

Mr Llyr Gruffydd MS
Chair of the Finance Committee
National Assembly for Wales

Via email:
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Dear Llyr

Financial implications of Covid-19 Pandemic

Thank you for your response to our letter of 5 May 2020 in which we set out our early thoughts on the potential impacts of the Covid-19 crisis on delivery and the financial position for Audit Wales.

You will understand that it is difficult to predict with accuracy the full financial implications for Audit Wales given the uncertainty over future restrictions and the impact of any further waves of the virus. This letter sets out our best estimates at this time, but they will undoubtedly alter as we move through the year and the picture on our fee income, in particular, becomes clearer. We would be happy to keep the Committee updated and could do so, for instance, in the autumn when we present our Estimate for 2021-22.

Our work programme and fee income

Since the start of the lockdown, we have worked closely with our audited bodies to find innovative ways of delivering our statutory financial audit work while working entirely remotely. Remote working has many advantages, but it is far from perfect and we are fast developing a clearer picture of its pros and cons for our line of work. We would like to pay tribute to colleagues across the public service and to Audit Wales staff who have collaborated superbly in this challenging environment. Our current expectation is that we will deliver all the audit of 2019-20 accounts work planned for this year, albeit to a slightly different timetable. Our experience so far is that accounts audits are generally taking longer than planned and this will have a knock-on effect on planning and preliminary work for 2020-21 later in the year.

In response to the crisis, we have significantly reshaped our performance audit work programme. Initially we suspended work to give public bodies the time and space to focus on their immediate responses to the situation. Our decision was welcomed at the time by the Permanent Secretary, and greatly appreciated by Chief Executives and their senior teams. We are now re-engaging with our audited bodies, looking at work which can add the most value in the current circumstances, both to support effective scrutiny and also to provide insight into the immediate response to the Covid-19 emergency, recovery planning and longer-term impacts on the services provided to the people of Wales.

As an organisation, we have prioritised staff well-being, particularly for those staff who have caring responsibilities, and have acknowledged that some of our staff have simply not been able to be as productive as we would normally have expected. This has inevitably reduced our overall capacity and hence our ability to draw down fee income.

The result of this combination of factors means it is very unlikely indeed that we will be able to recognise the full year's planned fee income for 2020-21. Based on our latest forecasts, we estimate the consequential impact on fee income for 2020-21 will be some £600,000 less than we had anticipated when the Estimate was approved last autumn. We must stress though that this figure is susceptible to some variation in either direction so we are keeping it under constant review.

Cost savings

You will remember that the Estimate was already predicated on achieving in year savings of some £1.2m from staff vacancy management and other cost efficiencies. We are pleased to report that savings associated with the 2019-20 Voluntary Exit programme and our decision to hold all vacant posts until at least October 2020, along with a detailed review of all non-staff budget areas, mean that we have already made good progress towards delivering this target.

We will make savings on travel and subsistence this year, as all staff have been working from home since late March. We expect this to continue for most staff for much of the rest of this calendar year. We are not planning on returning to our offices until 1 September at the earliest and then only on a prioritised and phased basis. This is obviously informed by the advice we are receiving from Welsh Government and Public Health Wales. Current forecasts are for reductions of at least £230,000 in travel and subsistence and this may reduce even further, the longer that remote working is sustained. Other areas of expenditure that we have reduced are:

- staff development, recruitment and training events - £95,000
- office accommodation - £50,000
- other budget areas such as translation, printing and stationery - £30,000

Please be assured, that we are continuing to explore all avenues for further in-year savings to offset our reduced fee income but the overwhelming majority of

our expenditure is on staff and other fixed/semi-fixed costs, meaning it may not be possible to scale our costs down very much further in the short-term.

Our call on WCF

Given all the above, our current estimate is that, should we need to request an additional call on WCF, it is unlikely to exceed £0.5m. We are, of course, doing all we can to minimise any additional call on the Fund and will update the Committee in the autumn, submitting a Supplementary Estimate request if we find it essential to do so.

Yours sincerely



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