 In response to our recommendations for improvement, the Welsh Government has increased fees for planning applications and is reviewing current services to make them self-funding. The Public Accounts Committee has also completed [an inquiry on planning](#) and will be publishing its report with further recommendations for improvement in the summer of 2020.



Case study 7: Using data analytics to provide real time commentary on NHS accounts

- 53 In June 2019, we reported that four of the seven health boards in Wales had failed to meet their financial duty to break even over a three-year period, according to their 2018-19 accounts. They had also failed to meet their legal duty to have an approved three-year financial plan and, as a result, the Auditor General had to qualify his audit opinion on the accounts of all four bodies.
- 54 As part of the audit work on NHS finances, we developed a tool to extract data automatically from the monitoring returns that health bodies complete every month, thereby efficiently providing auditors with up-to-date figures on which to base their commentary.
- 55 To assist members of the Public Accounts Committee and the general public in their ongoing scrutiny of NHS finances, we also made the interactive data tool openly available on our website to help users explore local trends and patterns and develop new insights. The version of the tool on our website will continue to be updated and reissued twice a year.



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

Case study 8: Investing in our graduate trainees and apprentices

- 56 Our graduate trainee scheme is going from strength to strength. The four-year scheme gives graduates the opportunity to gain a professional accountancy qualification whilst working to develop a range of other finance related skills. In 2019, we recruited our largest ever cohort of trainees – 18 in total, taking the total number of trainees employed to 49. A further 13 trainees are due to join us in Autumn 2020.
- 57 We also continued to expand our apprenticeship programme, recruiting an additional three financial audit apprentices and two business administration apprentices in 2019-20, taking our total number of apprentices to 11. We plan to launch a public sector finance apprenticeship in collaboration with other public bodies in Wales during 2021, which will enable us to offer opportunities to a larger and more diverse range of individuals.

- 58 We are an accredited training organisation provider for three of the four professional accountancy bodies. Most of our trainees are currently studying with the Institute of Chartered Accountants in England and Wales (ICAEW) and, during the year, 41 trainees successfully moved on to the next stage of their studies. Those studying for their Professional and Advanced level examinations, collectively achieved an 87% first-time exam pass rate.
- 59 Trainees are also offered the opportunity to undertake a six-month secondment in another part of the Welsh public sector as part of the Finance Skills and Development Initiative⁵. In 2019-20, nine of our trainees completed placements at bodies including Velindre University Health Board, Natural Resources Wales, Public Health Wales, Gwent Police and several local authorities.
- 60 In recruiting graduates and apprentices, we are now, more than ever, looking for the skills that ensure we remain at the forefront of innovative public audit where we make best use of technology when undertaking our work. This year, three trainees were seconded into our Digital Team – the team tasked with improving our use of data and technology.
- 61 The trainees, selected for their digital skills and awareness of emerging technologies, worked on developing a variety of projects. These included new tools and systems that assist staff in working from home, enable automatic transcription of meeting and interview notes, and improve remote access to our audited bodies' financial systems. The trainees' input was so impactful that we are now looking at ways to further increase involvement from trainees and apprentices in our digital work.

5 Under the initiative, which aims to promote the value and importance of a career in public finance, partner organisations offer secondment opportunities for finance trainees to spend periods of time at other publicly funded bodies.

Case study 9: Re-focusing our provision of learning and development opportunities

- 62 We continue to invest in learning and development to support our staff in the delivery of their work. In 2019-20, the average amount of time spent per employee on a range of learning and development activities was around 12 days. Some of the training was designed and delivered in-house, but where appropriate and cost-effective, we also commission external support to deliver training to our bespoke requirements.
- 63 However, our staff survey results show that we need to do more to ensure our provision of learning and development opportunities meets individual, team and business needs.
- 64 In 2019-20, as part of our overall People Strategy, we ran a more focused learner survey to explore in more detail what staff felt a better learning and development programme should look like. The overwhelming response was that staff wanted a broader range of learning opportunities and mechanisms that could be better adapted to the needs of the individual.
- 65 In response, among other initiatives we have:
- a established a core skills programme covering a broad range of topic areas such as ‘presenting with impact’, ‘personal resilience’, and ‘art of conversation’, while reinforcing the message of personal responsibility and self-improvement;
 - b commenced coaching skills training for all staff as part of a drive to build a coaching culture – early feedback suggests this training is empowering staff to have more effective conversations with colleagues at all levels;
 - c extended our 360-degree feedback scheme to include all managers to ensure greater self-awareness and more-focused development needs; and
 - d launched a mentoring programme to provide staff with the opportunity to be mentored by more experienced colleagues, alongside reverse-mentoring opportunities whereby staff in more senior roles can stay better connected with the day-to-day demands of more junior roles.
- 66 Continuing to progress these initiatives and refocus our provision of learning and development opportunities will be an important element of our People Strategy work in 2020-21.

Our use of resources

- 67 For several years, we have been working hard to embed the principle of sustainable development⁶ in the way we run our business, and in the way we resource our audit work. In this section we provide some high-level commentary on how we have managed our use of resources in 2019-20.
- 68 While neither the Auditor General nor the Wales Audit Office are listed public bodies for the purposes of the Well-being of Future Generations (Wales) Act 2015, we nonetheless seek to maximise our contribution to achieving the seven Welsh well-being goals:
- a A prosperous Wales
 - b A resilient Wales
 - c A healthier Wales
 - d A more equal Wales
 - e A Wales of cohesive communities
 - f A Wales of vibrant culture and thriving Welsh language
 - g A globally responsible Wales.
- 69 In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2019-20 contributed to one or more of the 17 United Nations Sustainable Development Goals⁷.



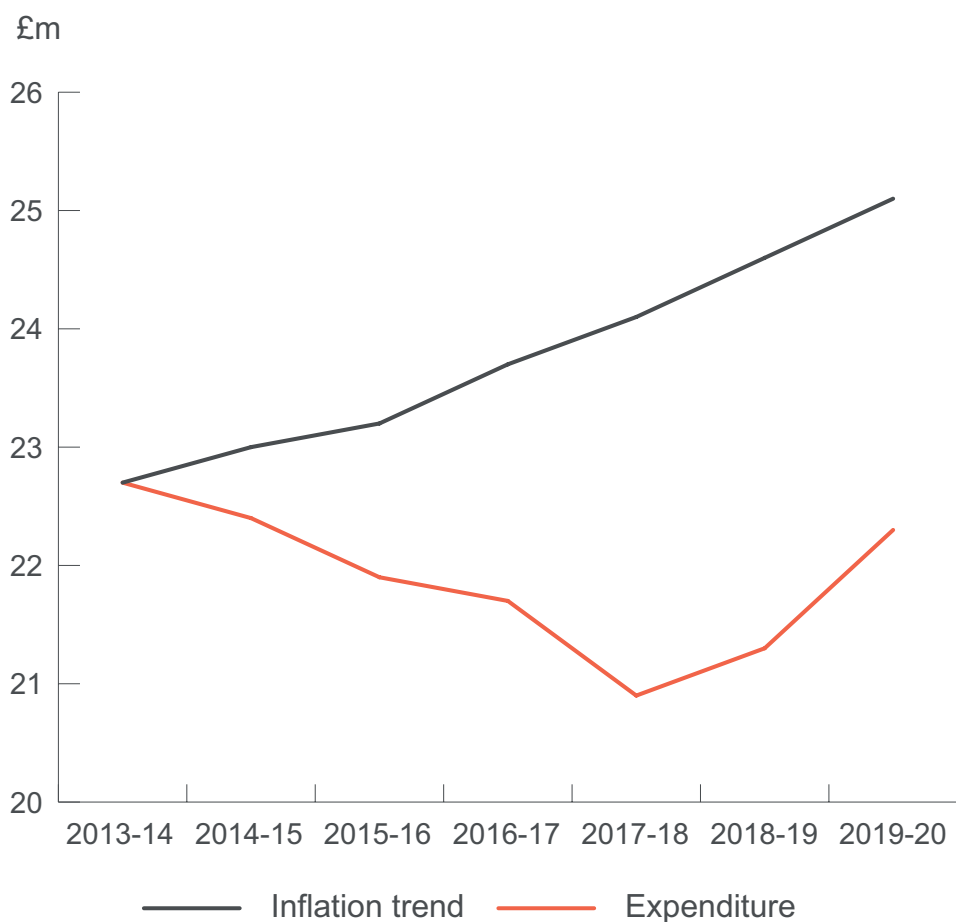
6 Defined in the Well-being of Future Generations (Wales) Act 2015 as acting 'in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'.

7 In alignment with HM Treasury Public sector annual reports: sustainability reporting guidance 2019-20.

Financial management and efficiencies

70 Since 2013-14, the Wales Audit Office has reduced its expenditure by 11% in real terms⁸, as illustrated below. Cumulative savings generated across those years amount to £13.2 million, reducing both the call on the Welsh Consolidated Fund, other than for new responsibilities, and the amount required to be raised from fees charged to audited bodies.

Expenditure trend



71 In 2019-20, our total gross expenditure was £107,000 (0.5%) less than the approved Estimate for the year.

72 We were able to use savings on staffing and other costs during the year to fund a voluntary exit scheme as part of our ongoing workforce planning. This will deliver annual savings of £322,000 in the future, positively impacting on our medium-term financial plan.

8 Based on GDP deflators published by Office for National Statistics in March 2020.

- 73 Overall savings identified for 2019-20 total some £681,000, which include savings from previous voluntary exit schemes and savings identified through transformation projects and reviewing our audit approaches.
- 74 We have developed a value for money framework which was set out in our Estimate for 2020-21, identifying the areas where we expect to deliver future savings for our Medium Term Financial Plan.
- 75 In 2019-20, we invested £188,000 of capital funding in five areas, some of which will help us deliver further efficiency savings in coming years:
- £69,000 on additional video conferencing equipment aimed at reducing the amount of travel that our staff need to undertake, saving both time and money;
 - £63,000 on new hybrid laptops which allow our staff to work more efficiently and enable all our staff to work effectively from home, which has been business-critical during the COVID-19 lockdown;
 - £15,000 on further developing the use of SharePoint for our performance audit work;
 - £14,000 on essential improvements to our IT network including enhanced network security; and
 - £27,000 for essential repairs and other improvements to our office accommodation including changes to facilitate new ways of working.

Staff engagement and the employee experience

- 76 During the year we used a variety of media and mechanisms to provide our employees with corporate information, to encourage the involvement of employees in the organisation's performance, and to consult with employees so that their views can be considered when making decisions which are likely to affect their interests.

- 77 These included:
- a posting regular blogs from members of the Board and Executive Leadership Team, and making Board and Leadership Team minutes readily available for viewing on our intranet;
 - b encouraging staff to share information and good practice through an internal social media network;
 - c appointing four employee members to the Executive Leadership Team, who attend meetings in rotation;
 - d arranging 'partnership forum' meetings with trade union representatives and engaging such representatives in the process for preparing or revising specific policies and organisational development initiatives, where relevant; and
 - e holding a well-received all-staff 'unconference' in November 2019.
- 78 In October 2019, we again ran an all-staff survey to keep our finger on the pulse of the employee experience and identify where we need to improve. For the third year running, we used the same core survey questionnaire as used in the Civil Service People Survey (CSPS).
- 79 Overall, our survey results in 2019 were an improvement on those from the previous year. Responses were notably more positive for several important employee experience statements, including in relation to senior managers being sufficiently visible, and the Board and senior managers having a clear vision for the future of the organisation.
- 80 Our results in 2019 also remain strong in comparison to the CSPS average, and in many cases, the CSPS high performance benchmark (upper quartile). When compared to these benchmarks, our staff are generally satisfied with their pay and benefits package, feel a very strong attachment to the organisation and feel they have the tools to get on with their job effectively. This positivity was reflected in our strong overall engagement index score of 69%.
- 81 However, our survey results do not yet benchmark as strongly in the following areas, which continue to inform our future planning priorities:
- a leadership and change management;
 - b learning and development; and
 - c the effectiveness of performance feedback.
- 82 The [full survey results](#) can be accessed via our website. We will be repeating the survey in October 2020.

Health and well-being

- 83 We are committed to encouraging a healthy lifestyle and a good work-life balance amongst our staff. We also want our staff to feel valued and fully supported when they are experiencing difficulties, irrespective of whether there is an impact on their ability to undertake their role.
- 84 Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their well-being, including through an annual programme of events and through offering a health screening service.
- 85 In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility, which provides staff with professional advice and emotional support on a range of matters.
- 86 At an organisational level, in our staff survey we include four questions used by the Office for National Statistics as part of their Measuring National Well-being programme⁹. We also calculate the Proxy Stress Index¹⁰ and PERMA index¹¹ using questions in the CSPA questionnaire which have been shown as important elements of well-being. In October 2019, responses from our staff were typically more positive than those of a CSPA 'high performing' organisation.
- 87 One notable exception was the proportion of staff reporting high levels of anxiety, which has gradually increased over the three years we have run the survey. We will undertake further work to explore the reasons for this increase during 2020-21.

9 Overall: (i) How satisfied are you with your life nowadays? (ii) To what extent do you think the things you do in your life are worthwhile? (iii) How happy did you feel yesterday? (iv) How anxious did you feel yesterday?

10 Which aligns to the Health and Safety Executive stress management tool.

11 Which measures the extent to which employees are 'flourishing' in the workplace; it is based around the five dimensions: Positive emotion, Engagement, Relationships, Meaning and Accomplishment. Further information can be found in the [Civil Service People Survey 2019 Technical Guide](#)

- 88 We also closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 5.8 days per employee were lost to sickness absence during the reporting year ending 31 March 2020 (compared to 6.7 days per employee for the previous year, and an average of 8.0 days for the public sector¹²).

3 GOOD HEALTH AND WELL-BEING



Equality and human rights

- 89 We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.
- 90 We are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010. We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998.
- 91 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) on progress made towards delivering our equality objectives in 2018-19 is available on our website. Our report for 2019-20 will be published in summer 2020.

5 GENDER EQUALITY



10 REDUCED INEQUALITIES



Promoting use of the Welsh language

- 92 We take pride in providing a bilingual audit service. Our public documents are available in both Welsh and English, we have a fully bilingual website, and throughout 2019-20 we communicated with the public, audited bodies and the media in both languages. We also actively encourage staff to learn Welsh and to use the Welsh language in their work and socially.
- 93 We are committed to implementing and maintaining the Welsh Language Standards. Our [Compliance Notices](#) can be found on our website, alongside our Annual Report on the Welsh language.

Procurement of additional audit resource

- 94 In 2019-20, as part of a 'mixed economy' approach to audit resourcing, Wales Audit Office staff delivered around 90% of the Auditor General's work programme, complemented by a further 10% of audit resource contracted mainly from private sector accountancy firms.
- 95 Our contract with those firms ran to 31 March 2020 and covers audits up to and including those for the 2019-20 financial year.
- 96 As outlined in more detail in [last year's Annual Report](#), in February 2019, the Board took the decision not to invite tenders for audits beyond 2020; as a result, all Auditor General audits for the 2020-21 financial year will be conducted solely by Wales Audit Office staff.

Community and charity work

- 97 We recognise the benefits that community and charity work by staff can bring to the wider community and applaud our staff for their individual efforts. Staff can apply the skills they have developed in the workplace and can develop new skills, whilst improving their morale, physical health and work-life balance.
- 98 Subject to operational requirements, we support employees who wish to undertake community or charity activities such as community care work, participating in conservation projects and the administration of public events.

99 Wales Audit Office staff chose the Wales Air Ambulance Charity as the new focus for their fundraising activities from November 2019, after previously supporting charities involved in helping people who are homeless or who have been dispossessed.

3 GOOD HEALTH AND WELL-BEING



100 Over the course of the year and in their own time, our staff held several fundraising and donation events, including regular raffles and cake sales, and a Six Nations Championship scores and results predictor competition.

Environmental stewardship¹³

<p>Accredited at Level 5 of the Green Dragon Environmental Standard</p>	<p>Reduced our consumption of paper by 28%</p>	<p>Recycled over 70% of our waste</p>	<p>Used carbon credits to offset 100% of our greenhouse gas emissions</p>

101 In 2019-20, we were proud to maintain our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.

13 Prepared in accordance with HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance 2019-20.

- 102 As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset¹⁴ all our carbon dioxide equivalent emissions (tCO₂e) including those resulting from our business travel, by supporting the following projects:
- a [Portel-Pará reduced deforestation project in Brazil](#) (86 tCO₂e)
 - b [Wind-based power generation project by Panama Wind in India](#) (86 tCO₂e)
 - c [Production of ceramic water purifiers in Cambodia](#) (86 tCO₂e)
 - d [Planting trees in the UK](#) (86 tCO₂e)
- 103 We are also committed to seeking to maintain and enhance biodiversity so far as is consistent with our functions. In December 2019, we published our [first report on compliance with the Environment \(Wales\) Act 2016 Biodiversity and Resilience of Ecosystems Duty](#), which covered the period 1 April 2016 to 31 March 2019. The report also set out six specific objectives to help us better perform the Duty in the future.
- 104 In 2019-20, we continued to invest in Skype for Business – a system which allows our staff to collaborate and communicate with each other, and with outside contacts, through phone calls, video conferencing, screen sharing and instant messaging, via their laptops and regardless of where they are working. This significantly reduces the need for colleagues and client staff to travel to meet and work together; in 2019-20, we reduced car business travel by just under 50,000 miles.
- 105 Our investment in remote working technology has been critical in ensuring business continuity, through enabling our staff to work safely and effectively from home, since lockdown measures were [announced by the UK Government on 23 March 2020](#) in response to the COVID-19 outbreak.
- 106 Most of our staff also use laptops which combine the size format of tablets with mobile device functionality, reducing the need for the printing of meeting papers and enabling them to take notes onscreen.
- 107 We are committed to using recycled stationery products and using the Buying Standards as a guide for cleaning, construction and purchase of equipment. We also invested in multi-functional machines that are of high productivity, value for money and have low environmental impact for our offices.

14 Carbon offsetting is the use of carbon credits to enable organisations to compensate for some of their emissions. Organisations can make up for some of the carbon emissions by buying credits in projects and funding an equivalent carbon dioxide saving elsewhere.

- 108 During the year, we offered a cycle-to-work scheme for staff, alongside providing pool bicycles for our offices and a large bike cage at our Cardiff office, to help further reduce our environmental impacts and improve the health and well-being of our staff.
- 109 We also undertook preventative repairs to our Cardiff office to improve its overall performance and continued to support an environmental champions staff group in their work on promoting the sustainability principle and raising awareness of various initiatives.

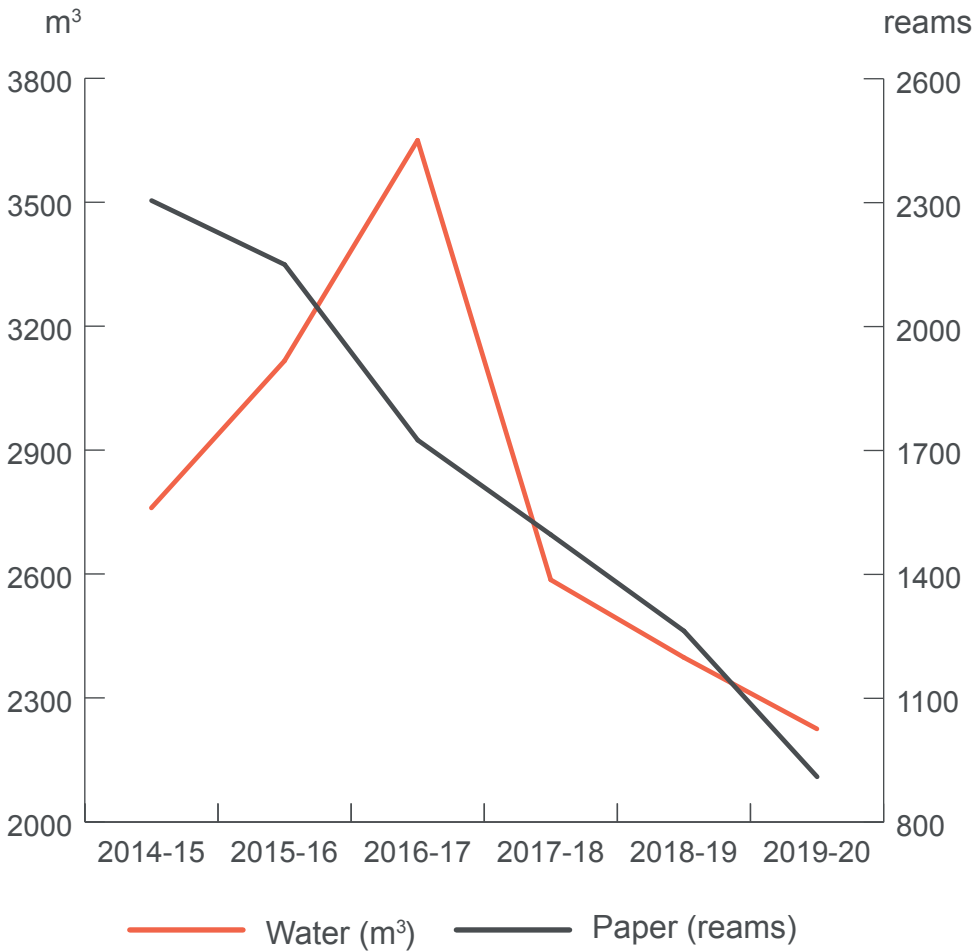
13 CLIMATE ACTION



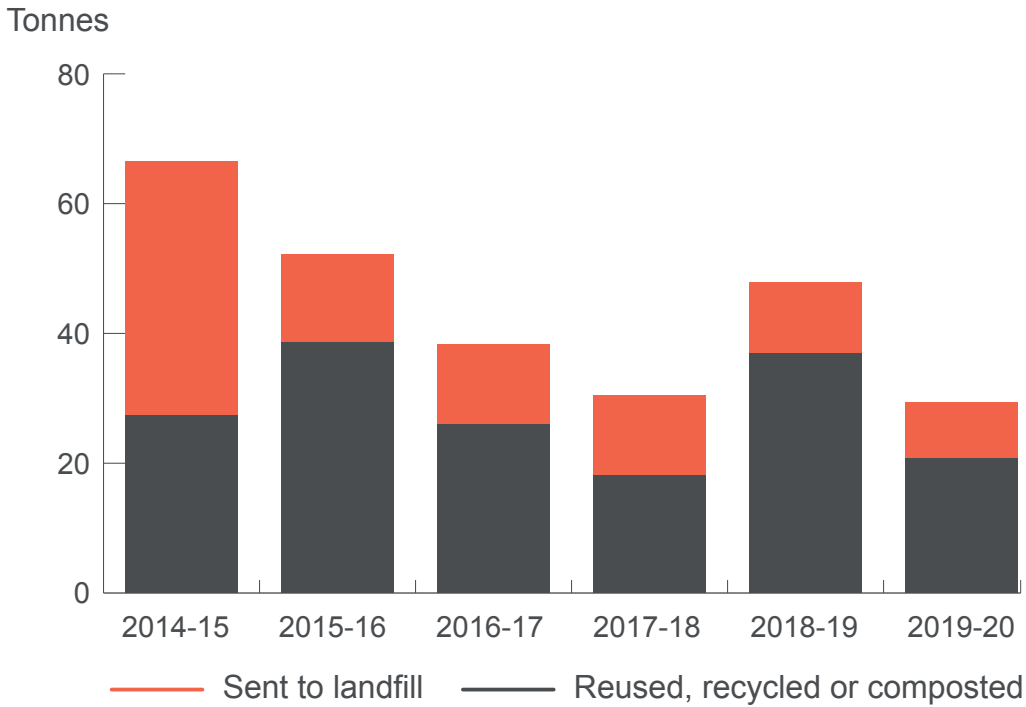
15 LIFE ON LAND



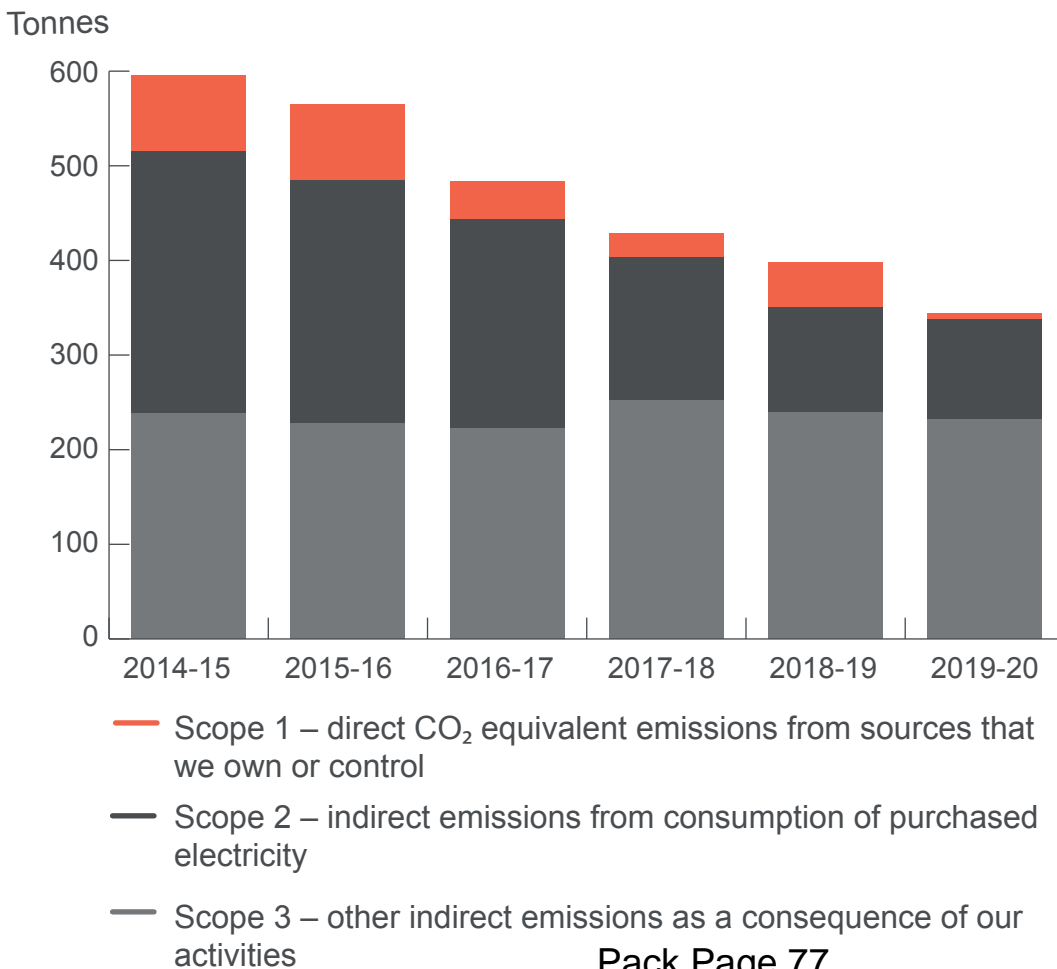
Finite resource consumption



Waste minimisation and management



Greenhouse gas emissions



Energy consumption

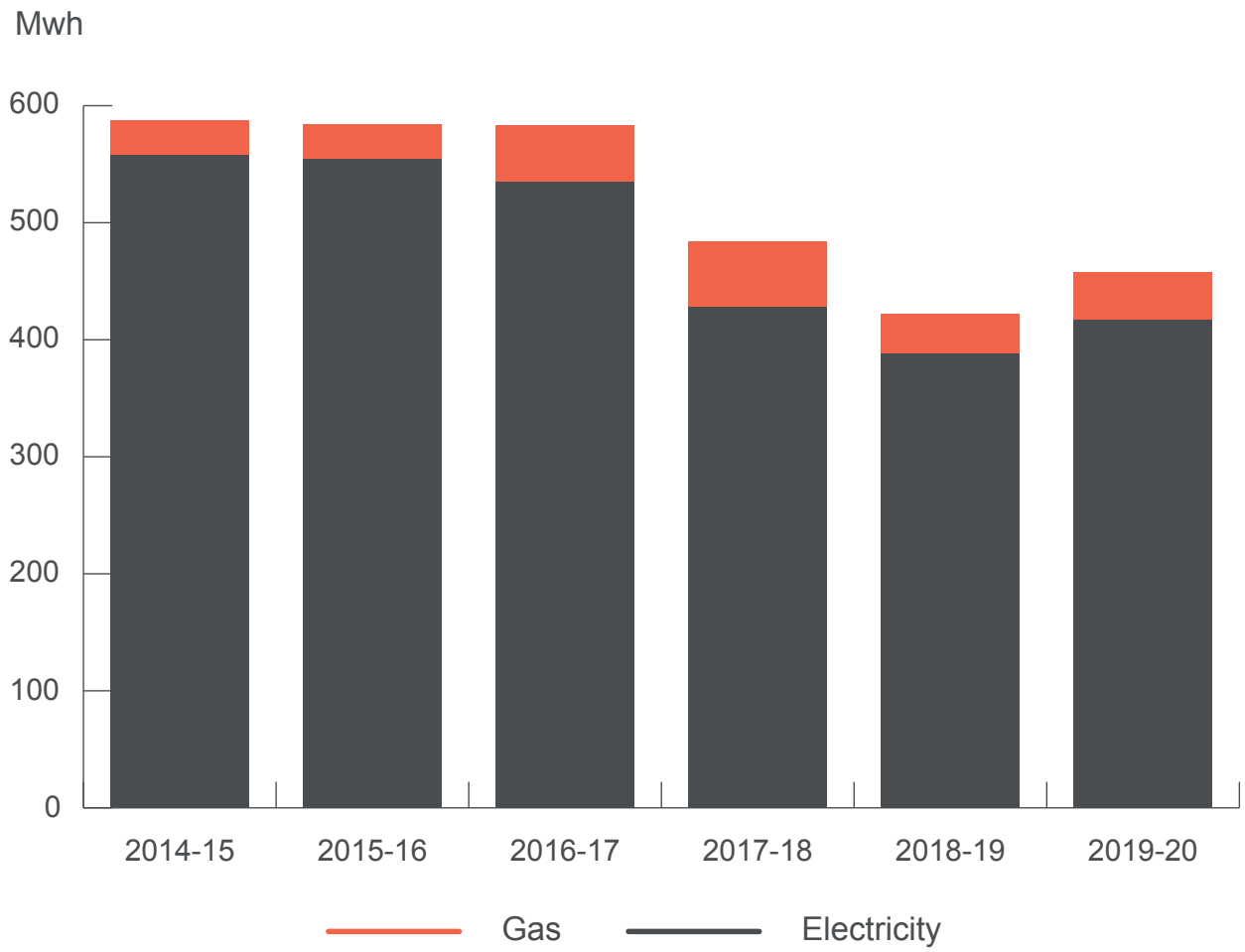


Table providing more detailed information on our environmental management, finite resource consumption and waste minimisation and management over the last five years

	2015-16	2016-17	2017-18	2018-19	2019-20
Environmental management					
Level of Green Dragon accreditation	4	4	4	5	5
Finite resource consumption¹⁵					
Water consumption m ³ ¹⁶	3,116	3,650	2,586	2,398	2,225
Water consumption m ³ per FTE	10.5	13.9	10.0	9.1	8.3
Water supply costs £	6,280	6,219	3,564	4,389	4,890
Paper consumption in reams	2,150	1,725	1,496	1,263	910
Paper supply costs £	5,609	4,269	3,737	3,894	2,697
Waste minimisation and management¹⁷					
Total waste tonnes	54.9	38.7	33.2	47.9	29.5
Reused, recycled or composted	38.6	26.0	18.1	36.9	20.8
ICT waste recycled and reused (externally)	2.6	0.7	0.2	0.5	0.3
Furniture and equipment (externally)	12.3	2.6	0.0	3.8	5.4
Mixed recycling, paper, food waste, garden	23.7	22.6	17.9	32.6	15.3
Landfill	13.7	12.4	12.4	10.5	8.6
Hazardous	2.5	0.4	2.7	0.5	0.1
Reused, recycled, composted as % of total waste ¹⁸	70.4	67.0	54.5	76.9	70.9
Total disposal costs £	16,400	13,466	9,964	13,340	10,896

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

16 Billing periods are not aligned with the financial reporting period, so 2019-20 consumption figures are an estimate. Our increased water consumption in 2016-17 was primarily due to a leak which has subsequently been fixed.

17 Calculated using appropriate WRAP conversion factors; hazardous waste includes ICT disposals and interceptor cleaning. The 2018-19 waste increase was due to replacement of furniture and IT equipment beyond useful life, and garden waste for a new hardstanding.

18 Eighty-eight per cent for the Welsh Government in 2018-19 ([State of the Estate Report 2018-19](#)).

Table providing more detailed information on our greenhouse gas emissions and efficiency of estate management over the last five years

	2015-16	2016-17	2017-18	2018-19	2019-20
Greenhouse gas emissions¹⁹					
Total emissions tonnes CO ₂ e	533.0	483.7	419.0	397.5	344.6
Attributable to business travel	272.3	233.2	242.1	229.0	221.7
By car	232.7	199.5	215.7	188.7	178.3
By rail and air	39.6	33.7	26.4	40.3	43.4
Attributable to energy consumption	233.8	227.8	160.7	116.1	112.0
Electricity	228.3	220.5	150.5	109.8	104.7
Gas	5.5	7.3	10.2	6.3	7.3
Attributable to other ²⁰	23.6	22.6	16.1	52.4	10.8
Total expenditure on business travel £000 ²¹	1,258	1,232	1,204	1,205	1,148
Cost per FTE of business travel £	4,972	4,720	4,658	4,566	4,291
Total energy expenditure £	64,394	57,051	54,676	60,046	73,071
Efficiency of estate					
Cost per FTE ²² £	3,228	3,072	3,317	3,378	3,368
Cost efficiency ²³ £ per m ²	300	287	306	318	321
Space efficiency ²⁴ m ² per FTE	10.7	10.7	10.8	10.6	10.5

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

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

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

22 Compared to £3,428 for the Welsh Government as of 31 March 2019.

23 Including rent, rates and other costs.

24 Compared to 14.7 m² per FTE for the Welsh Government as of 31 March 2019. We include contractors in our FTE total, to ensure a like-for-like benchmarking comparison.



Accountability Report

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

Adrian Crompton

Auditor General for Wales and Accounting Officer

17 June 2020

Corporate governance report

Directors' report

Our Board



Adrian Crompton

Auditor General for
Wales



Alison Gerrard

Non-executive
member



Amanda Hughes

Elected employee
member



Anne Beegan

Elected employee
member



Bill Richardson

Non-executive
member



David Francis

Non-executive
member



Isobel Everett

Chair of the Board



Kevin Thomas

Appointed employee
member



Lindsay Foyster

Non-executive
member and Senior
Independent Director

Our Executive Leadership Team



Adrian Crompton

Auditor General for Wales



Ann-Marie Harkin

Audit Director



Anthony Barrett

Assistant Auditor General



Clare James

Employee Member



Emma Woodcock

Employee Member



Harrie Clemens

Employee Member



Kevin Thomas

Director of Corporate Services



Matthew Edwards

Employee Member



Mike Usher

Sector Lead,
Health and Central Government



Steve O'Donoghue

Director of Finance and HR

Auditor of the Wales Audit Office

- 110 RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Senedd Finance Committee since 1 March 2015, most recently for a period of 48 months commencing 1 November 2018.
- 111 In addition to their work to form an opinion on the financial statements and regularity, the auditor may carry out examinations into the economy, efficiency and effectiveness with which the Auditor General or Wales Audit Office has used resources in discharging their functions and lay a report of the results of any such examinations before the Senedd.
- 112 Details of the cost of external audit services are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

- 113 Under paragraph 33 of Schedule 1 to the Public Audit (Wales) Act 2013, the Auditor General is the Accounting Officer for the Wales Audit Office and must, for each financial year:
- a keep proper accounts and proper records in relation to them; and
 - b prepare a statement of accounts in the form and on the basis set out in the Accounts Direction issued by the Senedd.
- 114 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Wales Audit Office's assets, are set out in the Government Functional Standard: Finance and Managing Welsh Public Money.
- 115 Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.

- 116 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:
- a observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b make judgements and estimates on a reasonable basis;
 - c state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
 - d prepare the accounts on a going concern basis.
- 117 The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Wales Audit Office and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.
- 118 As Accounting Officer, I confirm that:
- a this Annual Report and Accounts as a whole is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable;
 - b I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information; and
 - c as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware.

Governance statement

- 119 This statement sets out the control structure of the Wales Audit Office and provides an account of corporate governance and risk management, alongside a description of the principal risks and uncertainties we face.
- 120 My responsibilities as Accounting Officer are set out in the Statement of Accounting Officer's responsibilities. In discharging these responsibilities and amongst other requirements, I must seek to ensure that:
- a a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
 - b the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.
- 121 When preparing this Governance Statement, we were in the midst of the lockdown measures introduced towards the end of March 2019 in response to the COVID-19 outbreak. As an employer, we continue to closely monitor the fast-moving situation and operate in accordance with guidance issued by the Welsh Government. Our immediate priorities in terms of corporate governance and risk management have been fundamentally altered as we focus on the well-being of our employees, maintaining business continuity and supporting the wider public sector and community.

Corporate governance

The governance framework

- 122 The governance framework of the Wales Audit Office, including information on the coverage of the Board's work and that of its committees, is summarised in the exhibit overleaf.
- 123 Our Board of nine members comprises a majority of five non-executive members (including the Chair), the Auditor General, an employee member appointed on the Auditor General's recommendation and two elected employee members. The Board meets formally at least six times a year.
- 124 There is a Senior Independent Director whose responsibilities include: deputising for the Chair when she is unable to act; appraising the performance of the Chair; receiving disclosures from whistle-blowers outside the normal line management chain; and overseeing the election of employee members to the Board.

- 125 The relationship between the Wales Audit Office and the Auditor General is governed by a Code of Practice which is approved by the Senedd and reviewed periodically.
- 126 The Board has established two committees which operate in an advisory capacity:
- a the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member; and
 - b the Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member.
- 127 The elected employee Board members are not members of the Executive Leadership Team nor involved in senior-level decision-making other than in a Board capacity. The Board is satisfied that there are no conflicts of interest in their Committee membership and that, where conflicts arise, they are managed and mitigated effectively.
- 128 I chair an Executive Leadership Team to direct, oversee and monitor the implementation of the ambitions and priorities set out in our Annual Plan. It meets at least once a month and comprises five directors and four employee members. The employee members attend meetings in rotation²⁵.
- 129 The Board and its Committees, and the Executive Leadership Team are supported by a Board Secretary. There is a forward programme of business that informs their provisional agenda, designed to ensure that business is conducted as efficiently and effectively as possible.
- 130 Further information on membership of the Board and Executive Leadership Team can be found in the Directors' Report.
- 131 Since the introduction of social distancing measures in March 2020 and the temporary closure of all three of our offices, the Board, its Committees and the Executive Leadership Team have continued to operate effectively using videoconferencing technology. Only one meeting of the Executive Leadership team, scheduled for early April, was cancelled and business deferred to a later meeting.

25 The employee members have arrangements in place to share any relevant information and intelligence, enabling them to contribute effectively to the Executive Leadership Team's discussions.

Finance Committee of the Senedd

Scrutinises the Wales Audit Office’s use of resources, recommends the appointment of the Auditor General and non-executive members of the Wales Audit Office, and is responsible for the appointment of the Wales Audit Office’s external auditor.



Wales Audit Office Board

Monitors the exercise of the Auditor General’s functions.
 Provides the Auditor General with advice.
 Employs staff and provides resources for the exercise of the Auditor General’s functions.
 Charges fees for work done by the Auditor General.
 Prepares jointly with the Auditor General an estimate of income and expenses, fee scheme, annual plan, interim report(s) and an annual report.



Remuneration and HR Committee

Advises the Board by scrutinising and challenging three broad areas of human resources management and development:

- a governance;
- b performance; and
- c policy and remuneration.



Audit and Risk Assurance Committee

Advises the Board by:

- a reviewing the comprehensiveness and reliability of sources of corporate assurance;
- b reviewing the integrity of the annual report and accounts; and
- c providing an opinion on how well the Board and the Accounting Officer are supported in discharging their respective roles.



Executive Leadership Team

Directs and oversees implementation of the strategic objectives and programmes of work described in the Audit Wales Annual Plan
 Acts as a change management programme board, setting the programme’s direction and providing resources for its implementation



Attendance at Board and committee meetings 2019-20

Table showing the number of Board and committee meetings held in 2019-20, and the number of meetings attended by members of the Board and its committees, and by members of the Executive Leadership Team (ELT)²⁶ who are not Board members

	Board	ARAC	RHRC	ELT	MC
Number of meetings held	6	4	3	12	5
Members of the Board and its committees					
Adrian Crompton ²⁷	6	4	3	11	5
Alison Gerrard, Chair of the Audit and Risk Assurance Committee (ARAC)	6	4			
Amanda Hughes	6		3		
Anne Beegan	6	3			
Bill Richardson, Chair of the Remuneration and HR Committee (RHRC) ²⁸	6	1	2		
David Francis	6		3		
Dianne Thomas, Independent Member of ARAC ²⁹	1	4			
Isobel Everett	6	3			
Kevin Thomas ³⁰	6	4		10	5
Lindsay Foyster	6		3		

26 At the start of the year I announced proposals to change the membership and refocus the purpose of the former Management Committee (MC). The newly constituted Executive Leadership Team (ELT) replaced the Management Committee and held its first meeting on 10 July 2019.

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

28 Bill Richardson attended one ARAC meeting as an observer in his capacity as Chair of RHRC.

29 Dianne Thomas attended one Board meeting in her role as Independent Member of ARAC.

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

	Board	ARAC	RHRC	ELT	MC
Number of meetings held	6	4	3	12	5
Members of the Executive Leadership Team who are not Board members³¹					
Ann-Marie Harkin	1			11	
Anthony Barrett	6			11	5
Clare James	1			3	
Emma Woodcock	1			6	
Harrie Clemens	1			3	
Jane Holownia ³²					4
Matthew Edwards				4	
Mike Usher	2			11	5
Steven O'Donoghue	5	4	2	10	5

Account of corporate governance

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

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

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

134 The Board is satisfied with the quality of the information it receives, although there is scope to improve both its breadth and timeliness and to ensure that the focus of the work of the Executive Leadership Team and the Board is more closely aligned; work is in hand to address these points.

31 Steve O'Donoghue, as Director of Finance and HR, is required to attend all meetings of the Board, ARAC and RHRC. The Assistant Auditor General, Anthony Barrett, has a standing invitation to attend Board meetings. The Board may invite or require other ELT members to attend all or part of meetings as appropriate.

32 Jane Holownia left the Wales Audit Office under a voluntary exit agreement on 30 June 2019 and was not replaced.

- 135 When carrying out our work, the Wales Audit Office and I (in my capacity both as Auditor General and Accounting Officer) apply formal Schemes of Delegation. The schemes of delegation inform the terms of reference of the Board, its committees and the Executive Leadership Team, which are reviewed annually.
- 136 The Board operates a Code of Conduct under which the Board Secretary maintains members' registers of interests which are reviewed annually and updated during the year to capture any changes notified by members. This ensures that potential conflicts of interest, including risks to the Auditor General's independence, are identified on an ongoing basis and appropriate action is taken to mitigate them. We publish the Registers on our website³³.
- 137 The Chair of the Wales Audit Office Board and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the Senedd Finance Committee.
- 138 The Head of Internal Audit and the External Auditor continue to have open and confidential access to the Chair of the Audit and Risk Assurance Committee. In addition, the Committee holds a private session with the internal and external auditors before each committee meeting.
- 139 On a voluntary basis, the Wales Audit Office assesses its arrangements against the requirements of the Code of Good Practice for Corporate Governance in central government departments. The Board is satisfied that it complies with those requirements insofar as they are relevant and practical given the need to preserve the Auditor General's independence. The arrangements do not comply with the Code's requirements in respect of the following aspects:
- a the Wales Audit Office is not a ministerial department, nor does it report to or receive instructions from ministers or their officials;
 - b the role and responsibilities of the Board and its membership are set in statute; and
 - c the Board has not established a nominations committee, but the functions described in the Code are undertaken by the Board and the Remuneration and HR Committee.

33 Registers of interests for individual members of our Board and Executive Leadership Team can be accessed via the 'Read More' links on the Who's who page of our website.

Board performance and effectiveness review

- 140 The Board completed a self-assessment of its effectiveness and considered the results in March 2019. It measured itself as moderately to highly effective across all aspects of the assessment and was satisfied overall that the results revealed nothing unexpected. Several actions were taken over the course of 2019-20 to address some of the areas identified for improvement, including the development of more interactive formats for the reporting of risk, performance and other management information.
- 141 In 2019, the Board agreed to commission an independent review of its effectiveness, the previous such review having been completed in 2016. The procurement exercise did not attract sufficient interest for the Board to award a contract. At the end of the year, the Board was considering its options in light of the planned appointment of a new Chair later in 2020, and the restrictions imposed to manage the COVID-19 health emergency. The Board remains committed to commissioning an independent review every three to five years.
- 142 As part of their annual reporting requirements, the Board committees each complete a self-assessment of their effectiveness. The Audit and Risk Assurance Committee assesses itself against the good practice principles described in [HM Treasury's Audit Committee Handbook](#). The Remuneration and HR Committee has adapted that assessment to ensure that it is relevant and proportionate to its needs. The Board is satisfied with the robustness of the assessments and content that there are no matters of concern.
- 143 The Board has in place a process for conducting members' performance appraisals operating on a 12 to 18-month cycle. They were last completed in May 2020. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle.
- 144 The Board has a learning and development plan which is updated annually. The plan sets out the arrangements for induction training and for meeting ongoing learning and development needs identified during the year, including those identified through the performance appraisal process.

Report of the Audit and Risk Assurance Committee

- 145 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2020, summarising its conclusions from the work it had undertaken during 2019-20.

- 146 The Committee provided assurance that:
- a the risk assessment and risk management arrangements appear to be robust and operating effectively though management was due to review the policy framework;
 - b financial reporting is consistent with the requirements of the Government's Financial Reporting Manual and reports are prepared in accordance with appropriate accounting policies;
 - c its strategic reviews of the assurance map suggest that, whilst there are some gaps, the internal control framework is operating effectively;
 - d the broader governance arrangements for identifying and reporting wrongdoing such as fraud and money laundering are robust and in line with good practice; and
 - e the internal and external auditors provide constructive challenge and positive contributions at Committee meetings.
- 147 The Committee also observed during the year that management is fully engaged in meeting the Board's assurance needs and is receptive to the ongoing challenge of members and the auditors.
- 148 To inform the Committee's terms of reference and its work programme, members encouraged the Board to consider whether it intends to delegate responsibility for providing assurance that the Wales Audit Office is properly managing its cyber risk.
- 149 The Committee's self-assessment demonstrates that it is following accepted good practice.

Report of the Remuneration and HR Committee

- 150 In 2019-20, much of the Committee's attention focused on pay and reward, with the re-opening of discussions on the 2018-20 pay settlement following a change in Government policy and consideration of the pay strategy for 2020-21. In navigating through these issues, the Committee was mindful of the longer-term impacts of the Board's decisions, including for the medium-term financial plan and the workforce strategy.
- 151 The other significant issue for the Committee was the capacity in the HR team to support the Board's strategic ambitions captured in its People Strategy, an issue also noted in the Committee's 2018-19 report. The team had experienced a significant level of staff turnover and was susceptible to fluctuating and competing demands for its services.

- 152 Towards the end of the year, the Committee noted that the HR team was beginning to establish itself more effectively in its business partnering role. However, members were conscious of the need for ongoing investment if the team is to support the business effectively in delivering its ambitions. In that respect, the Committee noted that the robustness of the policy framework and its effective implementation are critical to releasing capacity in the HR team for the more strategic, value-added support for delivering the overall ambitions.
- 153 The Committee continued to monitor delivery of the People Strategy and was content overall with progress, subject to ensuring that the implications of any slippage from 2019-20 were fully captured. The Committee is also keen to ensure that there are effective arrangements in place for the transition to the workforce strategy which the Board is expected to approve during 2020.
- 154 Overall, the Committee is broadly satisfied that the Wales Audit Office's remuneration and HR arrangements:
- a support the Board's strategic aims;
 - b enable the efficient, effective and economic conduct of business including the recruitment, motivation and retention of staff; and
 - c comply with regulatory requirements, including ensuring that the disclosures in the annual remuneration report are in accordance with legal requirements.
- 155 However, there is more to do to ensure that the benefits of these arrangements are fully realised. The Committee has made several recommendations, which it will monitor as part of its work programme in 2020-21.
- 156 The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern.

Internal auditor's report

- 157 Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP have been appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21.
- 158 The Head of Internal Audit prepared an internal audit strategy and plan for 2019-20 which was approved by the Audit and Risk Assurance Committee at its meeting on 27 February 2019. During 2019-20, five internal audit reports were issued by PricewaterhouseCoopers LLP.

159 The Head of Internal Audit maintained a tracker to follow up on audit recommendations and agreed actions during the year. The majority of the reviews included in the audit plan were conducted and completed prior to the emergence of COVID-19 and therefore were not impacted by the disruption.

Levels of assurance provided in internal audit report opinions

Table listing the internal audit reviews carried out in 2019-20 and providing the report classification in terms of levels of assurance for each review, alongside a summary of key observations.

Internal audit review	Report classification	Internal audit observations
IT performance management	Medium risk	We noted that the user experience of IT, based upon feedback questionnaires, is generally positive and only 6% of users feel negatively about the use and experience of IT. However, there is no governance group within Audit Wales formally tasked with the responsibility for overseeing IT Performance and there are currently limited objective measures for assessing the performance of the IT function.
Arrangements to ensure compliance with the Auditor General’s duties	Medium risk	The overall framework to support compliance with the Auditor General’s duties is relatively well developed, with arrangements to audit Community Councils currently relatively ‘light touch.’ In order to ensure the Auditor General and requirements of the Public Audit (Wales) Acts are satisfied, there is an opportunity to build on these existing arrangements and Audit Wales are currently in the process of addressing this.
Management information	Medium risk	Management Information is presented consistently across the organisation through a single source. However, we identified a number of areas for potential improvement regarding the nature and volume of information that is prepared, the process by which the information is produced and the manner in which it is presented.

Internal audit review	Report classification	Internal audit observations
Change management	Low risk	Audit Wales has taken steps to create a broad change management framework to improve the way all types of change are delivered in the organisation. We found that the change management framework is not yet sufficiently developed to support the Agile project methodology.
Financial control	Medium risk	We found that controls around purchasing and payables, employee expenses and revenue recognition were largely designed and operating effectively. However, we noted two findings in relation to user access to financial systems, whereby segregation of duties controls was not fully operative.

160 In his annual statement of assurance for 2019-20, the Head of Internal Audit reported that:

‘Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and/or non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control.’

Risk appetite and management

161 We are committed to applying the best practice principles set out in the [UK Government’s Orange Book](#) for the identification, evaluation and cost-effective control of risks.

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

163 The Board has adopted 11 assurance areas as a framework around which to structure an assurance map summarising existing controls and sources of assurance and highlighting any gaps relative to meeting the needs of the Board. For each assurance area, the Board has broadly defined its risk appetite using the classification recommended in [HM Treasury guidance](#) and periodically considers to what extent existing controls align with that appetite.

Assurance area	Risk appetite
Strategic direction	Open
Governance, leadership and culture	Cautious
Operating model/approach to resource deployment	Open
External stakeholder relationships and reputation	Cautious
Workforce and people strategy	Open
Information strategy	Cautious
Stewardship of physical and ICT assets	Cautious
Effectiveness of business systems	Open
Safeguarding arrangements	Averse
Securing value for money in our use of resources	Cautious
Arrangements for monitoring the exercise of the Auditor General's functions	Cautious

Risk management and control framework

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

- 165 The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:
- a its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
 - b the Wales Audit Office's overall risk assessment processes that inform executive decision making;
 - c the Wales Audit Office's capability to identify and manage risk;
 - d the remit of the risk management function; and
 - e management's responsiveness to risk assessment.
- 166 The Executive Leadership Team is responsible for: approving and overseeing the implementation of our risk management policy and agreeing any resources needed to support this corporately; assessing and managing strategic risks; and reviewing the operational risk register every six months.
- 167 The Accounting Officer advises the Board and its committees on the system of internal control and is supported in doing so by the Executive Leadership Team.

Risk assessment

- 168 At each of its meetings in 2019-20, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed interactive strategic risk register report which:
- a provided an assessment of inherent levels of risk and assigned risk targets;
 - b described the key controls that had been put in place to mitigate risk likelihood and impact and achieve targets;
 - c provided an assessment of residual levels of risk;
 - d identified risk movements and highlighted changes that had been made to mitigating controls since the last Board meeting; and
 - e summarised the content of the register through inherent and residual risk heat maps and profiles.

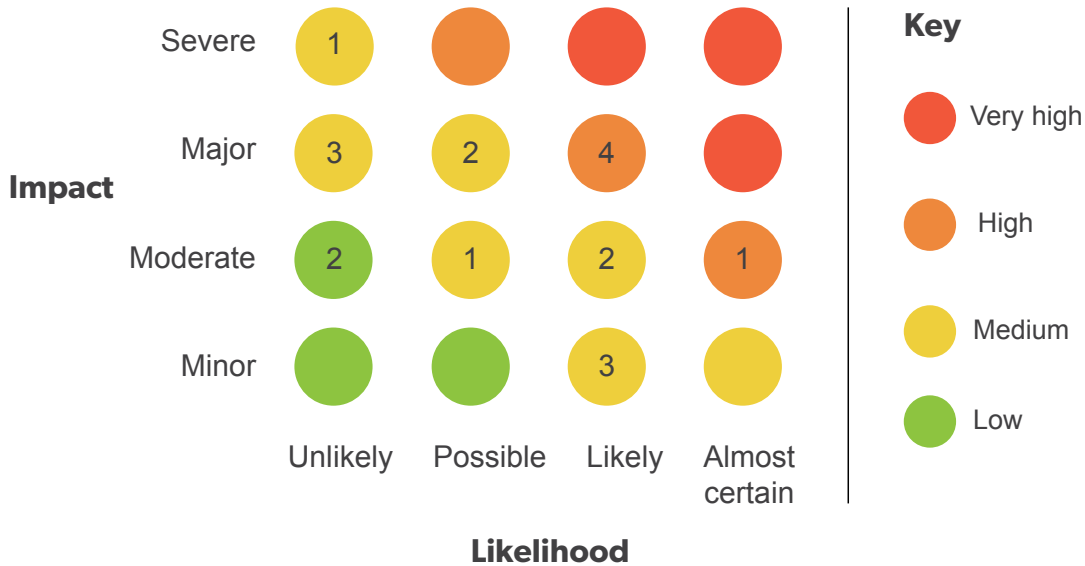
- 169 Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Executive Leadership Team. These included risks associated with:
- a the Wales Audit Office's longer-term financial position given the deficits identified in the medium-term financial plan;
 - b information governance arrangements being sufficiently robust to protect data and ensure GDPR compliance;
 - c responding appropriately, through our audit work, to the immediate and longer-term implications of Brexit for Welsh public services;
 - d the HR team having sufficient capacity and capabilities to support our ambitious change agenda;
 - e our broader workforce having the necessary skills, experience, capabilities and diversity to achieve our overall ambitions; and more recently
 - f the COVID-19 outbreak.
- 170 I am satisfied that these risks have been monitored and managed effectively during the year.
- 171 In 2019-20, the Audit and Risk Assurance Committee continued to take a role in scrutinising the assurance map and strategic and operational risk registers, including through testing individual risks and controls, to determine whether, in the round, the risk management arrangements were robust. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.
- 172 Several risks were successfully managed and removed from the strategic risk register during 2019-20. The risks were either closed completely or de-escalated to the operational risk register for ongoing management by the relevant risk lead.

- 173 We also face several newly identified risks going forward into 2020-21, which have been reflected in our strategic risk register. Most of these risks are linked to the extraordinary circumstances of the COVID-19 outbreak, and include those associated with:
- a the impact of sickness absence and lockdown measures on our ability to deliver the commitments set out in our Annual Plan both in a timely manner and to the required audit quality standards;
 - b the broader impacts of isolated home working on staff morale, health and well-being and the need to maintain clear and consistent communication channels;
 - c placing increased reliance on our IT and technical resilience, and how this impacts on our ability to access information through using the Auditor General's statutory access rights;
 - d the impact of the emergency measures on our ability to undertake planned recruitment exercises, including in relation to the senior leadership restructure and graduate trainee scheme; and
 - e our ability to operate within the approved Estimate through securing sufficient fee income.
- 174 We have commissioned work to mitigate these new risks and have prepared a detailed assessment of the likely impact of the COVID-19 outbreak on the various elements of the work programme set out in our Annual Plan, and of how we plan to respond.
- 175 On 4 May 2020, the Board held a specially convened meeting focused on:
- a obtaining assurance on the effectiveness of management's response to the COVID-19 emergency;
 - b gaining a better understanding of the implications for delivery of the Annual Plan 2020-21 and the financial position; and
 - c undertaking a review of the related additions to the strategic risk register.
- 176 Overall, the Board commended management's response, appreciating the time and effort invested in addressing the crisis. Members were comfortable that we have a sound basis from which to develop our thinking on our long-term positioning. In our next Interim Report, which will be published in October, we will provide a detailed update on the changes we have made to the Plan in response to the rapidly evolving situation.

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

The Wales Audit Office’s strategic risk profile

178 A summary of the Wales Audit Office’s strategic risk profile as of 4 May 2020 is provided in the following ‘heat map’, which highlights the number of strategic risks and the assessed levels of residual risk following the application of controls to mitigate their impact and likelihood.



Information governance

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

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

Data protection

- 181 The protection of personal data is especially important, and during the year the organisation has continued to work to ensure compliance with data protection legislation including the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. This work has included:
- a providing data protection training and guidance to staff across the organisation;
 - b ensuring that appropriate records are held about the personal information that is processed by the Wales Audit Office, the purposes of the processing, the legal basis for the processing, data retention and details of technical and organisational security measures;
 - c monitoring compliance with data protection legislation to address potential risks identified in the Data Protection Officer's monitoring programme; and
 - d carrying out privacy impact assessments on new processes for collecting and analysing data and corporate projects.
- 182 In my role as Chief Executive, I am accountable to the Board for information governance and have delegated this function further to the Director of Corporate Services. The Wales Audit Office has adopted ISO 27001, the international standard for information security management, scaling its arrangements in line with the needs of the organisation.
- 183 We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. Most incidents in the year have been of a minor nature and we have not made any reports to the Information Commissioner's Office. However, we continue to improve our internal processes and strengthen our technical security to address potential weaknesses.

Openness and transparency

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

- 185 In the 2019-20 financial year, we received 42 requests for information, including five requests by individuals exercising their rights of subject access under data protection laws. We met the statutory 20-working-day deadline for 35 of the requests made under the Freedom of Information Act and for four of the subject access requests. For the remaining three requests, responses have been delayed due to the COVID-19 outbreak, as the records required to process the requests are not currently accessible by the Information Officer who is working remotely.
- 186 We were not subject to any reviews by the Information Commissioner in 2019-20 in respect of our handling of requests.

Whistleblowing (internal)

- 187 All Wales Audit Office staff are encouraged to raise issues of concern about wrongdoing that come to their attention while at work. The Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance.
- 188 We have a well-established internal whistleblowing policy which reflects the provisions of the Public Interest Disclosure Act 1998, sets out the mechanism for raising such matters, and applies to staff of the Wales Audit Office and all contractors and others working for the Wales Audit Office in any capacity.
- 189 In 2019-20 we received no disclosures of issues of concern.
- 190 To assess the effectiveness of our whistleblowing arrangements, we consider two issues: staff confidence in the arrangements; and what we have learned from disclosures.
- 191 In terms of staff confidence in arrangements, for the third year running we asked staff in our October 2019 staff survey (to which 80% of staff responded), to rate their response to the following statement on a strongly agree to strongly disagree scale: 'I am confident that if I raised a concern under the Wales Audit Office's whistleblowing arrangements it would be investigated properly.' Seventy-eight per cent of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 17% responding 'neither agree nor disagree' (in the October 2018 survey, the equivalent figures were 76% and 16% respectively). While this result indicates continued extensive confidence in the arrangements, it suggests a continuing need for work to ensure that all staff are aware of and have confidence in those arrangements.

192 While no disclosures were received during 2019-20, we were able to learn lessons from a disclosure that we received in early 2019 which we were still investigating when we reported last year. That disclosure helped provide feedback to relevant senior leadership colleagues to consider whether any changes to the Wales Audit Office's recruitment processes might be beneficial.

Remuneration and staff report

Remuneration report

Auditor General for Wales

193 The Auditor General's remuneration is determined by the Senedd and, in accordance with the Public Audit (Wales) Act 2013, is met directly from the Welsh Consolidated Fund (WCF) rather than being paid by the Wales Audit Office. For transparency, the remuneration of the Auditor General is disclosed in this remuneration report. The Auditor General is also the Chief Executive and Accounting Officer of the Wales Audit Office.

194 The current Auditor General, Adrian Crompton, was appointed by the Queen and took office on 21 July 2018 for a non-renewable period of eight years. The previous Auditor General, Huw Vaughan Thomas, retired from his role on 20 July 2018.

Salary and pension costs of the Auditor General

	2019-20		2018-19	
	Gross salary £	Employer pension contributions £	Gross salary £	Employer pension contributions £
Adrian Crompton	147,570	44,714	98,865 ³⁴	24,222 ³⁵
Huw Vaughan Thomas	–	–	58,227 ³⁶	8,991 ³⁷
Total	147,570	44,714	157,092	33,213

34 Full-year equivalent salary £142,000.

35 Full-year equivalent £34,790.

36 Full-year equivalent salary £161,744.

37 Full-year equivalent £24,975.

Wales Audit Office Board

- 195 The Wales Audit Office Board comprises five non-executive members appointed by the Senedd, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Director of Corporate Services.
- 196 The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the Senedd. In the case of the Chair, the cost is met from the WCF directly, in accordance with the Public Audit (Wales) Act 2013. For enhanced transparency, the remuneration of the Chair is disclosed in this report.
- 197 The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot, in June 2018. The allowance that they receive for their Board-related duties is set by the non-executive members of the Board and disclosed in this report.
- 198 The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

The information on pages 74 to 84 in the Remuneration and Staff Report is subject to audit

Single total figure of remuneration for Wales Audit Office Board members

	Remuneration/ Allowance		Tax-inclusive expenses ³⁸		Single total figure of remuneration	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£	£	£	£	£	£
Board Members at 31 March 2020						
Isobel Everett (Chair) ³⁹	25,000	25,000	5,067	6,373	30,067	31,373
Lindsay Foyster	12,500	12,500	708	513	13,208	13,013
David Francis ⁴⁰	12,534	504	350		12,884	504
Alison Gerrard	12,500	12,500	1,432	1,174	13,932	13,674
Bill Richardson	12,500	12,500	3,652	3,407	16,152	15,907
Anne Beegan ⁴¹	4,167	3,357	–	1,733	4,167	5,090
Amanda Hughes	4,167	4,167	–	2,301	4,167	6,468
Previous members of the Board						
Steven Burnett ⁴²	–	11,962	–	1,819	–	13,781
Louise Fleet ⁴³	–	787	–	52	–	839
Total	83,368	83,277	11,209	17,372	94,577	100,649

38 Board and non-executive committee members can claim for travel and expenses for Wales Audit Office related business. The personal tax liability of these expenses is settled by the Wales Audit Office.

39 The Chair's remuneration (including travel and expenses and the associated tax liability from 2019-20) is met directly from WCF. Since 2013, travel and expenses costs associated with the Chair have been met by the Wales Audit Office and funded from WCF via the approved Estimate. During 2019-20, as a result of a change in the way that HMRC accounts for tax liability associated with such expenses, it was identified by the Senedd Commission that, in accordance with the Public Audit (Wales) Act 2013, these costs should be treated as a direct charge on the WCF rather than being paid from supply. As a result, in 2019-20 all such costs have been met directly from WCF and are disclosed here for transparency only.

40 David Francis replaced Steven Burnett on the Wales Audit Office Board on 16 March 2019. His remuneration in 2019-20 included an adjustment in respect of 2018-19.

41 Anne Beegan and Amanda Hughes are employee Board members. Anne was appointed on 11 June 2018; Amanda was re-appointed from 11 June 2018. Allowances disclosed above relate solely to Board-member duties. From 2019-20 expenses incurred for Board related duties are not treated as taxable.

42 Steven Burnett's term of office came to an end on 15 March 2019.

43 Louise Fleet was an employee Board member until 8 June 2018. Allowances disclosed above relate solely to Board-member duties.

Non-executive committee members

199 The Wales Audit Office Board appointed an independent member of its Audit and Risk Assurance Committee (ARAC).

Single total figure of remuneration for ARAC members

	Remuneration/ Allowance		Tax-inclusive expenses		Single total figure of remuneration	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£	£	£	£	£	£
Dianne Thomas	5,000	5,000	700	496	5,700	5,496
Total	5,000	5,000	700	496	5,700	5,496

Wales Audit Office staff

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

201 All members of staff are employed by the Wales Audit Office on such terms and conditions as the Board determines. Remuneration of all members of staff is subject to periodic review under strategies set by the Board and in consultation with trade unions under a collective agreement. Remuneration is pensionable under the Civil Service Pension Scheme (PCSPS).

202 Wales Audit Office staff normally hold appointments which are open ended, unless on fixed-term contracts. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

203 The Wales Audit Office does not pay performance-related bonuses to any members of staff but does have performance-appraisal arrangements that suspend salary increments if performance is less than satisfactory.

204 During 2019-20, no payments were made to previous members of staff whose remuneration would have been disclosable. (2018-19: Nil).

Single total figure of remuneration for senior managers

- 205 In July 2019 the former Management Committee was reconstituted as the Executive Leadership Team with an appointed Director member – Ann-Marie Harkin and four employee members. As employee members attend on a rotational basis, receive no additional remuneration for these duties and membership of the Executive Leadership Team does not form a substantive part of their role, their salaries are not disclosed here.
- 206 Details of the remuneration and pension interests of Director members of the Executive Leadership Team are provided in the following table.

	Year to 31 March 2020			Total single figure of remuneration Bands of £5,000
	Salary ⁴⁴ Bands of £5,000	Taxable Expenses ⁴⁵ To nearest £100	Pension Benefit ⁴⁶ To nearest £1,000	
Anthony Barrett	120-125	600	53	175-180
Kevin Thomas	120-125	14,800	54	190-195
Mike Usher	105-110	–	32	135-140
Steve O'Donoghue	95-100	–	66	160-165
Ann-Marie Harkin ⁴⁷	70-75	–	15	85-90
Jane Holownia (0.8FTE) ⁴⁸	20-25	–	53	75-80

44 Includes gross salary and travel allowance. Travel allowance paid to Anthony Barrett (£3,350), Kevin Thomas (£3,350) and Jane Holownia (£754). Mike Usher is entitled to travel allowance but did not access this in 2019-20 or 2018-19.

45 Being the tax-inclusive value of payments made to Anthony Barrett and Kevin Thomas for travel to a main place of work. Due to revised working arrangements in 2019-20 tax inclusive expenses incurred by Anthony Barrett have significantly reduced.

46 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

47 Ann-Marie Harkin was appointed to ELT in July 2019 (full-year equivalent salary in the range 90-95). No additional remuneration was payable for her role on the Executive Leadership Team.

48 Jane Holownia left the Wales Audit Office under a voluntary exit agreement at the end of June 2019 (full-year equivalent part-time salary in the range 95-100). In addition to the salary disclosed above she received a voluntary exit compensation payment of £161,333.

Year to 31 March 2019

	Salary Bands of £5,000	Taxable Expenses To nearest £100	Pension Benefit To nearest £1,000	Total single figure of remuneration Bands of £5,000
Anthony Barrett	120-125	16,400	51	190-195
Kevin Thomas	120-125	19,700	47	185-190
Mike Usher	105-110	–	25	130-135
Steve O'Donoghue	90-95	–	47	135-140
Jane Holownia (0.8FTE)	85-90	–	37	125-130

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

Compensation for loss of office

208 On 24 February 2020 the Auditor General commenced a formal consultation period to restructure the Senior Director Team. The existing roles of Assistant Auditor General and Sector Lead were two of the roles at risk and, in line with the Wales Audit Office's Restructure and Redeployment, Early Exits and Redundancy policies, expressions of interest in voluntary exit were invited from affected staff.

209 Mutually agreed exits for Anthony Barrett (Assistant Auditor General) and Mike Usher (Sector Lead) were considered by the Remuneration and HR Committee on 19 March 2020 and approved by the Board. The Board delegated to the Chief Executive the authority to finalise terms of departures. The exits will take effect on 30 September 2020.

210 Anthony Barrett will receive a compensation payment of £178,449 and Mike Usher will receive a compensation payment of £140,000.

211 Savings associated with these exits will result in the cost of the compensation payments being recouped within 22 months⁴⁹.

Pension entitlements for members of the Executive Leadership Team

212 Like all staff, members of the Executive Leadership Team have access to the Principal Civil Service Pension Scheme. Details of this scheme can be found at www.civilservicepensionscheme.org.uk.

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

	Accrued pension at pension age as at 31 March 2020	Real increase in pension at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Anthony Barrett	55-60	2.5-5	990	911	33
Ann-Marie Harkin	30-35 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0	726	686	11
Steve O'Donoghue	45-50	2.5-5	754	678	42
Kevin Thomas	65-70	2.5-5	1,079	996	32
Mike Usher	45-50 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0	927	869	15
Jane Holownia	50-55	2.5-5	1,032	952	51

Cash Equivalent Transfer Value (CETV)

214 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

215 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

216 This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay multiples

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

	2019-20	2018-19
Band of highest paid director's total remuneration ⁵⁰ excluding pension contributions (£'000)	135-140	140-145
Median total remuneration based on full-time equivalent staff (excluding pension contributions)	£45,569	£45,858
Range of total remuneration excluding pension contributions	£16,381 ⁵¹ - £137,473	£16,381- £143,430
Remuneration ratio	3.02	3.13

218 In 2019-20, no employees received remuneration more than the highest paid director (2018-19: none).

219 For transparency, the Auditor General's total remuneration of £147,570 (excluding pension contributions) represented 3.24 times the median total remuneration for the Wales Audit Office (2018-19: £157,092⁵², ratio: 3.43).

⁵⁰ Total remuneration includes salary and travel allowance. In the case of the highest paid director it also includes taxable expenses.

⁵¹ Graduate work placement.

⁵² Based on salaries paid to Huw Vaughan Thomas to 20 July 2018 and Adrian Crompton from 21 July 2018 to 31 March 2019.

Off payroll engagements

220 The Wales Audit Office had no contracts during 2019-20 which met the HM Treasury definition of off-payroll engagements (2018-19: none).

Redundancies, early retirements and severances

221 The Wales Audit Office operates voluntary-severance arrangements in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

222 Applications for voluntary exit are considered using a business case template which scores anticipated payback, future workforce requirements and any potential business continuity risks. Business cases are considered and shaped by the Director Team before decision by the Executive Leadership Team. Applications from senior directors, and any applications proposed for approval with a cost of £95,000 or above, are subject to further scrutiny by the Remuneration & HR Committee and final approval by the full Wales Audit Office Board.

223 The cost of the scheme in 2019-20 was £638,687 (2018-19: £383,654). For 2019-20 the cost includes employers' national insurance contributions as required in the Budget announced by the Chancellor in March 2020.

224 The agreed exits will deliver savings estimated at £322,000⁵³ annually (2018-19: £242,000). Payback will be achieved within 19 months.

225 The Remuneration & HR Committee reviews the effectiveness of voluntary exit schemes periodically, looking over a longer time period than just the one year. The last review was undertaken in March 2019 and covered the years 2014 to 2018. This review concluded that over the period in question a total of £1.7 million had been invested in voluntary exit payments which had delivered on-going annual savings of £870,000⁵⁴.

226 During 2019-20, nine employees (2018-19: eight) agreed approved exit packages as detailed below.

227 No members of staff retired early on health grounds during the year (2018-19: none).

53 Not subject to audit.

54 Not subject to audit.

228 There were no compulsory redundancies in 2019-20 (2018-19: none).

Number of exit packages by cost band

	2019-20	2018-19
Less than £25,000	3	3
£25,001-£50,000	2	2
£50,001-£100,000	2	2
£100,001-£150,000	1	—
£150,001-£200,000	1	1
Total	9	8

Staff report

Senior leadership

229 The following table details the number of senior staff by pay band at 31 March 2020.

	31 March 2020	31 March 2019
Band A (£96,258-£119,293)	2	2
Band B (£82,594-£106,625)	2	3
Band C (£73,579-£91,600)	7	7
Total	11	12

Staff numbers

230 The number of permanent staff employed during the year reduced by eight; offset by an equivalent increase in the number of staff on fixed-term contracts. This is in line with our workforce planning objective (supported by the Welsh Consolidated Fund) to increase opportunities for graduate trainees and apprentices.

	2019-20	2018-19
Average number of full-time equivalent, UK-based, permanent staff employed during the year	195	203
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	62	54
Audit and inspection contractors (average number of full-time equivalents in year)	6	7
Total	263	264

Staff and associated costs

	2019-20	2018-19
	£'000	£'000
Staff salaries	11,477	11,440
Seconded-in staff	74	39
Short-term contract staff	242	223
Non-executive committee remuneration	63	63
Social security costs	1,356	1,340
Pension costs (PCSPS)	3,097	2,425
Pension costs (stakeholder pensions)	49	33
	16,358	15,563
Travel allowance and leased cars	638	659
Subscriptions ⁵⁵	83	72
	17,079	16,294
Audit and inspection contractors	135	110
	17,214	16,404
Redundancy, early retirement and severance costs	888	458
Less monies received in respect of outward secondments	(372)	(388)
	17,730	16,474

Bought-in services⁵⁶

	2019-20	2018-19
	£'000	£'000
Payments to private accountancy firms	679	860
Research and other consultancy costs	222	239
	901	1,099

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

56 Exclusive of VAT.

- 231 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2018-19, they also included bi-annual costs associated with the National Fraud Initiative.
- 232 Consultancy costs included:
- £43,000 paid to the Cabinet Office for works associated with the National Fraud Initiative
 - £41,000 for audit quality assurance work
 - £32,000 for consultancy support on the performance audit management system
 - £25,000 on support for the Audit Wales Reputation and Impact project
 - £22,000 on external HR advice

The following information on pages 84 to 88 in the Remuneration and Staff Report is not subject to audit

Staff policies, equality and diversity

- 233 The Auditor General and the Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation, and the public sector equality duties in the Equality Act 2010.
- 234 We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.
- 235 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) for 2018-19 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2019-20 will be published in summer 2020 and this will include details of the gender pay gap for the year.
- 236 Our Equality and Diversity Policy outlines our commitment to ensuring fair and equal treatment for all staff with protected characteristics (including impairment) in all aspects of employment. The policy provides for parity in selection for employment, recruitment, promotion, learning and development and/or any other benefit, based solely on aptitude and ability in accordance with our duties under the Equality Act 2010 and associated legislation.

Staff composition (number of persons employed at 31 March 2020)

	Male	Female	No data
Directors	10	1	–
Other employees	110	147	3
Total	120	148	3

Sickness absence

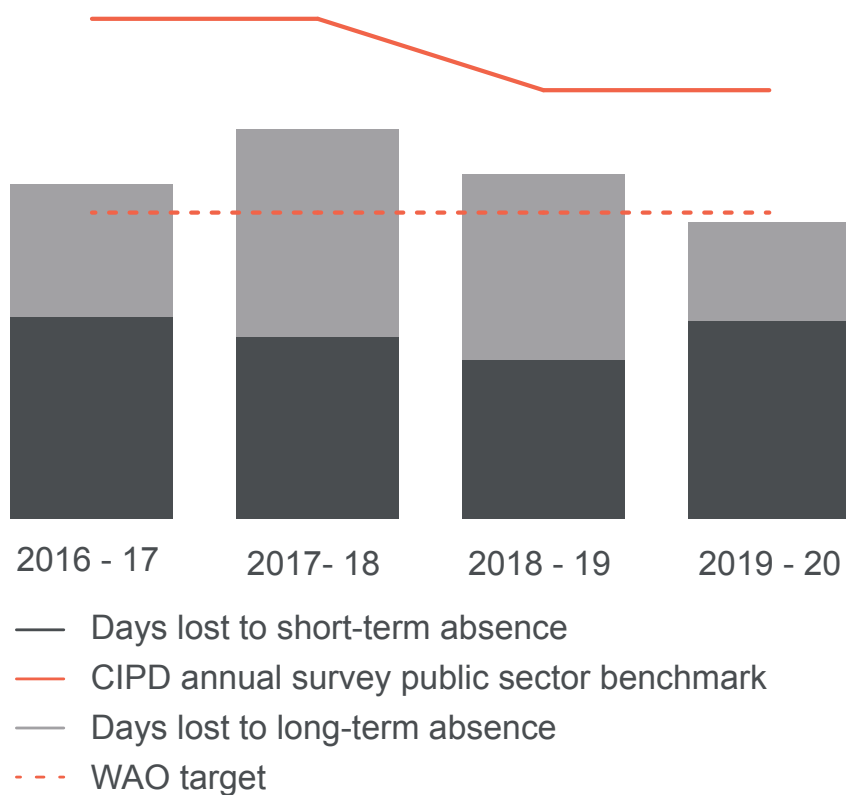
	2019-20 Days	2018-19 Days
Average working days lost per member of staff	5.8	6.7
• Due to short-term absence	3.9	3.1
• Due to long-term absence (periods \geq 21 days)	1.9	3.6

237 Our staff sickness levels improved by just under one day between 2018-19 and 2019-20 and, for the first time in recent years, have fallen below our target of six days. This overall sickness level is 2.6 days less than the Chartered Institute of Personnel and Development (CIPD) benchmark⁵⁷.

238 In order to help our employees manage their health, we have in place Health Screening, an Employee Assistance Programme, Mental Health Champions and a programme of well-being awareness events.

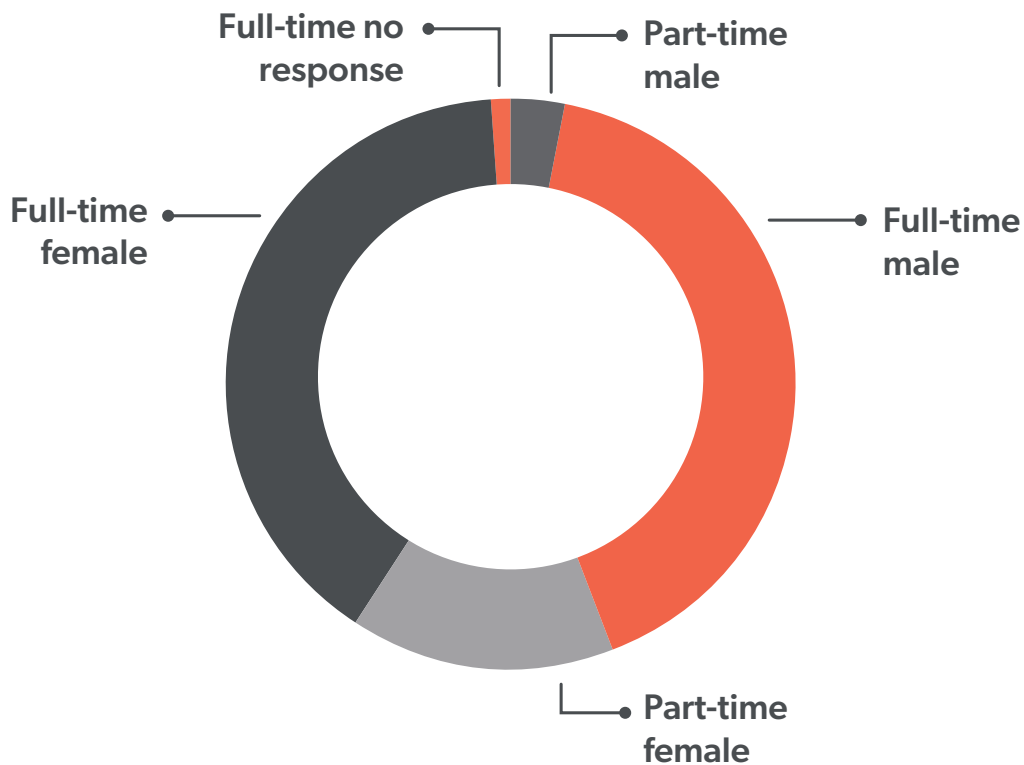
57 Mean of 8.4 days per employee per year for those public service organisations that responded to the [2019 CIPD Health and Well-Being at Work Survey](#).

Staff sickness absence 2016-17 to 2019-20



Our workforce

	2019-20	2018-19
	%	%
Working patterns		
Part-time employees as a percentage of the total	18.5	18.6
• For men	7.5	5.2
• For women	27.7	26.5
• No response	0	26.7
Employment contract type		
Percentage of staff on permanent contracts	75.4	76.9
Turnover		
Annual staff turnover rate percentage	14.3	10.1



- 239 The proportion of part-time employees has remained broadly the same as in 2018-19.
- 240 Apparent increases for both male and female employees are explained by an increase in the number of employees who provided information on their gender in 2019-20.
- 241 The percentage of staff on permanent employment contracts reduced slightly, reflecting an increase in graduate trainees and apprentices on fixed-term training contracts.
- 242 Our annual staff turnover rate in 2019-20 increased to 14.3%, also reflecting the growing numbers of graduate trainees and apprentices employed on fixed-term contracts coming to an end and being replaced with new starters.

Trade Union Facility Time

- 243 The Wales Audit Office policy on Trade Union time commits to paid time for trade union duties equivalent to 0.6 days per full-time equivalent employee⁵⁸.
- 244 For 2019-20 this equated to an allocation of 152 days for trade union activities. In 2019-20 actual time spent was the equivalent of 96 days.
- 245 Data on time and costs in 2019-20 as required by the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#) is provided below.

Relevant union officials

Number of employees who were relevant union officials during 2019-20	Full-time equivalent employee number
2	0.3

Percentage of time spent on facility time

Percentage of time	Number of employees
1-50%	2

Percentage of pay bill spent on facility time

Cost of facility time	£37,164
Total pay bill	£16.439m
Percentage of total pay bill spent on facility time	0.2%

Resource out-turn and auditor's report

Summary of resource out-turn 2019-20

The information on pages 89 to 93 is subject to audit.

246 This statement provides a comparison of the Estimate⁵⁹ for 2019-20, as voted by the Senedd, with actual income and expenditure for the year.

Summary of resource out-turn 2019-20

Note		2019-20 Estimate			2019-20 Out-turn			2018-19 Out-turn	
		Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net out-turn compared to estimate	Net Total
		£'000	£'000	£'000	£'000	£'000	£'000		
SORO1	Revenue	22,443	(14,775)	7,668	22,336	(14,775)	7,561	(107)	6,741
SORO1	Capital	210	—	210	188	—	188	(22)	210
SORO1	Total Resources	22,653	(14,775)	7,878	22,524	(14,775)	7,749	(129)	6,951
SORO 2	Net cash requirement	—	—	9,586	—	—	7,982	(1,604)	5,285

247 Arising from the operations of the Wales Audit Office for the financial year 2019-20:

- the net total out-turn on revenue resources was £107,000 less than the approved net resources of £7,668,000;
- accruing resources were £31,000 more than allowed for in the estimate for the year (see notes below), this is surrendered to WCF;
- the out-turn on capital spend was £22,000 less than the approved capital budget of £210,000; and
- the balance of cash held by the Wales Audit Office (£1,604,000) is shown as being due to the Welsh Consolidated Fund (WCF).

248 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 35.

249 Audit fee income is governed by the Fee Scheme approved by the Senedd. A breakdown of this income is included in **Note 1** to the Financial Statements.

Notes to the summary of resource out-turn

Note SORO1: reconciliation of net resource out-turn to net cash requirement

	Estimate	2019-20 Out-turn	Variance	2018-19 Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	7,668	7,561	(107)	6,741
Capital resources	210	188	(22)	210
Adjustments				
Non-cash items (depreciation and loss on disposal of asset)	(200)	(261)	(61)	(284)
Cash balance 1 April 2019	(1,776)	(1,776)	-	(3,017)
Due to WCF 2019-20	1,776	1,776	-	723
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress	(2,598)	543	3,141	1,051
• (Increase)/reduction in payables and deferred income	3,909	219	(3,690)	(152)
• Reduction/(increase) in provisions	597	(237)	(834)	181
Income in excess of estimate	-	(31)	(31)	(168)
Total net cash requirement	9,586	7,982	(1,604)	5,285

Note SORO2: reconciliation of resource out-turn to net expenditure

	2019-20 Out-turn	2018-19 Out-turn
	£'000	£'000
Total revenue resources	7,561	6,741
Income in excess of estimate	(31)	(168)
Total comprehensive net expenditure	7,530	6,573

Note SORO3: analysis of net resource out-turn 2019-20

2018-19 Out-turn £'000		2019-20 Estimate £'000	2019-20 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
Expenses					
15,186	Staff costs	16,217	16,420	203	Includes the costs of the Voluntary Exit scheme offset by savings on staffing budgets.
333	Contractor staff	737	377	(360)	Estimate included funding for Data Analytics used to fund staff costs
1,205	Travel and subsistence	1,216	1,083	(133)	Linked to revised ways of working
992	Private-sector firms (incl VAT)	905	810	(95)	Release of provision made in 2018-19
907	Accommodation	993	938	(55)	Delay of works planned for March 2020
490	Balance of irrecoverable VAT	500	530	30	
392	ICT	480	408	(72)	Budget included external consultancy charged to professional fees
296	Wales Audit Office Governance Arrangements	300	295	(5)	Chair's expenses now a direct charge on WCF
259	External training	289	259	(30)	Underspend on graduate training due to exam exemptions
234	Legal and professional fees	162	219	57	Includes additional support for cyber security and the VfM programme.
142	Translation of documents	165	105	(60)	Savings from reducing word count in reports as a result of Reputation and Impact project
136	NFI data collection	–	49	49	Additional Cabinet Office charges in year
–	Savings target 2019-20	(574)	-	574	Savings made across other budget areas

2018-19 Out-turn £'000		2019-20 Estimate £'000	2019-20 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
813	Other costs	1,053	843	(210)	Savings made in year across various budgets
21,385	Total Expenses	22,443	22,336	(107)	
	Income				
(13,562)	Audit fees	(13,577)	(13,556)	21	
(1,233)	Grant certification fees	(1,198)	(1,240)	(42)	
(17)	Other income	–	(10)	(10)	
168	Income in excess of estimate	–	31	31	
(14,644)	Total income	(14,775)	(14,775)	(107)	
6,741	Net revenue resources	7,668	7,561	(107)	
210	Capital resources	210	188	(22)	

250 Future budgeted expenditure and income of the Wales Audit Office are voted on annually by the Senedd.

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

252 Any special payments and disclosable losses in 2019-20 are disclosed in **Note 14** to the Financial Statements.

Independent auditors' report to the Senedd

Opinion of financial statements

- 253 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2020 under Schedule 1 of the Public Audit (Wales) Act 2013. These financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and related notes. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.
- 254 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act.
- 255 In our opinion the financial statements:
- give a true and fair view of the state of the Wales Audit Office's affairs as at 31 March 2020 and of its net operating cost for the year then ended; and
 - have been properly prepared in accordance with the HM Treasury directions issued under the Public Audit (Wales) Act 2013.

Regularity opinion on the financial statements

- 256 We have undertaken work, as required under Schedule 1 of the Public Audit (Wales) Act 2013, to obtain reasonable assurance that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.
- 257 In our opinion, in all material respects:
- the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it; and
 - the money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Basis for the opinion on the financial statements

- 258 We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Wales Audit Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
- 259 We also audit the Summary of Resource Out-turn and associated notes and the information in the Accountability Report that is described in the report as having been audited.
- 260 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for the regularity opinion on the financial statements

- 261 We are required to obtain evidence sufficient to give reasonable assurance that the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes. We have conducted our work in accordance with the Statement of Recommended Practice, Practice **Note 10** audit of financial statements of public sector bodies in the United Kingdom in this respect.

Conclusions relating to going concern

- 262 We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Wales Audit Office's and the Auditor General for Wales's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 - the Wales Audit Office and the Auditor General for Wales have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

- 263 The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Wales Audit Office and the Auditor General for Wales are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
- 264 In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.
- 265 We have nothing to report in this regard.

Opinion on other matters

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

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

- 267 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 51, the Wales Audit Office and the Auditor General for Wales are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- 268 In preparing the financial statements, the Wales Audit Office and the Auditor General for Wales are responsible for assessing the Wales Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Senedd intends to dissolve the Wales Audit Office without continuation of its operations.
- 269 The Auditor General is also responsible for ensuring expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Auditor's responsibilities for the audit of the financial statements

- 270 Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 271 A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.

Auditor's responsibilities for regularity opinion on the financial statements

- 272 We are also responsible for giving a reasonable assurance opinion that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Use of our report

273 This report is made solely to the Senedd Cymru to whom it is addressed in accordance with the Public Audit (Wales) Act 2013 and for no other purpose. Our audit work has been undertaken so that we might state to the Senedd those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Senedd for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
18 June 2020
Statutory Auditors
Third Floor
One London Square
Cross Lanes
Guildford
GU1 1UN

Financial Statements

03

Pack Page 132

Statement of comprehensive net expenditure for the year ended 31 March 2020

	Note	2019-20 £'000	2018-19 £'000
Expenditure			
Staff and associated costs	Staff report ⁶⁰	17,730	16,474
Bought-in services	Staff report	901	1,099
Other operating costs	3	3,705	3,812
		22,336	21,385
Income			
Audit fee income	1	(14,796)	(14,795)
Other operating income	2	(10)	(17)
		(14,806)	(14,812)
Total comprehensive net expenditure for the year		7,530	6,573

The notes that follow on pages 105 to 122 form part of these financial statements

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

Statement of financial position at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Property, plant and equipment	4	517	572
Intangible assets	5	162	180
		679	752
Current assets			
Trade receivables and work in progress	6	3,002	2,436
Other receivables	7	580	603
Cash and cash equivalents	8	1,604	1,776
		5,186	4,815
Total assets		5,865	5,567
Current liabilities			
Trade and other payables	9	(2,043)	(2,117)
Deferred income	10	(2,191)	(2,336)
Provisions for liabilities and charges	11	(824)	(617)
WCF	SORO	(1,604)	(1,776)
Total current liabilities		(6,662)	(6,846)
Total assets less current liabilities		(797)	(1,279)
Non-current liabilities			
Provisions for other liabilities and charges	11	(652)	(622)
Total non-current liabilities		(652)	(622)
Total assets less liabilities		(1,449)	(1,901)
Taxpayers' equity			
General fund		(1,449)	(1,901)
Total taxpayers' equity		(1,449)	(1,901)

The notes that follow on pages 105 to 122 form part of these financial statements

The financial statements on pages 80 to 101 were approved by the Wales Audit Office Board and authorised for issue on 11 June 2020 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a horizontal line underneath it.

Adrian Crompton

Auditor General for Wales and Accounting Officer

17 June 2020

Statement of cash flows for the year ended 31 March 2020

		31 March 2020	31 March 2019
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(7,530)	(6,573)
Adjustments for non-cash transactions: depreciation, amortisation and loss on disposal of assets	3	261	284
(Decrease) / increase in provisions	11	237	(181)
Changes in working capital			
(Increase) / decrease in trade and other receivables	6,7	(543)	(1,051)
Increase/(decrease) in trade and other payables	9,10	(219)	152
Net cash outflow from operating activities		(7,794)	(7,369)
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(158)	(160)
Purchases of intangible assets	5	(30)	(50)
Net cash outflow from investing activities		(188)	(210)
Cash flows from financing activities			
WCF		9,586	7,061
WCF repaid		(1,776)	(723)
Net financing		7,810	6,338
Movements in cash and cash equivalents		(172)	(1,241)

The notes that follow on pages 105 to 122 form part of these financial statements

Statement of changes in taxpayers' equity for the year ended 31 March 2020

	£'000
Balance at 31 March 2018	(613)
Changes in taxpayers' equity 2018-19	
Total comprehensive net expenditure	(6,573)
WCF finance	7,061
	(125)
Due to WCF	(1,776)
Balance at 31 March 2019	(1,901)
Changes in taxpayers' equity 2019-20	
Total comprehensive net expenditure	(7,530)
WCF finance	9,586
	155
Due to WCF	(1,604)
Balance at 31 March 2020	(1,449)

The notes that follow on pages 105 to 122 form part of these financial statements

Notes to the financial statements

275 These financial statements have been prepared in accordance with the 2019-20 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

276 The accounting policies contained in the FReM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

277 Financial statements are prepared under the historical cost convention. Figures are presented in pounds sterling, which is the functional currency of the Wales Audit Office and are rounded to the nearest £1,000.

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

279 The Wales Audit Office works to annual funding arrangements by statute. The Public Audit (Wales) Act 2013 requires that the Wales Audit Office **must** provide resources for the exercise of the Auditor General's functions as required by the Auditor General. These resources will be made available by the Senedd (voted funding).

280 The legislation further states that the Senedd must consider the Wales Audit Office's Estimate annually and must take into account any representations that the Wales Audit office makes if it wants to change this Estimate.

281 The Estimate for 2020-21 included an expectation of fee income to be delivered in the year of £14million. Given the impact of the Co-vid 19 pandemic it now seems unlikely that this income will be delivered in full. A letter has been sent to the Finance Committee of the Senedd to inform them that it is most likely that the Wales Audit Office will require a Supplementary Estimate during 2020-21 to offset this shortfall in fee income. Work will be undertaken during the summer of 2020 to assess the likely impact on fee income to be reflected in a Supplementary Estimate in the autumn of 2020.

282 Although voted funding has only been approved for nine months after the date of signing these statements, an Estimate for the following financial year will be presented to the Finance Committee of the Senedd in the autumn of the current year.

283 The Wales Audit Office was not liable for corporation tax in 2019-20.

Critical accounting estimates and areas of judgement

Revenue recognition is based on time charged to projects adjusted where applicable to reflect the stage of completion of work done. An assessment is undertaken at the year-end to consider the reasonableness of income recognised taking into account the cost of completing audit projects.

As required by IFRS 15 (Revenue from contracts with customers) the Wales Audit Office has determined that performance obligations for each audit engagement are satisfied over time rather than at a point in time. This is consistent with the treatment in previous years and has had no material effect on the recognition of income in these or prior year financial statements.

This accounting policy directly impacts the valuation of audit fee income (**Note 1**) work in progress (**Note 6**) and deferred income (**Note 10**) in these financial statements but there has been no requirement to restate prior year balances as a result of the implementation of this new accounting standard.

Provisions are made where, in the opinion of the Accounting Officer, it is more likely than not that a financial liability exists which cannot be accurately estimated at present.

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

This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets.

The provision for the senior team restructure is based on an estimate of the potential costs associated with this process which will not be finalised until the summer of 2020.

See Note 11 for more information.

New accounting standards

- 284 The Wales Audit Office discloses accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements.
- 285 There is one standard not yet effective that will impact on the Wales Audit Office's accounts, which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position. Adoption of this standard by the FReM is delayed until 2020-21. The anticipated impact for the Wales Audit Office is disclosed in **Note 15 – Leases**.

Note 1 (a): Wales Audit Office operating segments

- 286 The Wales Audit Office reports income and expenditure on its two main audit functions for which fees are charged, and for activities which are funded from the WCF.

2019-20

	Financial Audit £'000	Performance Audit £'000	Activities funded by WCF £'000	Total £'000
Audit fees ⁶¹	(10,818)	(3,978)	-	(14,796)
Other income	-	-	(10)	(10)
Total income	(10,818)	(3,978)	(10)	(14,806)
Expenditure	11,424	3,372	7,540	22,336
	606	(606)	7,530⁶²	7,530

61 See note 1(b)

62 See Reconciliation to Statement of Resource Outturn

2018-19

	Financial Audit	Performance Audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(11,265)	(3,530)	-	(14,795)
Other income	-	-	(17)	(17)
Total income	(11,265)	(3,530)	(17)	(14,812)
Expenditure	11,681	3,114	6,590	21,385
	416	(416)	6,573	6,573

Reconciliation to Statement of Resource Out-turn

	2019-20	2018-19
	£'000	£'000
Activities funded by WCF per Note 1	7,530	6,573
Income in excess of Estimate	31	168
Net revenue resources	7,561	6,741

Note 1 (b): Analysis of audit fee income

	2019-20			2018-19		
	Financial Audit £'000	Performance Audit £'000	Total £'000	Financial Audit £'000	Performance Audit £'000	Total £'000
Local Government Audit	(5,505)	(2,636)	(8,141)	(6,085)	(2,191)	(8,276)
Local Government Grant Certification	(1,240)	-	(1,240)	(1,233)		(1,233)
NHS Audit	(1,974)	(1,342)	(3,316)	(1,871)	(1,337)	(3,208)
Central Government Audit	(2,099)	-	(2,099)	(2,076)	(2)	(2,078)
	(10,818)	(3,978)	(14,796)	(11,265)	(3,530)	(14,795)

- 287 Fees charged for audit work are set in accordance with a [Fee Scheme](#) agreed by the Finance Committee of the Senedd.
- 288 Gross fee income and other operating income are recognised on the value of chargeable work exclusive of VAT. This value is assessed by reference to time charges and stage completion of projects.
- 289 Operating income, whether derived from government grant or fees generated from audited bodies, is credited to the year of account in which the work is done. Invoices raised in advance of the work being done are classed as deferred income (see **Note 10**). Work done in advance of income received is classed as work in progress (see **Note 6**).
- 290 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.

Note 2: Other operating income

	2019-20	2018-19
	£'000	£'000
Other operating income ⁶³	(10)	(17)
	(10)	(17)

Note 3: Other operating costs

	2019-20	2018-19
	£'000	£'000
Accommodation		
• Rent lease costs	492	448
• Other accommodation costs	446	459
Supplies and services ⁶⁴	1,641	1,650
Recruitment	33	39
Depreciation and amortisation	258	284
Professional fees		
• Internal audit services	42	44
• External audit services	47	45
• Other professional fees	46	38
Staff travel and subsistence	445	546
Staff learning and development	255	259
	3,705	3,812

291 In 2019-20 our external auditors carried out a value for money review on our travel scheme. Expenditure incurred on this in 2019-20 was £24,000 and is included within other professional fees. (2018-19: no non-audit services were provided.)

63 Includes charges for training provided, personal use of mobile phones and recharges for refreshments.

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

Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2019-20				
Cost				
At 31 March 2019	1,336	611	169	2,116
Additions	26	63	69	158
Disposals	(23)	-	(78)	(101)
At 31 March 2020	1,339	674	160	2,173
Depreciation				
At 31 March 2019	1,049	359	136	1,544
Provided in period	67	118	25	210
Disposals	(20)	-	(78)	(98)
At 31 March 2020	1,096	477	83	1,656
Net book value				
At 31 March 2020	243	197	77	517
At 31 March 2019	287	252	33	572
Asset financing				
Owned	243	197	77	517
	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2018-19				
Cost				
At 31 March 2018	1,302	519	157	1,978
Additions	37	111	12	160
Disposals	(3)	(19)		(22)
At 31 March 2019	1,336	611	169	2,116

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
Depreciation				
At 31 March 2018	990	271	124	1,385
Provided in period	62	107	12	181
Disposals	(3)	(19)		(22)
At 31 March 2019	1,049	359	136	1,544
Net book value				
At 31 March 2019	287	252	33	572
At 31 March 2018	312	248	33	593
Asset financing				
Owned	287	252	33	572

292 Expenditure of over £5,000 on computer equipment and software, office refurbishments and other equipment is capitalised. Subsequent expenditure on assets which meet these criteria is further capitalised. Expenditure on items not meeting these criteria is treated as revenue expenditure in the year.

293 Depreciation is provided on all capital assets from the date the asset commences its useful life. This is calculated to write off the cost, less estimated residual value, in equal annual instalments for each asset as follows:

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

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

Note 5: Intangible assets⁶⁵

	£'000
2019-20	
Cost	
At 31 March 2019	542
Additions	30
At 31 March 2020	<u>572</u>
Amortisation	
At 31 March 2019	362
Provided in period	48
At 31 March 2020	<u>410</u>
Net book value	
At 31 March 2020	162
At 31 March 2019	<u>180</u>
Asset financing	
Owned	162

65 Mainly computer software.

	£'000
2018-19	
Cost	
At 31 March 2018	663
Additions	50
Disposals	(171)
At 31 March 2019	<u>542</u>
Amortisation	
At 31 March 2018	430
Provided in period	103
Disposals	(171)
At 31 March 2019	<u>362</u>
Net book value	
At 31 March 2019	180
At 31 March 2018	<u>233</u>
Asset financing	
Owned	180

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

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

Note 6: Trade receivables and work in progress

	31 March 2020	31 March 2019
	£'000	£'000
Trade receivables		
• Central Government	240	342
• Local Government	666	481
• NHS	874	314
• External to government	87	59
Work in progress		
• Central Government	746	862
• Local Government	389	356
• NHS	-	22
	3,002	2,436

Trade receivables

297 Receivables are valued at fair value on initial recognition.

298 The Wales Audit Office's clients are virtually all government departments or other public bodies which are funded in the main by Parliament. – a reliable funding source with no history of defaults on audit fees. The Wales Audit Office is therefore not exposed to significant credit risks.

299 There were no impairment losses on any receivables in 2019-20. (2018-19 – Nil.)

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

Work in progress

301 Work in progress relates to work completed in advance of the invoice being issued. This is stated at full cost less provision for foreseeable losses and amounts billed on account.

Note 7: Other receivables

	31 March 2020	31 March 2019
	£'000	£'000
Prepayments and accrued income ⁶⁶	579	603
Loans to employees ⁶⁷	1	-
	580	603

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

Note 8: Cash and cash equivalents

	31 March 2020	31 March 2019
	£'000	£'000
Balance at 1 April	1,776	3,017
Net change in cash and cash equivalents	(172)	(1,241)
Balance at 31 March	1,604	1,776

	31 March 2020	31 March 2019
	£'000	£'000
Current account (Government Banking Service)	1,604	1,776
	1,604	1,776

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

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

66 Mainly advance payments for rent and other property related costs.

67 Cycle to work scheme.

Note 9: Trade payables and other current liabilities

	31 March 2020	31 March 2019
	£'000	£'000
Trade payables (due within one year)	192	26
VAT	41	108
Taxation and social security costs	358	362
Accrual for holiday entitlement not yet taken ⁶⁸	521	484
Other accruals ⁶⁹	931	1,137
	2,043	2,117

305 The Wales Audit Office aims to pay 90% of undisputed supplier invoices within ten working days of receipt. In 2019-20, 82.4% were paid within ten days, and 96.5% were paid within 30 days. We are implementing changes to our purchase order process from April 2020 to help improve our 10-day payment performance.

Note 10: Deferred income

	31 March 2020	31 March 2019
	£'000	£'000
Deferred income	2,191	2,336
	2,191	2,336

306 Fee income recognised in our accounts is assessed by reference to time charged and a review of work completed. Much of our income is invoiced on an instalment basis through the year. Deferred income represents income that has been billed but not yet recognised.

68 Based on individual holiday anniversaries.

69 Includes £205,000 in respect of invoices received post year-end, £314,000 in respect of pension contributions for March 2020 paid in April 2020 and £166,000 for rent.

Note 11: Provisions for liabilities and charges

	Dilapidations⁷⁰	Early retirement and severance⁷¹	Senior Team Restructure	Contractor Firms	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2019	622	508	-	109	1,239
Provided in-year	30	165	659	-	854
Utilised in-year	-	(436)	-	-	(436)
Released in-year	-	(72)	-	(109)	(181)
As at 31 March 2020	652	165	659	-	1,476

Analysis of expected timing

	Dilapidations	Early retirement and severance	Senior Team Restructure	Contractor Firms	Total
	£'000	£'000	£'000	£'000	£'000
Not later than one year	-	165	659	-	824
Later than one year and not later than five years	633	-	-	-	633
Later than five years	19				19
	652	165	659	-	1,476

70 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2019)11 for balances of zero to five years of 0.51% and for balances of five to ten years of 0.55% to calculate this balance.

71 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2019)11 of (0.5%) to calculate this balance.

- 307 Provisions are measured at the best estimate of the amounts required to settle a probable obligation at the reporting date.
- 308 When the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of this discount is recognised within the relevant expense.

Dilapidations

- 309 The dilapidations provision represents an estimate of the costs the Wales Audit Office may incur in making good its leased properties at the end of the leases.
- 310 This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets.
- 311 Dilapidations liabilities relating to the cost of restoring alterations made to leased buildings are accounted for by means of a provision set aside in the year that the cost was identified.

Early retirement and severance

- 312 The early retirement and severance provision represents the future liability of the Wales Audit Office in respect of members of staff who are contractually committed to leave under redundancy, early retirement and severance schemes. Staff will leave the Wales Audit Office in 2020 under terms agreed in 2019-20.

Senior Team Restructure

- 313 In February 2020 the Auditor General commenced a formal consultation period to restructure the Senior Director Team. The existing roles of Assistant Auditor General and Sector Lead were two of the roles at risk and, in line with the Wales Audit Office's Restructure and Redeployment, Early Exits and Redundancy policies, expressions of interest in voluntary exit were invited from affected staff.
- 314 Mutually agreed exits for Anthony Barrett (Assistant Auditor General) and Mike Usher (Sector Lead) were approved by the Remuneration and HR Committee on the 19 March 2020. The exits will take effect on 30 September 2020 and the costs associated with these exits are included within this provision.

315 Two further roles are also impacted by the restructure – the Director of Corporate Services and the Director of Finance and Human Resources. Further provision has been made for the estimated potential costs associated with the removal of these posts. These costs have been estimated based on expected compensation due for voluntary or compulsory redundancy.

Contractor Firms

316 The provision in respect of contractor firms at 1 April 2019 was in respect of a contractual dispute with the firm involved. This provision was not required and was released in 2019-20.

Note 12: Operating leases

Aggregate minimum lease payments – operational offices

	31 March 2020		31 March 2019	
	£'000	Number of properties	£'000	Number of properties
Within one year	464	3	465	3
Between two and five years	942	3	1,381	3
Over five years	26	1	52	1
	1,432		1,898	

317 The Wales Audit Office has leases for three operational offices at Cardiff, Swansea and Abergele. These leases are subject to periodic rent reviews.

318 Lease end dates for the three properties are as follows:

- Cardiff 25 March 2023
- Penlleger 18 April 2022
- Abergele 21 March 2026 (Break clause at 22 March 2021)

319 HMT have recently confirmed that IFRS16 issued in January 2016, will not now become effective until 1 January 2021. This will require that all leases with a lease term of more than 12 months be recognised as assets and liabilities in the financial statements.

320 For the Wales Audit Office this would have required an adjustment for Right of Use assets and lease liabilities of £1.4 million in 2019-20.

Note 13: Capital commitments

321 There were capital commitments of £4,474 in respect of office equipment which was due to have been installed in March 2020 but could not be delivered due to the Co-vid 19 lock down. (31 March 2019: £8,370).

Note 14: Losses and special payments

322 There were no reportable losses or special payments made in 2019-20.

323 During 2018-19, there were two disclosable losses:

- a refund for VAT charged in error to an audited body: £8,804; and
- a payment to a contractor firm for some costs incurred which will not be recovered from audited bodies for operational reasons: £14,500.

Note 15: Derivatives and financial instruments

324 IFRS 7 (Financial Instruments Disclosures) requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Owing to the nature of the Wales Audit Office's activities and the way in which the operations are financed, the office is not exposed to a significant level of financial risk.

325 Although the Wales Audit Office can borrow funds for short-term financing purposes, it has not been required to do so in this financial year.

326 The Wales Audit Office can also invest surplus funds. As cash balances are held in the Government Banking Service, this has not been done during the year.

Liquidity risk

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

328 In light of this risk appetite, and the backing of the WCF, the Wales Audit Office is not exposed to significant liquidity risks.

Interest rate risk

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

Foreign currency risk

330 The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases of foreign currency are made in connection with foreign travel and other associated costs such as hotels. Also, any fees generated from foreign work or secondments are converted when received. Any exchange differences are recorded in the Statement of Comprehensive Net Expenditure for the year.

Credit risk

331 The Wales Audit Office's clients are mainly the Welsh Government, its sponsored and related public bodies, NHS Wales and local government bodies in Wales. The Wales Audit Office charges fees under legislation in accordance with an approved Fee Scheme and is therefore not exposed to any material credit risks.

Fair values

332 There is no material difference between the book values and fair values of the Wales Audit Office's financial assets and liabilities as at 31 March 2020 (31 March 2019: nil).

Note 16: Related party transactions

333 The Wales Audit Office is a body corporate established under statute and has had material transactions with the WCF and with bodies audited by the Auditor General as disclosed in the Remuneration Report.

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

335 During the year, no other members of the Board, nor key members of staff nor their related parties had undertaken any material transactions with either the Auditor General or the Wales Audit Office. Information about key management personnel is included in the Remuneration Report (page 72).

Note 17: VAT

336 The Wales Audit Office is only able to recover a small proportion of VAT on its gross expenditure being the proportion of non-statutory fee income as compared to total income for the year.

Glossary of terms

Accruals basis	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent, is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
Amortisation	The apportionment of the cost of an intangible fixed asset over its useful life.
Assets	Something that the organisation owns or uses eg, equipment or software rights.
Capital expenditure	Spending on non-current (fixed) assets.
Current assets	An asset that is expected to be converted to cash within the next 12 months.
Current liability	A liability that is expected to be settled within the next 12 months.
Deferred income	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
Depreciation	The apportionment of the cost of a tangible fixed asset over its useful life.
Estimate	For the Wales Audit Office the annual Estimate of Income and Expenses approved in plenary by the Budget Motion. The National Assembly Finance Committee provides a report to support this. Also referred to as the approved budget.
Fixed assets	An asset that is held by an organisation for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the reporting entity's activities. Examples are equipment, vehicles, land and buildings.
Going concern basis	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
Intangible fixed asset	An asset, such as a right, that has no physical substance.
Leasing	Acquiring the use of an asset through a rental agreement.
Prepayments	An amount paid for in advance such as insurance premiums or rent in advance. Initially recognised as an asset, then transferred to expense in the period when the benefit is enjoyed.
Provision	Liability of uncertain timing or amount.

Trade payables	Amounts due for payment to suppliers of goods and services
Trade receivables	Amounts due from clients.
Tangible fixed asset	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an intangible fixed asset.
Welsh Consolidated Fund	The fund used by the National Assembly to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, National Assembly Commission and Public Service Ombudsman for Wales.
Work in progress	Work done and recognised as income in the accounts which has yet to be invoiced to clients.

Full definitions are available in the Financial Reporting Manual (FReM).



Appendices

- 1 Programmes of work delivered in 2019-20**
- 2 Progress made towards achieving our change commitments**

1 Programmes of work delivered in 2019-20

Local audit work

The Auditor General carried out local work at most public bodies in Wales in 2019-20. The programme included audits of accounts, local performance audit work and well-being of future generations work.

Table listing the public bodies audited by the Auditor General and showing the types of local work carried out at those bodies

Public body	Audit of accounts	Local performance audit work	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁷¹
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ ⁷²
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁷³		

70 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.

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

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

73 On a limited assurance basis.

National value-for-money examinations and studies

This programme of 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 Senedd Public Accounts Committee and potentially other Senedd committees. The programme of work retains a degree of flexibility to respond to changing circumstances, priorities and risks.

We are currently reviewing our audit work programme considering the wider COVID-19 situation. We are continuing with work in progress as far as possible, working remotely and considering the impact of our work on public bodies at this difficult time

Work completed

- The effectiveness of local planning authorities in Wales
- NHS Wales finances data tool
- Counter-fraud arrangements in the Welsh public sector
- Integrated Care Fund
- Well-being of young people
- Front door to adult social care
- Review of Public Service Boards (phase 1)
- Fuel poverty
- Public spending trends in Wales
- Preparations in Wales for a 'no deal' Brexit (follow-up)
- Primary care services in Wales
- Progress in implementing the violence against women, domestic abuse and sexual violence act
- A465 (Section 2) road improvement – interim findings
- Arrangements for interim senior staff appointments – Betsi Cadwaladr University Health Board
- Financial management and governance – Community and town councils 2018-19
- Timber Sales Contracts awarded by Natural Resources Wales
- A joint review of quality governance arrangements at Cwm Taf Morgannwg University Health Board
- Preparations in Wales for a -no-deal- Brexit – follow-up letter

Work in progress

- Clinical coding progress update
- Orthopaedic Services
- Elective NHS waiting times
- Welsh community care information system (WCCIS)
- Well-being of future generations
- Collaborative arrangements for managing local public health resources
- Asbestos removal programme at Ysbyty Glan Clwyd – Betsi Cadwaladr UHB
- Public Service Board (phase 2)
- Quality governance arrangements in NHS bodies
- Welsh Health Specialised Services
- Commercialisation in local authorities
- Impact of austerity on local authority discretionary services
- Welsh Government management of European Agricultural Funds for Regional Development (EAFRD) funding
- Think-piece on the implementation of new legislation (drawing on previous audit work)
- Public service boards – tackling rough sleeping
- Local government – financial sustainability
- Covering teachers' absence
- Welsh Government workforce
- Welsh Government grants management
- Welsh government ICT
- Administration of student finances
- Warm homes programme – Arbed and Nest
- Public bodies' digital resilience
- Grants management

Good practice work

A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experiences of service users and global experts to these conversations.

Topics delivered

Seminars

- Working together in partnership to combat fraud in Wales (in partnership with CIPFA Wales)
- Innovative approaches to delivering public services in rural communities
- Making an 'Equal Wales' a reality
- How technology is enabling collaborative working across public services
- Working together to identify and reduce vulnerability

Webinars

- Internal audit arrangement at Town and community Councils – sharing learning from our review of internal audit arrangements
- Key issues for Regional Partnership Boards
- Future proofing public services
- Unearth the value of your data

The Auditor General's report on disclosures of information

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

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

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

In 2019-20, 21 individuals wrote to or telephoned the Auditor General or the Wales Audit Office indicating that they wished to make a whistleblowing disclosure. However, in only 15 cases did the Auditor General have a reasonable basis to believe that the disclosure qualified and was within the matters in respect of which he is prescribed. This was because individuals either did not give details of their employment situation, or it was clear that they were not employees or other qualifying workers.

Of the 15 apparently qualifying disclosures, in 10 cases the relevant audit team reviewed the matters raised, but they were not found to amount to substantive matters on which the Auditor General would need to report or take other action. In one of the other five cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending. This may result in a published report. In the other four cases, audit staff are awaiting feedback from their initial enquiries before determining whether there are substantive matters on which the Auditor General would need to report or take other action.

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

2 Progress made towards achieving our change commitments

Audit projects

Commitment	Commentary
<p>Improve how we source, acquire and analyse data and how we visualise and communicate our findings.</p>	<p>2019-20 was the second year of delivery of our three-year data analytics strategy. Key developments included:</p> <ul style="list-style-type: none"> • Publishing several interactive data tools which brought together statistics and other information from audit reports into single, accessible resources. These included: Public spending trends in Wales 1999-00 to 2017-18, The well-being of young people, The 'front door' to adult social care and an NHS Wales finances data tool. • Publishing a blog entitled Big data and data analytics are the future of audit to engage with the wider public sector on the work we have done to date and where we would like to move to in the future. • Launching a long-term project that seeks to place data at the centre of our accounts audit processes. <p>We also put in place actions to improve the accessibility and readability of our audit products, including through introducing a word limit for our reports and redeveloping our website.</p>

Commitment	Commentary
<p>Place greater emphasis on the views and perspective of service users, including ‘harder to reach’ groups, when considering the effectiveness of public service delivery.</p>	<p>Over the last 12 months, we incorporated more studies and reviews into our programme where we considered, in greater detail, the views and perspectives of service users. These included examinations of:</p> <ul style="list-style-type: none"> • <u>Household recycling centres</u> • <u>Progress made towards implementing the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act</u> • <u>The well-being of young people</u> • <u>Public service boards.</u> <p>As part of our ongoing engagement on our future work programmes, we ensured that we obtained views from those representing the interests of protected groups. In February 2020, we attended the Wales Council for Voluntary Action (WCVA), Equality and Human Rights Coalition, who helped us to identify the scope of a specific piece of work we will be undertaking on the General Equality Duty.</p>
<p>Examine more closely the effectiveness of arrangements for integrated and collaborative service delivery.</p>	<p>This year, our programme of audit work contained a suite of projects designed to examine more closely the effectiveness of arrangements for integrated and collaborative service delivery. This included reviews of:</p> <ul style="list-style-type: none"> • <u>Primary care services in Wales</u> • <u>The Integrated Care Fund</u> • <u>The well-being of young people</u> • <u>Public services boards</u> • <u>Progress made towards implementing the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act</u> • <u>The extent to which public bodies have acted in accordance with the sustainable development principle.</u>

Increasing our impact and value

Commitment	Commentary
<p>Ensure the Senedd is fully sighted of the outcomes of our work when undertaking all aspects of its public spending scrutiny function.</p>	<p>Throughout the year, we worked on improving our engagement with Senedd colleagues and committees to maximise engagement with the outcomes from our work. This included:</p> <ul style="list-style-type: none"> • obtaining feedback on our suite of data tools and giving evidence to a range of committees; and • more proactively reviewing draft Bills laid before the Senedd and UK Parliament, Senedd Committee inquiries, and consultations issued by the Welsh Government, to ensure we respond in all instances where we can have an impact. <p>Examples include:</p> <ul style="list-style-type: none"> • our report on Fuel poverty being considered by the Climate Change, Environment and Rural Affairs Committee, who published their report on fuel poverty in April 2020; • providing oral evidence to the Equality, Local Government and Communities Committee on the Local Government and Elections (Wales) Bill; • responding proactively to the Finance committee review of the Public Audit (Wales) Act 2013; and • providing the Chair of the External Affairs and Additional Legislation Committee with a follow-up letter to our February 2019 report on the Preparations in Wales for a ‘no-deal’ Brexit.
<p>Explore different and new ways of influencing the thinking and behaviour of others and shaping the wider public debate.</p>	<p>In 2019-20, we:</p> <ul style="list-style-type: none"> • engaged with the National Youth Parliament co-ordination team on our Well-being of young people work to establish a sound foundation for future engagement with the Youth Parliament; • listened to feedback from our stakeholders when developing and establishing a new organisational identity to help extend our reach and impact; and • expanded our staff training programme to include additional opportunities for the development of influencing and engagement skills.

Commitment**Commentary**

Be more proactive in our approach to supporting Welsh public bodies in their fight against fraud and corruption.

The national fraud initiative exercise undertaken during 2018-20 successfully identified £8 million, this compares with £5.4 million in the previous exercise.

Over the course of the last 12 months, we also:

- published an overview for the Public Accounts Committee of Counter-fraud arrangements in the Welsh Public sector this informed a convention on counter fraud organised by the Senedd Public Accounts Committee; the Committee subsequently made recommendations to the Welsh Government in relation to capacity and leadership for counter fraud;
- hosted seminars in North and South Wales on Working in partnership to combat fraud. The seminars shared investigation techniques, intelligence and the use of data analytics in fraud prevention and detection;
- published a blog entitled Every £ lost to public sector fraud is a £ wasted and lost to essential public services; and
- undertook several new pilot data matching exercises, including in relation to student finance, Rent Smart Wales and GP registration matching, to help identify fraud and overpayments.

Running the business

Commitment	Commentary
<p>Introduce new and smarter ways of working to help ensure we deploy our resources in the most efficient and effective way and can adapt to internal and external change.</p>	<p>We have:</p> <ul style="list-style-type: none"> • progressed an ‘Our Future Workplaces’ transformation project, through which we undertake a review of our estates strategy to ensure our workplaces are fit-for-purpose, cost-effective, sustainable, promote staff well-being and enable smarter working; • restructured our financial audit teams to better support delivery of our future work programme and more integrated team working; • launched an ‘Undod’ pilot in North Wales, which involves our auditors working as a single team across all local audit work including local government and health bodies – creating more consistent engagement channels with the public bodies involved and a richer and more diverse experience for staff; • agreed a revised audit regime for community and town councils to ensure a smooth transition of this work when the outsourced contracts end; • established a dedicated Change Programme team, Change Board and change portfolio to ensure a consistent approach and toolkit for change management; and • devised a workforce strategy, covering areas such as recruitment, retention, progression and talent and cultural management, that is more closely aligned with our overall ambitions.
<p>Improve and enhance our internal management of knowledge and data.</p>	<p>Over the last 12 months, we:</p> <ul style="list-style-type: none"> • improved our arrangements for internal reporting of management information, through developing interactive reports on key performance indicators, risks and delivery of strategic priorities, which support better scrutiny and decision making; • implemented a new cloud-based data management system for our audit work, which supports more efficient and effective working and sharing of knowledge; and • accelerated our work on the archiving and destruction of paper and electronic records.

Commitment	Commentary
Refresh our leadership and governance structure and processes to ensure alignment with our ambitions.	<p>During the last year, we:</p> <ul style="list-style-type: none">• reconstituted our Executive Leadership Team with a refreshed membership that includes employee members, to ensure that a broader range of views and insight informs our corporate decision making;• consolidated the work programmes of three previous Director committees into one Director Team to ensure more joined-up strategic and operational leadership; and• commenced a restructure of senior management aimed at ensuring senior roles are fully aligned with our overall ambitions.



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

Pack Page 180

Wales Audit Office

Audit findings report year ended 31st March 2020

1 June 2020

Contents

Executive Summary 3

Risks identified at the planning stage 4

Risks identified during the audit 7

Regularity issues identified during the audit 8

Recommendations on controls 9

Update on matters communicated at the planning stage 11

Appendix 12

Pack Page 181

Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Wales Audit Office in respect of the year ended 31st March 2020.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit and Risk Assurance Committee with the required confidence that a thorough and robust audit has been carried out.

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing an unmodified audit opinion on the group's financial statements in line with the agreed timetable.

Final materiality

Materiality was determined based on an effective rate of 2.1% of expenditure for the year. This benchmark and percentage are consistent with the calculations detailed in the Audit Report.

Unadjusted audit differences

We have not identified any nontrivial audit adjustments, which is confirmed within the Appendix. We have not identified any material disclosure omissions that have not been updated in the draft statutory accounts.

Risks and approach

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

- Revenue and WIP recognition
- Management override of internal controls
- Reputational risk
- Brexit financial reporting considerations

We have also identified additional risks during the course of our audit which are discussed below:

- COVID-19 financial reporting considerations

Risks identified at the planning stage

Risk	Description	Response	Findings
Management override of internal controls	In any organisation there will be an extent to which management can bypass internal controls. By definition, there can be no controls over this risk and this is specifically stated in International Standards on Auditing: 240. Such override, if exercised, could give rise to material fraud or misstatement in the financial statements.	<p>We will discuss and consider segregation of duties within the established control environment.</p> <p>We will review controls over journal entries and, using data analytics and based our on risk assessment, test a sample of journals to ensure that they are valid and appropriately supported.</p> <p>We will obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside the normal course of business or that appear to be unusual, given our understanding of the entity's operating environment.</p> <p>We will consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness.</p>	<p>The testing was completed as planned with no significant issues identified to report to management.</p> <p>We have tested a sample of the journal entries posted during the year, and this did not highlight any erroneous entries, or items indicative of undue management bias.</p> <p>We have reviewed the significant estimates adopted in the preparation of the financial statements, and we have not identified any areas where there appears to be indication of management bias. Our review of the estimates made in respect of the dilapidations provision and the bad debt provision indicated that these appear to have been derived on an appropriate and consistent basis.</p>
Reputational risk	Given the public interest in the financial statements, there is a risk that accounting judgements may be influenced by the desire to demonstrate good financial management and remain within the Estimate.	<p>We will undertake internal specialist technical reviews of both the accounts, and also our audit work, given the increased reputational risk associated with the audit.</p> <p>We will review the judgemental aspects of year-end balances, particularly focusing on any round sum provisions, estimates, recoverability of debtors, disclosure of remuneration and related party transactions.</p>	<p>During the course of the audit, we have not identified any areas from the WAO's operations that suggests there are any matters whereby the reputation could appear to be significantly damaged.</p> <p>As discussed previously, our review of judgemental areas has not noted any areas of inappropriate activity, or areas where the Office has been acting inappropriately.</p> <p>We are satisfied that there appears to be appropriate disclosure of the remuneration of directors and senior management.</p> <p>Our conclusions on our regularity reporting are discussed later in this report.</p>

Risk	Description	Response	Findings
Revenue recognition – WIP and deferred income	The recognition of income, WIP and deferred income is considered to be a significant risk due to the level of judgement applied to the stage of completion of an audit assignment and any provisions required.	<p>We will select a sample of projects that have commenced throughout the year and test the revenue recognised with reference to the stage of completion of the assignment in order to determine that the revenue recognition is appropriate and consequently whether the WIP and deferred income are appropriately stated.</p> <p>We will review correspondence with audit managers to establish the estimated costs to complete and any required provisions at the year end, considering the impact of any time spent after the year end on these estimations.</p> <p>We will also review time postings after the year end for any time posted by employees relating to work done before the year end that may not have been factored into the above calculations.</p>	<p>Our work indicated that the organisation has appropriate systems for assessing the stage of completion of its ongoing contracts, and hence for determining the amount of revenue that should be reported at the year end.</p> <p>Our review of the actual outturn on prior year contracts indicated that the estimates made at the prior year end proved materially accurate.</p> <p>We have selected a sample of contracts as planned. Based on our analysis of the cost to complete estimates, discussions with project managers, and post year end performance, we have not identified any misstatements with regards to revenue recognition. We have tested the reliability of the underlying time recording system and not noted any inaccurate or incomplete data.</p> <p>In the prior year, we noted that where onerous contracts were identified, the full loss was not initially recognised as a provision in the financial statements (instead being apportioned based on the stage of completion). While this was recorded as an audit adjustment in the prior year, no such adjustment is required in 2020 as the full loss provision has been recognised as expected.</p> <p>Where refunds are due because audits have been completed at a lower cost than budgeted, the balance of refunds were originally classified within deferred income. This would normally be reclassified to accruals however the reclassification would be a trivial adjustment at approximately £3,000 and has therefore not been made.</p> <p>We have noted that all cost to complete assessments made by project managers have had an additional 5% added to them by the finance team. This is to estimate the additional cost expected to be incurred resulting from COVID-19. While there are no detailed calculations to support this percentage, it represents managements best estimate of the additional cost – however management acknowledge there is a high level of estimation within this percentage. The total impact of adding 5% to costs to complete is approximately £55,000 on 2020 revenue and not considered a material amount, or necessarily an error.</p>

Risk	Description	Response	Findings
Brexit financial reporting considerations	<p>The longer-term effects of the UK's potential exit from the European Union remain unclear.</p> <p>Businesses face a period of political and economic uncertainty which may expose them to new opportunities and/or risks, or change the scale and likelihood of existing ones, that affect their business model and strategies.</p> <p>Identifying the significant effects, or possible significant effects, of Brexit and assessing their impact may prove challenging in the current political and economic environment. However, we expect management to provide us with their analysis of the potential Brexit effects they have identified, together with supporting evidence in relation to key assumptions and related disclosures.</p>	<p>As part of our audit we will consider management's analysis of the potential Brexit effects on the entity's operations and strategies (e.g. specific audits, staff costs, and reputational focus), and the forward-looking assumptions used by management in their assessment relating to future activity and decision making.</p> <p>We shall consider the appropriateness of the disclosures in the Annual Report in respect of Brexit related principal risks and uncertainties and future plans.</p> <p>We may seek written representations from management about their plans for mitigating potentially adverse effects of Brexit.</p>	<p>Our review of the Annual Report indicates there appears to be appropriate disclosure of the risks associated with the UK's potential departure from the European Union.</p>

Risks identified during the audit



Risk	Description	Response	Findings
COVID-19 financial reporting implications	Since our Audit Plan was issued on 26 February, COVID-19 has been declared a global pandemic by the World Health Organisation and has had a major impact on the world economy. All businesses are expected to be impacted by COVID-19 and we therefore consider the impact of COVID-19 on all of our audits.	We have discussed the impact of COVID-19 with management. Given COVID-19 was declared a global pandemic on 11 March, this was pre year end and therefore an adjusting event for the purposes of considering carrying values of assets and liabilities. We asked management to prepare a paper for us to assess the impact COVID-19 has on the financial statements, and also on the going concern assumption adopted in the financial statements.	<p>We have reviewed the paper prepared by management. We agree with the conclusion that there is no material impact on the carrying value of assets or liabilities from COVID-19.</p> <p>We have also considered the impact of COVID-19 on going concern.</p> <p>As laid out in the Public Audit (Wales) Act 2013, there is a requirement for the Wales Audit Office to be funded to continue to provide its services. We have reviewed recent estimates prepared by management which have identified substantial cost savings in the event of reduced fee income. We have noted the Chair and Auditor General have advised the Senedd's Finance Committee of the need for supplementary funding in 2020-21 which will allow the entity to continue its operations for the full financial year.</p> <p>In the event that the Committee does not approve additional resources in the autumn, immediate steps will be taken to contain expenditure within existing approved limits, which management believe can be done to ensure Wales Audit Office remains a going concern.</p> <p>Our audit report contains no modification in respect of this conclusion and the financial statements have appropriate disclosure relating to this matter.</p>

Regularity issues identified during the audit

Issue	Response
<p>Since the Wales Audit Office Board came fully into effect in 2014, expenses incurred by and on behalf of the Chair of the Board have been funded through the WAO's Estimate from the Welsh Consolidated Fund.</p> <p>From April 2019, HMRC required that the tax liability on the Chair's expenses to be directly recovered through the payroll. The WAO does not administer the Chair's salary through payroll, the Commission itself does.</p>	<p>An agreement has been reached with the Assembly Commission to amend the payment process. The Chair's expenses are now directly charged on the Welsh Consolidated Fund, rather than being indirectly recovered through the Estimate. It has been agreed with the Assembly that the 2021 estimate will be reduced by the value of the Chair's expenses, approximately £5,000, as part of the year end outturn. No adjusting corrections are needed in respect of previous years because there is no consequential misstatement in any accounts.</p>
<p>An internal audit report on financial controls identified that one item within the sample of 25 purchase orders was not correctly authorised by the budget holder. We have considered the impact of this on our regularity audit.</p>	<p>The purchase order system providers to Wales Audit Office were able to match all purchase orders to identify a total of 6 purchase orders totalling approximately £36,000 which were not sent to the budget holder for their approval. Retrospective approval was sought and obtained for all of these items. We do not believe this incident to have any impact on our regularity opinion, on the basis that the issue arose from unforeseen network performance issues with the server which have since been rectified, and these items were followed up when identified and subsequently approved. Managements have resolved that going forward, reports are ran on a monthly basis to match purchase orders to their subsequent approval to confirm no items remain unapproved.</p>
<p>We have noted that a lift maintenance contract was entered into during the period. However, on inspection of the retained procurement documentation, we have noted that two quotes were not sought for this contract in line with the procurement policy. When a purchase invoice was received for the service, it has been matched to an existing PO and subsequently approved.</p>	<p>This is not in line with the procurement policy. The amount is not considered material (at approximately £3,000) and all other items in our sample had sought the appropriate number of quotes. We have included a control deficiency in respect of this item below.</p>

Recommendations on controls

We have set out below recommendations on internal controls which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Assessment	Issue and risk	
Pack Page 188 	<ul style="list-style-type: none"> • Review of payroll 	<p>Recommendations</p> <ul style="list-style-type: none"> • We have noted that variance analysis is prepared on monthly payroll costs, however this analysis does not contain a set variance that would require investigation and is instead up to the preparer to determine what constitutes a difference worth investigating. Additionally, while the ultimate payment of the payroll is subject to a review, there is no line by line documented review of the payroll, other than this variance analysis. <p>Management Response</p> <ul style="list-style-type: none"> • Changes to payroll are processed and checked by the HR team prior to being sent to our external payroll providers for processing. The resulting payroll is subject to a check by the Finance team prior to being approved for payment. Any unexpected month on month variances are checked back to source documents to ensure appropriate approvals are in place. Going forward we will formalise this to ensure that all variances of more than 2% are checked and documented.
	<ul style="list-style-type: none"> • Procurement 	<p>Recommendations</p> <ul style="list-style-type: none"> • As part of our regularity work, we have noted that one item in our procurement sample did not obtain the required number of quotes. We understand that there had been a change in the staff responsible for obtaining these quotes and managing the process. We would recommend that staff training in this area is revisited, and that there is a periodic review of the contracts schedule to ensure the correct number of quotes were sought, with supporting evidenced retained. <p>Management Response</p> <ul style="list-style-type: none"> • Further training is planned for the team in relation to purchase orders and contracts. We will be further developing our contract management arrangements to automate review of the schedule for timely reminders and procurement. Work will also include periodic review of arrangements for compliance.

Assessment

- Significant control recommendation
- Other control recommendations

Going concern

We have reviewed the budget prepared. Based on our analysis we believe the company is a going concern and the financial statements have been prepared on this basis.

Significant difficulties encountered during the audit

No significant difficulties have been encountered during the audit. We would like to thank Steven O'Donoghue, Nicola Evans and the rest of the finance team for their hard work and cooperation during the audit.

Representations Requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking no specific representations from the Board.

Accounting estimates

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

Costs to complete/work in progress

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

Dilapidations provision

These continue to be derived using latest available third-party surveyor reports, and there is no evidence that these are not an appropriate source of evidence to derive such provisions. Previous surveyor reports provided have not identified any significant issues that would necessitate a material increase in the value of the reported provision.

Management judgements and accounting estimates

The following areas are considered to be the principal areas of management judgement or accounting estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Judgments and estimates

	Low impact		High impact
Provision for bad debts	●		
Revenue recognition – stage of completion			●
Dilapidations provision		●	
Senior team restructuring	●		

Update on matters communicated at the planning stage

Matter communicated	Update
Fees	We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you
Independence	In accordance with International Standard on Auditing (UK) 260 “Communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP and its related entities and Wales Audit Office and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP’s independence and the objectivity of the audit principal, Jonathan Da Costa and the audit staff and the related safeguards from those disclosed in the Audit Plan

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

APPENDIX

Adjusted and unadjusted statements and disclosures

Accounting misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement. Our level of triviality was set at £23,000.

Adjustment	Type of adjustment	Financial statements area	Value £'000	Description
1 Pack Page 192	Adjusted	Accrued income	21	Adjustment to correct prior year charge out rates used in costs to complete assessments
	Adjusted	Audit fee income	(21)	Adjustment to correct prior year charge out rates used in costs to complete assessments
	Unadjusted - judgemental	Accrued income	26	Being judgemental element added to costs to complete assessments for COVID-19 impact
	Unadjusted - judgemental	Deferred income	29	Being judgemental element added to costs to complete assessments for COVID-19 impact
	Unadjusted - judgemental	Audit fee income	(55)	Being judgemental element added to costs to complete assessments for COVID-19 impact

We have identified no unadjusted disclosure misstatements.

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Confirmation of independence and objectivity	●	●
Significant matters in relation to going concern (if any)		●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit (if any)		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Financial reporting updates

Important updates

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



RSM UK Audit LLP

Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD
T +44 (0)117 945 2000
F +44 (0)117 945 2001
rsmuk.com

Our Report is prepared solely for the confidential use of Wales Audit Office and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by Wales Audit Office for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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

RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Employer Services Limited, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Before accepting an engagement, contact with the existing accountant will be made to request information on any matters of which, in the existing accountant's opinion, the firm needs to be aware before deciding whether to accept the engagement.

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Annual Plan 2020-21

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

This Annual Plan for Audit Wales for the year ending 31 March 2021, which includes additional information on our longer-term ambitions and key performance indicators, has been jointly prepared by the Auditor General for Wales and the Chair of the Wales Audit Office under section 25(1) of the Public Audit (Wales) Act 2013.

It is laid before the National Assembly for Wales under section 26 of the Public Audit (Wales) Act 2013.

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

Audit Wales is the umbrella identity of the Auditor General for Wales and the Wales Audit Office, which are each separate legal entities with their own legal functions. The Auditor General has functions of auditing and reporting on Welsh public bodies. The Wales Audit Office has functions of providing resources, such as staff, for the exercise of the Auditor General's functions, and of monitoring and advising the Auditor General. Where relevant, the text of this document identifies what are Auditor General functions and what are Wales Audit Office functions. Audit Wales is not a legal entity and itself does not have any functions.

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.

Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Telephone 02920 320 500


Email info@audit.wales

This document is also available in Welsh.





Summary of our plan

On behalf of the people of Wales, we examine public spending and identify ways to improve public services. Our work supports the effective scrutiny of public money by the National Assembly for Wales and locally elected representatives. We are entirely independent of government.

Why are we here?

Assure	Explain	Inspire
		
the people of Wales that public money is well managed	how public money is being used to meet people's needs	and empower the Welsh public sector to improve

What are our ambitions?

			
Fully exploit our unique perspective, expertise and depth of insight	Strengthen our position as an authoritative, trusted and independent voice	Increase our visibility, influence and relevance	Be a model organisation for the public sector in Wales and beyond

How do we plan to achieve our ambitions?



Through our delivery of audits			When running the business
Maximise the power of our unique insight through more integrated team working and knowledge sharing.	Bring trusted commentary and evidence to the fore on the right issues at the right time.	Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.	Since we form audit judgements on others, make sure we consistently practise what we preach.
Search proactively for synergies and trends within the information that we hold.	Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.	Influence the thinking and behaviour of others and shape the wider public debate.	Provide clear, consistent and authentic leadership and increase the pace of our decision making.
Focus on what matters most and will make the biggest difference to the public and public bodies.	Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.	Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.	Empower people throughout the organisation to come up with new ideas and effect positive change.



Foreword from the Auditor General for Wales and the Chair of the Wales Audit Office

This Annual Plan describes the steps we were intending to take over the coming year towards achieving our organisational ambitions and strategic objectives.

Shortly before publication, however, we were overtaken by the extraordinary circumstances of the Covid-19 outbreak. Like everyone, our immediate priorities have been fundamentally altered as we focus on the well-being of our employees, maintaining business continuity and supporting the wider public sector and community.

We have already communicated to the bodies that we audit that we have scaled down our work and are adopting alternative delivery approaches, to ensure that audit does not in any way add to the huge pressures currently faced by public service providers.

Audit Wales has essential expertise to help the Welsh Government and wider public sector respond to some of the challenges we face. So, over the coming weeks and months, we will determine how best we can help the people of Wales and their public services through the current crisis, providing assurance, promoting good practice and ensuring that public resources are used as effectively as possible. We will do that sensitively and as an ally to a public sector striving for good governance in a time of extraordinary turmoil.

“ over the coming weeks and months, we will determine how best we can help the people of Wales and their public services through the current crisis ”

Notwithstanding the uncertainty and difficulties that lie ahead, we believe that our overall ambitions remain the right ones. When circumstances permit, we will pick up the pace once more on our agenda for reaching our full potential as a driver of public service improvement.

In our next Interim Report, which will be published in October, we will provide a detailed update on any changes we make to this Plan in response to the rapidly evolving situation.



Adrian Crompton
Auditor General for Wales



Isobel Everett
Chair of the Wales
Audit Office

Contents

Who we are and what we do	9
How we follow the public pound in Wales	11
Our ambitions and how we plan to achieve them	12
Our operating environment	13
Our work programmes	16
Audit delivery	17
Running the business	21
Measuring our performance	23

Appendices

1 Local audit work	27
2 National value for money examinations and studies	28
3 Supporting effective scrutiny and accountability	30
4 Good practice work	32
5 Our finances	34



Who we are and what we do

- 1 The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector. The Auditor General is responsible for the audit of most of the public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.
- 2 The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions.
- 3 The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. Those functions may be exercised in combination if necessary, across different types of bodies, to examine public spending irrespective of who delivers the services.
- 4 Together, as Audit Wales, we audit around £20 billion of income and expenditure, which is over a quarter of Welsh GDP. Increasingly, we are considering the stewardship of human and natural resources, alongside our consideration of financial resources and the way in which public bodies account for their use.
- 5 We also identify good practice from across the full breadth of our audit work and disseminate this through our [Good Practice Exchange](#) and other media, including sharing learning seminars and webinars.

Why we are here



Assure

the people of
Wales that public
money is well
managed



Explain

how public
money is being
used to meet
people's needs

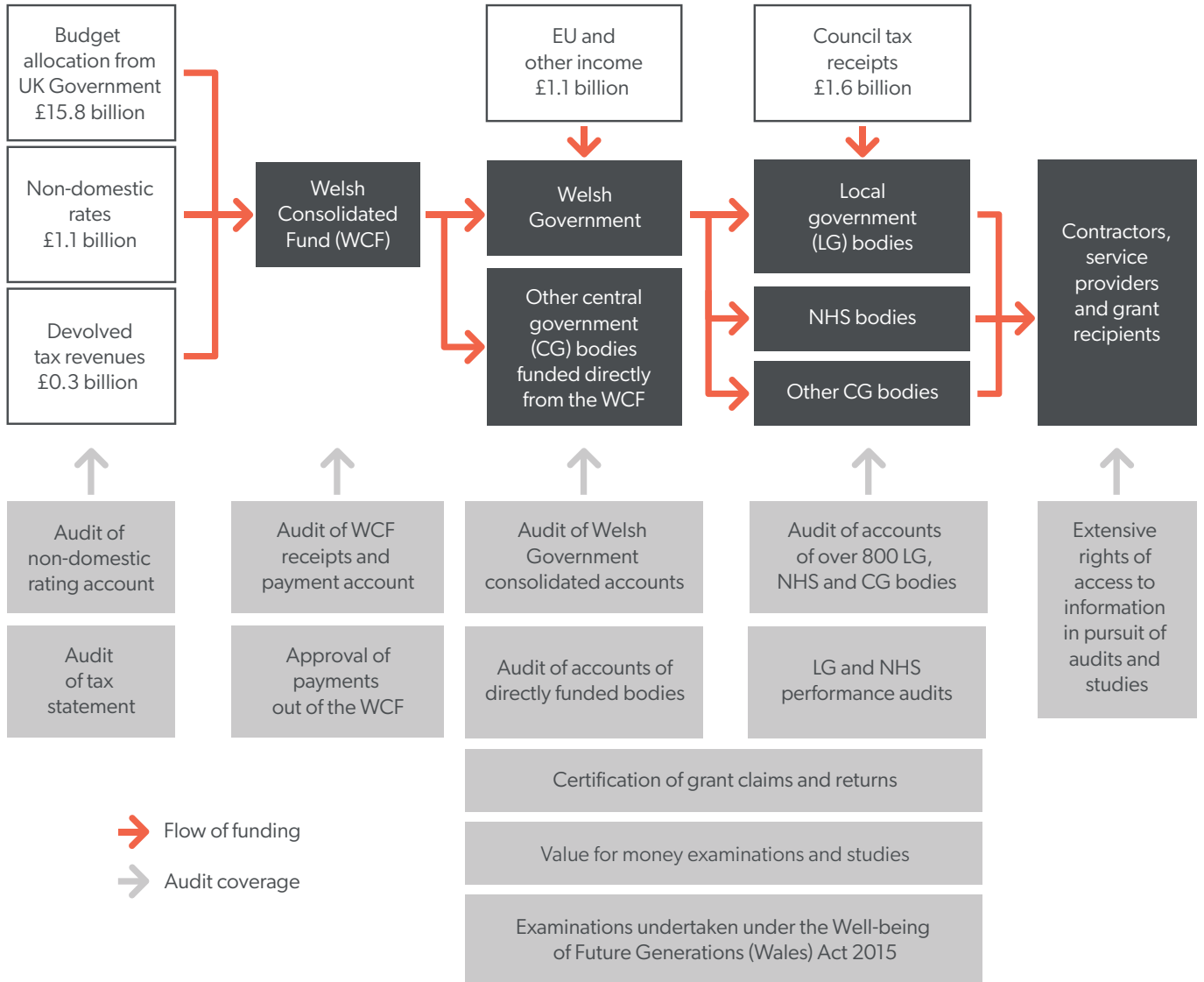


Inspire

and empower
the Welsh
public sector to
improve

- 6 We undertake our work in accordance with [the Auditor General's Code of Audit Practice](#). The Code prescribes the way in which audit and certain other functions are to be carried out and embodies what the Auditor General considers to be best professional practice.
- 7 We also work closely with other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work.

How we follow the public pound in Wales¹



¹ Funding sources highlighted in exhibit do not include income generation activities at individual public bodies.

◀ Our ambitions and how we plan to achieve them

- 8 Over the coming years, we want to reach our full potential as a driver of change and improvement at the heart of public services and democratic accountability.
- 9 As first set out in [our 2019-20 Annual Plan](#), we have identified four broad ambitions and, for each ambition, three strategic objectives, which collectively describe the path we are taking towards achieving that potential.



Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



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

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

Our operating environment

- 10 We consider the following to be the main factors that will influence the way we fulfil our ambitions, achieve our strategic objectives and deliver our programmes of work over the next few years.

The implications of Brexit

- 11 The UK left the EU on 31 January 2020 and will be in a transition period until December 2020. During this period, the majority of the current EU rules and trading arrangements remain in place with no significant changes in most areas of public service delivery.
- 12 The UK Government will soon begin negotiations with the EU on a permanent long-term agreement and the Welsh Government has mapped out a set of negotiating priorities which it believes reflect Wales' interests.
- 13 At this stage, it remains difficult to fully assess the longer-term implications of Brexit for Welsh public service delivery, including in relation to the future shape of financial support for the rural economy and workforce availability for public service providers. We are committed to a programme of 'real-time' audit commentary on this complex and dynamic process as it continues to evolve.

Embedding the sustainable development principle within Welsh public services

- 14 The Well-being of Future Generations (Wales) Act 2015 sets out a bold ambition for the future of public services and encourages a broad-ranging shift in both culture and practice.
- 15 Under the Act, listed public bodies have a duty to put sustainable development (meeting the needs of the present, without compromising the ability of future generations to meet their own needs) at the heart of what they do. They must work to improve the economic, social, environmental and cultural well-being of Wales by setting and publishing well-being objectives and taking action to make sure they meet those objectives.

- 16 In doing so, those bodies must take account of the importance of balancing short-term and long-term needs, taking a more integrated and holistic approach, involving and potentially collaborating with a diverse range of relevant stakeholders, and placing greater emphasis on taking a proactive and preventative approach to problem solving.
- 17 The Auditor General must examine the extent to which the listed public bodies have acted in accordance with the sustainable development principle when setting well-being objectives, and when taking steps to meet those objectives. Our reports on the steps individual bodies are taking to meet their well-being objectives are available via [the publications section of our website](#) and we will shortly be publishing a national report summarising the common themes and trends identified through this work.

Climate emergency


- 18 The Environment (Wales) Act 2016 requires the Welsh Government to reduce emissions of greenhouse gases in Wales by at least 80% for the year 2050 with a system of interim emissions targets and carbon budgets.
- 19 Following publication of its first [low carbon delivery plan](#), which sets out 100 policies and proposals to meet emissions targets, on 29 April 2019 the Welsh Ministers declared a climate emergency in Wales and subsequently announced a £140 million capital investment to support decarbonisation. The Welsh Government has also stated its intention for all Welsh public bodies to be carbon neutral by 2030.
- 20 In addition, public authorities that exercise their functions in Wales have a specific [duty to maintain and enhance biodiversity](#), and in doing so promote the resilience of ecosystems. The first reports on what public bodies have done so far to comply with the duty were required to be published by the end of 2019. Further reports on compliance with the duty are required every three years.
- 21 On 18 February 2020, the Welsh Government announced an emergency flood relief scheme to make available up to £10m for the initial response to the recent severe weather and flooding. Work is ongoing to get a clear picture of the scale of the damage and to identify the longer term support needed, but [the Welsh Government has acknowledged](#) that further substantial funding over a number of years will be required to address the challenges we face from climate change.

Socio-economic challenges

- 22 More than one in five people live in poverty in Wales and more people in Wales are reliant on welfare than in England and Scotland. Poverty levels have remained largely static in the UK and in Wales for the past 25 years, and governments are rethinking their approaches to tackling poverty.
- 23 The Welsh Government's national strategy, Prosperity for All, focuses on the promotion of economic prosperity in order to help tackle the root causes of poverty in Wales. Many of the actions proposed in the strategy require public bodies and other organisations to work in a much more collaborative and integrated way when designing and implementing solutions for the future.
- 24 To address the growing numbers of homeless people, the Welsh Government also introduced the Housing (Wales) Act 2014 which requires local authorities and their partners to focus specifically on prevention. However, we have reported that, despite the new legislation and the Welsh Government providing additional funding, preventing homelessness remains challenging for many authorities.
- 25 In another recent report from the Equality and Human Rights Commission, evidence is provided that deepening poverty in Wales is leading to starker inequalities in the experiences and opportunities of people born into different socio-economic backgrounds. In late 2019, the Welsh Government consulted on its proposals to place a legislative duty on public bodies to consider the need to reduce the inequalities that result from socio-economic disadvantage when taking strategic decisions.

An increasingly networked society

- 26 Advances in information technology continue to drive increased digitisation of service delivery, public access to data, and opportunities to interact and engage through social media and other forms of digital communication. Digital transformation and inclusion form a central part of the Welsh Government's plans to make public services more accessible and meaningful to their users, and to achieve better outcomes.
- 27 Wales has specific topography and population density characteristics which pose challenges when providing mobile coverage and digital infrastructure. While telecommunications policy is not devolved to Wales, the Welsh Government has also set out an action plan for how it intends to work with the mobile phone industry and Ofcom to provide connectivity to meet the needs of people and businesses.



Our work programmes

- 28 Our planned work for 2020-21 can be broadly divided into two sections – audit delivery and running the business.
- 29 The first section on audit delivery comprises the Auditor General's work programme and priorities for 2020-21 in exercising his functions. The second section on running the business encapsulates the work programme and priorities for 2020-21 of the Wales Audit Office in exercising its functions.
- 30 For each section, some areas of focus for additional work have been identified which will support us in the delivery of our ambitions and strategic objectives over the coming year. Progress made towards delivery of our strategic objectives, including in each of these focus areas, will be led by our executive leadership team and closely monitored by the Board.
- 31 The resources available, and which may become available to the Wales Audit Office, as per the approved Estimate of Income and Expenses for the year ended 31 March 2021, are to be used in delivering these work programmes.

Audit Delivery

Core work



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



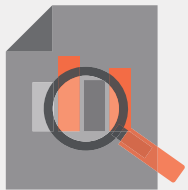
Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£2.5 billion**



Approving around **£1 billion** of payments out of the Welsh Consolidated Fund every month



Supporting effective scrutiny including the work of the National Assembly Committees



Hosting **shared learning events** for over **1,100 attendees**



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



Participating with **observer status** on a range of key policy working groups

For further information see:

Appendix 1 – Local audit work

Appendix 2 – National value for money examinations and studies

Appendix 3 – Supporting effective scrutiny and accountability

Appendix 4 – Good practice work

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



- 33 The audit work that we do at individual public bodies involves:
- providing an opinion on the accounts;
 - considering how public money is being used for approved purposes (regularity);
 - considering how public business is being conducted (propriety);
 - examining whether proper arrangements are in place to secure value for money and continuous improvement; and
 - assessing the extent to which public bodies have acted in accordance with the sustainable development principle when setting and taking steps to meet their well-being objectives.

- 34 We are committed to working closely with the other UK audit agencies through the Public Audit Forum, and with the other main external review bodies in Wales through the Inspection Wales initiative, to enhance the efficiency and effectiveness of public audit and the collective impact of our work. We are proud to represent Wales on occasion on the international audit stage, including at EURORAI².
- 35 We can also arrange with certain types of bodies, both in the UK and overseas, to undertake commissioned work³. This includes auditing around £320 million of European funds used to support farmers and agriculture across Wales⁴, and acting as Chief Auditor to, and auditing the accounts of, the Government of Anguilla.
- 36 In response to our operating environment and to help us in delivering our strategic objectives, we have identified 11 areas of focus for our audit delivery in 2020-21:
- improve how we source, acquire and analyse data, including through automating simple and repetitive tasks so that we can focus our time on areas of higher risk that require greater attention.
 - improve how we visualise and communicate our findings, including through publishing a broader range of interactive data tools and investing in further enhancing the engagement and influencing skills of our staff.
 - engage a wider range of audiences with the outcomes from our financial audit work, including through developing new outputs that explain, in more straightforward language, key information and trends from public bodies' accounts.
 - more closely examine arrangements for integrated and collaborative service delivery, including in relation to continuing healthcare arrangements, the provision of emergency services and the operation of Public Service Boards.
 - share the learning from our first round of sustainable development principle examinations and determine how we will further develop our audit approach in this area.
 - place greater emphasis on the importance of sound financial management across the Welsh public finance regime, including through introducing strengthened arrangements for the audit of town and community councils.

2 The [European Organisation of Regional External Public Finance Audit Institutions](#) (EURORAI) is a co-operation project among public sector audit institutions across Europe.

3 Where we provide services to, or exercise the functions of, those bodies. We are mindful that all such activities should be self-financing and must not be undertaken to the detriment of our core audit work in Wales.

4 On behalf of the Comptroller and Auditor General

- prepare an updated 'Picture of Public Services' report⁵ setting out the key challenges currently facing Welsh public services and how well they are placed to respond, to inform the work of the Senedd⁶ following the 2021 elections.
- develop proposals for how we will respond through our audit work to the challenges presented by climate change, taking account of the objectives set out in our Biodiversity and Resilience of Ecosystems Plan.
- through our Good Practice Exchange, extend the range of approaches used to facilitate the sharing of learning outside our core programme of seminars and webinars.
- develop a more diverse range of mechanisms for capturing the views of our stakeholders on the value and impact of our work, with an initial focus on seeking the views of Assembly Members.
- expand our audit quality management arrangements to provide further assurance that all our work is underpinned by robust evidence and rigorous analysis, and to ensure continued alignment with new international auditing standards.

5 Following on from the publication of similar reports in 2011 and 2015

6 The Senedd and Elections (Wales) Act 2020 changes the name of the National Assembly for Wales to 'Senedd Cymru' or 'the Welsh Parliament' from 6 May 2020.

Running the business

Core work



Setting the overall budget of **£22 million** and charging fees for audit work



Employing around **270 staff** and managing a diverse range of physical and information assets



Providing **strong leadership** and embedding our values and behaviours



Monitoring the exercise of the Auditor General's functions and providing him with advice

For further information see:
Appendix 5 – Our Finances

- 37 The Board is responsible for setting and overseeing the strategic direction of the organisation and ensuring we are on track in the delivery of our ambitions. The Board membership includes non-executive and executive members, alongside two employee-elected members who provide an extra dimension of insight and experience.
- 38 The Executive Leadership Team, which is chaired by the Auditor General, advises him in his capacity as Auditor General, Chief Executive and Accounting Officer. The terms of reference for the Executive Leadership Team were refreshed during 2019-20 and the membership expanded to include four employee members.
- 39 More detailed information on our governance arrangements can be found in the Governance Statement section of [our Annual Report and Accounts](#).

- 40 In response to our operating environment and to help us in delivering our strategic objectives, we have identified six areas of focus for our running of the business in 2020-21:
- Restructure our senior executive team to ensure best alignment with our overall ambitions and to strengthen the strategic leadership provided to Wales Audit Office staff.
 - Achieve a step change in how we plan for and manage major change projects, including through applying more rigorous and consistent change management practices.
 - Enhance our public profile by developing a more extrovert and distinctive corporate tone of voice and making ourselves more easily recognisable through adopting the umbrella identity 'Audit Wales'
 - Strengthen our strategy for attracting, retaining and developing a highly skilled and diverse workforce, with a particular focus on ensuring our processes for recruitment, talent management and succession planning are refreshed and fit-for-purpose.
 - Provide ongoing support to the National Assembly's Finance Committee for its work on addressing the unnecessary complexity in our statutory fee charging and governance arrangements.
 - Embed the sustainable development principle to a greater extent in our decision-making processes, including when undertaking a review of our staff travel and subsistence arrangements, developing proposals for meeting our future accommodation needs, and experimenting with new, more efficient and smarter ways of working.

Measuring and reporting on our performance

- 41 In 2020-21, we will use a combination of quantitative and qualitative methods to measure, report and reflect on our performance, value for money and risks. This will include regular reporting to our Executive Leadership Team and Board on progress being made towards delivering our strategic objectives and achieving our key performance indicator (KPI) targets. It will also include internal audit reports to our Executive Leadership Team and Audit and Risk Assurance Committee.
- 42 For each section of this Plan, we have identified a suite of high-level KPIs that will help us to measure progress made towards delivering our overall ambitions. We will place emphasis on evaluating our direction of travel and pace of improvement, alongside comparison with appropriate benchmarking.
- 43 We will report on our performance externally through our Annual Report and Accounts and Interim Report, and by providing evidence at meetings of the National Assembly's Finance Committee. It should be noted that our KPIs are a subset of a broader suite of operational and corporate performance indicators, many of which are also reported on externally in our Annual Report and Accounts and other corporate publications.
- 44 When preparing this Plan, we reviewed our suite of KPIs and associated targets with reference to current levels of performance and appropriate external benchmarks, to ensure alignment with our overall ambitions and improvement aspirations. The targets will continue to be subject to ongoing scrutiny and refinement to ensure they are suitably challenging but achievable within the specified timescales.

Audit delivery KPIs

No.	Indicator	Description	Target
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.	100%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%
3	Quality	Proportion of reviewed audits that are delivered in accordance with <u>Financial Reporting Council (FRC) quality standards</u> .	100% of sample assessed as satisfactory or above, and 90% as good or above ⁷
4	Credibility	Proportion of stakeholders that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%
7	Potential financial impacts	Value of potential savings, income, productivity gains and other financial benefits identified through our work.	At least £30 million during 2018-2021
8	Good practice events	Proportion of attendees of our seminars and webinars who rated the events useful or very useful.	At least 90%
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	25,000 each year
10	Social media	Number of social media engagements, ie interactions with our posts such as a like, a comment, or a retweet/share.	1,300 each year
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year

⁷ Where 'good' is equivalent to FRC audit quality category 2A, and 'satisfactory' equivalent to category 2B.

Running the business KPIs

No.	Indicator	Description	Target
12	Employee engagement	Percent positive annual staff survey engagement index score (aligned with that for the Civil Service People Survey).	At least the 9th decile score for the latest Civil Service People Survey (CSPS)
13	Employee experience	Percent positive annual staff survey thematic ⁸ employee experience scores.	At least the upper quartile (high performer) scores for the latest CSPS
14	Sickness absence	Average working days lost per member of staff per annum.	Less than 6 days
15	Financial balance	Level of variance in gross income and expenditure from that set out in our Estimate for the current year.	Within 2% of budget
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.3 million in 2020-21
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of purchased electricity, and that are produced indirectly as a consequence of our activities.	375 tonnes in 2020-21
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%

8 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; organisational culture; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; pay and benefits; and taking action.



Appendices

- 1 Local audit work
- 2 National value for money examinations and studies
- 3 Supporting effective scrutiny and accountability
- 4 Good practice work
- 5 Our finances

1 Local audit work

- 45 The Auditor General carries out local work at most public bodies in Wales. The programme includes audits of accounts, local performance audit work and well-being of future generations work.

Public body	Audit of accounts	Local performance audit work ⁹	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ¹⁰
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ ¹¹
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ¹²		

9 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.

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

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

12 On a limited assurance basis.

2 National value for money examinations and studies

- 46 This programme of work includes value for money examinations, local government studies, and the preparation of summary reports on the findings from local audit work across multiple NHS, central government and/or local government bodies. It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence.
- 47 The outputs from much of this programme supports the work of the National Assembly's Public Accounts Committee and other Assembly committees. Further [information on our programme of examinations and studies](#) is available on our website.
- 48 The programme retains a degree of flexibility to respond to changing circumstances, priorities and issues of public or parliamentary concern, and to incorporate learning of wider relevance from local audit work.

Work already in progress

- Welsh Government management of European Agricultural Fund for Regional Development (EAFRD) funding
- Think-piece on the implementation of new legislation (drawing on previous audit work)
- Public service boards – tackling rough sleeping
- Well-being of future generations
- Asbestos removal programme at Ysbyty Glan Clwyd – Betsi Cadwaladr University Health Board
- NHS clinical coding
- Local government – financial sustainability
- Collaborative arrangements for managing local public health resources
- Elective NHS waiting times
- Orthopaedic services
- Counter fraud arrangements in the Welsh public sector
- Welsh Community Care Information System (WCCIS)
- Covering teachers' absence
- Quality governance arrangements in NHS bodies
- Commercialisation in local authorities
- Impact of austerity on local authority discretionary services
- Welsh Government workforce
- Welsh Government grants management
- Welsh Government ICT
- Administration of student finance
- Warm homes programme – Arbed and Nest
- Public bodies' digital resilience

New work that we plan to take forward in 2020-21

- Brexit
- Picture of Public Services
- General Equality Duty
- Curriculum reform
- Affordable housing
- Coastal flood and erosion risk management
- Broadband infrastructure
- Welsh Government accounts commentary
- Empty buildings/homes
- Direct payments in local government
- Emergency services – collaborative working
- Unscheduled care
- Welsh Health Specialised Services Committee
- Prevention in local government
- Local government - financial sustainability

3 Supporting effective scrutiny and accountability

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

- 49 Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of the use of resources in the discharge of public functions in Wales. Our work can also, where applicable, inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.
- 50 In 2020-21, we will provide regular briefings to the Public Accounts Committee on the content of the Auditor General's published reports, which will help the Committee determine its subsequent course of action. We will also provide further advice and support to the Committee as required, particularly in relation to:
- the development of members' briefings for evidence sessions with witnesses from the Welsh Government and other organisations;
 - the development of the Committee's reports, including any legacy reporting; and
 - providing advice on the adequacy of the Welsh Government's formal responses to recommendations in the Committee's reports.

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

- 51 Throughout the year, we will attend most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work.
- 52 We will also provide further advice and support to audit and scrutiny committees, where applicable, particularly in relation to:
- providing support and guidance to committee chairs to support them in being more effective in their role; and
 - providing good practice seminar opportunities and awareness raising sessions for committee members on particularly relevant issues.

Supporting the public and their local elected representatives

- 53 We regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets. The Auditor General is also a 'prescribed person' for receiving whistle-blowing disclosures about the proper conduct of public business and fraud, value for money and corruption in relation to the provision of public services.
- 54 In 2020-21, we will continue to ensure that we:
- respond to such concerns promptly and in a fair, objective and professional manner;
 - appreciate the importance of the issues to those who have taken the time to highlight them;
 - issue audit reports where we consider these are merited; and
 - make sure that we do not use public money looking at issues that are not relevant to our audit work or spend too much time on minor issues.

4 Good practice work

- 55 A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experiences of service users and global experts to these conversations.
- 56 Our programme of shared learning seminars and webinars is flexible and further topics may be added during the year.

Topic	Event ¹³	When
Moving from strategy to action – progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act	Seminar	May 2020
Sharing the lessons learnt from our Well-being of Future Generations (Wales) Act examinations in 2018-2019	Seminar	June 2020
Sustainable financial management of public bodies.	Seminar	July 2020
Town and Community Councils – new audit arrangements.	Webinar	September 2020
Tackling poverty	Seminar	September – October 2020
Orthopaedics / waiting times	Seminar	October – November 2020
The front door to social care – looking at how public services can provide equal social care services to everyone regardless of where they live.	Seminar	December 2020
Making the most of an organisation’s data - sharing learning on how organisations are becoming data enabled.	Webinar	January 2021

Topic	Event	When
A Wales of vibrant culture and thriving Welsh language – sharing examples of public services supporting people to engage with Welsh culture and language in their daily lives.	Seminar	February 2021
Picture of public services – highlighting the patterns of public spending trends	Webinar	March 2021
Sustainable procurement - what do public bodies need to do differently to ensure money can be spent in a way that delivers wider benefits for Wales?	Seminar	March 2021

5 Our finances

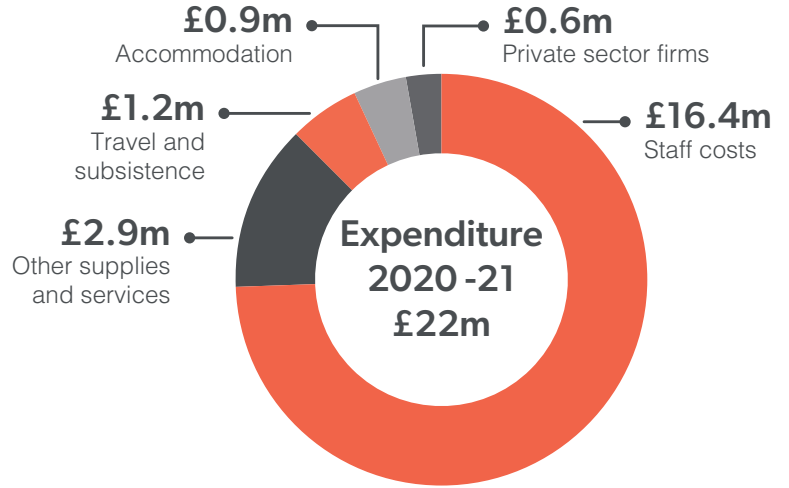
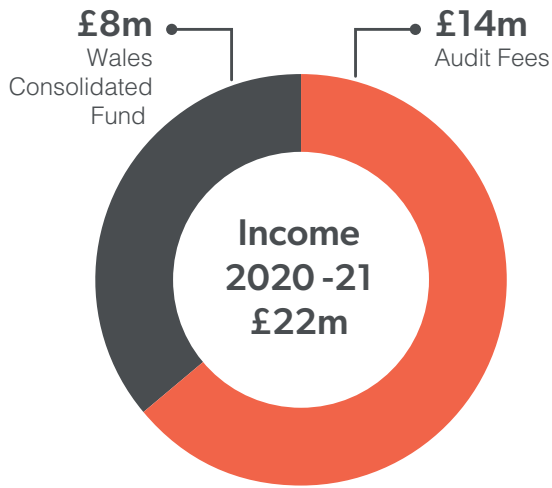
- 57 The National Assembly's Finance Committee scrutinises our use of resources, including through consideration of this Plan, our Estimate, Fee Scheme, Interim Report and Annual Report and Accounts.
- 58 Approximately two thirds of our funding come from fees charged to audited bodies in accordance with a scheme of fees approved¹⁴ by the National Assembly. Most of the remainder comprises approved financing from the Welsh Consolidated Fund, our use of which is subject to scrutiny from the Board at regular intervals during the year.
- 59 The key priorities for our use of resources in 2020-21 are laid out in our most recent Estimate, which was considered and approved by the National Assembly's Finance Committee in November 2019. £16 million of our planned expenditure relates to resources to be made available to the Auditor General to carry out his work programme¹⁵. A further £6 million provides a range of corporate enabling services, including accommodation and other support services, such as legal advice, ICT and HR¹⁶.
- 60 The Board reviews our financial performance each time it meets throughout the year. Each month, our Executive Leadership Team considers a risk assessment of our corporate financial health with a view to ensuring value for money and a year-end outturn within budget. The risk assessment covers year-to-date financial performance, achievement of in-year savings, forecast out-turn, capital expenditure, debtors' levels and cash flow.

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

15 This is the maximum amount of the resources available, and which may become available, that it is anticipated will be allocated by the Wales Audit Office to the Auditor General for undertaking his work programme.

16 This constitutes the resources required to support the Wales Audit Office's work programme.

Income and expenditure





Audit Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Tel: 029 2032 0500

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

www.audit.wales

Y Pwyllgor Cyllid | Finance Committee
FIN(5)-16-20 P7

Mr Llyr Gruffydd MS
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: IE/20007/AC/206/caf

Date issued: 1 September 2020

Dear Llyr

Value for money review of Audit Wales travel and expenses scheme

Last September, the Finance Committee supported the commissioning of our external auditors RSM to undertake a value for money review of our travel and subsistence scheme. This was to deliver on the Board's commitment when we last reviewed the scheme in 2016, to revisit the "principles and success" of that review. We commissioned RSM under the terms of the contract with Audit Wales, as procured by the Senedd Commission.

We attach RSM's report, for the Committee's information.

We are pleased that the report found the following successes arising from our 2016 review:

- Total average cost per full-time equivalent (FTE) of transport, travel and subsistence arrangements has fallen;
- Average car miles driven per FTE is significantly lower;
- A significant, positive reduction in average CO₂ emissions per FTE per annum, attributable to business travel by car has been achieved; and
- Total number of shared car business journeys per annum has increased.

Our increase in smarter ways of working and use of videoconferencing over the past few years has had a very positive impact on reducing our business mileage and environmental impact. However, costs have not decreased in proportion to mileage decreases, due to the fixed Travel Allowance element of the current scheme. That said, our last review reduced the Travel Allowance by an average of £1,250 per person per annum and, on a like-for-like basis, delivers annual savings of 16% (£146,000). We have a predominantly mobile workforce, ordinarily working on location with public services across Wales. The Travel

Allowance secures benefits in terms of lower emission vehicles and younger age vehicles (for safety benefits) used by staff but is now difficult to justify based on the evidence in the report and our fundamental rethink of how we'll work in a post-Covid world.

In response to the report's findings, the Board is of the view that the Travel Allowance should be brought to an end and HMRC mileage rates be adopted instead. We recognise, though, that the allowance has been in place for a long time and many staff view it as part of their overall remuneration rather than as reimbursement for the cost of business travel. Indeed, pay levels for some staff have been set mindful of the fact that the allowance will also be paid.

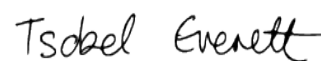
The Board has established a staff Task and Finish Group to develop proposals for a 'fit for the future' travel and expenses scheme. The Group has been asked to develop proposals to incentivise greener travel and to reduce harmful environmental impacts. It has also been asked to consider smarter working and the lessons learned from lockdown and make proposals to appropriately cover costs associated with the way we want to work in the future, being: less travel, less reliance on cars for our travel and more remote working (from home, office bases or other locations).

Importantly, the Group is being asked to identify significant savings – with a target of £1million over 5 years, following a period of transition from the current scheme. This is a substantial sum to support our medium-term financial plan but carries risks in terms of staff morale and impacts on our pay and reward competitiveness. We have asked the Group to consider these aspects in undertaking its work.

The Group will work at pace and report back to our Remuneration & HR Committee in March, with touch points in November and January. Importantly, any changes will be subject to consultation with our trades' unions; we are keen to take staff with us in the changes though we recognise the challenge we will have in doing so.

I trust this assures the Committee on the value delivered through our last review of the scheme, and the direction the Board has now set for fundamental changes for a new scheme fit for the future. We look forward to discussing this with you in our upcoming appearances.

Yours sincerely



ISOBEL EVERETT
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

Attachment: Extract of Terms of reference for the Travel and Expenses Task & Finish Group

- 1 The Group must operate within the following parameters agreed by the Audit Wales Board:
 - That the Travel Allowance must be removed altogether and HMRC mileage rates be paid for business travel;
 - That substantial savings of at least £200,000 per annum after a transition period must be delivered from changes to the Travel and Expenses scheme, to support our Medium-Term Financial Plan;
 - That the Travel and Expenses scheme should incentivise greener travel options to reduce harmful environmental impacts;
 - That the £5 incidental evening allowance should be retained.
- 2 Within those parameters, the key objectives for the Group are to develop proposals that will:
 - Address any consequential impact on the overall pay and reward package, including but not limited to ensuring the Trainee Scheme remains competitive in the marketplace.
 - Reflect smarter working and the lessons learned from lockdown – that is, appropriately cover costs associated with the way we want to work in the future, being: less travel, less reliance on cars for our travel and more remote working (from home, office bases or other locations).
- 3 The Group is asked to develop proposals that ultimately could be delivered within an additional cost envelope of £300,000 per annum, after accounting for savings from the ending of the Travel Allowance and switching to HMRC mileage rates.
- 4 In addition, the Group is asked to propose transition arrangements from the current to the new scheme and a timeline and cost for those transition arrangements.
- 5 The Group must keep in mind the need for our Travel and Expenses arrangements to:
 - reflect a model public body and benchmark well in demonstrating value for money and fair reimbursement of costs incurred;
 - support employee health, safety and well-being when at work and travelling for work;
 - support a diverse workplace by ensuring arrangements are inclusive and fair;
 - have regard to:
 - interdependencies with Smarter Working and Our Future Workplaces (and potential consequential impacts on travel centres);
 - updated legal advice on the 1-hour travel time rule and updated tax advice on the Welsh border question for mileage claims;
 - the wider pay and reward package and the review of our job evaluation scheme.
 - be subject to Equality Impact Assessment before recommendations are made.

AUDIT WALES

Travel and Expense Handbook – Value for Money Review

FINAL REPORT

15 July 2020

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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CONTENTS

Contents

EXECUTIVE SUMMARY	4
TERMS OF REFERENCE	4
BACKGROUND	4
OUR APPROACH AND SOURCES OF DATA	7
HIGH LEVEL COMMENTARY	8
ON THE CHALLENGES OF OPERATING IN A CHANGING LANDSCAPE	8
ON THE PERFORMANCE OF THE CURRENT SCHEME	9
CONCLUSIONS	11
OVERALL SUMMARY OF ANALYSIS AND OPTIONS	13
THE TRAVEL ALLOWANCE AND ITS EFFECT UPON FINANCIAL PERFORMANCE	13
SUMMARY OF OPTIONS	15
DETAILED OBSERVATIONS AND OPTIONS ANALYSIS	19
TRAVEL ALLOWANCE AS A MECHANISM FOR CONTROLLING CO2 EMISSIONS	19
COST OF RUNNING A VEHICLE VS REIMBURSEMENT RATE	21
TRAVEL ALLOWANCE AND RECRUITMENT AND RETENTION	23
THE “WALES BORDER” ISSUE	24
HOTEL COSTS	25
SUBSISTENCE AND OVERNIGHT ALLOWANCES	27
PUBLIC TRANSPORT	28
TRAVEL TIME AND TRAVEL CENTRES	29

DUTY OF CARE	31
EQUALITY ACT 2010	33
APPENDIX A: BENCHMARKING DATA	34
TRAVEL ALLOWANCE AND MILEAGE RATES	34
PUBLIC TRANSPORT	35
OVERNIGHT STAYS, SUBSISTENCE AND INCIDENTALS	36
APPENDIX B: STAFF SURVEY RESULTS	37
APPENDIX C: TERMS OF REFERENCE	43
FOR MORE INFORMATION CONTACT	44

EXECUTIVE SUMMARY

Terms of Reference

Audit Wales engaged RSM to undertake a value for money (VfM) review of their travel and expense handbook. The work was designed to focus on six areas for consideration as follows:

- The performance of the current scheme, against established performance indicators;
- Whether or not the current scheme was fit for purpose in relation to travel and subsistence related costs, travel time for mobile staff, the use of travel centres and if the Wales border was appropriate for limiting travel claims;
- Any scheme used should not incentivise unnecessary travel;
- Benchmarking should be undertaken with comparable organisations;
- Staff views on the current and future arrangements should be solicited; and
- The views of trade unions should be sought.

Following completion of the above we were tasked with making:

- Evidence based proposals for future arrangements; and
- Recommendation of appropriate performance measures for any future arrangements.

The terms of reference (ToR) was set against a backdrop of the transformation project *Ways of Working*, which identified that, in the future, working models are likely to be significantly different. This report predicted that travel and subsistence costs would reduce if recommendations around the choice of location of working, location of future office space combined with systems and processes that were more efficient and effective were implemented. Against this background, cash savings were envisaged in regard to the expenditure on travel. In 2018 -19, total costs for travel and subsistence were £1.2m or 24.4% of total non-pay costs. Just over 70% of the travel and subsistence expenditure related to the combined total of the Travel Allowance (£659,000) and the Mileage Allowance (£193,000).

Since completion of our fieldwork, Audit Wales, along with all other organisations, has been impacted by the Covid19 pandemic. As a result, many lessons are being learned about the practicality and desirability of remote working some of which will, inevitably, shape the future ways in which the office works. This, in turn, will have an impact on the need for travel and the associated costs. It is, however, premature to comment substantively on this.

Background

Audit Wales requires a mobile workforce to deliver its activities across Wales. The geography and public transport infrastructure of Wales mean that public transport, outside of the larger urbanised areas, may often not be a viable option that represents value for money due to the logistics and travel time which render use of public transport impracticable. There is, therefore, a contractual requirement for all audit staff and a limited number of corporate staff to be

mobile for operational purposes. Because of the challenges in using public transport throughout Wales, these staff are required to have access to their own car for business use. In contrast, audit roles with work largely based in the larger cities in England (and indeed Wales) should enable staff to utilise public transport to a far greater extent, which may also bring the benefits of often being able to work whilst travelling, particularly if travelling by train. In contrast, driving to client assignments is essentially non-productive time in comparison meaning that more hours are necessary to complete a similar amount of work.

Given the reality of working outside of the main conurbations in Wales and the need for large amounts of “driving time” in many audit positions, this in turn may make roles within Audit Wales less attractive to candidates – a fact reflected within our survey results. To address this, Audit Wales has historically offered an annual Travel Allowance to staff within roles designated as ‘mobile’. The allowance is paid in addition to salary and is, therefore, subject to tax and national insurance deductions but is not pensionable. Neither is it included in annual salary reviews. The Travel Allowance was last reviewed in 2015 and this led to a reduction in the fixed amount payable. Some 192 staff are currently in receipt of this allowance at an annual cost of £643,200. Further detail is provided later in this report.

In common with other public sector organisations in Wales, Audit Wales must manage staff travel effectively in order to demonstrate its commitment to:

- Containing costs;
- Promoting staff safety and wellness; and,
- A sustainable future for Wales.

The impact of the coronavirus lockdown period commencing in March 2020 has forced an immediate change in working practices for Audit Wales. In common with other organisations, Audit Wales staff have switched to remote working as the default position. What has been dubbed ‘the greatest experiment in remote working the World has seen’ is, therefore, also an opportunity to learn how Audit Wales might wish to operate outside of the established office base/Travel Centre model once the lockdown period has ended.

This learning can then feed into the ‘Our Future Workplaces’ project and needs to be factored into any proposed changes to the Travel and Subsistence Scheme. According to the Transport for London publication: “Sustainable Business Travel”, allowing employees a degree of choice in how and when to travel, actually promotes more responsible decisions and hence helps to contain costs.

At first glance, it might seem that taking action focussed upon reducing the frequency of travel and distances covered would ‘tick all the right boxes’; indeed opening-up the opportunity to make significant financial savings in the short-term. VfM is not, however, just about financial performance. Operational effectiveness is just as important and there are elements of the role – such as human interactions through face-to-face meetings, on-the-job training of new recruits and carrying out fieldwork at a client site – that add to the variety and fulfilment of the role as well as the quality of work delivered. These contact



points also enable auditors to fully develop a relationship with their clients. Notwithstanding this, increasingly, organisations are being judged upon their environmental impact. In order to realise value for money in its fullest sense, it is therefore also important that any significant changes to the Travel and Subsistence Scheme are made with a longer-term view toward operational effectiveness, sustainable travel and employee welfare.

A well written and “*best of breed*” travel and subsistence policy should also demonstrate the employer’s commitment to meeting its duty of care. In the UK, this includes the following legislation:

- The Health and Safety at Work Act (1974);
- Management of Health and Safety at Work Regulations (1999);
- Corporate Manslaughter and Corporate Homicide Act (2007); and,
- The Working Time Directive 2003/88/EC.

Finally, a best practice travel and subsistence policy should interlink with related policies that promote sustainable travel under the holistic heading of Corporate Responsibility. Depending upon the size and complexity of the organisation, such policies may include:

- Sustainable transport plan.
- Smarter working policy.
- Work-life balance policy.

OUR APPROACH AND SOURCES OF DATA

To ensure sufficient context and understanding of the impact of the Travel and Subsistence Scheme upon operational effectiveness, efficiency and economies, a multi-faceted approach was taken utilising the following sources of data and information:

- Analysis of Audit Wales core travel and expense data across the previous five years
- Meetings held with senior directors of service
- Design and circulation of a staff survey with 185 responses (78%) – 154 from Audit Services & 31 from Corporate Services
- Facilitation of five staff focus group meetings (Cardiff, Swansea and Abergele)
- Discussion with Trade Union representatives
- Benchmarking exercise (Public sector and Private sector)

This provided us with the opportunity to triangulate the outputs from various sources, thereby leading to greater and more balanced insight. For example, the survey results helped to add context and, in a relatively few instances, also highlighted some areas where staff perception did not correlate with the underlying data (e.g. when considering how many miles are driven for business purposes per annum).

Prior to producing this report, a presentation was given to the review steering group led by the Director of Finance and HR. Helpful feedback was incorporated into a second presentation to the Directors of Audit Wales, where valuable feedback was also provided.

The results of the benchmarking exercise are reproduced at Appendix A and the staff survey at Appendix B.

HIGH LEVEL COMMENTARY

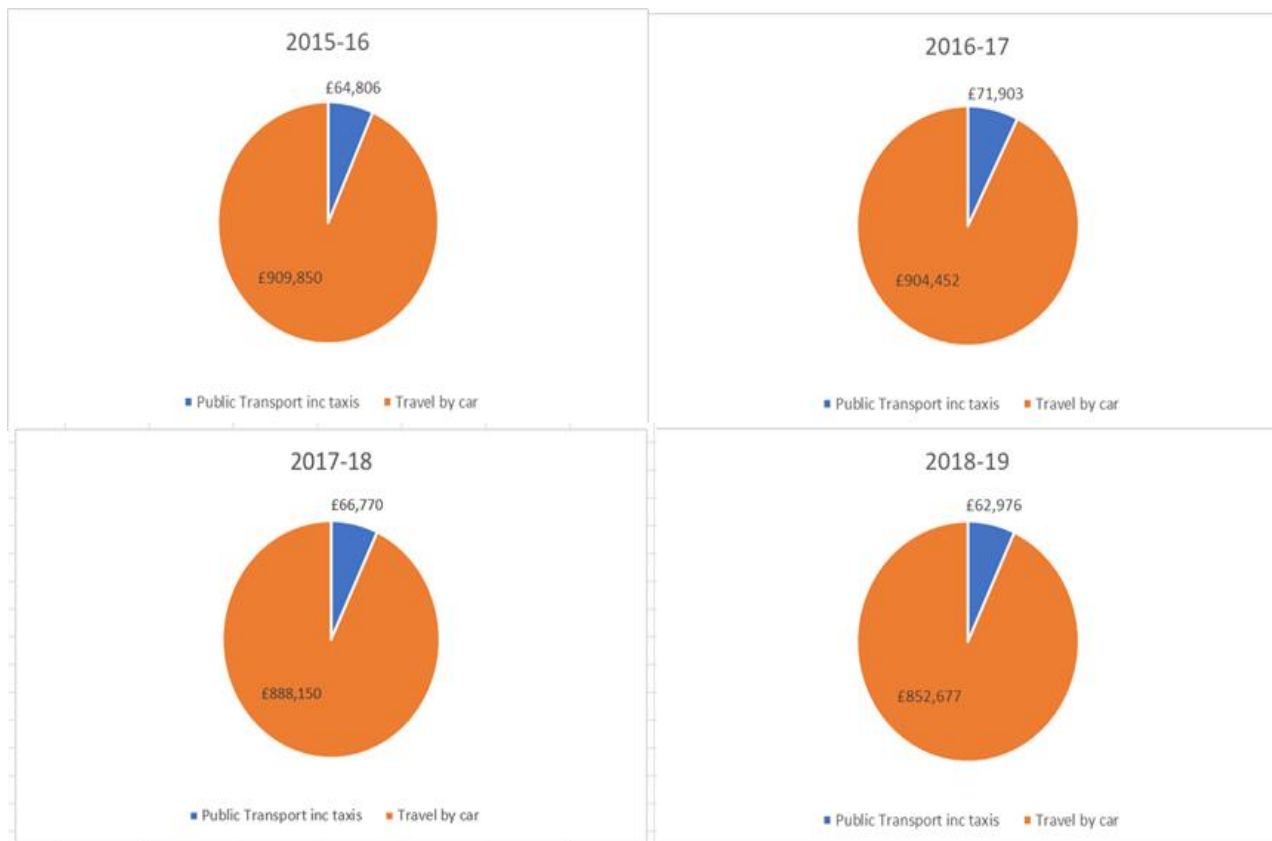
On the Challenges of Operating in a Changing Landscape

Throughout our review we have acknowledged that travelling across Wales using public transport may either present challenges or be impracticable. We have borne this in mind when selecting the benchmarking group, undertaking analysis and considering options. The limitations of the public transport network mean that drawing direct comparisons with some organisations is not a particularly useful exercise.

For example, the National Audit Office, whilst undertaking a similar role across England, has a concentration of its activity within Greater London, where public transport links are well developed and travel by car, given the congestion and impact of various additional travel charges, by is often impractical.

Likewise, attempting to emulate other organisations, such as the Environment Agency, where public transport is the default method of travel across England, would probably be to the detriment of operational efficiency and staff morale within Audit Wales. It is not wholly surprising, therefore, that the proportion of spend between public transport and travel by car for Audit Wales has remained fairly static over the previous four years (approximately 7% and 93% respectively).

Against this, the previous five-year period has seen an increased public focus upon the environmental impact which organisations have been carrying out their work. In turn, both public and private institutions have responded by developing sustainability plans and more latterly, “signing up” to the Climate Emergency by setting ambitious targets to reduce the carbon footprint of their activities. The Travel and Subsistence Scheme contributes to the efforts of Audit Wales by promoting the use of public transport where possible. As part of this, during its revision in 2015, a set of baseline performance measures were also developed to assess success in reducing the cost and environmental impact of its business activities.



On the Performance of the current scheme

The Travel and Subsistence Scheme currently has four baseline performance measures:

Measure	Benchmark year
Total average cost per FTE of transport, travel and subsistence arrangements	2013-14
Average car miles travelled per FTE per annum	2013-14
Average CO ₂ emissions per FTE per annum attributable to business travel	2013-14
Total number of shared car business journeys per annum	2014-15

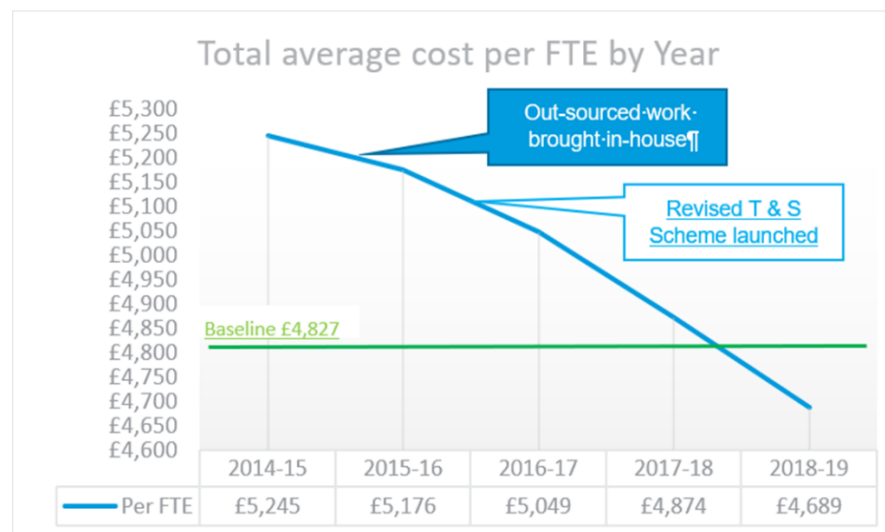
The measures were set when the Travel and Subsistence Scheme was revised and became effective on 1 April 2016. It was not the intention for performance to be assessed each year in isolation, rather to provide an overall picture of whether or not the Travel and Subsistence Scheme appeared to be working against the baseline position. The outcome for each of these measures has been reproduced, in the form of a graph or bar chart, below, to help illustrate the performance over recent years:

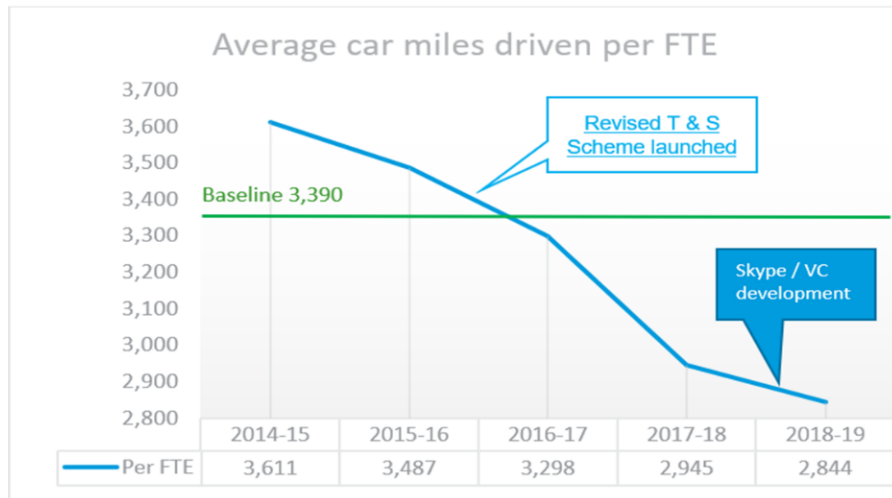
Total average cost per FTE of transport, travel and subsistence arrangements

The average cost per FTE fell below the baseline for the first time in 2018-19, showing a fall in cost per FTE of 3%.

Throughout the five years since the baseline was set, there has been a marginal year-on-year increase in FTE. Over the five years, this equates to a 5.8% increase in FTE (243 in 2013-14 to 257 in 2018-19). Against this, total expenditure exceeded the amount recorded in 2013 -14 in each of the five years. In 2018-19, total expenditure exceeded the baseline by 2.75%.

The changes made to the level of Travel Allowance paid from 2016 may also have contributed to the falling average cost; however, this trend had already commenced. It is more likely that the greater effect upon this performance indicator is the increase in FTEs necessary to deliver the out-sourced work that was brought in-house during 2014-15, because the additional work did not result in a proportional increase in mileage as might have been expected.





Average car miles driven per FTE

The figure for the average miles driven in 2018-19 is significantly lower than the baseline, with a fall of 16%. Whilst the increase in FTEs will have helped improve this measure, the more significant factor is a 12% fall in total miles driven per annum between 2018-19 and the baseline year (730,914 miles in 2018-19 compared with 823,634 miles in 2013-14).

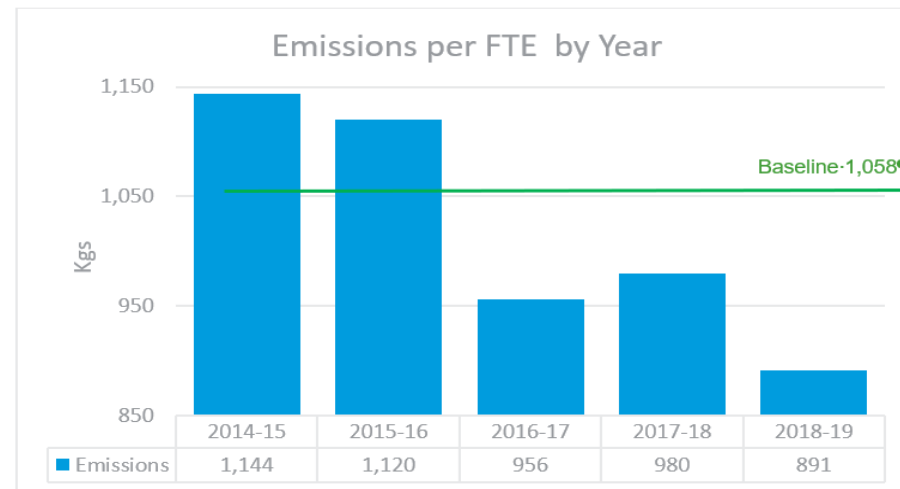
Using an average is helpful as a broad measure; however, it does not provide a useful level of detail. For example, in 2018-19, 30.9% of the total miles covered were attributed to just 10% of those employees who made travel claims. It was also noted that there were 31 entries where employees were claiming for mileage exceeding 250 miles in a day.

According to the Vehicle Speed Compliance Statistics: Great Britain 2018, the average free flow speed of cars was 68 mph on motorways and 50 mph on national speed limit single carriageways. At an average speed of 50 mph, these employees would have been driving for in excess of 5 hours in total. This may not be excessive if the time spent at the destination is less than 3 ½ hours. However, fatigue may set in on the return journey and so it would be prudent from the point of view of staff welfare to collect this information and assess the appropriateness of the longer travelling time. It is also (probably) the case that average speeds possible in Wales, given the road network, are lower than the UK average making travel time even greater.

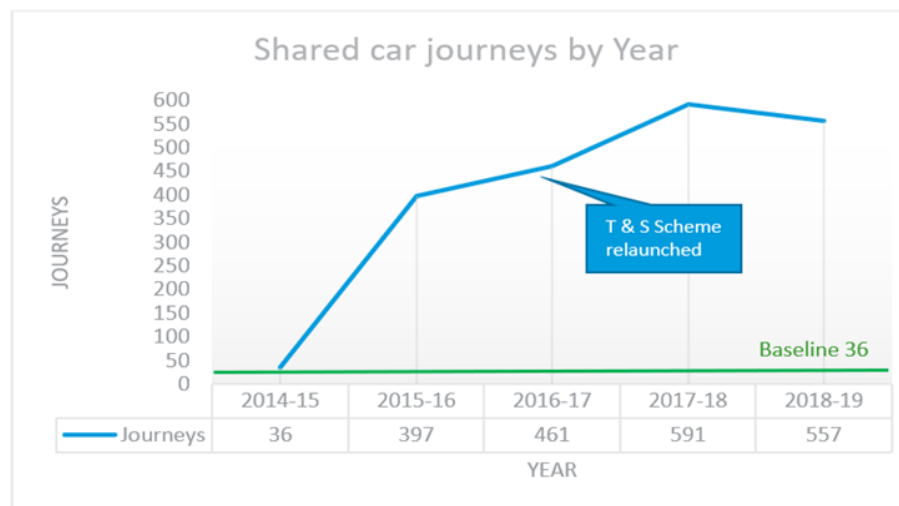
Average CO2 emissions per FTE per annum, attributable to business travel by car

Reflecting the trend for a fall in total miles driven, Audit Wales has been successful in achieving a significant positive reduction in CO₂ emissions per FTE. Emissions in 2018-19 were 16% lower than the baseline. This measure is, again, subject at least in part to the movement in the number of FTEs and in the evolving split between staff who are office based and those deemed to be mobile.

The actual output is also dependent upon several factors - type and age of vehicle, driving style and types of roads driven upon for each journey. This makes calculating an accurate figure very difficult. Thus, in our view this KPI is suitable to provide only a high-level measure of performance.



In addition, relating CO₂ output to FTE does not give a true picture of the carbon footprint attributable to miles driven. Using a different measure – Total CO₂ output by year – would provide a more complete picture and one which can be measured over time.



Total number of shared car business journeys per annum

This performance measure differs from the others in that its success is realised by a year-on-year increase rather than by a downward trend.

The capturing of this information commenced in 2014-15 and this helps explain the very low baseline. The graph depicts a significant early success in increasing the number of shared car journeys and this will have had a direct positive effect upon the carbon footprint of Audit Wales. The trend has, however, been reversed slightly in 2018-19. Further data will be required to ascertain whether this is a slight fluctuation, as might be expected, or an indication that staff prefer to travel alone.

The success achieved also means that the baseline has become of little relevance given the number of shared journeys achieved. Resetting the baseline would mean that the performance measure would be more meaningful

in future years. When informing staff of the new baseline it will be important to acknowledge that this was as a result of their significant success in previous years.

The results for 2020-21 (and possibly 2021-22) will be influenced by the question as to whether staff wellbeing can be assured if sharing a car. It may be that in the short- to medium-term, Audit Wales cannot practicably meet its duty of care and/or staff may be unwilling to share a journey as a result of the ongoing Covid-19 crisis and the concomitant need for social distancing.

Conclusions

The graphs clearly show the positive progress that Audit Wales has achieved against each of the baselines set. This reflects the commitment of management and staff, which was evident throughout our review. There was a consistent theme of a desire to eliminate unnecessary travel.

Our further analysis suggests that the performance of Audit Wales is not fully captured within the existing key performance indicators: over half of the travel costs comprise the Travel Allowance and, as this is fixed, a reduction in mileage travelled will only have a proportional effect on the '£ per mile' indicator. The combined effect is that the envisaged figure of £0.97p per mile is not realistic despite the successes against the set KPIs. A more innovative approach may be required and the impact of a significant revision to the structure of the way travelling costs are reimbursed, is considered later in this report.

Using the existing baselines – relevance and monitoring

The baselines were established with the intention of demonstrating progress over time and to respond to the Senedd's Finance Committee view that there should be a set of performance indicators in place to measure success against. In particular, it was envisaged that the baselines would help inform a future review (i.e. the review that we have now undertaken). The baselines have proven useful in charting the performance of the Travel and Subsistence Scheme. Given that they were fixed at a point in time, one outcome of the positive progress made by Audit Wales is that the baselines are becoming increasingly less relevant. This is particularly true in the case of the shared journeys captured (baseline 36, 2018-19 shared journeys 557). In addition, benchmarking against a historic baseline does not provide, by itself, an indication of performance against a target. Although targets are often expressed in absolute terms (e.g., 500 journeys per annum), this approach can lead to the setting of arbitrary values. Including performance indicators that track year-on-year outcomes can provide rich data that can then be analysed in order to help achieve ongoing success. Examples of such indicators include:

- Percentage reduction in CO₂ emissions – e.g. 10% reduction on previous year total.
- Reduction in journeys per assignment – e.g. 10% reduction compared with similar assignment in the previous year.
- Reduction in journeys for single meetings – e.g. 10% reduction on previous year.

An important element of any performance framework is ensuring that the KPIs set are monitored, outcomes analysed and then action plans established where appropriate. During our review, we did not find evidence of routine monitoring of the four existing performance indicators.

Where performance is at, or above, expectation, this should be reported to staff through positive messaging. In any cases where performance is materially below expectation, further analysis should be undertaken using methodologies such as root cause analysis and the '5 Whys' questioning technique (The 5 Whys is a technique used in the Analyse phase of the Six Sigma DMAIC (Define, Measure, Analyse, Improve, Control) methodology). The analysis is best undertaken at least twice a year and, ideally, more frequently – e.g. quarterly – thereby allowing time to develop action plans to improve the outcome by the end of the year.

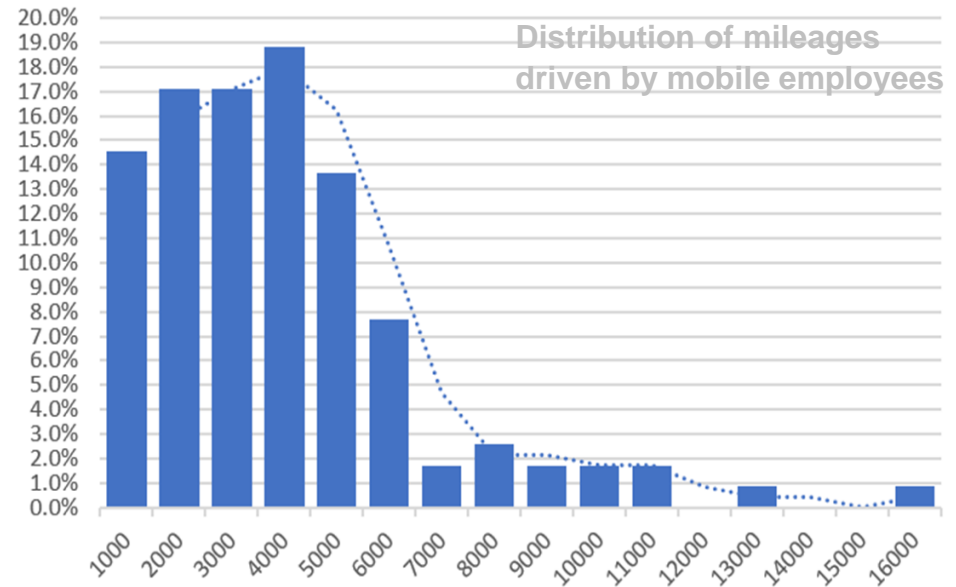
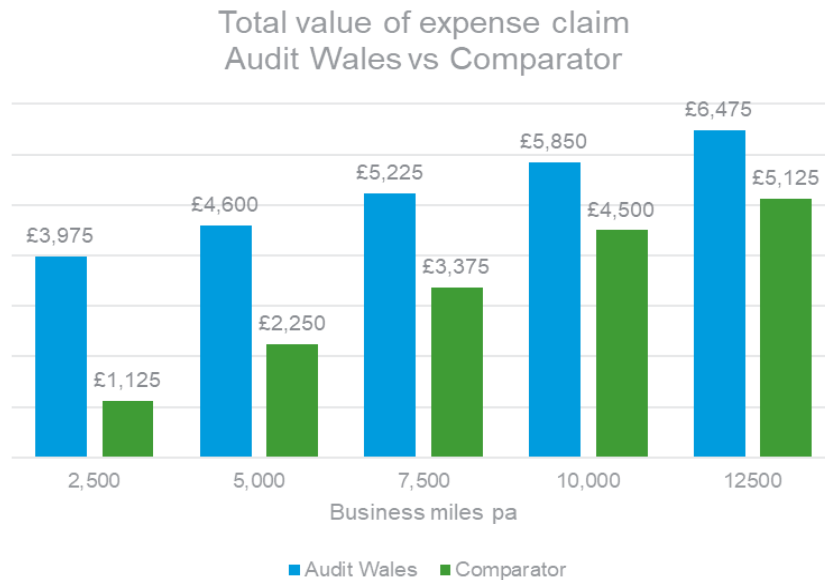
OVERALL SUMMARY OF ANALYSIS AND OPTIONS

The Travel Allowance and its effect upon financial performance

By far the greatest proportion of total expenditure on travel, and subsistence relates to the Travel Allowance. This currently costs some £53,600 a month (£643,200 pa) based upon 192 recipients (data as at March 2020). The graph below left, shows the total value of annual expense claims receivable by an employee based upon five levels of annual business miles driven. The comparator is based upon the results of our benchmarking exercise, which revealed that Audit Wales was the only organisation paying a fixed allowance. In comparison, the others in the benchmarking group pay a mileage allowance based upon the HMRC published rates (45p per mile for the first 10,000 miles pa then 25p per mile thereafter). The inclusion of the fixed Travel Allowance therefore means that the total reimbursement value to those staff who cover relatively low mileages, is disproportionately high compared to the comparator (i.e. paying a fixed rate per mile with no lump sum allowance). The point at which the two approaches to reimbursing staff are equal is approximately 16,000 miles per annum.

Notably, as shown in the graph below right, in 2018-19, less than 20 per cent of Audit Wales mobile staff drove greater than 5,000 miles. Of these, only four exceeded an annual mileage of 10,000 miles and only one person, who in fact is home based, exceeded 16,000 miles.

Pack Page 247



A further analysis of eight employees driving relatively low mileages for business purposes (between 1,000 miles and 3,000 miles per annum) shows the cost per mile is significantly higher than the envisaged £0.97p per mile. Extracting data from previous years also proved that 2018-19 was not an exceptional year and that it is relatively common for these low annual mileages to be driven.

With the emphasis on containing, if not reducing mileage driven, the current Travel Allowance will continue to frustrate any chances of meeting the envisaged 0.97p per mile rate. If, on the other hand, the Travel Allowance were to be abolished, there would be an immediate cash saving generated, even after taking into account the increase in mileage rate that would have to be paid to employees designated as 'mobile'. (£0.45p per mile for the first 10,000 compared with £0.25p currently paid). In this regard, and based on current mileage patterns, we estimate that the additional value of mileage claims would be £132,000, generating a net annual cash saving of just over £500,000 were the travel allowance to be abolished in its entirety.

There are, however, several non-financial issues that would arise:

- Staff would be highly unlikely to see this as a positive change. From the outcome of the staff survey, there was a strong (80%) appreciation for the fixed Travel Allowance. Some respondents even suggested it was a significant factor in attracting them to the role and, had it not been included within the package, mentioned they would probably have not applied. A key aspect of the Travel Allowance is that it provides mobile staff with certainty that they can use to budget for vehicle purchasing and running costs.
- Similarly, the Trade Union representatives favoured the continuation of the fixed Travel Allowance.
- The Travel Allowance was revised in 2016. If the allowance were removed altogether in a relatively short timescale there may be a perception amongst staff that the previous revision was mis-guided or a cynical first step in removing the allowance. Such perceptions may be managed through positive engagement and communications with staff prior to finalising a decision.
- Staff would be free to choose vehicles with significantly higher CO₂ emissions, potentially increasing the environmental impact of travel. Against a background of manufacturers producing more fuel efficient and 'cleaner' cars, the overall impact is unlikely to be substantial. It may be more significant that Audit Wales would no longer be seen as encouraging staff to own vehicles with lower emissions.
- Staff may feel that the revised approach encourages them to increase their mileage given the value of the mileage reimbursement compared with fuel purchased for the journey. That said, effective staff management in line with Trust and Integrity values and behaviours and the new Smarter Working Policy would empower staff to work in a manner which best balances business and personal needs.

Over and above this, until very recently, there has been a strong argument in favour of visiting clients in order to complete an audit, advocates citing the need to build relationships and physically examine documentation. The period of lockdown that commenced in March 2020 as a result of the Covid-19 crisis has

2018-19	Miles driven	Cost per mile (TA + Mileage claim)
Employee S	1,052	£3.43
Employee T	1,117	£3.25
Employee U	1,603	£2.34
Employee V	2,248	£1.74
Employee W	2,034	£1.66
Employee X	2,376	£1.66
Employee Y	2,614	£1.53
Employee Z	2,739	£1.48

Note: Employee W is a part-time member of staff

demonstrated that, during this enforced period of remote working, auditors (including our own staff at RSM) can successfully deliver at least a proportion of their services remotely. Whilst it is not being suggested that visits to client sites will cease to be an important part of the role in the future, technology has developed rapidly to support successful remote working meaning that the balance of home and/or office based work as opposed to working on site is likely to change. It is clearly inappropriate to assess the overall impact of this change at this stage although there is no doubt that there will be valuable lessons learnt that should help to reduce further the amount of travel required. Against this background, this appears to provide an exceptional, and one-off, opportunity, to revisit the purpose and composition of the Travel Allowance, informed by the Our Future Workplaces project and Smarter Working Policy.

Given that total abolition of the existing Travel Allowance may result in a number of unintended consequences, we have made observations in the next section of our report that provide a range of options to consider when revisiting the suitability of the current scheme.

Summary of Options

In this report, the narrative and overall summary has focused in more detail on the Travel Allowance because of its financial significance representing, as it does, more than 50% of the current Audit Wales annual spend on travel and subsistence. That said, a number of other changes could also be beneficial. We have therefore provided below a summary of options for the future covering both the Travel Allowance and other elements of current travel and subsistence spend. Further information on each of these is given later in this report.

The options, several of which are not mutually exclusive and are, therefore, inter-related, have been categorised on the following basis:

- Short-term = Could be implemented in a reasonably short timescale (< 1 year) and/or are of low impact on staff
- Medium-term = May require 1 – 2 years to implement and/or has a noticeable impact on staff
- Longer-term = For consideration and/or may be of significant impact

Page Ref	Travel Allowance - Options	Timescale
16	<p>Leave the Travel Allowance as it is (given the previously outlined wider impact).</p> <ul style="list-style-type: none"> ✓ Least disruptive option ✓ Does not encourage higher mileages ✓ Success against baselines already demonstrated ✓ Provides a lever for controlling CO₂ emissions ✗ Financial pressures remain ✗ Does not progressively address total emissions ✗ Not reflective of the Our Future Ways of Working Project / lockdown lessons learnt 	Short-term

16	<p>Abolish the Travel Allowance and uplift salaries by a percentage of the Travel Allowance. The following figures are based upon an example of 50% of the current Travel Allowance..</p> <ul style="list-style-type: none"> ✓ Travel and Subsistence Scheme saving estimated £520,000 ✓ Directly compensates for mileage covered ✓ Fair and equitable to all drivers ✗ Salary cost estimated £320,000 (192 employees receiving TA) ✗ Pension costs in addition ✗ Higher mileage allowance may encourage travel by car 	Medium-term												
21	<p>Apply stricter criteria to qualify for the allowance</p> <ul style="list-style-type: none"> ✓ Less disruptive – more acceptable to staff ✓ Supports progressive reduction in emissions ✓ Helps maintain attractiveness for recruitment ✗ Introduces a degree of complexity to the T & S Scheme ✗ Ultra-low emission vehicles often more expensive compared with petrol models ✗ Staff may opt out of the scheme and purchase less environmentally friendly vehicles <p>Example: introduce a tiered approach whereby the current level of Travel Allowance is only available to mobile employees who purchase or lease an ultra-low emission vehicle.</p> <table border="1" data-bbox="309 979 1554 1299"> <thead> <tr> <th>Tier</th> <th>Travel Allowance rate</th> <th>Criteria</th> </tr> </thead> <tbody> <tr> <td>Tier 1</td> <td>£3,350</td> <td>Ultra-low Emission Vehicles (CO₂<75 g/km)</td> </tr> <tr> <td>Tier 2</td> <td>£2,950</td> <td>Low Emission Vehicles (CO₂<100 g/km)</td> </tr> <tr> <td>Tier 3</td> <td>£2,550</td> <td>Vehicles with max. CO₂ 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T & S Scheme current limits]</td> </tr> </tbody> </table>	Tier	Travel Allowance rate	Criteria	Tier 1	£3,350	Ultra-low Emission Vehicles (CO ₂ <75 g/km)	Tier 2	£2,950	Low Emission Vehicles (CO ₂ <100 g/km)	Tier 3	£2,550	Vehicles with max. CO ₂ 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T & S Scheme current limits]	Medium-term
Tier	Travel Allowance rate	Criteria												
Tier 1	£3,350	Ultra-low Emission Vehicles (CO ₂ <75 g/km)												
Tier 2	£2,950	Low Emission Vehicles (CO ₂ <100 g/km)												
Tier 3	£2,550	Vehicles with max. CO ₂ 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T & S Scheme current limits]												

22	Consider introducing an additional payment available to mobile staff who purchase/lease an ultra-low or low emission vehicle. The payment to be offered at intervals to enable staff to update their vehicles, e.g. every three years.	Medium-term
22	Consider a revised basis whereby the Travel Allowance is only payable for mobile staff who purchase/lease a battery electric or hydrogen fuel powered electric vehicle. This, however, needs to recognise the current lack of “charging” infrastructure in many parts of Wales	Longer-term
23	If it is retained, consider introducing periodic evidence-based reviews of the Travel Allowance rate using sources such as the Kwik Fit survey of average motoring costs. Where costs are identified to have changed significantly, this might signal a revised Travel Allowance rate.	Medium-term
25	Consider transferring the Travel Allowance (or part thereof) into salary recognising that, unlike the Travel Allowance, mileage at the HMRC rate, is not taxable.	Longer-Term
Page Ref	Travel and Subsistence Scheme Performance - Option	Timescale
11	Introduce a framework to monitor performance against the KPIs, including targets, together with regular analysis of the results using techniques such as root cause analysis and the ‘5 Whys’ methodology. The new framework should recognise the constraints and limitations identified in this report relating to the current measures.	Short-term
Page Ref	Travel and Subsistence Scheme – other Options	Timescale
24	Consider removing the restriction regarding the claiming of mileage if living in England	Short-term
28	Consider undertaking a periodic analysis of the data provided by Capita relating to hotel bookings. This would be both an internal exercise and during third party service supplier meetings with Capita. Alongside of this, in any future contract with a supplier of this type of service, the supplier should be incentivised to deliver savings.	Short-term
29	Consider removing the £5 subsistence payment	Short-term
30	Consider reviewing the wording of the Travel and Subsistence Scheme Handbook regarding the claiming of parking charges at railways stations.	Short-term
30	Consider providing staff with Railcards to benefit from discounted rail travel.	Short-term

33	To be prudent, consider obtaining a legal opinion periodically to reflect upon any new case law that might place a greater onus upon employers to remove conditions regarding travelling in personal time and/or the impact of national minimum wage legislation.	Medium-term
33	Consider monitoring travel patterns for employees driving higher mileages and seek solutions to reduce the mileage where this is disproportionate to the average mileage driven by staff..	Medium-term
34	Consider improving the mechanisms in place to record staff time to include travel time from when their journey began. This would allow Audit Wales to ascertain the time spent travelling and the impact on the working week. Further work could then be undertaken to identify how to mitigate the impact of time spent travelling.	Medium-term
35	To mitigate the possibility of unintended direct or indirect discrimination, consider assessing against equality and diversity measures any changes to the Travel and Subsistence Scheme. If the assessment is complex, Audit Wales should also consider obtaining a legal opinion.	Short-term

DETAILED OBSERVATIONS AND OPTIONS ANALYSIS

Travel Allowance as a mechanism for controlling CO2 emissions

The travel allowance provides a mechanism by which Audit Wales can limit the amount of carbon emitted due to the journeys made by staff in the course of their work. This is currently achieved by limiting the age of vehicles eligible to 10 years and CO₂ emissions to a maximum of 125g/km for non-petrol-powered cars and 140g/km for petrol powered cars.

There are an increasing number of low emission and ultra-low emission vehicles available.

This increase in choice means that purchasing one of these vehicles is not necessarily a trade-off between affordability and social conscience. A report from the International Council on Clean Transport (ICCT) studied the cost factors of owning a VW Golf in five separate European countries - Norway, Germany, France, United Kingdom and the Netherlands. The study examined the purchase, fuel and tax costs of the VW Golf in four different versions: fully electric, plug-in hybrid, petrol and diesel. In each country, the total cost of owning a fully electric vehicle was the lowest. One barrier for more junior staff may be the purchase price of a fully electric car or plug-in hybrid, which is higher than an equivalent petrol model. Taking this into account, there is still an opportunity to revisit the emissions criteria within the current Travel and Subsistence Scheme.

An option would be to introduce a tiered approach whereby the current level of the Travel Allowance is only available to mobile employees who purchase or lease an ultra-low emission vehicle. An example of such a tiered approach would be:

Tier	Travel Allowance rate	Criteria
Tier 1	£3,350	Ultra-low Emission Vehicles (CO ₂ <75 g/km)
Tier 2	£2,950	Low Emission Vehicles (CO ₂ <100 g/km)
Tier 3	£2,550	Vehicles with maximum CO ₂ 125 g/km (petrol) and 140 g/km (diesel) and under 10 years old [T & S Scheme current limits]

As at 3rd October 2019, there were 547 public charging points in Wales, of which 60 were rapid chargers, compared to 12,763 in England, with 2,022 rapid points (Source: Zap-Map). Introducing a tiered approach would not, therefore, be without significant challenges at least in the short term. It is, however, an ambition of the Welsh Government to significantly increase the availability of charging points, including a commitment to invest £2m in the electric charging points infrastructure by 2020 (Prosperity For All: A Low Carbon Wales - Policy 51). The Government's planning assumptions are that by 2030, 60% of new sales of cars and vans will be electric vehicles (around 35% Plug in Hybrid and 25% Battery electric). Introduced over the medium to longer term, the tiered rates option would encourage a move toward the purchase of hybrid and all-electric vehicles, thereby significantly reducing the carbon footprint created by business travel by car. It would also support the achievement of Audit Wales' corporate KPI 19 (Green Dragon Level 5).

Given that the HMRC mileage allowance (and likewise the rate offered by Audit Wales) for electric vehicles is currently the same as for petrol and diesel vehicles, there is the added benefit that staff would be comparatively better off due to the lower cost of travel (i.e. cost per charge vs cost of fuel).

Based upon the assumptions used by the Welsh Government, by 2030, we estimate that the total cost of the Travel Allowance would reduce by **£88,400** per annum.

Current annual cost	Revised annual cost	Difference
192 staff x £3,350 = £643,200	Tier 1 (25% of 192 staff) = 48 x £3,350 = £160,800 Tier 2 (35% of 192 staff) = 67 x £2,950 = £197,650 Tier 3 (40% of 192 staff) = 87 x £2,550 = £196,350 Total = £554,800	£88,400

Note: Assumes the number of mobile staff receiving Travel Allowance remains constant (192 employees as at March)

The introduction of a tiered approach also creates the opportunity to move progressively toward a position of offering the Travel Allowance exclusively to mobile staff who purchase/lease an all-electric vehicle with nil emissions once the charging infrastructure is available. Additional developments such as hydrogen fuel cells could also be factored into the tiered approach. Hydrogen fuel cell technology may still be in development; however, it has reached production for three major Asian motor manufacturers (Honda, Hyundai and Toyota), with a Welsh manufacturer, Riversimple, based in Llandrindod Wells developing its own variant. Hydrogen fuel cells offer performance akin to petrol powered vehicles in that they can be refuelled within minutes thus extending the range that can be travelled by a zero-emission vehicle. Again, a key factor as to whether Audit Wales staff will find this type of vehicle attractive, will be the availability of refuelling stations. It is currently envisaged that these would be integrated into the existing petrol station network.

As an encouragement to move to ultra-low and low emission vehicles, the forecast saving in the Travel Allowance could be re-invested by way of a contribution to the deposit on cars in these categories, available for example once every three years. There would be an initial cost pressure until enough staff have moved to ultra-low and low emission vehicles, but this would be a positive initiative to balance the likely, initially negative reaction to any change to the Travel Allowance that is not favourable to petrol and diesel car owners. Again, the contribution could be tiered – e.g. £750 for ultra-low emission vehicles and £450 for low-emission vehicles. Based upon 192 employees receiving the Travel Allowance, and assuming that all staff change their vehicles at three yearly intervals, the additional cost is shown below. Initial take up may be lower than this simple example, hence the table below illustrates the cost over six years.

Assumption	Revised annual cost
1) 60% of new sales of cars and vans will be electric vehicles (around 35% Plug in Hybrid and 25% Battery electric) by 2030. Source Welsh Government. 2) 60% of Audit Wales mobile employees purchase new vehicles based on the above ratio. 3) An equal number of employees change vehicle each year. 4) It takes six years to reach the 60% saturation point.	Ultra-low emission (25% of 192 staff) = 48 x £750 = £36,000 Low-emission (35% of 192 staff) = 67 x £450 = £30,150 Total = £66,150 Cost per annum over 6 years = £11,025

Cost of running a vehicle vs reimbursement rate

The annual allowance of £3,350 is paid to all mobile workers who meet the eligibility criteria, which includes limiting the age of vehicles to a maximum of 10 years old and places restrictions upon the amount of CO₂ that can be produced by these vehicles. As at March 2020, there were 192 employees in receipt of the Travel Allowance at an annual cost of £643,200. The allowance is paid via an uplift in salary and is subject to income tax and national insurance deductions. The amount receivable by staff was revised in 2016, having previously been paid at two levels:

- £5,160 for staff in Pay Band 7 and above; and,
- £4,440 for staff in Pay Band 6 and below.

The Travel Allowance is intended to contribute toward the cost of owning a car. Audit Wales is the only organisation paying a fixed allowance in our benchmarking group; however, it is not unique. According to HR advisory firm, Croner, a survey in 2019 found that the average car allowance in the UK was:

- £10,300 for company heads (directors & c-suite individuals).
- £8,200 for senior managers.
- £6,500 for middle managers.
- £5,200 for sales representatives.
- £4,600 for professionals.

The article by Croner continues by saying that one way in which an organisation might set its allowance is by reference to the cost of purchasing a car using a PCP (Personal Contract Plan). A survey, undertaken by Kwik Fit in 2018, found that the average monthly car finance payment was £226.00. The survey also provides an insight into the full cost of running a car. The figures from the Kwik Fit survey have been adjusted to show three scenarios where staff drive either 3,000, 5,000 or 10,000 business miles per annum.

Item	Average monthly spend	Based upon an additional 3k business miles	Based upon an additional 5k business miles	Based upon an additional 10k business miles
Fuel	£67.63	£94.33	£112.12	£156.62
Car insurance*	£31.64	£31.64	£31.64	£31.64
Routine maintenance and servicing	£15.96	£22.26	£26.46	£36.96
Unexpected repairs and breakdowns	£13.26	£18.49	£21.98	£30.71
Vehicle excise duty (road tax) *	£12.16	£12.16	£12.16	£12.16
Breakdown cover*	£6.96	£6.96	£6.96	£6.96
Parking permits and ticket*s	£6.89	£6.89	£6.89	£6.89
Cleaning*	£4.15	£4.15	£4.15	£4.15

Fines*	£3.69	£3.69	£3.69	£3.69
Monthly average total (excluding finance)	£162.33	£200.57	£226.05	£289.78
Finance	£226.12	£226.12	£236.12	£246.12
Monthly average total (including finance payments) (a)	£388.45	£426.69	£462.17	£535.90
Source: Kwik Fit <i>It is assumed these figures marked * are not variable</i>				
Travel and Subsistence Scheme entitlements				
Travel allowance (net of tax and NI)	n/a	£192.51	£192.51	£192.51
Mileage allowance	n/a	£62.50	£112.50	£187.50
Total allowances (b)		£255.01	£296.68	£400.84
Net monthly cost of running a car (a – b)		£171.68	£165.49	£135.06

The table shows that the monthly cost of running a vehicle for pleasure purposes is £162.33 excluding finance cost (£388.42 including financing*). At the lowest mileage used here for example purposes, there is a marginal increase in the net cost. The receipt of mileage allowance means that, as annual business mileage increases, the net cost of running a vehicle reduces.

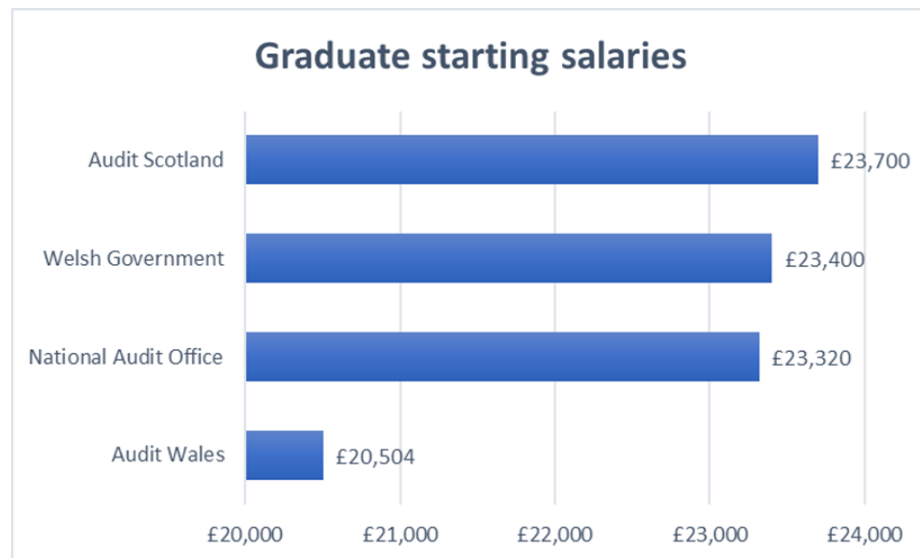
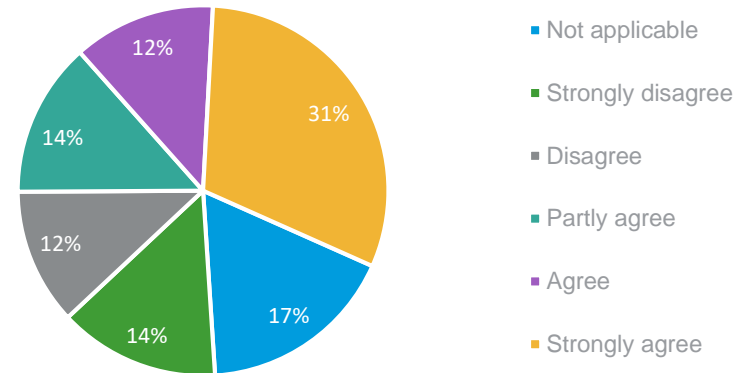
Many motorists may choose to purchase a vehicle outright rather than use finance; hence saving the monthly cost of finance. For a true comparison, the cost of depreciation should be added to the running costs. With new vehicles often losing 40 – 50% of their value in the first three years, the cost of depreciation will still be significant enough for the total monthly cost to be comparable to that of leasing a car. That said, at the end of the period in many cases the vehicle will also have a resale/trade-in value which would be of direct benefit to the owner.

One downside of the Travel Allowance for the recipients is that the amount paid is not subject to increases in line with average earnings or the retail prices index. This means that, over time the Travel Allowance will become less of a benefit given that motoring costs are subject to the effects of inflation, particularly where staff may have personal reasons for owning a particular type of vehicle that is more expensive to own and run – e.g. seven seat models or 'load carriers' capable of taking camping equipment at the weekend. Undertaking a periodic exercise of comparing the Travel Allowance rate to the costs of motoring, using a source such as the Kwik Fit survey used in this review, would form a defensible and independent basis upon which to consider whether the rate should change in future years. It also provides evidence to staff, in the interests of transparency, that the amount payable is not purely an arbitrary figure.

Travel Allowance and recruitment and retention

The chart on the right shows the responses to the survey question asking whether staff viewed the Travel Allowance as part of their salary. It can be seen that 17% of responses selected 'Not applicable', which reflects the proportion of respondents from Corporate Services who are not designated as mobile staff and, therefore, are not in receipt of the travel allowance. Of those who gave a view, 68% at least partly agreed with the statement with 38% having a strong view that the Travel Allowance is part of their salary. This was reinforced during the focus group meetings - it was clear that staff viewed the Travel Allowance as part of their overall remuneration. Trainees who attended the focus groups often expressed the view that, without the allowance, they would be unlikely to be able to afford the cost of owning a car. Whilst this may be an indication that the Travel Allowance is having a positive effect upon recruitment, it might also be masking an issue that the basic salary payable is not in itself enough to attract staff of the required calibre. We therefore extended this element of our review to consider the starting salaries currently offered by Audit Wales compared to its peers.

I view the annual travel allowance as part of my salary package rather than just specifically for my travel costs



Our benchmarking exercise, looking at graduate starting salaries, supports the view that the Travel Allowance is an important element of the overall package. The starting salary at Audit Wales is approximately £3,000 below the comparators. This gap disappears once the Travel Allowance is added

If paid as salary, the employee would benefit from the amount becoming part of total earnings for pension purposes and would also rise with inflation-based salary increases. Audit Wales would suffer the additional cost of employer's pension contributions and the longer term pay inflation budget pressure due to the amount paid no longer being fixed. For this reason, it may not be possible to transfer the Travel Allowance into salary at the same level that is currently paid. To facilitate this, a reduced Travel Allowance could still be paid in the first year that salaries are uplifted as a gesture of goodwill. A longer phased approach is not recommended as this might well be confusing to prospective job applicants. In any such calculation, consideration should be given to the net income impact on staff of any change as, whilst the Travel Allowance is taxable, mileage at standard HMRC rates is not.

The “Wales border” issue

The inclusion of the Wales border as a limiting factor upon making travel claims appears arbitrary and may also have an adverse impact upon recruitment. It also may have the unintended effect of encouraging staff to drive into Wales to complete most of their journey rather than head for the faster motorways in England. The lockdown restrictions during the Coronavirus pandemic provides evidence that it is becoming easier for auditors to carry out substantial elements of an audit review remotely from their clients. Hence, as the Ways of Working project develops, and Audit Wales embraces more flexible in its ways of working, the inclusion of a limitation will seem ever harder to justify

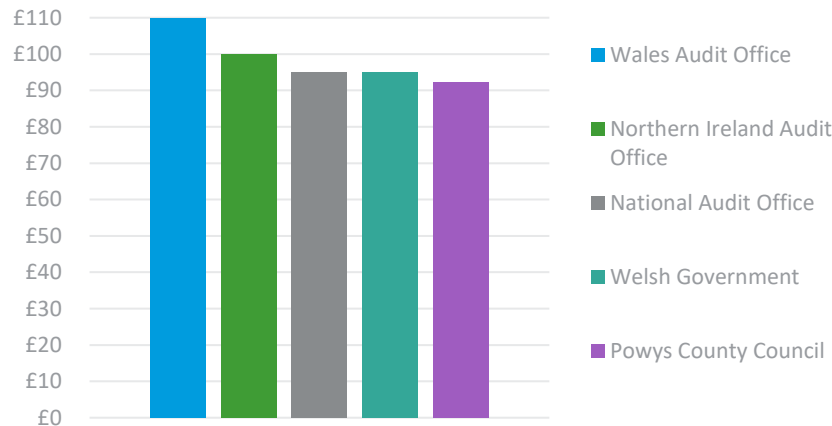
Against this background, living in England and working partly from home and travelling to Audit Wales clients less often, utilising the remote working technology available, may increasingly become an attractive proposition. There is a possibility that continuing to include the restriction, in its present form, may be considered discriminatory without just reason. On this basis, it would be prudent to consider removing the limitation.

At the same time, it is understandable that it is not a desirable outcome to be recruiting mobile staff who live a considerable distance from the border because the extra distance they would have to travel could present welfare and duty of care issues and would not be seen to be a positive step toward reducing the environmental impact of Audit Wales. This could be managed, however, by the inclusion of a ‘reasonableness’ clause limiting the distance from the Welsh border for which mileage may be claimed.

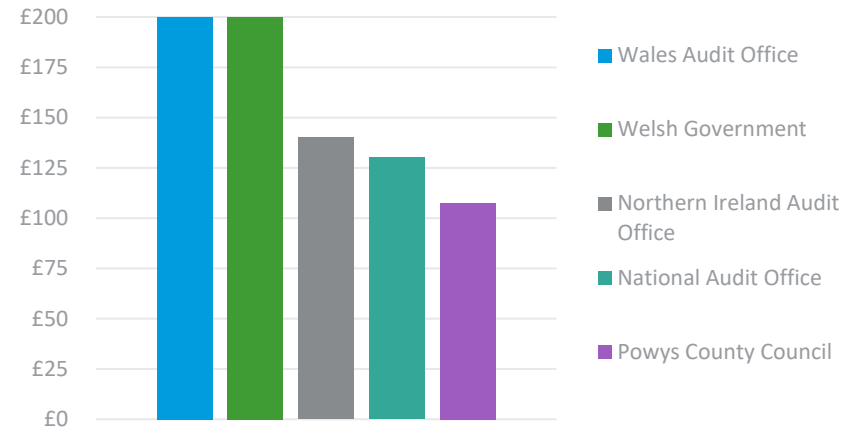
Hotel Costs

Audit Wales will provide hotel accommodation for employees where they must travel over one and a half hours away from their place of work (Travel Centre or home if Home Based). For 2018-19, £146,000 was spent on hotel costs. The Audit Wales nightly allowances, of £110 and £200 for out of London and in London respectively, are both at the upper end when compared to our benchmarking data, with rates being 10% greater than the highest allowed outside London and a material 54% greater than the National Audit Office limit for stays within London.

Nightly hotel allowance outside of London



Nightly hotel allowance in London



Feedback received at the focus group sessions with staff, noted that bookings made through the central administration facility can result in staff staying in certain hotels where the cost of evening meals was prohibitive as it was often not possible to obtain a suitable evening meal for the nightly subsistence allowance of £25. This, of course, ignores the fact that in many cases, staff are not limited to eating in the hotel in which they are staying although for lone workers this may, understandably, be the preferred option.

When booking hotels in cities and large towns, there is normally a selection of budget and mid-range hotels available, such as Travelodge, Premier Inn and Holiday Inn Express. The cost of a night at these hotels is usually significantly below the Audit Wales allowance of £110. It is the case, however, that chains of this type are not always present in the locations visited by Audit Wales staff.

We were also advised that the rate ceiling had previously been increased following a paper being presented to the Board reporting of the difficulties experienced in attempting to book accommodation within the then current rate limits.

There were four main factors behind the need for an increased rate cap:

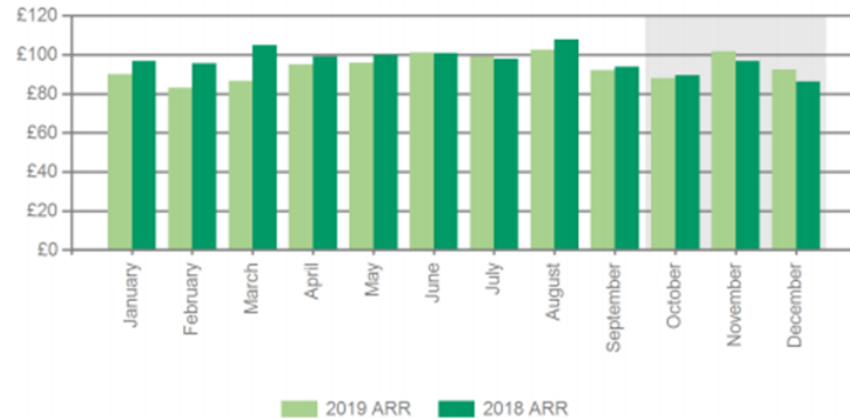
- The cost of accommodation in Cardiff is driven by the events held throughout the year (e.g. Rugby and football matches);
- The popularity of the North Wales area with tourists;
- The limited availability of hotels in parts of Wales; and,
- Where cheaper hotels are available, the increased cost of travel to and from the client site offsets any potential saving.

Data produced for Audit Wales by Capita, the booking agent used by the central function, provides a useful comparison on the average room rate over a two-year period. It highlights that the average room rate is below the maximum allowable under the terms of the Travel and Subsistence Scheme. Notwithstanding this, the more detailed information can be used to identify any opportunities to reduce the cost of hotel accommodation, both internally and in third-party service supplier review meetings with Capita. An example of the data provided is shown below.

Key Performance Indicator

September	2019	2018	% Variance Yr on Yr
% Over Rate Cap Compliance	0.00	0.00	0.00%
% Preferred Compliance	37.96	20.17	88.20%
£ Average Room Rate	92.12	93.89	-1.88%
% Online Adoption	87.88	86.79	1.26%
Average Co2 (Per Stay)	111.95	133.60	-16.21%

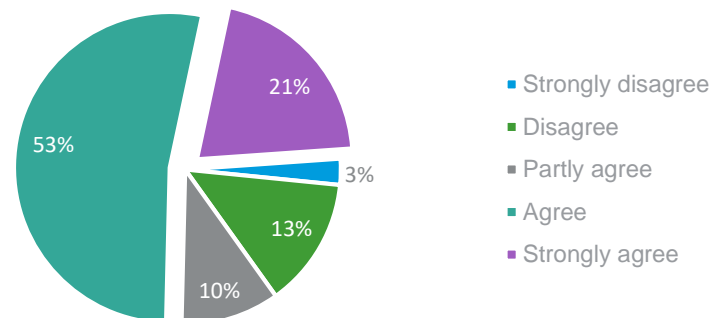
Month on Month Average Room Rate



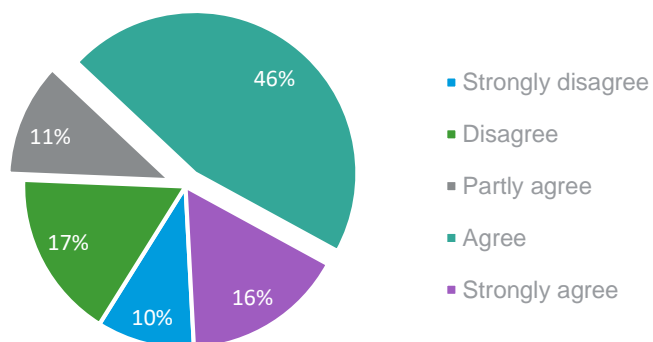
Subsistence and overnight allowances

The staff survey for subsistence allowances identified that 74% of staff considered the policy to be fair, in that it covered reasonable costs incurred whilst away from home. Through our discussion with staff at focus groups, most attendees reflected this view. Our benchmarking of subsistence costs identified that the allowance in the Audit Wales Travel and Subsistence Scheme was fair in comparison to other the organisations that comprised the benchmarking group.

I consider the policy on subsistence to be fair, in that it covers the reasonable expenses incurred.



I consider the £5 incidental allowance to be reasonable and adequately support staff wellbeing whilst away from home.



When staff stay away from home on business travel, they are entitled to claim £5 for each night they are away. This is to cover incidental items, such as wi-fi access in hotels. Unlike the subsistence allowance, there is no need to provide receipts in order to claim the £5.00 payment. The staff survey results identified that 62% of all staff agreed that this was reasonable and adequate to support staff wellbeing whilst away from home. Although appreciative, many did not understand why the payment was offered. This may reflect the fact that the payment of such an allowance has become rare, particularly in the private sector. Through our discussions with staff in the focus groups, we identified that, in practice, this was often used to fund the purchase of food and drink throughout the following day.

For 2018-19 the overall cost of the additional £5 allowance was £7,540.

An option that could be considered is to remove the £5 incidental allowance; however, the limited cost saving and negative impact on staff morale should be carefully considered when aiming to achieve value for money.

Public Transport

We acknowledge that the use of public transport within Wales presents challenges as one moves further away from the main conurbations, with often limited routes, infrequent services and lengthy times for travel.

The staff survey response identified that, whilst just under half the respondents (47%) felt that the Travel and Subsistence scheme did encourage the use of public transport where feasible, a significant number (17%) strongly disagreed.

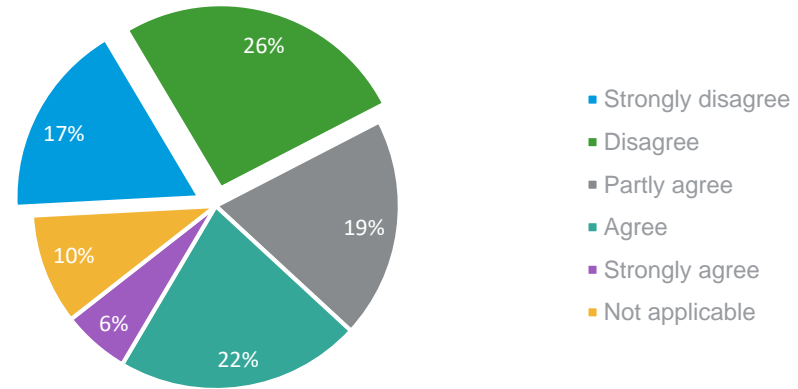
Our work with the staff focus groups identified a desire to use public transport where feasible; however, there was also a perception that some aspects of the current Travel and Subsistence Scheme had the unintended outcome of making public transport appear a less favourable option compared with driving.

Travel to the Cardiff office by staff not based there was highlighted as one aspect that could benefit from clarification. Several members of staff commented that, whilst the cost of parking when visiting the office would be reimbursed, they believed that parking at a railway station to then complete the journey by public transport would not be a claimable expense. Staff visiting college as part of their training, also advised that they believed they could not claim for the cost of parking at a railway station and so drove to the training site/College and claimed the cost of parking.

In fact, the current Travel and Subsistence Scheme does allow for the reimbursement of rail travel including parking at the railway station (Chapter 2 paragraph 15) and so it is disappointing that nearly one fifth of respondents felt that this was not the case. This is clearly a matter of a misunderstanding of the Travel and Subsistence Scheme rules and should be addressed by reviewing the wording and notifying staff of their ability to claim these parking costs.

There is also an opportunity to further encourage rail travel by offering staff one of the Railcards that provide discounted travel. For a relatively low cost (e.g. 16-25 and 26-30 railcards cost £30 per annum) there could be a significant return on investment for Audit Wales in reduced rail fares – mostly discounted by 30%.

The existing travel and subsistence scheme encourages me to use public transport where feasible



Travel time and travel centres

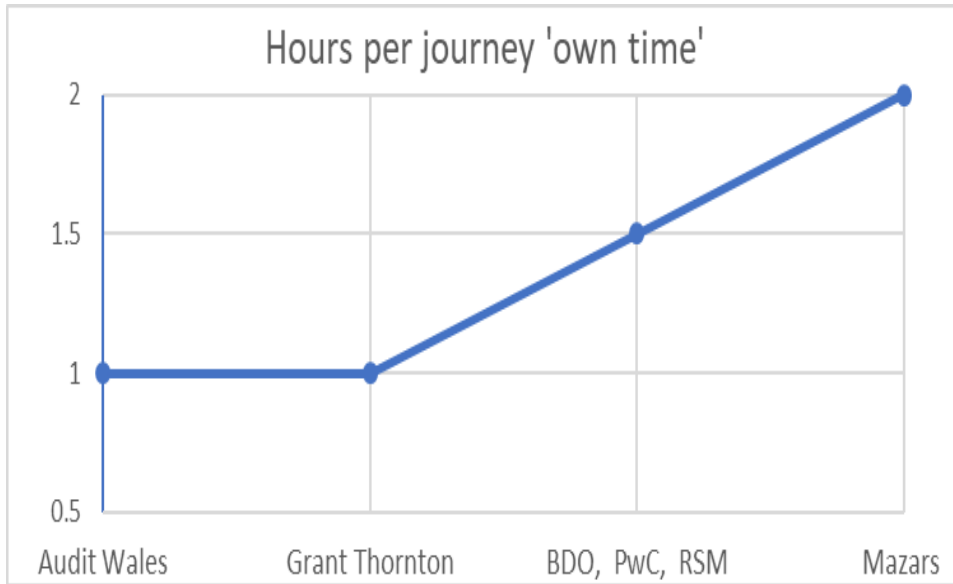
Travel centres are notional points of reference, used as a basis for claiming travel expenses for mobile employees. Employees working in audit services, except those classed as support staff, are generally classed as mobile workers because they are required to work within a diverse geographical area. Mobile employees are normally allocated to one of three travel centres in Wales. The agreed travel centres are:

- Cathedral Road, Cardiff
- Penllergaer, Swansea
- Abergele or Ewloe

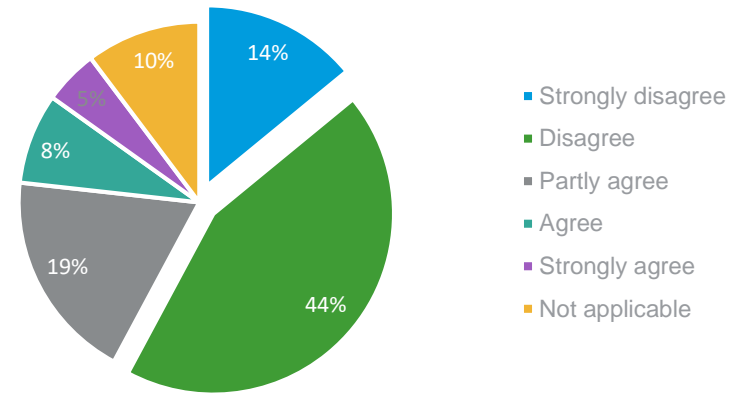
The rules regarding the tax position of expenses appear relatively simple – HMRC only allows tax relief on expenses paid for travel to a temporary workplace; however, application of the full rules is more complex. Even where an individual does not commute regularly to a single workplace, in this case a travel centre, each visit to their designated travel centre may still be classed as commuting. When travelling directly from home to a client site (i.e. a temporary workplace), again the tax rules are complex; however, many organisations use a 'shortest distance' rule stating that mileage may be claimed for the shorter of the journey to the temporary site either directly from home or from the individual's ordinary place of work. This is true at Audit Wales, where all distances for travel time and expenses are calculated based upon which is closest to the client, the nominated travel centre or the home of the member of staff. Where an employee is home-based, HMRC will usually only accept that working at home is an objective requirement of the job if the employee requires certain facilities to perform those duties, and those facilities are only practically available to the employee at their home. HMRC does not accept that working at home is an objective requirement of the job if the employer provides appropriate facilities in another location that could be practically used by the employee, or the employee works from home as a matter of choice. Hence, any review of the use of designated travel centres that arises from the 'Our Future Ways of Working' project, or following the lessons learnt from the enforced period of homeworking, would need to be considered in the light of potential changes to the tax position of expenses payments.

When making a journey directly to a client that originates from home, staff are not expected to record the first one hour and final one hour of travel as working time. The staff survey revealed that 33% of staff felt that this ruling was fair. A similar group (39%) felt that this should be reduced to a maximum 30 mins. However, our benchmarking against five of the private audit firms showed Audit Wales in a very favourable light, as can be seen in the graph below left.

It is also of note that the staff survey results also identified that 58% of staff disagreed that the extent of travel required within their role was having a negative impact.



The extent of travel required within my role has a negative impact upon my well being at work



Duty of Care

An analysis of business mileage identified very few employees who drove relatively higher mileage compared with the mean. In 2018-19, there were nine employees (shown in the table as employees A to I) who drove further than 9,000 business miles, with the highest being 16,133 miles. When comparing the total mileages covered for the period 1/4/2014 to 30/9/2019, there is a similar trend for the same identified employees to be the ones who are driving the higher mileages. It should be noted that two of these employees are 'Home Based', the other seven in the table are 'Geographically Based'.

The home-based contracts were agreed historically. Any changes to the scheme would need to recognise that, in making this choice, those individuals will have been influenced by the rules in force at that time the decision was made.

In 2018-19, 30.9% of the total business miles driven were attributable to just 10% of mobile employees. There is therefore a degree of inequality, given that the Travel Allowance is fixed at the same amount for all employees classed as 'mobile'. As a result, those employees driving the highest mileage may feel penalised because they will suffer the greatest impact as far as depreciation is concerned when changing their vehicle (or, if financing a vehicle may be subject to additional cost due to the mileage covered). Conversely, their higher mileages will result in more substantial expenses claims, thereby reducing the net cost of owning a car, as seen in the earlier table. The greatest influence upon the mileage driven is the geographical spread of clients and allocation of audit work. Whilst rotation may be practised, it may be less suitable for staff for whom a strong ongoing relationship with certain clients is a key element of client management, provided that the principles of independence are observed. Nevertheless, when planning work assignments, and particularly if onboarding a new client or change of client team, mileage history should be considered as part of the allocation process to avoid, where possible, the same employees consistently having to drive higher mileages.

Discussions held during our staff focus groups highlighted that staff commencing their journey from remote areas, such as North Wales, could be travelling for over seven hours in total in a working day when visiting the Cardiff office. There is an expectation that staff will stay overnight in such cases; however, that might not be possible due to work scheduling or personal commitments.

When questioned, staff in the focus groups were sometimes unaware whether they had opted out of the Working Time Regulations (1998), which mandates a maximum of a 48-hour working week averaged over a 17-week period (we confirmed that no Audit Wales staff have opted out). When calculating working hours government advice is that travel to and from work (assuming there is no fixed place of work) should be included in this calculation. Recent court cases across Europe, in particular in Spain and Norway, have highlighted that working time is any period which a worker is working; or at their employers' disposal

Employee	Miles driven 2018-19	Total miles driven 1/4/2014-30/9/2019	Average annual mileage (5.5 years)
A	16,133	75,848	13,790
B	14,948	61,251	11,136
C	13,588	51,329	9,332
D	12,404	48,613	8,838
E	10,608	-	-
F	10,385	37,214	6,766
G	9,776	42,582	7,742
H	9,740	-	-
I	9,415	37,385	6,797
Note: Employee E and Employee H do not have 5.5 years' service			

and carrying out their activities or duties. During the rulings the courts found that travel is a working task when it is ordered by employers, thus meeting the first criteria in the definition of working time in the directive. The courts stated that for a worker to be regarded as being at the disposal of their employer, the worker must be placed in a situation in which he or she is legally obliged to obey the instructions of and carry out activities for that employer. With the third criteria the court stated that *it is inherent to requiring a worker to be present at locations other than his fixed or habitual place of attendance that it denies the worker the ability to determine the distance of his commute. It is, therefore, immaterial how frequently the employer specifies a place of attendance other than the fixed or habitual one, unless the effect is to transfer the employee's place of employment to a new fixed or habitual place of attendance.*

The judgments only apply to peripatetic employees with no fixed place of work. The UK Government's guide 'Maximum Weekly Working Hours' states that (a) travelling outside of normal working hours and (b) travel to and from work where the employee has a fixed place of work do not count as working hours. Regarding allocating mobile employees to a travel centre, the key question may be whether s/he habitually visits the travel centre. This illustrates the complexity of this area of HR law. To be prudent therefore, a legal opinion should be sought periodically to reflect upon any new case law that might place a greater onus on employers, such as Audit Wales, to review current rules and expectations regarding travelling in personal time.

In all of this, Audit Wales has a duty of care towards its' employees and, again, there is conflicting external information about whether this should relate to the whole of a journey when travelling to and from a client site. Were an employee travelling long distances to be seriously injured in an accident, the HSE may investigate, and would be looking for evidence that the foreseeable risks had been mitigated as far as is reasonably practicable. Chapter 4 of the Travel and Subsistence Scheme Handbook does provide advice about safe travel, which is good practice. The HSE also promote consultation with employees and monitoring of travel. Both activities should identify any unusual travel patterns (e.g. staff driving relatively high annual mileage) or anomalies such as the long distances driven from North Wales to Cardiff. Steps can then be taken to address any duty of care issues.

Improving the mechanism to record staff time to include travel time from when their journey begins would be an important first step in allowing Audit Wales to ascertain the time spent travelling and the impact on their working week. Further work could then be undertaken to identify ways to mitigate the impact of time spent travelling.

Equality Act 2010

Section 20 of the Equality Act 2010 imposes a duty on all employers to make "reasonable adjustments" to any provision, criterion or practice that places a disabled person at a substantial disadvantage in comparison with people who are not disabled. Where driving is an essential part of the role, requiring an employee to have a licence and access to a car is acceptable. Essential means that Audit Wales must demonstrate that it is necessary to drive a car to undertake the substantial part of the role being offered and that there is no reasonable alternative. If the remote working practices necessary to carry on working during the Coronavirus lockdown period become part of the delivery of audit work in the future, it may become more difficult to justify including a requirement to be able to drive within the job description and in any advertisements. Equally, using public transport may present challenges to some employees even where the infrastructure is well-developed.

To mitigate the possibility of unintended direct or indirect discrimination, any changes to the Travel and Subsistence Scheme should be assessed against equality and diversity measures and if complex, Audit Wales should consider the benefits of obtaining a legal opinion.

APPENDIX A: BENCHMARKING DATA

Travel allowance and mileage rates

Organisation	Travel allowance	Mileage rates					Car hire	Lease car
		Car			Motorbike	Bicycle		
		<10k miles	>10k miles	Additional passenger				
Wales Audit Office	£3350*	25p **	25p	5p	24p	20p	Exceptional circumstances only	Yes - via salary sacrifice
Audit Scotland	Not offered	45p	25p	2p	Not offered	Not offered	Yes - if cost effective and approved	Closed to new entrants
Northern Ireland Audit Office	Not offered	45p	25p	5p	Not offered	Not offered	Yes - if cost effective and approved	No
National Audit Office	Not offered	45p	25p	2p	24p	20p	Yes - if cost effective and approved	No
Powys County Council	Not offered	45p	25p	5p	24p	20p	Yes - if cost effective and approved	Yes - for permanent full-time staff
Welsh Government	Not offered	45p	25p	5p	24p	20p	Yes - if cost effective and approved	No
RSM	Not offered	45p	45p	5p	Not offered	Not offered	Yes - if cost effective and approved	No
PWC	Not offered	45p	45p	5p	Not offered	Not offered	Yes - if cost effective and approved	No

*Subject to terms and conditions

** Rate is 45p per mile for staff not in receipt of the Travel Allowance

Public Transport

Organisation	Rail	Air	Sea	International travel
Wales Audit Office	Standard class	Economy class	Not stated	In line with HMRC guidance*
Audit Scotland	Standard class (journeys greater than 3hours may have first class travel approved)	Best value available	Not stated	Monetary advance to purchase up to £150 / night in foreign currency
Northern Ireland Audit Office	Lowest possible fare to be secured	Not stated	A cabin can be expense if travelling overnight	Not stated
National Audit Office	Standard class	Economy class	Not stated	In line with HMRC guidance*
Powys County Council	Standard class	Only used when there is a cost advantage over other forms of transport	Not stated	Reasonable expenses will be reimbursed
Welsh Government	Standard class (Exceptional use of first class permitted)	Economy class (Long haul flights may use business class if approved)	First class and single berth cabin	In line with HMRC guidance*
RSM	Standard class	Economy class	Not stated	In line with HMRC guidance*
PWC	Standard class (Exceptional use of first class permitted)	Economy class (Long haul flights may use business class if approved)	Economy class	Rates are capped and bookings must be made through PwC travel provider.

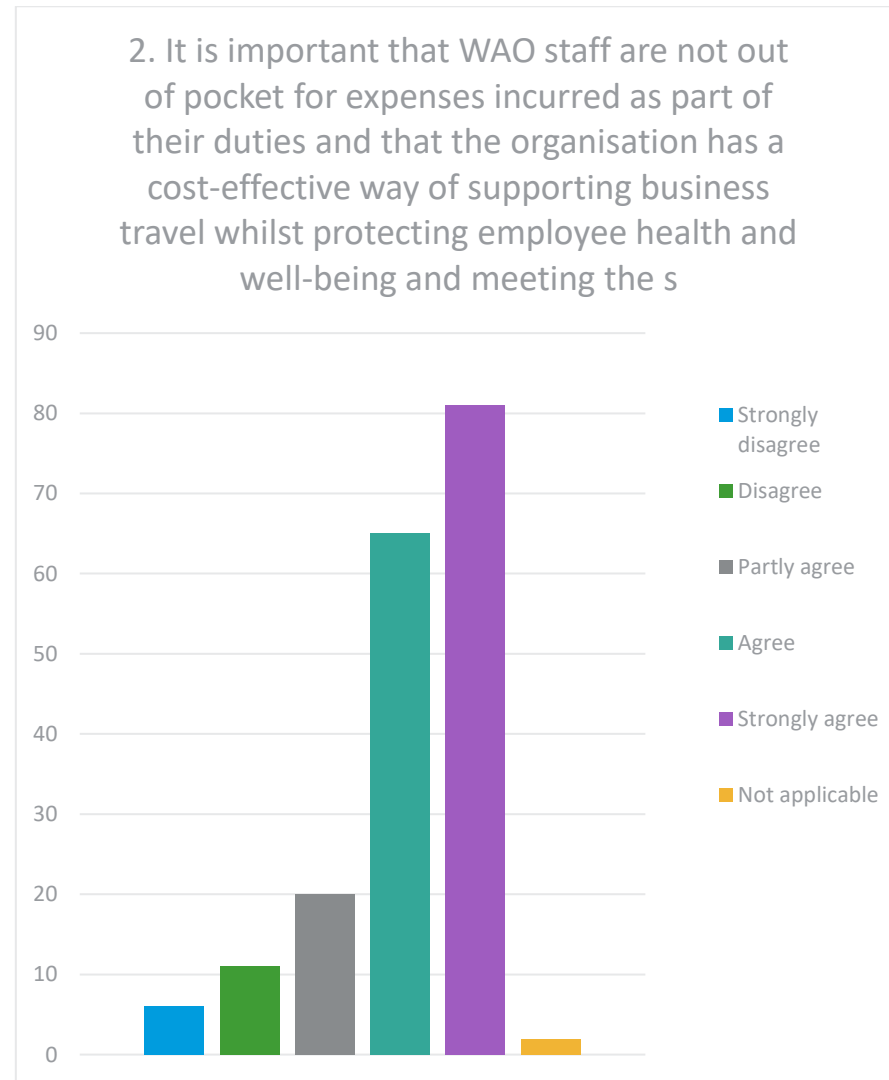
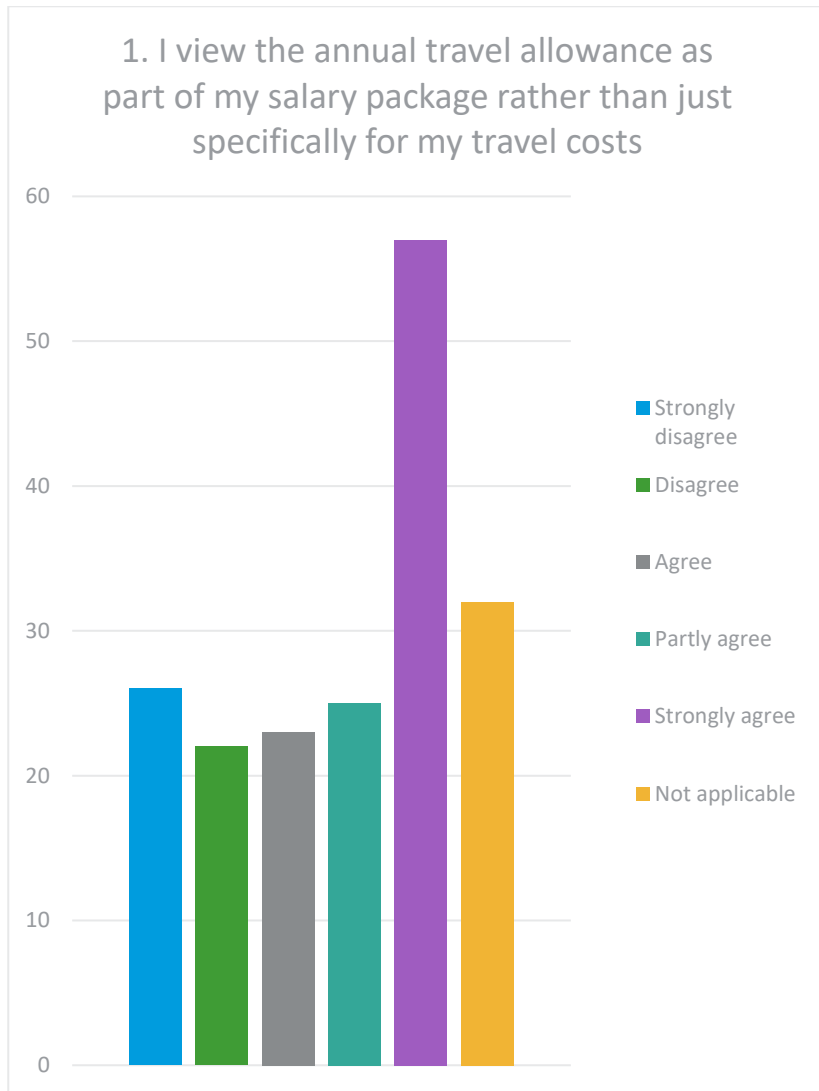
*https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781249/Worldwide_subsidence_rates_effective_6_April_2019.pdf

Overnight stays, subsistence and incidentals

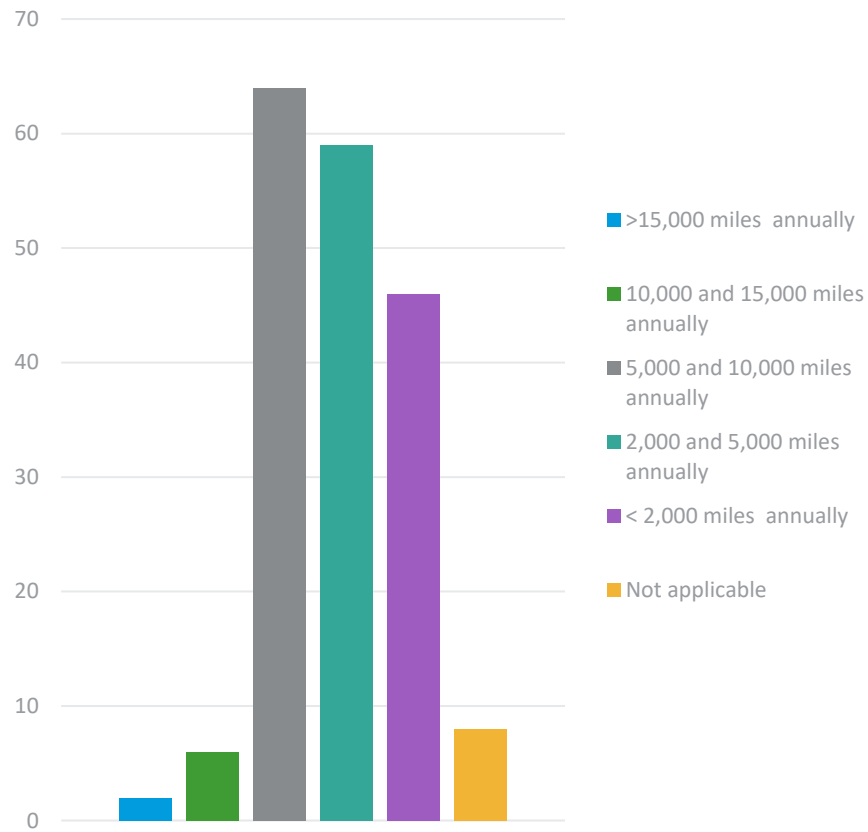
Organisation	Overnight stays			Subsistence	Incidentals
	Hotel outside London	Hotel in London	Stay with friends / family		
Wales Audit Office	£110	£200	£20	Evening meal (no alcohol): £25 Overnight stay with no breakfast: £15	£5 per night
Audit Scotland	Not stated	Not stated	Not stated	Evening meal: £26.25	N/A
Northern Ireland Audit Office	£100	£140	£25	Evening meal: £18.30	£5 per night
National Audit Office	£95	£130	£25	Evening meal: £20	
Powys County Council	£92.25	£107.62	£30	Evening meal: £10.50	N/A
Welsh Government	£95	£200	£30	Evening meal: £27	N/A
RSM	Premier Inn	Premier Inn	N/A	Evening meal: £25	N/A
PWC	Booked through travel provider at best cost	Booked through travel provider at best cost	N/A	Evening meal: £30 or £40 in London	N/A

APPENDIX B: STAFF SURVEY RESULTS

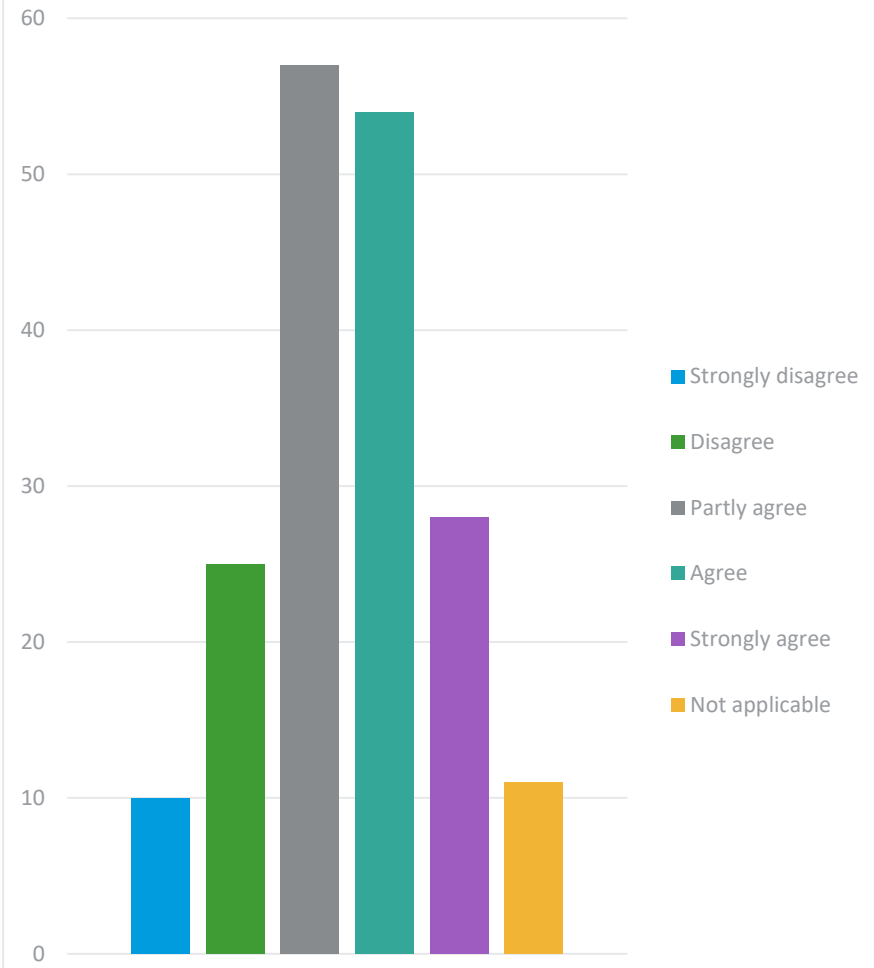
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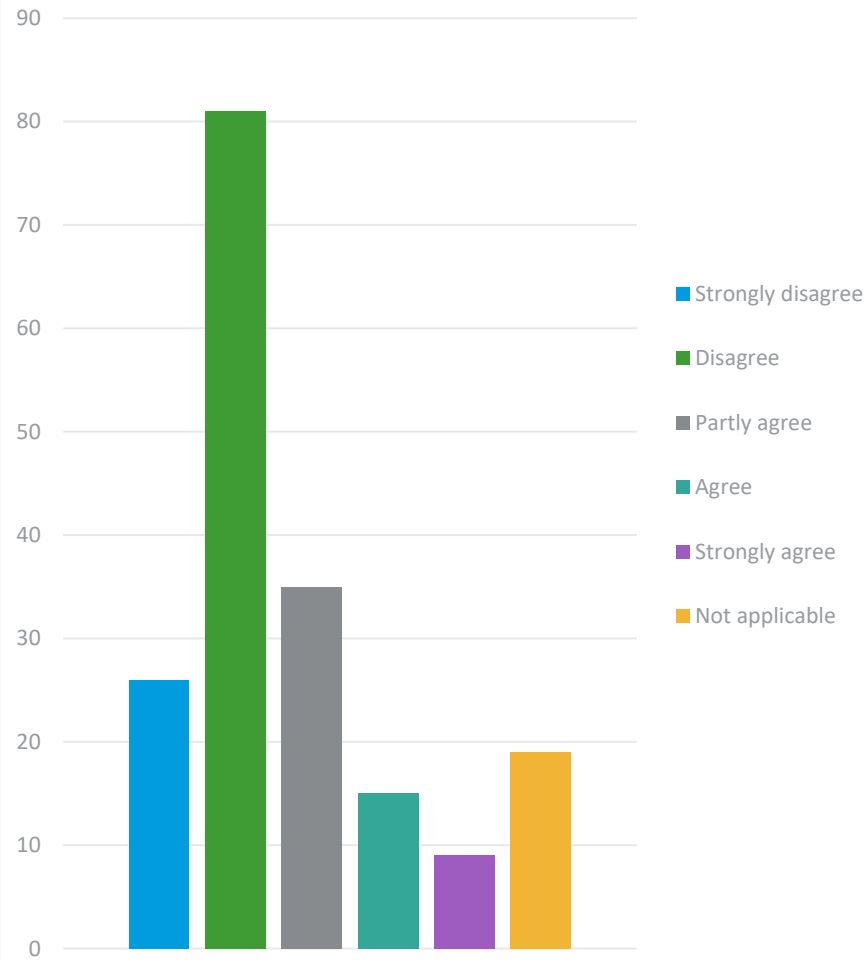
3. It is a requirement of mobile workers at WAO to travel to the sites of audited bodies in Wales. Whilst it is recognised that due to audit rotation and changing travel needs mileage will vary year to year, the mileage I claim within a typical year is:



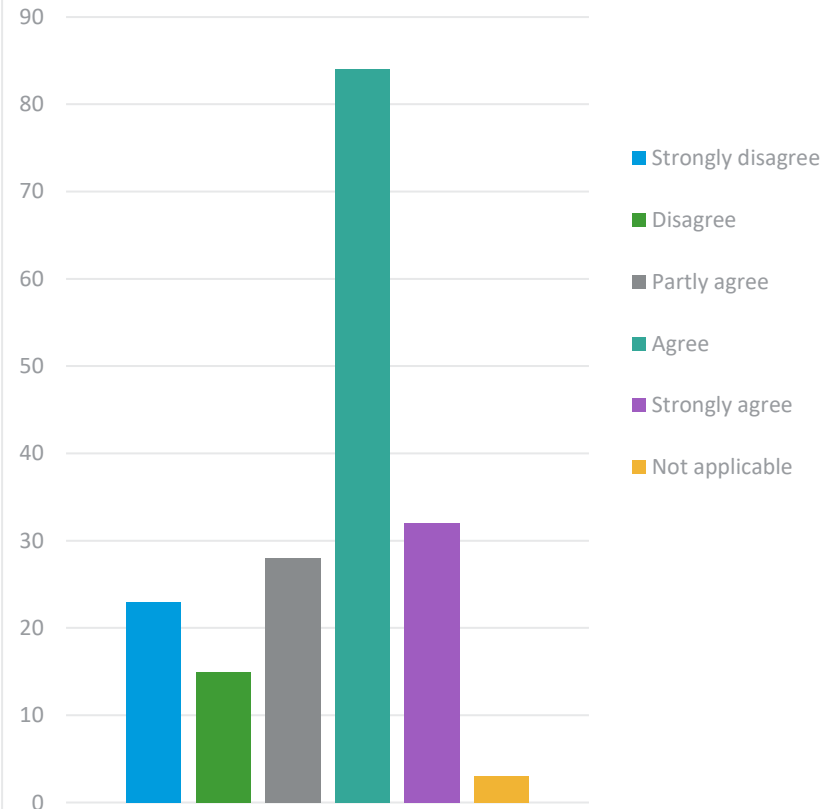
4. Smarter ways of working, like Skype and working from different locations, are helping me to reduce the mileage that I incur



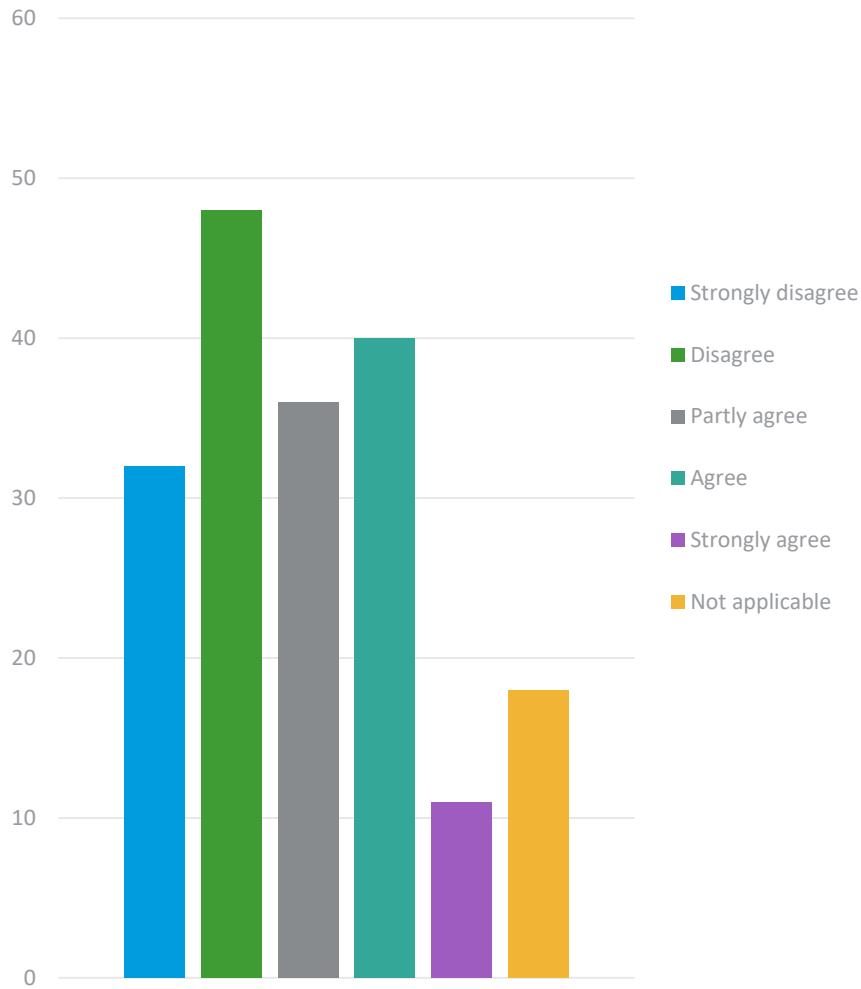
5. The extent of travel required within my role has a negative impact upon my well-being at work



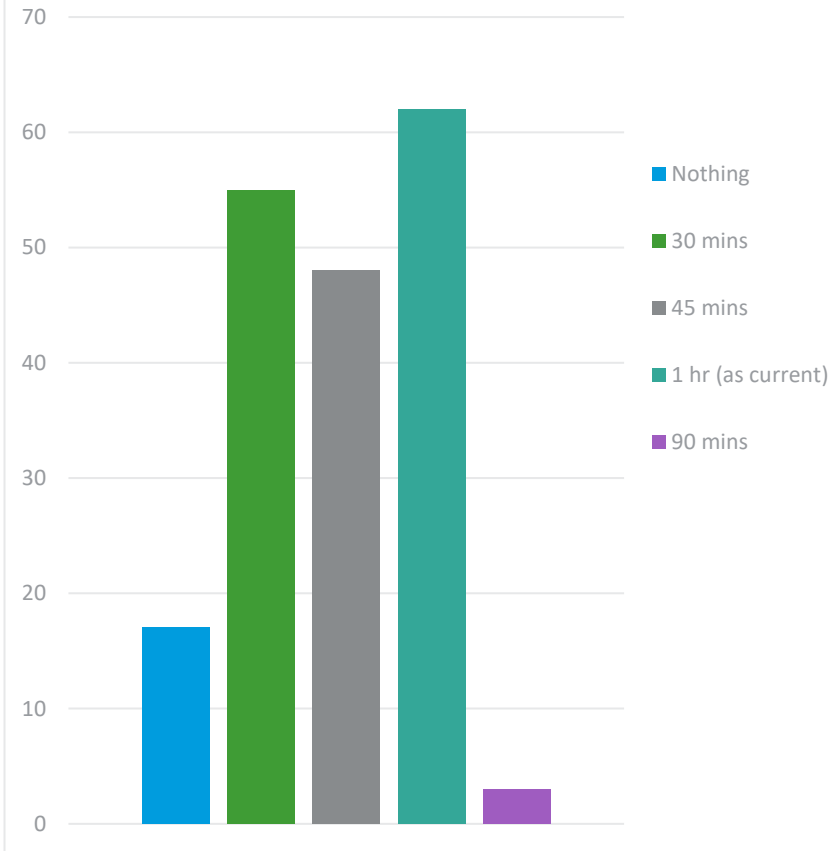
6. As well as being cost effective, the travel and subsistence scheme is designed to help achieve the sustainability priorities within the WAO annual plan. As part of this, the eligibility criteria for staff to receive the travel allowance includes a ten-



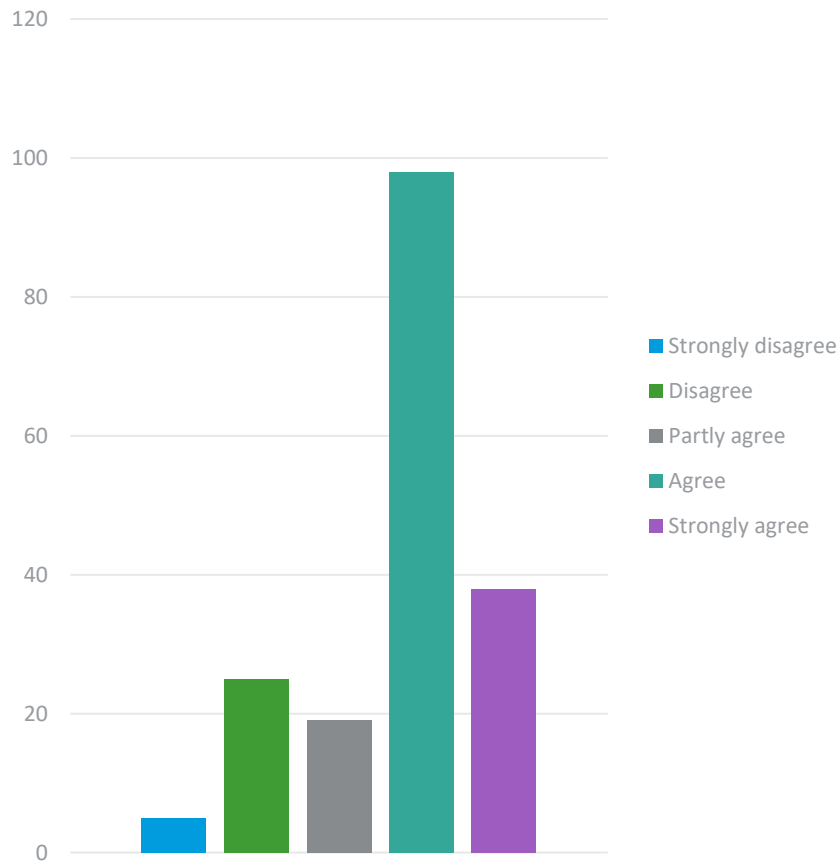
7. The existing travel and subsistence scheme encourages me to use public transport where feasible



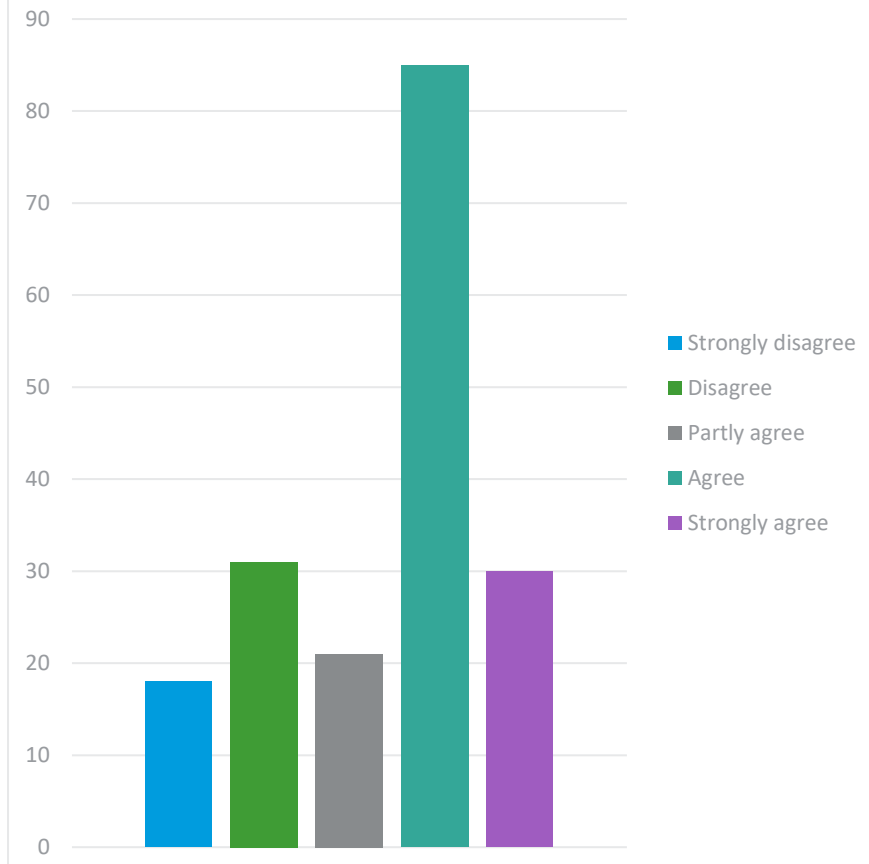
8. Currently, when working away from your base, up to an hour of the journey at the start and end of the day is deemed to be in the employees own time. I consider the following time to be a reasonable assumption for the commute each way



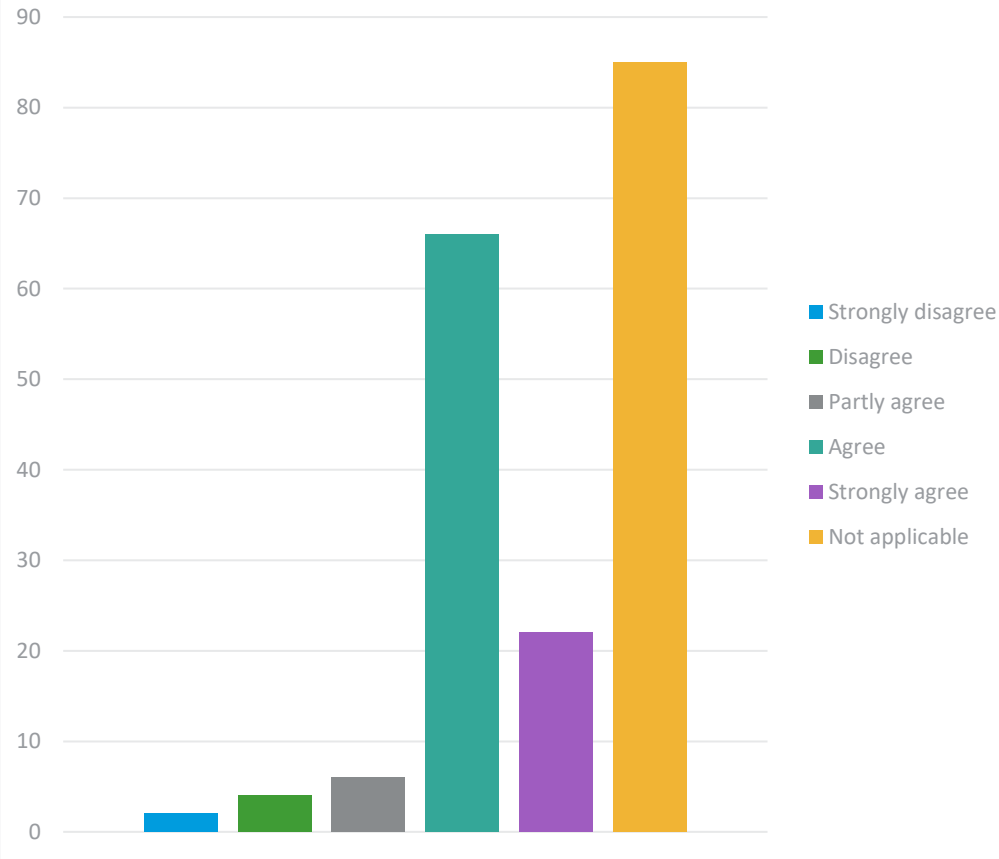
9. The scheme allows staff to claim for subsistence (breakfast and dinner, but not lunch) in the circumstances set out in the travel and subsistence policy. I consider the policy on subsistence to be fair, in that it covers the reasonable expenses incurred



10. Under the current scheme, when staying away from home staff are entitled to claim up to £5 per night incidental expenses. I consider this allowance to be reasonable and adequately support staff well-being whilst away from home.



11. Where staff are required to undertake international travel as part of their duties, travel and accommodation costs are repayable in line with HMRC guidelines. I consider these allowances to be reasonable and adequately support staff well-being whilst



APPENDIX C: TERMS OF REFERENCE

Value for Money (VfM) review

We are commissioning an independent VfM review by our external auditors, RSM, of the WAO travel and expense handbook. The review must cover the following elements:

- the performance of the current scheme against the performance measures set, and provide commentary on that performance;
- the fitness-for-purpose of the scheme in terms of its principles and arrangements to cover travel and subsistence related costs and the requirement for up to 1-hour travel time each way, each day, for mobile staff. Including, whether travel centres are still relevant in their current form and whether the Wales border is still appropriate for limiting travel claims;
- the need to avoid any actions that incentivise unnecessary travel;
- staff views on the current scheme and future potential;
- Trade Union views on the scheme;
- benchmarking with comparable organisations, that work on a pan-Wales or similarly large geographic basis, and where the extent of travel may vary from employee to employee from year to year. Welsh comparators will be important here, with wider comparators helpful too;
- provide evidence-based proposals for future arrangements that:
 - ensure staff are not out of pocket as a result of business travel;
 - contain the carbon emissions' impact of business travel (including cost) and promote use of public transport where practical;
 - support the safety and well-being of staff undertaking business travel;
 - support the People Strategy, including workforce diversity, and the recommendations of the Ways of Working project;
 - demonstrate that the WAO practises what we preach in terms of value for money. Also, that the scheme reflects the realism of our challenging medium-term financial position.
- recommend performance measures for any future arrangements.

The audit team undertaking the review need to be sufficiently experienced for this complex and sensitive piece of work.

For more information contact

Richard Smith, Head of Risk Assurance

Richard.Smith@rsmuk.com

+44 (203) 201 8000

David Broughton, Director Risk Assurance, South West and Wales

David.Broughton@rsmuk.com

+44 (7702) 865491

Pack Page 278

rsmuk.com

The matters raised in this report are only those which came to our attention during our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Audit Wales, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

Llyr Gruffydd MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
Cardiff CF99 1NA

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: IE/20008/caf
Date issued: 10 September 2020

Annwyl Llyr

Wales Audit Office Chair: Valedictory reflections

As you are aware, my term of service as Chair of the Wales Audit Office draws to a close on 16 October 2020.

As I approach the final weeks of my tenure, I thought that it might be helpful to the Finance Committee if I were to set down in writing some 'valedictory' reflections on my seven-year term of office, and offer my personal perspective on the challenges, risks and opportunities facing Audit Wales as we emerge from the initial phase of our pandemic response.

Strengthening our governance

We have made significant improvements to our governance arrangements since the former Assembly's introduction of the Public Audit (Wales) Act 2013 and the establishment of the Wales Audit Office as a new body corporate.

When I took up my position as the first Chair of the Wales Audit Office in October 2013, I was acutely aware of the importance of us being a public audit body that 'practices what it preaches'. Our strategic aim as a Board from the very outset has been to become a model public sector organisation – and we have made very considerable strides in that direction over the last seven years.

The initial transition from the previous 'corporation sole' model to the new arrangements with a Board was both a challenge and a significant opportunity, and Huw Vaughan Thomas and I were determined to make a success of it. The changes to governance arrangements that we swiftly introduced included a stronger focus on strategic planning, greater rigour in our identification and management of risks, and the development of a robust suite of key performance

indicators and associated targets, all of which were embraced and owned by both the leadership team and our staff.

The Board also quickly made its mark in enhancing the levels of internal scrutiny and challenge applied to corporate strategies, policies, business plans and investment proposals, and we have continued to refine and improve those arrangements. We have also made considerable enhancements to the breadth, quality and accessibility of our key annual corporate publications, including our Estimate, Annual Plan, Interim Report, Annual Report and Accounts and Equality Report.

As the Committee will be aware, one unusual feature of our Board constitution is the statutory requirement for two of our nine Board members to be directly elected by our staff. This has been one of the key factors in our success throughout my tenure as Chair, and I would like to pay particular tribute to the staff members who have played such an important part in bringing their direct experience and perspectives as employees to bear so richly in our Board discussions.

I was particularly pleased to see the Welsh Government adopt the same approach for Board composition when it created the Welsh Revenue Authority in 2017, and I was delighted at the time to share my experiences with their incoming Chair on how to get the best from the 'employee member voice' in board discussions. I commend this aspect of our governance structures to those who are charged with designing future changes to the composition of the boards of other Welsh public bodies.

Securing better value for money in our operations

Throughout my time as Chair, I have been determined to keep a clear focus on securing value for money across both areas of our operations – audit delivery and running the business. In terms of cost savings, we have driven down our overall operating costs significantly since 2014, delivering significant real-terms savings over the last seven years. These have included:

- efficiencies totalling nearly £1 million in staffing costs through a range of initiatives, including the increased use of graduate trainees and apprentices, improvements to our processes for managing sickness absence and a re-balancing of grade mixes across both audit and corporate service teams;
- nearly £800,000 of savings from improvements to procurement practices and the outsourcing of our payroll and internal audit services; and
- over £130,000 reduction in travel costs from smarter working enabled by increased use of video technology for virtual meetings and sharing documents for online collaboration.

The Board continues to drive improvement across a range of important initiatives, including the current work on optimising our estate strategy and future ways of working.

Delivering improvements in change management

As a Board, we have also been working closely with the Executive Leadership Team to plan and deliver internal change with greater pace and in a more cohesive manner. During the past year we've created a small Change Programme Team to ensure we have the dedicated skills and capacity to deliver our ambitious change agenda in the years ahead.

Our new Change Programme comprises a coherent package of corporate initiatives (including a new Digital strategy, our Future Workplaces project and our Transforming Communications programme), and progress on each is reported regularly to the Board.

Our three-year Data Analytics pilot project, supported by the start-up funding provided by the Finance Committee, has been particularly successful and is delivering significant business benefits. At our most recent Board meeting we were therefore delighted to convert the project onto a 'business as usual' footing - recognising not only its valuable contribution to date, but also its huge potential for enhancing both the cost-efficiency and the impact of our audit work in due course.

Establishing an exemplar graduate trainee and apprenticeship scheme

Our graduate trainee scheme has gone from humble beginnings to a real area of strength over the period of my tenure. We are now an accredited training provider for three of the four UK professional accountancy bodies and the four-year scheme gives graduates the opportunity to gain a professional accountancy qualification whilst working to develop a range of other finance-related skills. In 2019, we recruited our largest ever cohort of trainees – 18 in total – taking the total number of trainees employed up to 49. A further 13 trainees will be joining us in Autumn 2020. In comparison, when I took up office in 2013, only a handful of individuals were part of the scheme.

Our trainees are also now offered the opportunity to undertake a six-month secondment in another part of the Welsh public sector as part of an award-winning collaborative Finance Skills and Development Initiative, supported by the Senedd Finance Committee.

In recent years, with full support from the Board, Audit Wales has introduced and is now expanding an apprenticeship programme. Our total number of apprentices currently stands at 11, and in 2021 we plan to launch a public sector finance apprenticeship in collaboration with other public bodies in Wales, to offer opportunities to a larger and more diverse range of individuals.

Gaining a better understanding of the employee experience

In October 2017, the Board introduced a more comprehensive annual staff survey to gain a deeper understanding of the employee experience at the Wales Audit Office and to give staff the opportunity to express their views on where we need to

improve. For the last three years, we have used the same core survey questionnaire as used in the Civil Service People Survey which covers a broad range of themes, from the leadership and culture of the organisation through to how individual teams function.

Overall, the results of the survey, which we now proactively publish in full on our website, continue to be very encouraging and compare strongly in comparison to the Civil Service average, and in many cases, place us within the Civil Service high performance benchmark (upper quartile). In particular, it is reassuring to note that Audit Wales colleagues feel a very strong attachment to the organisation, feel positive about the relationships within their teams and feel they have the tools to get on with their job effectively. This positivity is reflected in our strong overall engagement index score, which in 2019 was again above that of the Civil Service high performance benchmark.

We are not, however, resting on our laurels. Our survey results do not yet benchmark as strongly in the areas of leadership and change management, learning and development, and the effectiveness of performance feedback, and the information we gather through our survey is proving invaluable in informing our decision making for further improvement work in these areas.

Transforming the culture of Audit Wales

A particular focus for the Board under my leadership has been to oversee the transformation of the culture of our organisation. Traditional pyramidal hierarchies have now evolved into much more flexible structures, supporting agile cross-team working and a stronger sense of 'one team' identity. A new set of Audit Wales 'values' and 'behaviours' (developed from scratch by our staff, rather than by the Board) have taken root, and these have undoubtedly played a part in helping all of us to adjust to the challenges of remote working etc under the pandemic lockdown.

Whilst much of the impact of our culture change work has of course been intangible, its effects have been reflected in the improvements to our staff survey scores. In 2018, our cultural change project also won a UK-wide public sector communications award for best consultation and engagement campaign.

Meeting our equality objectives

Very much linked to our work on transforming the culture of the organisation, through the course of my tenure as Board Chair we have also been increasingly effective in the steps we have taken towards meeting most of our equality objectives.

As outlined in our recent equality reports, we now have well-established external engagement arrangements which we use to invite views from third sector organisations on proposals for the Auditor General's future work programme. We have also set up an internal equality interest group (named Pawb) to ensure effective engagement with employees and staff networks when designing and implementing our programme of equality work.

Each year, we undertake a series of robust impact assessments of relevant policies and practices (which also cover human rights and Welsh language considerations) and equality factors are given high prominence, where relevant, at key stages of our procurement processes.

We are also currently signed up to the Leonard Cheshire Change 100 and Chwarae Teg FairPlay Employer initiatives and continue to achieve accreditation for our website meeting international accessibility guidelines.

Improving our environmental performance

For several years, the Board has been working hard to improve our environmental performance and reduce our impact on the environment. In 2019-20, we were proud to maintain our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.

As part of this commitment, since 2014-15 we have reduced our greenhouse gas emissions by over a third, and now offset all our emissions by funding equivalent carbon dioxide saving projects elsewhere. This improved performance has been enabled by a range of initiatives, including investment in video conferencing and remote working technology, the introduction of a new policy for business travel aimed at reducing our environmental impact and costs and protecting employee health and well-being, and improving the environmental performance of our offices.

Over the same period, we have halved our production of waste, significantly increased the proportion of our waste that is recycled and reduced our consumption of paper by over 40%. In late 2019, we published our first report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty, which included six specific objectives to help us better perform the Duty in the future. In our most recent Annual Plan, we have also affirmed our commitment to embed the sustainable development principle to a greater extent in our decision-making processes.

Looking to the future

Whilst much has been achieved in the last seven years, I know that none of us at Audit Wales are complacent about the need for further improvements. Several challenges remain.

One such challenge is that the Board must continue to ensure that the Audit Wales operating model, which is largely driven by the costs of retaining a professional and talented workforce, provides value for money and is sustainable in the longer-term. I have encouraged the Auditor General and incoming Chair to ensure that the debate about our longer-term fee strategy and the balance between financing from the Welsh Consolidated Fund and audit fees remains live and ongoing.

Another challenge, which we share with many other organisations, is the long-standing need to increase diversity among our workforce, particularly at the more

senior levels. Whilst, as outlined earlier, we have been extremely effective in the steps we have taken towards meeting most of our equality objectives, as a Board we are acutely aware of the need to take steps to narrow our overall gender pay gap, increase BAME representation and strengthen our Welsh language capabilities. While some good progress has been made in this area, particularly through our expanding trainee and apprentice recruitment programme, further action is undoubtedly needed in order that we can meet our aspirations to more fully reflect the population of Wales that we serve. The current restructure of the senior team provides one such potential opportunity for progress to be made in this area.

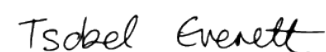
Amongst the other challenges that we face are some upcoming key decisions about our future office accommodation, drawing on our progress with the smarter use of technology and the valuable experience of business continuity and new ways of working whilst in lockdown. We have made excellent progress on this work to date and have encouraged the project team to draw on good practice from elsewhere in developing and evaluating a wide range of potential options for Board consideration later this year.

Like all employers, the COVID-19 pandemic has placed very significant demands on both our staff and our leadership. I have been hugely impressed with the way the CEO and staff have responded to the challenges of office closures, remote working and finding new and innovative ways of delivering our core services at very short notice. The drive, commitment and talents of our staff and board members have come to the fore, and I have an immense sense of personal pride in their collective achievements over recent months.

I should like to conclude by thanking you and your Committee members most sincerely for your support for, and constructive scrutiny of, our work. Your challenge has certainly helped to keep us on our toes, and your encouragement of robust independent public audit has been greatly appreciated.

I am delighted that the Committee has nominated Lindsay Foyster to succeed me as Chair and am certain that she will do an excellent job. I also wish the two new non-executive Board members Elinor Gwynn and Ian Rees well in their new roles. Under Adrian's leadership as Auditor General and Chief Executive, with critical oversight from the Board and with your Committee's continued support, I am confident that Audit Wales will continue to go from strength to strength.

Yours sincerely



ISOBEL EVERETT
Chair, Wales Audit Office

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

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