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Mr Llyr Gruffydd AM  
Chair of the Finance Committee  
National Assembly for Wales  
Cardiff Bay  
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Dear Llyr

## Update for the Finance Committee

In these extraordinary times, we wanted to update the Committee on the potential impacts of the coronavirus crisis on our own delivery and financial position.

## Annual Plan and Estimate 2020-21

As you know, last month we pulled back from all on-site audit work to allow the public service to focus on its immediate response to the pandemic. The feedback received to that decision was universally positive. We have continued to make progress on other activity whilst working and engaging remotely.

We remain committed to ensuring that our audit work does not have a detrimental impact on the efforts of severely stretched public bodies to deal with the national emergency. That is not to say, however, that we should be entirely passive. Well targeted and well delivered public audit has a more important part to play than ever at this time in ensuring value for money, good governance and accountability.

Our challenge is to provide the appropriate level of evidence-based reporting to support accountability and provide insight at the most suitable time. We must not get in the way of public servants working hard to save lives, but we must also ensure that our reporting is sufficiently robust and prompt to support proper accountability for public money. The Auditor General wrote to the Chief Executives of all audited bodies this week, explaining how we will be approaching our work over the coming months. The key themes are outlined below, all of which we believe will provide important insight to support the work of the Committee and the Senedd as a whole.

It is already apparent to audit teams that people and organisations right across the Welsh public services are developing novel and innovative ways of working in response to COVID-19. The crisis is forcing us all to innovate and address long-

standing issues with urgency. Both opportunities and risks will doubtless emerge during this period which, if acted upon sooner rather than later, can generate real-time benefits and help to mitigate other risks. To that end, the Auditor General has initiated ground-breaking work to provide real-time capture and sharing of learning and experience across audited bodies. We will share the resulting insights swiftly to our key contacts across the Welsh public service.

Audit Wales is tracking the various COVID-19 funding flows from both UK and Welsh Governments and considering how best to assure the people of Wales that those funds are well managed and that there is appropriate governance and accountability for the use of public money. Looking a little further ahead, we envisage a focus on what the impact of the current crisis means both in terms of the resilience and the future shape of public services in Wales.

We have worked closely with Welsh Government officials to develop a sensible and pragmatic way forward for accounts audit work, with a view to extending the practical accounts and audit timetables for central government and NHS bodies. The Auditor General and Welsh Government Permanent Secretary set this out in their joint letter of 14 April to the Finance Committee and Public Accounts Committee.

If it becomes apparent that statutory deadlines may be missed arising from the revised timelines agreed, we will endeavour to notify the Committee as soon as possible. It is unfortunate that the very helpful amendments to laying requirements proposed in the Committee's draft Public Audit (Amendment) (Wales) Bill will almost certainly not be in place in time to prevent breaches of statutory deadlines.

In respect of local government, we are working with the Society of Welsh Treasurers and individual local authorities on useful changes that could be made to the accounts for this year which will nonetheless still meet legal and professional requirements. Legislation already permits local authorities to delay the publication of audited accounts.

We hope that this provides the Committee with assurance that we have the review of our work programmes well in hand and plan to report back to you in coming months. We intend using our Interim Report as the formal mechanism to amend this year's deliverables.

Aligned with the review of our audit and corporate work programmes, we will be reassessing our expenditure and income assumptions for the year. We flag now though the probability of a significant reduction in our estimated fee income from the public bodies we audit, due to changes in the quantum and timing of our audit work for the year. Early indications are that we will need to seek supplementary budget funding from the WCF to make up the shortfall between this loss of fee income, less the reductions in operating costs that we are able to secure. The reality is that with staff costs making up almost 80% of our running costs, there is no easy or rapid response we can make to reducing our running costs, but we are minimising spend that is not directly aligned with delivery of our revised

programmes of work. As mentioned above, we are reprioritising our audit expertise and capacity on to other value-added work, but that work is not chargeable through the Audit Plans we have agreed with the bodies we audit. Again, we are working this through in detail and will update the Committee in coming months.

## Audit Wales

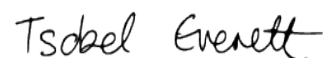
You will have noticed the identity and name change in this letter. In response to feedback on how we communicate and engage, we took the decision last year to bring together the separate identities of the Auditor General for Wales and the Wales Audit Office under a single umbrella identity – Audit Wales. This followed on from our communications and impact transformation project, which we've previously discussed with the Committee. This is clearly a secondary matter in the current circumstances, so we have made no great fanfare for the change and will simply be rolling it out softly and at minimal cost over coming months.

The Auditor General for Wales and the Wales Audit Office remain separate legal entities with their own legal functions, but we will operate as Audit Wales henceforth in the vast majority 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 we hope you will recognise and value. We will work with the Committee's clerking team on the use of the new identity and will communicate more widely across the Assembly at the appropriate time.

Finally, we would like to place on record with the Committee the superb response of Audit Wales staff at this extraordinary time. All are working from home and engaging remotely with colleagues in audited bodies to be as supportive and flexible as possible in the delivery of our work. We have been putting a considerable emphasis on staff well-being, working closely with our trades' union representatives, and feedback from staff has been positive.

We hope that this update is helpful to the Committee and, of course, are very happy to provide more information if needed.

Yours sincerely



**ISOBEL EVERETT**  
Chair, Wales Audit Office



**ADRIAN CROMPTON**  
Auditor General for Wales