



# 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.

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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

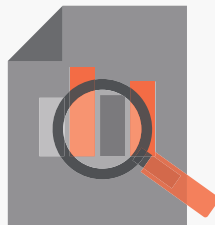
Highlighted that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system

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

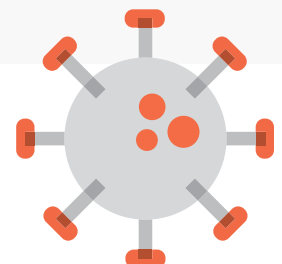


Hosted a conference for individuals working in publicly funded organisations across Wales who are studying towards a finance-related qualification

## 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



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# Performance Report

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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.

Adrian Crompton

Auditor General for Wales and Accounting Officer

17 June 2020

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# Overview

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## 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.

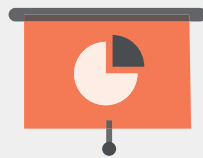
## Why we are here

### 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

- 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

 <p>Undertaking audit work at over <b>800</b> public bodies</p>	 <p>Delivering a programme of <b>value for money</b> examinations and studies</p>	 <p>Certifying grant schemes worth approaching <b>£2.5 billion</b></p>	 <p>Approving around <b>£1 billion</b> of payments out of the Welsh Consolidated Fund every month</p>
 <p><b>Supporting effective scrutiny</b> including the work of the Senedd Committees</p>	 <p>Hosting <b>shared learning events</b> for over <b>1,100 attendees</b></p>	 <p>Facilitating the <b>detection of fraud and error</b> through the National Fraud Initiative</p>	 <p>Participating with <b>observer status</b> on a range of key policy working groups</p>

- 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% <sup>1</sup>	
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 <sup>2</sup> 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 <sub>2</sub> equivalent emissions <sup>3</sup>	Less than 450 tonnes	345 tonnes	

 Achieved or close to achieving our target

 Improvement required

 Significant improvement required

<sup>3</sup> 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

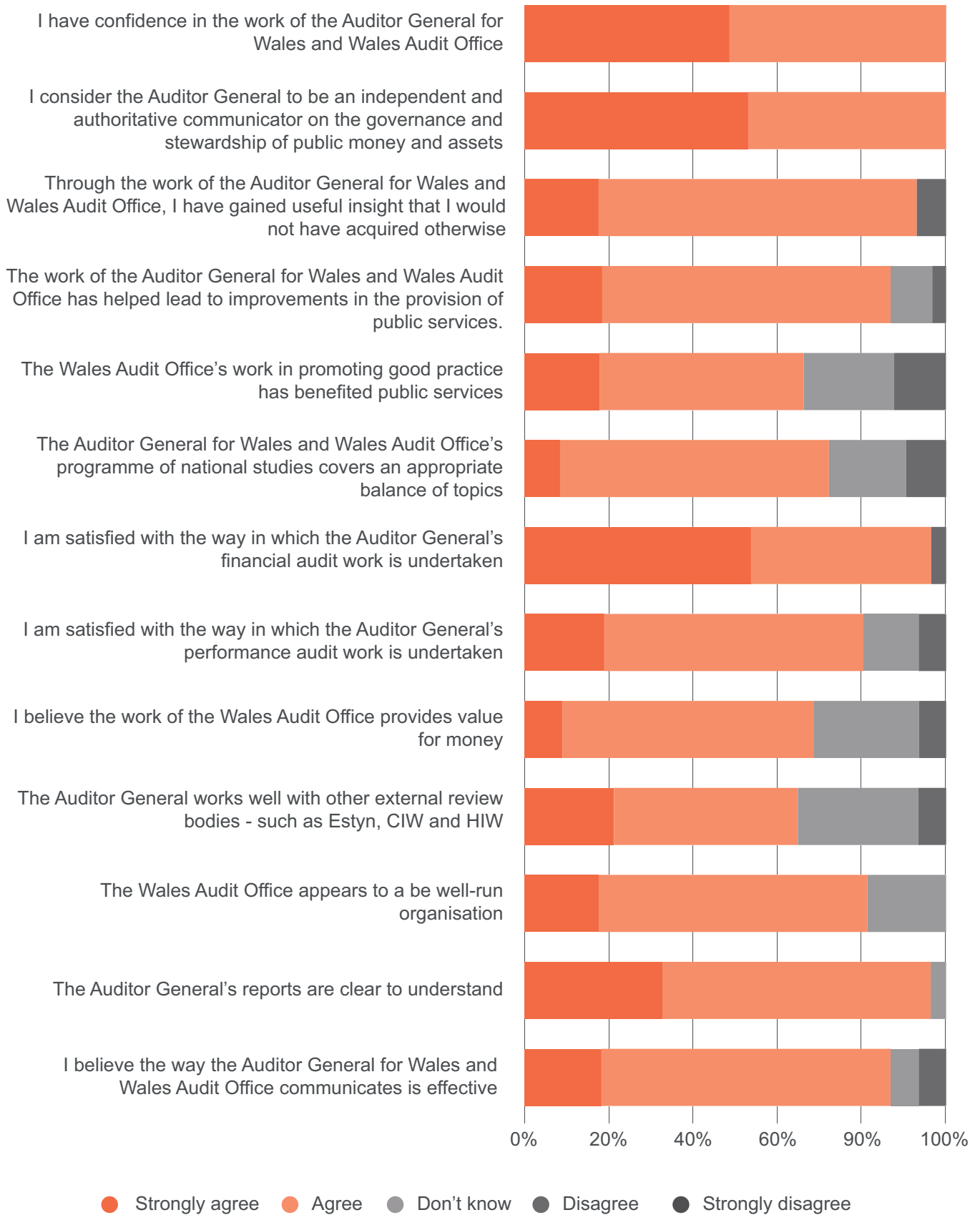
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- 15 During 2019-20, the exercise of our functions was consistent with the [Annual Plan prepared for the year](#), with no significant changes made to planned work. **Appendix 1** of this Report provides more detail on the programme of audit work delivered 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-being<sup>4</sup>. 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 Initiative<sup>5</sup>. 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.

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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 development<sup>6</sup> 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 Goals<sup>7</sup>.



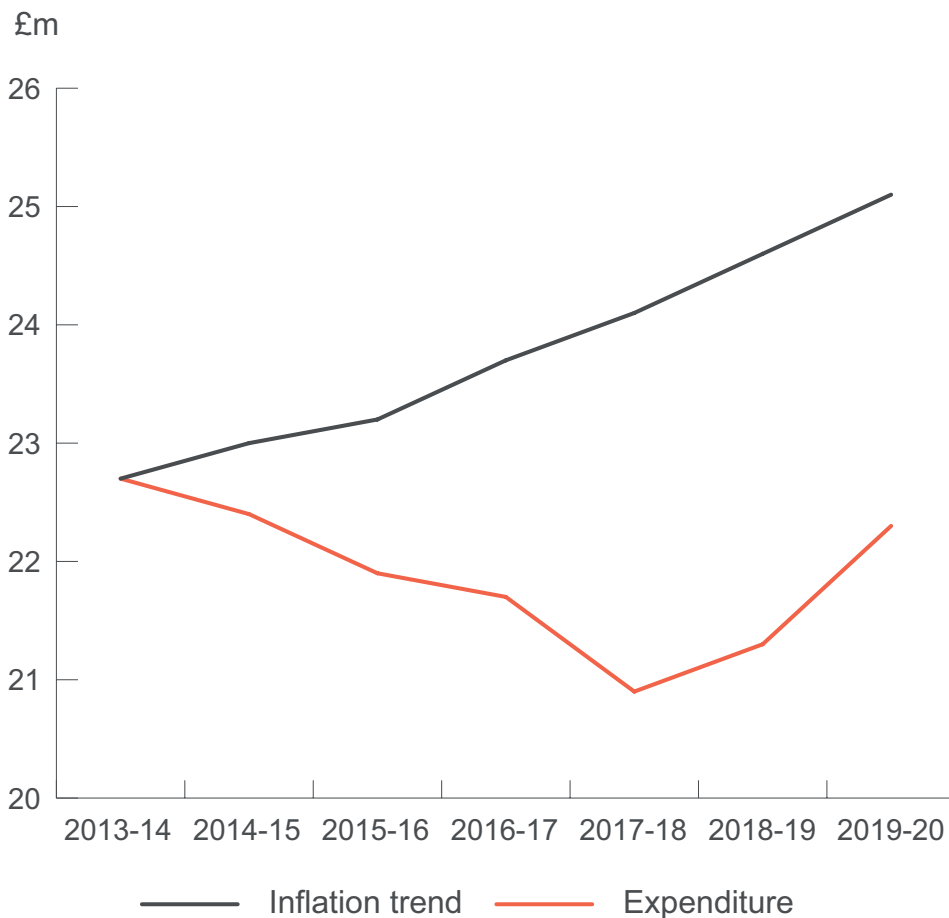
6 Defined in the Well-being of Future Generations (Wales) Act 2015 as acting 'in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'.

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 terms<sup>8</sup>, 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.

<sup>8</sup> 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 programme<sup>9</sup>. We also calculate the Proxy Stress Index<sup>10</sup> and PERMA index<sup>11</sup> 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.

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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 sector<sup>12</sup>).

**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**



12 Source: Health and Well-Being at Work (Public sector summary); CIPD, March 2020

## 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 stewardship<sup>13</sup>**

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

<sup>13</sup> 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 offset<sup>14</sup> all our carbon dioxide equivalent emissions (tCO<sub>2</sub>e) including those resulting from our business travel, by supporting the following projects:
- a Portel-Pará reduced deforestation project in Brazil (86 tCO<sub>2</sub>e)
  - b Wind-based power generation project by Panama Wind in India (86 tCO<sub>2</sub>e)
  - c Production of ceramic water purifiers in Cambodia (86 tCO<sub>2</sub>e)
  - d Planting trees in the UK (86 tCO<sub>2</sub>e)
- 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.

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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.

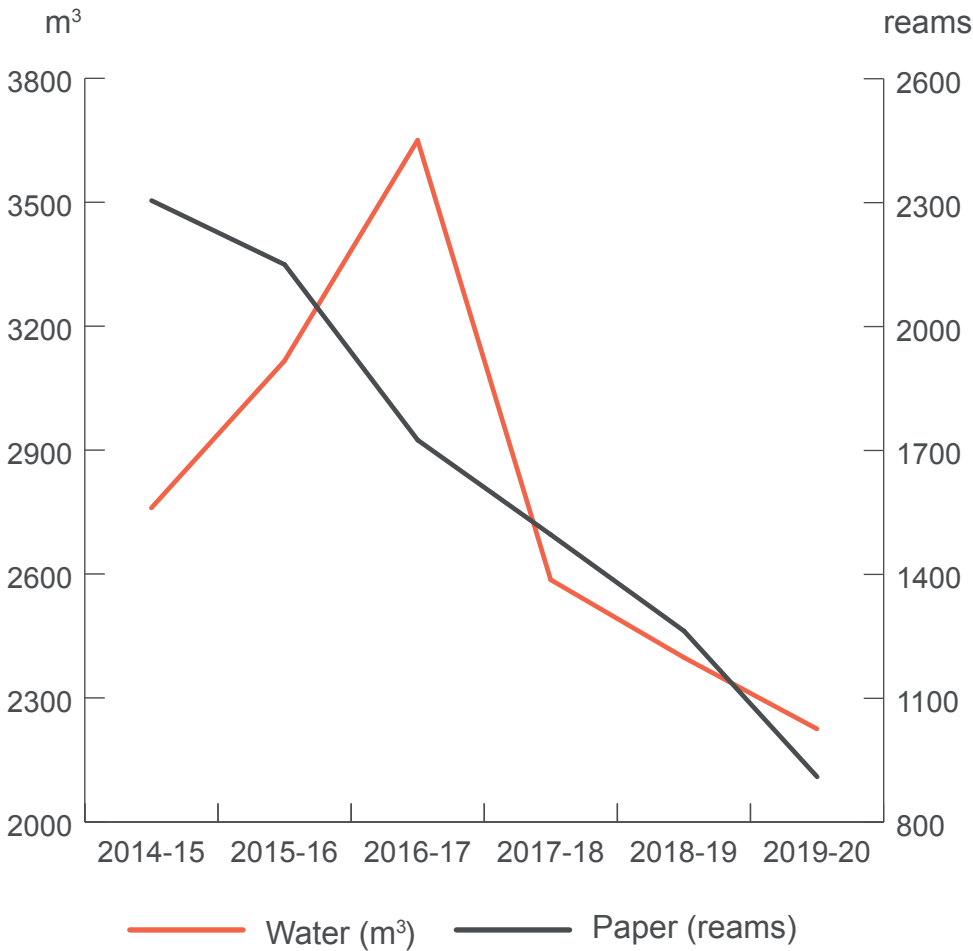
13 CLIMATE ACTION



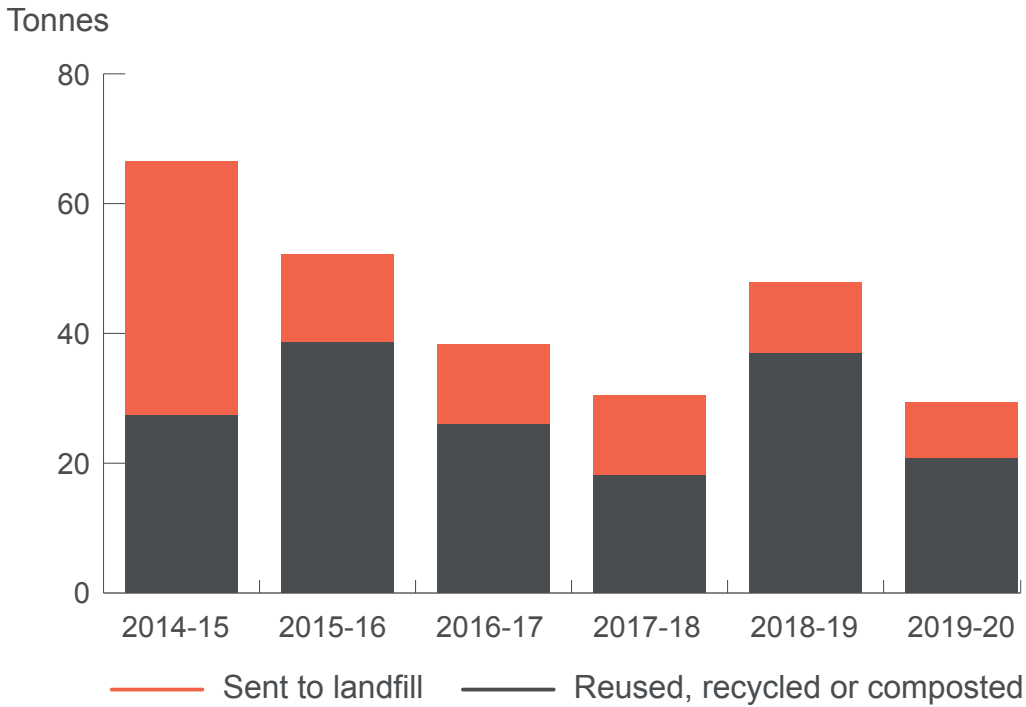
15 LIFE ON LAND



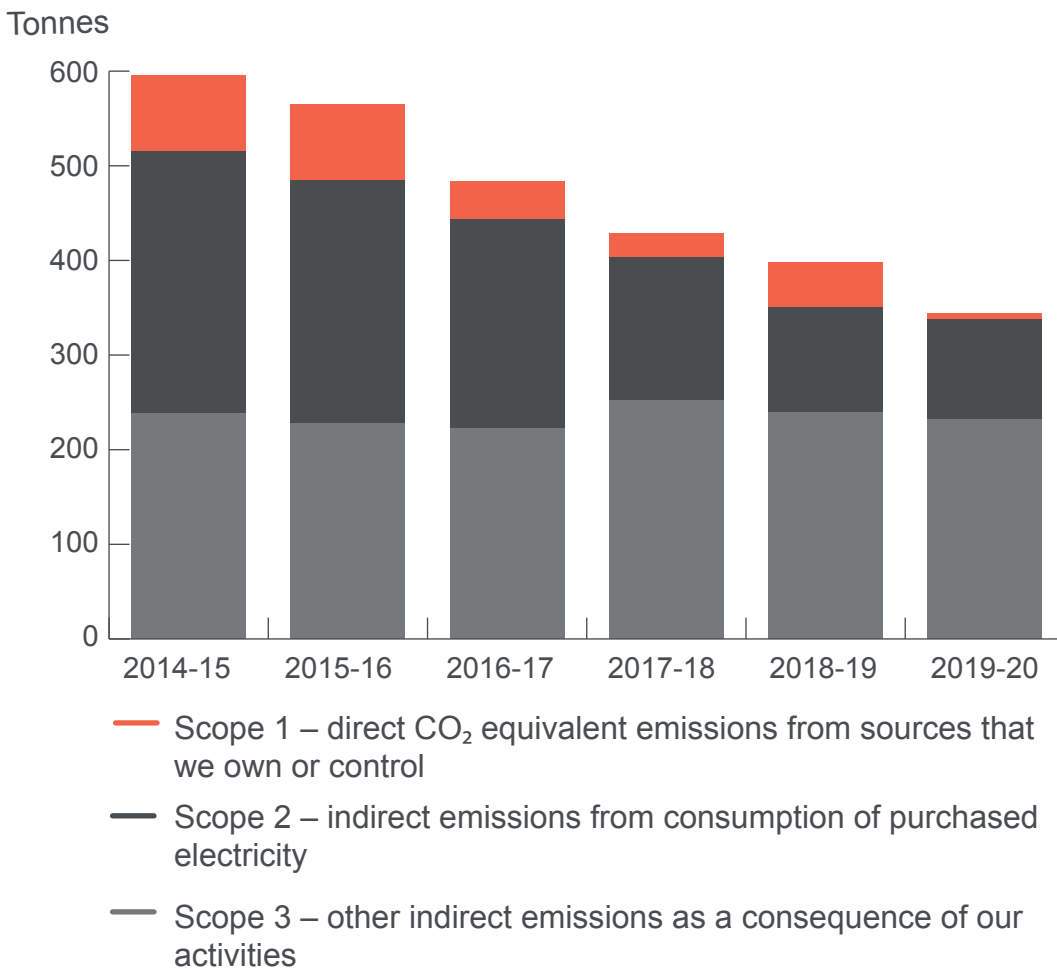
### Finite resource consumption



### Waste minimisation and management

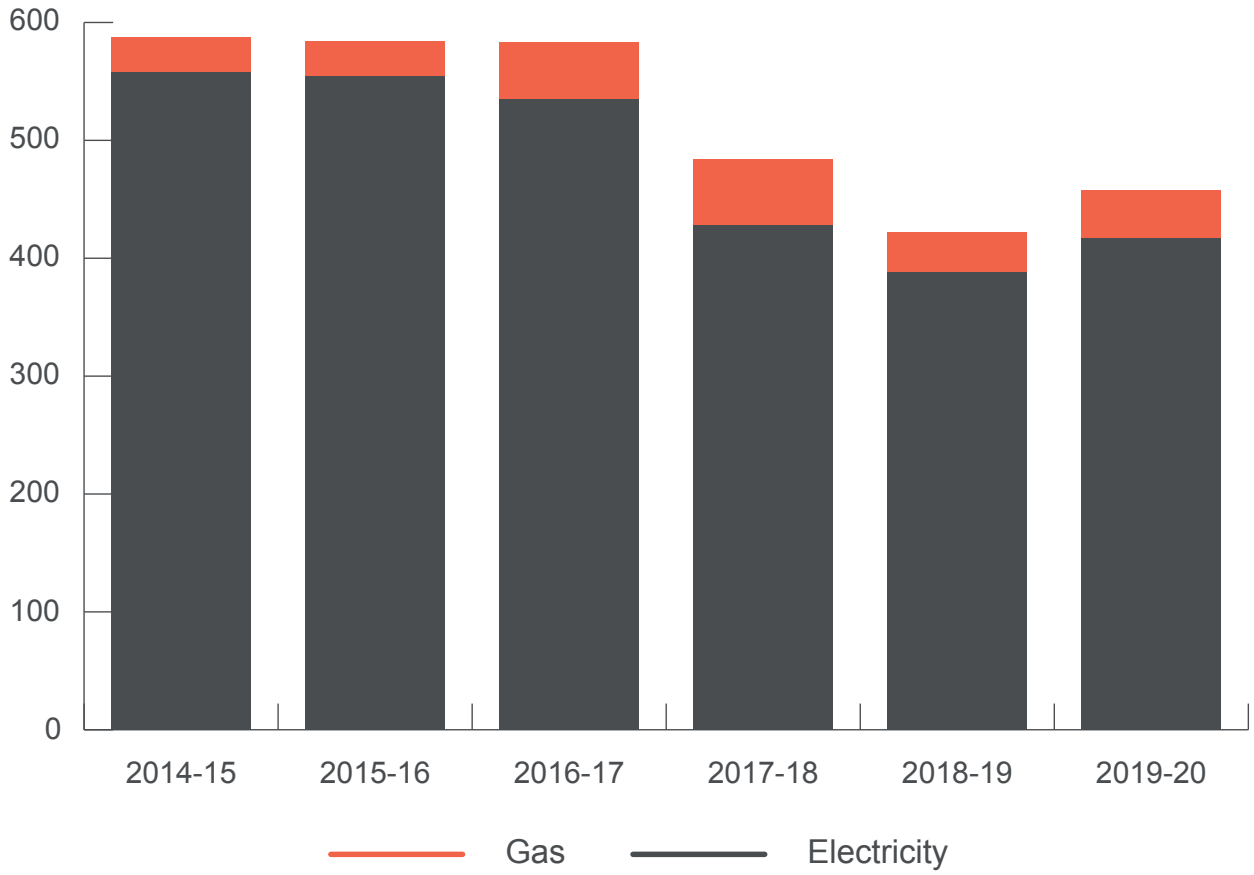


### Greenhouse gas emissions



### Energy consumption

Mwh



**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
<b>Environmental management</b>					
Level of Green Dragon accreditation	4	4	4	5	5
<b>Finite resource consumption<sup>15</sup></b>					
Water consumption m <sup>3</sup> <sup>16</sup>	3,116	3,650	2,586	2,398	2,225
Water consumption m <sup>3</sup> 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
<b>Waste minimisation and management<sup>17</sup></b>					
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 <sup>18</sup>	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 m<sup>3</sup> and 6 m<sup>3</sup> 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
<b>Greenhouse gas emissions<sup>19</sup></b>					
Total emissions tonnes CO <sub>2</sub> 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 <sup>20</sup>	23.6	22.6	16.1	52.4	10.8
Total expenditure on business travel £000 <sup>21</sup>	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
<b>Efficiency of estate</b>					
Cost per FTE <sup>22</sup> £	3,228	3,072	3,317	3,378	3,368
Cost efficiency <sup>23</sup> £ per m <sup>2</sup>	300	287	306	318	321
Space efficiency <sup>24</sup> m <sup>2</sup> 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 m<sup>2</sup> 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

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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

# 02



# Corporate governance report

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## 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 rotation<sup>25</sup>.
- 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.

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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)<sup>26</sup> who are not Board members

	Board	ARAC	RHRC	ELT	MC
<b>Number of meetings held</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>12</b>	<b>5</b>
<b>Members of the Board and its committees</b>					
Adrian Crompton <sup>27</sup>	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) <sup>28</sup>	6	1	2		
David Francis	6		3		
Dianne Thomas, Independent Member of ARAC <sup>29</sup>	1	4			
Isobel Everett	6	3			
Kevin Thomas <sup>30</sup>	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
<b>Number of meetings held</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>12</b>	<b>5</b>
<b>Members of the Executive Leadership Team who are not Board members<sup>31</sup></b>					
Ann-Marie Harkin	1			11	
Anthony Barrett	6			11	5
Clare James	1			3	
Emma Woodcock	1			6	
Harrie Clemens	1			3	
Jane Holownia <sup>32</sup>					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.

<sup>31</sup> 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.

<sup>32</sup> 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 website<sup>33</sup>.
- 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.

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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.

<b>Assurance area</b>	<b>Risk appetite</b>
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.

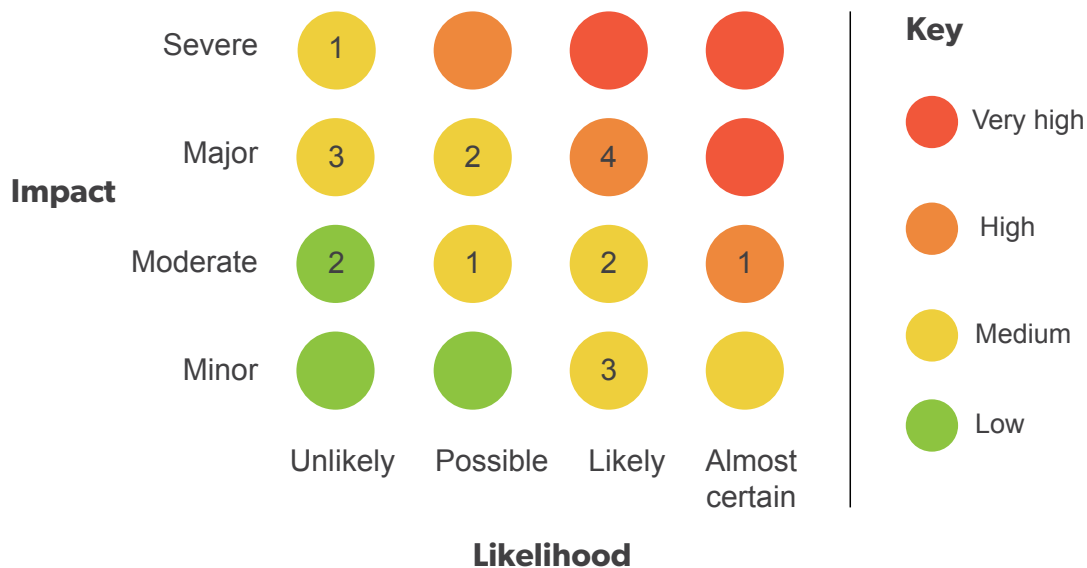
- 169 Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Executive Leadership Team. These included risks associated with:
- a the Wales Audit Office's longer-term financial position given the deficits identified in the medium-term financial plan;
  - 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 <sup>34</sup>	24,222 <sup>35</sup>
Huw Vaughan Thomas	–	–	58,227 <sup>36</sup>	8,991 <sup>37</sup>
<b>Total</b>	<b>147,570</b>	<b>44,714</b>	<b>157,092</b>	<b>33,213</b>

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 <sup>38</sup>		Single total figure of remuneration	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
	£	£	£	£	£	£
<b>Board Members at 31 March 2020</b>						
Isobel Everett (Chair) <sup>39</sup>	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 <sup>40</sup>	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 <sup>41</sup>	4,167	3,357	–	1,733	4,167	5,090
Amanda Hughes	4,167	4,167	–	2,301	4,167	6,468
<b>Previous members of the Board</b>						
Steven Burnett <sup>42</sup>	–	11,962	–	1,819	–	13,781
Louise Fleet <sup>43</sup>	–	787	–	52	–	839
<b>Total</b>	<b>83,368</b>	<b>83,277</b>	<b>11,209</b>	<b>17,372</b>	<b>94,577</b>	<b>100,649</b>

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
<b>Total</b>	<b>5,000</b>	<b>5,000</b>	<b>700</b>	<b>496</b>	<b>5,700</b>	<b>5,496</b>

## 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 <sup>44</sup> Bands of £5,000	Taxable Expenses <sup>45</sup> To nearest £100	Pension Benefit <sup>46</sup> 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 <sup>47</sup>	70-75	–	15	85-90
Jane Holownia (0.8FTE) <sup>48</sup>	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 months<sup>49</sup>.

49 Not subject to audit.

## 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](http://www.civilservicepensionscheme.org.uk).

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

	<b>Accrued pension at pension age as at 31 March 2020</b>	<b>Real increase in pension at pension age</b>	<b>CETV at 31 March 2020</b>	<b>CETV at 31 March 2019</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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 <sup>50</sup> 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 <sup>51</sup> - £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: £157,092<sup>52</sup>, ratio: 3.43).

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

<sup>51</sup> Graduate work placement.

<sup>52</sup> 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 £322,000<sup>53</sup> 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 £870,000<sup>54</sup>.

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).

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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**

	<b>2019-20</b>	<b>2018-19</b>
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
<b>Total</b>	<b>9</b>	<b>8</b>

## 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
<b>Total</b>	<b>11</b>	<b>12</b>

### 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
<b>Total</b>	<b>263</b>	<b>264</b>

**Staff and associated costs**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
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
	<b>16,358</b>	<b>15,563</b>
Travel allowance and leased cars	638	659
Subscriptions <sup>55</sup>	83	72
	<b>17,079</b>	<b>16,294</b>
Audit and inspection contractors	135	110
	<b>17,214</b>	<b>16,404</b>
Redundancy, early retirement and severance costs	888	458
Less monies received in respect of outward secondments	(372)	(388)
	<b>17,730</b>	<b>16,474</b>

**Bought-in services<sup>56</sup>**

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

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
<b>Total</b>	<b>120</b>	<b>148</b>	<b>3</b>

**Sickness absence**

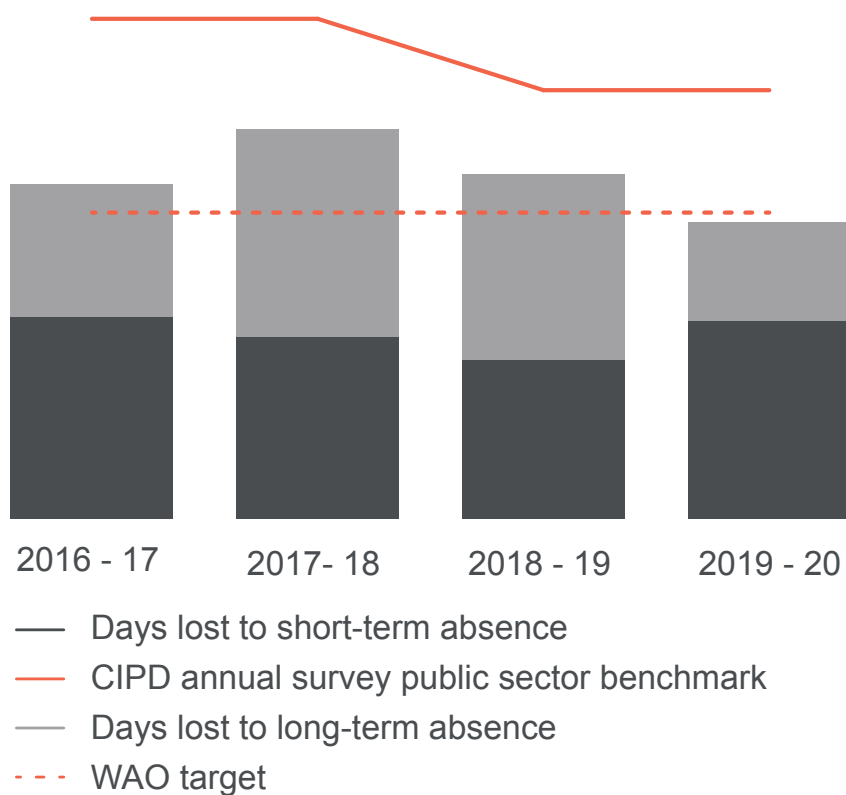
	2019-20 Days	2018-19 Days
Average working days lost per member of staff	5.8	6.7
• Due to short-term absence	3.9	3.1
• Due to long-term absence (periods $\geq$ 21 days)	1.9	3.6

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) benchmark<sup>57</sup>.

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.

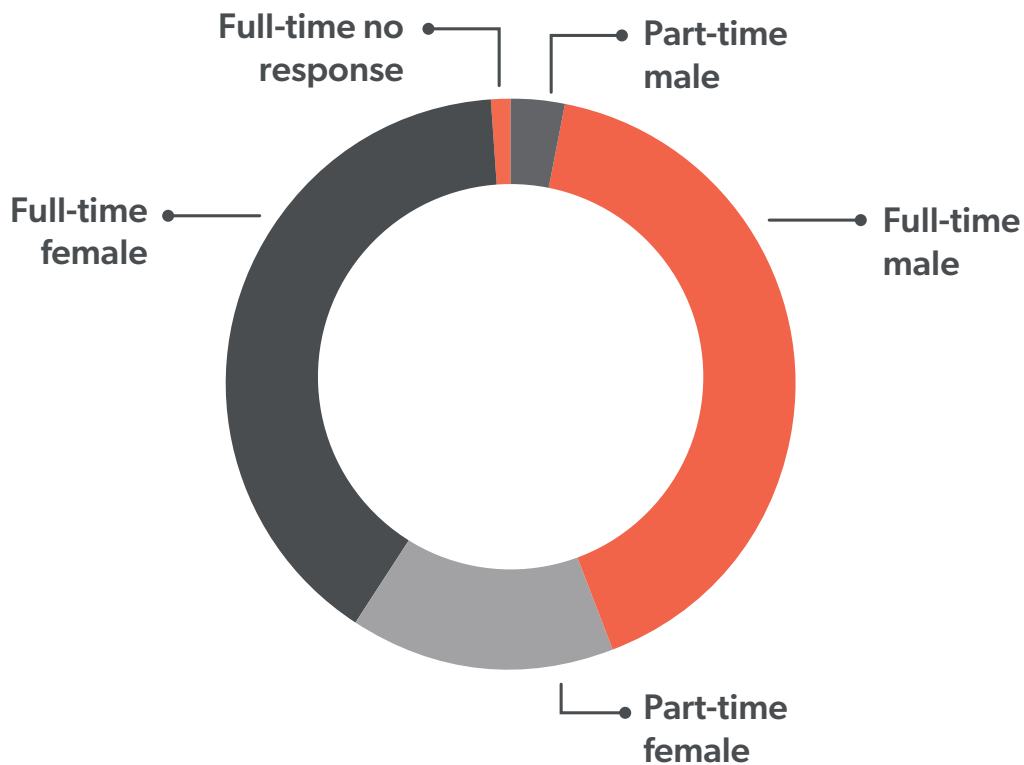
57 Mean of 8.4 days per employee per year for those public service organisations that responded to the [2019 CIPD Health and Well-Being at Work Survey](#).

## Staff sickness absence 2016-17 to 2019-20



## Our workforce

	2019-20	2018-19
	%	%
<b>Working patterns</b>		
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
<b>Employment contract type</b>		
Percentage of staff on permanent contracts	75.4	76.9
<b>Turnover</b>		
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 employee<sup>58</sup>.
- 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%

58 Based on 253 FTE employees in April 2019.



# 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 Estimate<sup>59</sup> 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
<b>Adjustments</b>				
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)
<b>Total net cash requirement</b>	<b>9,586</b>	<b>7,982</b>	<b>(1,604)</b>	<b>5,285</b>

### 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)
<b>Total comprehensive net expenditure</b>	<b>7,530</b>	<b>6,573</b>

**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
<b>Expenses</b>					
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

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

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

### 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.

60 Staff costs note on page 71 of the Remuneration and Staff Report.

## Statement of financial position at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
<b>Non-current assets</b>			
Property, plant and equipment	4	517	572
Intangible assets	5	162	180
		<b>679</b>	<b>752</b>
<b>Current assets</b>			
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
		<b>5,186</b>	<b>4,815</b>
<b>Total assets</b>		<b>5,865</b>	<b>5,567</b>
<b>Current liabilities</b>			
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)
<b>Total current liabilities</b>		<b>(6,662)</b>	<b>(6,846)</b>
<b>Total assets less current liabilities</b>		<b>(797)</b>	<b>(1,279)</b>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	11	(652)	(622)
<b>Total non-current liabilities</b>		<b>(652)</b>	<b>(622)</b>
<b>Total assets less liabilities</b>		<b>(1,449)</b>	<b>(1,901)</b>
<b>Taxpayers' equity</b>			
General fund		<b>(1,449)</b>	<b>(1,901)</b>
<b>Total taxpayers' equity</b>		<b>(1,449)</b>	<b>(1,901)</b>

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
<b>Cash flows from operating activities</b>			
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)
<b>Changes in working capital</b>			
(Increase) / decrease in trade and other receivables	6,7	(543)	(1,051)
Increase/(decrease) in trade and other payables	9,10	(219)	152
<b>Net cash outflow from operating activities</b>		<b>(7,794)</b>	<b>(7,369)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	4	(158)	(160)
Purchases of intangible assets	5	(30)	(50)
<b>Net cash outflow from investing activities</b>		<b>(188)</b>	<b>(210)</b>
<b>Cash flows from financing activities</b>			
WCF		9,586	7,061
WCF repaid		(1,776)	(723)
<b>Net financing</b>		<b>7,810</b>	<b>6,338</b>
<b>Movements in cash and cash equivalents</b>		<b>(172)</b>	<b>(1,241)</b>

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

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

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 <sup>61</sup>	(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
	<b>606</b>	<b>(606)</b>	<b>7,530<sup>62</sup></b>	<b>7,530</b>

61 See note 1(b)

62 See Reconciliation to Statement of Resource Out-turn

**2018-19**

	<b>Financial Audit</b>	<b>Performance Audit</b>	<b>Activities funded by WCF</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>416</b>	<b>(416)</b>	<b>6,573</b>	<b>6,573</b>

**Reconciliation to Statement of Resource Out-turn**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Activities funded by WCF per <b>Note 1</b>	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**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Other operating income <sup>63</sup>	(10)	(17)
	<b>(10)</b>	<b>(17)</b>

**Note 3: Other operating costs**

	<b>2019-20</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation		
• Rent lease costs	492	448
• Other accommodation costs	446	459
Supplies and services <sup>64</sup>	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
	<b>3,705</b>	<b>3,812</b>

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**

	<b>Furniture and fittings</b>	<b>Information technology</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2019-20</b>				
<b>Cost</b>				
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
<b>Depreciation</b>				
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
<b>Net book value</b>				
At 31 March 2020	243	197	77	517
At 31 March 2019	287	252	33	572
<b>Asset financing</b>				
Owned	243	197	77	517
	<b>Furniture and fittings</b>	<b>Information technology</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>2018-19</b>				
<b>Cost</b>				
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

	<b>Furniture and fittings</b>	<b>Information technology</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Depreciation</b>				
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
<b>Net book value</b>				
At 31 March 2019	287	252	33	572
At 31 March 2018	312	248	33	593
<b>Asset financing</b>				
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 assets<sup>65</sup>**

	<b>£'000</b>
<b>2019-20</b>	
<b>Cost</b>	
At 31 March 2019	542
Additions	30
At 31 March 2020	<u>572</u>
<b>Amortisation</b>	
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>
<b>Asset financing</b>	
Owned	162

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65 Mainly computer software.

	<b>£'000</b>
<b>2018-19</b>	
<b>Cost</b>	
At 31 March 2018	663
Additions	50
Disposals	(171)
At 31 March 2019	<u>542</u>
<b>Amortisation</b>	
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>
<b>Asset financing</b>	
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**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
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**

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

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

**Note 8: Cash and cash equivalents**

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
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

	<b>31 March 2020 £'000</b>	<b>31 March 2019 £'000</b>
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**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
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 <sup>68</sup>	521	484
Other accruals <sup>69</sup>	931	1,137
	<b>2,043</b>	<b>2,117</b>

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**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Deferred income	2,191	2,336
	<b>2,191</b>	<b>2,336</b>

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**

	<b>Dilapidations<sup>70</sup></b>	<b>Early retirement and severance<sup>71</sup></b>	<b>Senior Team Restructure</b>	<b>Contractor Firms</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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**

	<b>Dilapidations</b>	<b>Early retirement and severance</b>	<b>Senior Team Restructure</b>	<b>Contractor Firms</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>1,432</b>		<b>1,898</b>	

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

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<b>Accruals basis</b>	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.
<b>Amortisation</b>	The apportionment of the cost of an intangible fixed asset over its useful life.
<b>Assets</b>	Something that the organisation owns or uses eg, equipment or software rights.
<b>Capital expenditure</b>	Spending on non-current (fixed) assets.
<b>Current assets</b>	An asset that is expected to be converted to cash within the next 12 months.
<b>Current liability</b>	A liability that is expected to be settled within the next 12 months.
<b>Deferred income</b>	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
<b>Depreciation</b>	The apportionment of the cost of a tangible fixed asset over its useful life.
<b>Estimate</b>	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.
<b>Fixed assets</b>	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.
<b>Going concern basis</b>	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
<b>Intangible fixed asset</b>	An asset, such as a right, that has no physical substance.
<b>Leasing</b>	Acquiring the use of an asset through a rental agreement.
<b>Prepayments</b>	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.
<b>Provision</b>	Liability of uncertain timing or amount.

<b>Trade payables</b>	Amounts due for payment to suppliers of goods and services
<b>Trade receivables</b>	Amounts due from clients.
<b>Tangible fixed asset</b>	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an intangible fixed asset.
<b>Welsh Consolidated Fund</b>	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.
<b>Work in progress</b>	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

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- 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	✓		✓ <sup>71</sup>
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	✓	✓	✓ <sup>72</sup>
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	✓ <sup>73</sup>		

<sup>70</sup> 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.

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

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

<sup>73</sup> 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

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### Audit projects

Commitment	Commentary
<p><b>Improve how we source, acquire and analyse data and how we visualise and communicate our findings.</b></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"> <li>• Publishing several interactive data tools which brought together statistics and other information from audit reports into single, accessible resources. These included: <a href="#">Public spending trends in Wales 1999-00 to 2017-18</a>, <a href="#">The well-being of young people</a>, <a href="#">The 'front door' to adult social care</a> and an <a href="#">NHS Wales finances data tool</a>.</li> <li>• Publishing a blog entitled <a href="#">Big data and data analytics are the future of audit</a> 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.</li> <li>• Launching a long-term project that seeks to place data at the centre of our accounts audit processes.</li> </ul> <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**

**Place greater emphasis on the views and perspective of service users, including 'harder to reach' groups, when considering the effectiveness of public service delivery.**

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:

- [Household recycling centres](#)
- [Progress made towards implementing the Violence against Women, Domestic Abuse and Sexual Violence \(Wales\) Act](#)
- [The well-being of young people](#)
- [Public service boards.](#)

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.

**Examine more closely the effectiveness of arrangements for integrated and collaborative service delivery.**

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:

- [Primary care services in Wales](#)
- [The Integrated Care Fund](#)
- [The well-being of young people](#)
- [Public services boards](#)
- [Progress made towards implementing the Violence against Women, Domestic Abuse and Sexual Violence \(Wales\) Act](#)
- [The extent to which public bodies have acted in accordance with the sustainable development principle.](#)

## Increasing our impact and value

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

**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><b>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.</b></p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• restructured our financial audit teams to better support delivery of our future work programme and more integrated team working;</li> <li>• 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;</li> <li>• agreed a revised audit regime for community and town councils to ensure a smooth transition of this work when the outsourced contracts end;</li> <li>• established a dedicated Change Programme team, Change Board and change portfolio to ensure a consistent approach and toolkit for change management; and</li> <li>• 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.</li> </ul>
<p><b>Improve and enhance our internal management of knowledge and data.</b></p>	<p>Over the last 12 months, we:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• implemented a new cloud-based data management system for our audit work, which supports more efficient and effective working and sharing of knowledge; and</li> <li>• accelerated our work on the archiving and destruction of paper and electronic records.</li> </ul>

**Commitment****Commentary**

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**Refresh our leadership and governance structure and processes to ensure alignment with our ambitions.**

During the last year, we:

- 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.







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