



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2014

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Submitted to the Public Accounts Committee of the National Assembly for Wales under Paragraph 12 of Schedule 8 to the Government of Wales Act 2006

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The Auditor General and the auditors he appoints in local government are the statutory external auditors of most of the Welsh public sector. They are responsible for the annual audit of the majority of public money spent in Wales, including the £15 billion of funds that are voted on annually by the National Assembly for Wales. Elements of this funding are passed by the Welsh Government to the NHS in Wales (over £5 billion) and to local government (over £4 billion).

The Auditor General and his staff together form the Wales Audit Office, which was established in April 2005. The Auditor General is the Accounting Officer for the Wales Audit Office and is personally responsible for its overall organisation, management and staffing as well as its procedures in relation to financial and other matters.

A summary of the main operational activities of the Auditor General and the auditors he appoints in local government, alongside associated sources of funding, is provided in Appendix 1 of this estimate. The staff of the Wales Audit Office deliver approximately two-thirds of the annual audit work. The remainder is contracted out by the Auditor General to private sector accountancy firms.

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Introduction and summary of budget requirements

- 1 As Auditor General, I must prepare an estimate of the income and expenses of my office (the Wales Audit Office) for each financial year and submit the estimate to the Public Accounts Committee¹.
- 2 I invite the Public Accounts Committee to examine and lay this estimate of my income and expenses for the year ending 31 March 2014 before the National Assembly.
- 3 The estimate that I am presenting provides for an increase of £0.75 million in the amount of revenue funding requested this year, from £4.724 million to £5.474 million.
- 4 I am seeking £0.5 million of this additional resource specifically to increase the level of support that I can provide to public bodies looking to achieve increased efficiency and improvement, through innovation, which is particularly important in the current economic climate: as I set out below £250,000 of this would allow me to support additional investment in sharing good practice and £250,000 would allow me to respond promptly to increasing requests for ad hoc work without delaying the delivery of my national studies programme.
- 5 Over the past few years, we have both facilitated and driven service improvement, value-for-money and citizen participation across Welsh Public Services through excellent knowledge transfer using the *Good Practice Exchange* (GPX). While our good practice work is highly regarded, I consider that we are not yet fully maximising the potential of our audit knowledge and access to good practice to benefit Welsh public services. We are now seeking to increase the level of annual investment in the GPX by £250,000, in order to deliver:
 - further service improvements and better value-for-money through the widespread use of knowledge and good practice which will be disseminated through a process of face to face and virtual activities; and
 - greater citizen involvement through active dissemination of information via the GPX.
- 6 Additional funding of £250,000 will also allow us to respond promptly to the increasing number of requests that I am receiving for special investigations and ad hoc pieces of work, some of which have come from the Public Accounts Committee. Recent examples have included the AWEMA and River Lodge investigations. Without this additional funding, there will inevitably be an impact on the number of pre-planned national studies I can deliver, which would affect my ability to provide comprehensive coverage of public sector expenditure within Wales.

¹ At least five months before the beginning of the financial year to which it relates, as laid out under Paragraph 12 of Schedule 8 to the Government of Wales Act 2006 (the 2006 Act).

- 7** The remaining £0.25 million additional revenue resource is required to fund the costs of the new arrangements set out in the Public Audit (Wales) Bill. These costs are set out in my letter of 12 October 2012 to the Committee in respect of the PAC inquiry into the general principles of the Bill and are outside of my control. The £0.25 million costs include estimates of the salary and support costs of the new Chair and Non-Executives to the Wales Audit Office Shadow Board, estimated external legal costs in connection with the legislative process, and the costs of Wales Audit Office staff time, for example in dealing with the transfer scheme, revising the code of audit practice, revising or producing new internal technical and HR policies for the new Wales Audit Office, and creating standing orders for the new Board.
- 8** Other than this £0.75 million additional earmarked funding, which should be considered separately, my revenue request is frozen in cash terms at the level approved for 2012-13, and in real terms represents a 2.5 per cent reduction in the costs of my office. The level of revenue requested for 2013-14 is the minimum necessary for the Wales Audit Office to continue to provide an effective service to the bodies we audit on behalf of the people of Wales.
- 9** I set out in this estimate my intention to hold overall fee levels at the same cash level as for 2012-13 (a real terms reduction of 2.5 per cent following further significant real terms reductions in earlier years as illustrated in [Exhibit 3](#)). My ability to hold fee levels at this level, against year-on-year efficiency savings, is however dependent upon approval of the resource request contained within this estimate.
- 10** We will continue to seek further savings and efficiencies wherever possible, which will require some difficult decisions being taken as is the case across the whole of the public sector. However, these savings will not be at the level achieved in 2011-12, where significant reductions in our cost base and the generation of additional income enabled us to fund taxation provisions totalling in excess of £2.6 million.
- 11** The fact that we were able to fund these provisions from existing resources prevented a request for supplementary funding from the National Assembly in 2011-12. This situation could not have been achieved without the Wales Audit Office deferring some expenditure originally budgeted for 2011-12, and without the support and commitment of many of my staff who worked extra hours to deliver additional projects that generated further income amounting to £1.4 million.
- 12** Examples of areas where we had to defer expenditure in 2011-12 included delaying capital expenditure on additional video conferencing units which are necessary to further reduce our travel and subsistence expenditure going forward, and postponing commencement of our *Ignite 2* management development training programme. This expenditure will need to be funded in 2012-13 and in 2013-14.
- 13** The level of additional income generated in 2011-12 was unprecedented and is unlikely to be repeated. I set out in my letter of 26 September 2012 to the PAC regarding my annual report and accounts the main reasons why this additional income arose.

- 14** **Exhibit 1** illustrates the cumulative real terms variance in the total net revenue resource requirement sought for each of the years 2009-10 to 2013-14. Members of the Public Accounts Committee will note that even taking into account the additional £0.75 million requested for 2013-14, there has been a real terms reduction in our net resource request over the five year period of 2.1 per cent. Without this additional request, which is required in order to help promote improvement in public services and in order to respond to legislative change, the reduction in real terms is 15.5 per cent.
- 15** I provide in **Exhibit 2(a)** an estimate of how the net revenue resource requested for the year ending 31 March 2014 will be used.
- 16** I have also included a capital resource request of £20,000 to support the development of our ICT infrastructure, such as renewal of our computer servers, which is at the same level in cash terms as my request for 2011-12 (as illustrated in **Exhibit 2(b)**).
- 17** My budget requirements for the year ending 31 March 2014 are presented in a format appropriate for inclusion in the Ministers' Budget Motion in **Appendix 2**, alongside reconciliation of the net resource requirement to the cash drawdown requirement from the Welsh Consolidated Fund.
- 18** In addition to the amounts shown in **Appendix 2**, I receive income from local government audit, assessment and inspection work, which does not form part of the amount to be authorised by Budget Motion but is included for information within this estimate. During 2013-14, these income streams are estimated to amount to £9.825 million, compared with £9.576 million in 2012-13 (see **Appendix 3** for a reconciliation of income accruals estimate to fees and other income total).

Exhibit 1 - Cumulative real terms variance in the net revenue resource requirement sought by the Auditor General for each of the years 2009-10 to 2013-14

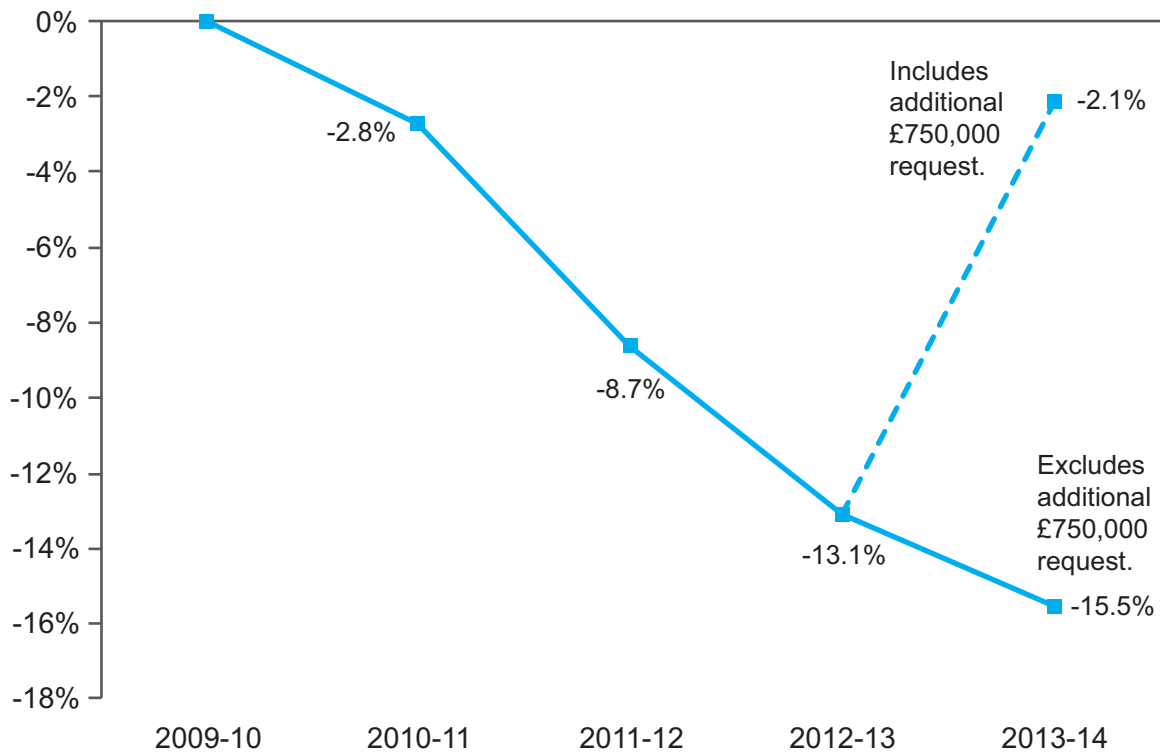


Exhibit 2(a) - Estimate of use of net revenue resource requirement in 2013-14 and comparison with approved requests for 2012-13 and 2011-12

| | Year to 31 March 2014 £'000 | Year to 31 March 2013 £'000 | Year to 31 March 2012 £'000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Value-for-money examinations and studies by the Auditor General | 1,885 | 1,635 | 1,635 |
| Working with others to share learning, including provision of the GPX | 450 | 200 | 200 |
| Providing support to the Public Accounts Committee and other National Assembly committees | 250 | 250 | 250 |
| Responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others | 80 | 80 | 80 |
| Granting of approvals to draw from the Welsh Consolidated Fund | 15 | 15 | 15 |
| Contributions to the following: | | | |
| Staff training and development | 792 | 792 | 850 |
| ICT infrastructure | 772 | 772 | 850 |
| Technical support, research and development | 500 | 500 | 500 |
| Business development and improvement | 360 | 360 | 453 |
| Meeting equality duties | 80 | 80 | 0 |
| Remuneration of governance committee members (and costs of proposed legislative changes) | 290 | 40 | 0 |
| Voluntary exit scheme | 0 | 0 | 550 |
| Total revenue expenditure requirement | 5,474 | 4,724 | 5,383 |

Exhibit 2(b) - Estimate of net capital resource requirement in 2013-14 and comparison with approved requests for 2012-13 and 2011-12

| | Year to 31 March 2014 £'000 | Year to 31 March 2013 £'000 | Year to 31 March 2012 £'000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Total capital expenditure requirement | 20 | 16 | 20 |

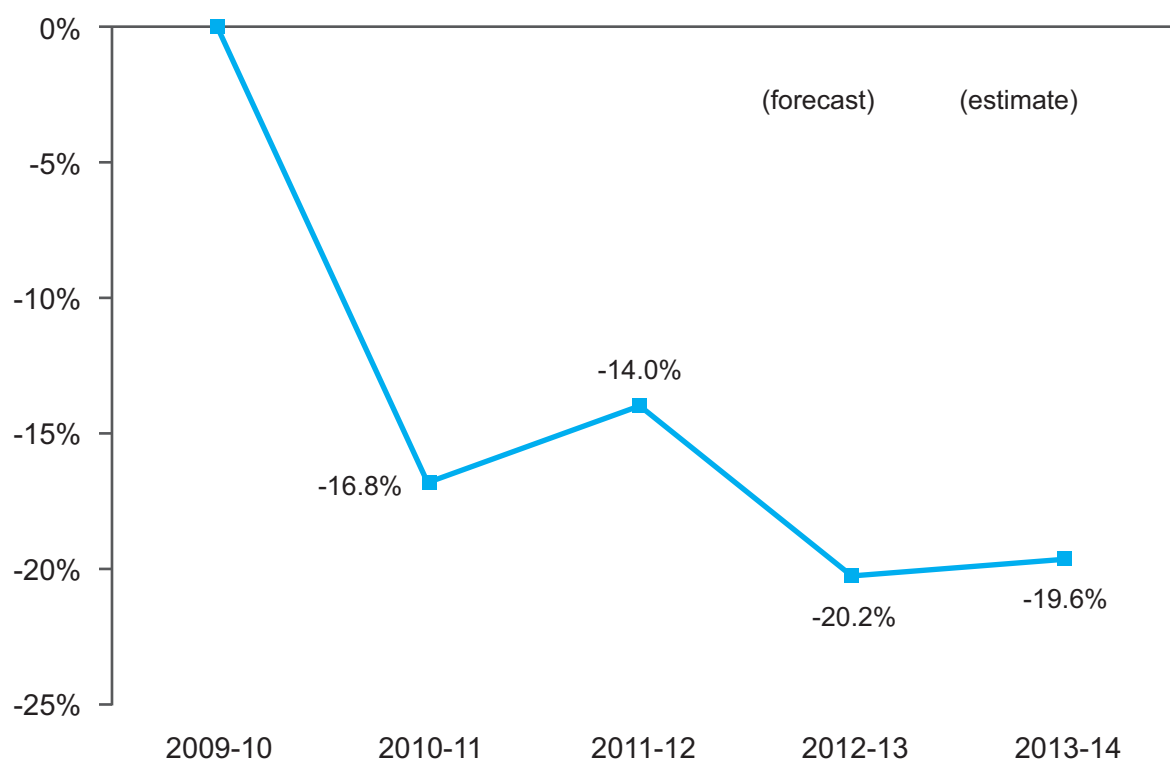
Strategic approach

- 19** I will shortly be consulting on a new corporate strategy that will cover the period 2013 to 2016. Within my consultation draft I will be outlining strategic commitments to:
- undertake value-for-money work with an 'austerity emphasis' to support the public sector in Wales in achieving savings and other efficiency gains;
 - enhance our work on benchmarking and performance comparison, and increase our sharing of audit knowledge and exchange of good practice to allow the public sector in Wales to benefit from experiences elsewhere;
 - revise our audit framework with a view to providing further assurance on the effectiveness of governance arrangements and other issues of public interest;
 - report more comprehensively through our audit work on, and demonstrate our own, compliance with duties on sustainable development, equality and the use of the Welsh language;
 - work more closely with other external review bodies and improve the way we run our business through a period of transition; and
 - improve our own use of, and report more comprehensively on whether others are making the most of, information technology.
- 20** My estimate has been developed to provide me with a foundation to support the achievement of these strategic commitments.

Estimate of income and expenses

- 21** My estimate of the income and expenses of the Wales Audit Office, and the resultant net resource requirement for the year ending 31 March 2014 is provided in [Appendix 3](#).
- 22** [Exhibits 3](#) and [4](#) illustrate the cumulative real terms reductions in Wales Audit Office revenue expenditure and audit fee income respectively between 2009-10 and 2013-14.

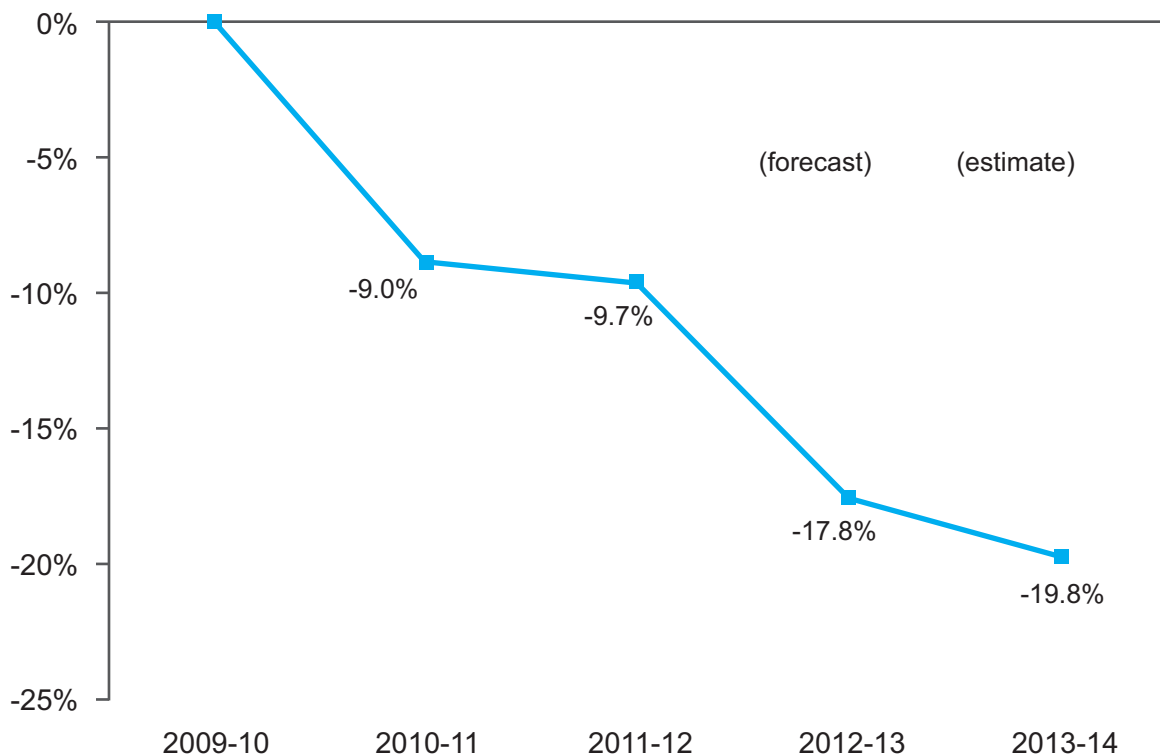
Exhibit 3 - Cumulative real terms reduction in Wales Audit Office total annual revenue expenditure between 2009-10 and 2013-14



23 Exhibit 3 demonstrates my ongoing commitment to reduce my annual expenditure, which I estimate will have fallen in real terms by 19.6 per cent between 2009-10 and 2013-14 (including the additional £750,000 I am seeking to fund through this estimate). As explained at paragraph 10 (above), the increase between budgeted expenditure for 2012-13 and outturn expenditure in 2011-12 is largely due to the deferral of certain 2011-12 expenditure which enabled us to fund historical tax liabilities that we have identified, which otherwise would have required supplementary funding from the National Assembly.

24 However, I cannot sustain expenditure at the 2011-12 level indefinitely whilst continuing to provide an effective audit service on behalf of the people of Wales. Much of the expenditure deferred from 2011-12 is necessary in order to invest in staff and other developments and to achieve longer term cost reductions (e.g. increased use of video conferencing facilities to reduce travel expenditure), and will need to be funded in 2012-13 or in 2013-14. I am proposing to meet this increased expenditure by setting internal efficiency targets for 2013-14, and achieving a real terms reduction in expenditure of approximately 2.5 per cent.

Exhibit 4 - Cumulative real terms reduction in fees charged annually to audited bodies between 2009-10 and 2013-14



Reductions to fee income

- 25** In my Estimate last year and in giving oral evidence to the Committee I noted that we had achieved a cash terms reduction of £1.27 million (8 per cent) between 2009 and 2011 in the fees we charged for local government, NHS and central government audits, and local government work. We had achieved this reduction by making cost savings, through achieving efficiency improvements and by taking a more proportionate approach to our work. I stated that I was planning to achieve further reductions of up to 5 per cent in 2012-13 but that there was only limited scope for further reductions in 2013-14. The Committee's Task and Finish Group expressed some concern about the level of reduction and asked me to confirm that ongoing reductions would not affect the quality of my work. I can confirm that this has not been the case, and this view is supported by my quality monitoring arrangements.
- 26** During 2013-14, I intend to hold fees at 2012-13 levels wherever possible and will continue to seek efficiencies in our audit approach so as to achieve an average real terms reduction in the level of our audit fees. This will result in an average real terms decrease in audit fees across all audited bodies of 19.8 per cent between 2009-10 and 2013-14. However, the potential for any fee reductions at individual bodies is dependent on each local body's circumstances. The fee must be sufficient to fund the work required to enable my auditors to properly discharge their responsibilities, considering local circumstances such as the governance environment, risk profile, financial and performance management arrangements, size, complexity and the body's track record

on improvement. If unplanned or additional work is required as a result of failures by audited bodies to provide what my staff need for them to do their work efficiently, I will charge additional fees commensurate with the additional work involved. My fee scales are benchmarked against fees charged by other UK audit agencies, and the results of the exercise are available on the Wales Audit Office's web site.²

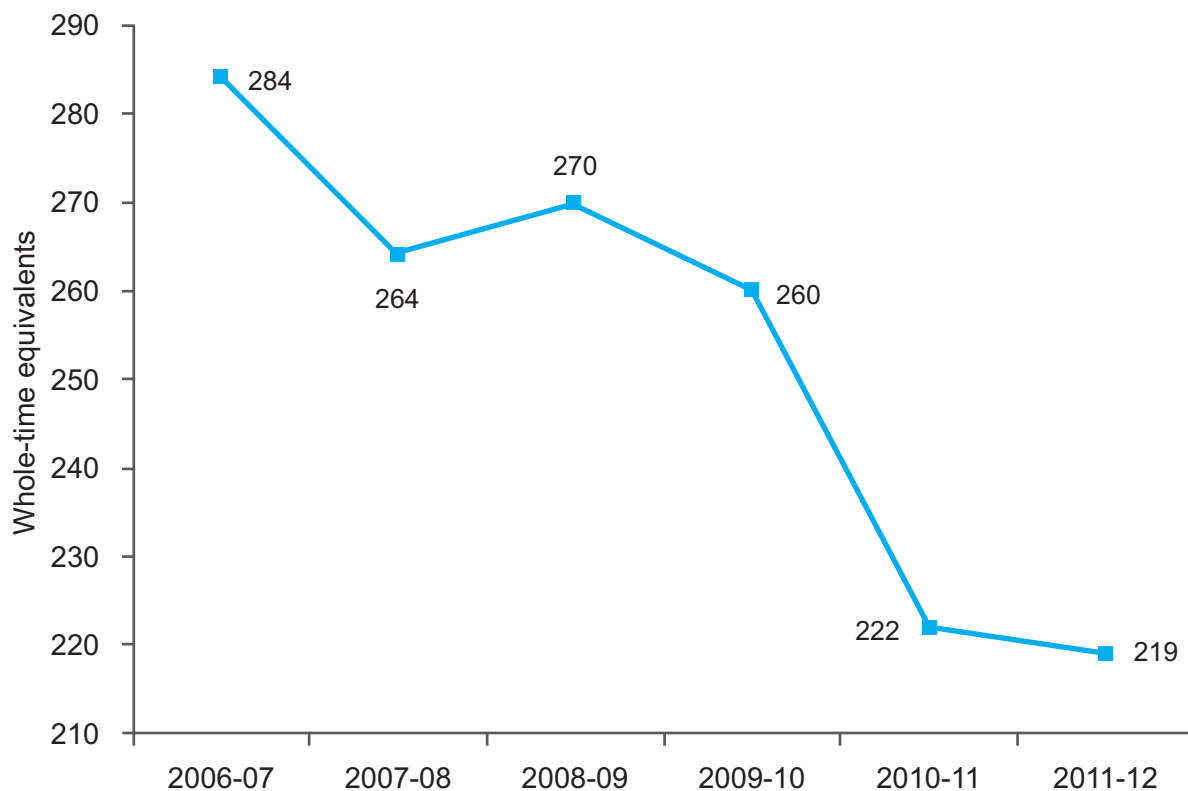
- 27** In addition to funding from the National Assembly and audit fee income, I also receive an annual grant from the Welsh Government to support my work in local government on the Wales Programme for Improvement. Between 2009-10 and 2012-13 that funding reduced in real terms by 25.6 per cent to £1.347 million. I have assumed for the purposes of this estimate that this grant will be frozen in cash terms at £1.347 million for 2013-14 representing a further real terms reduction of 2.5 per cent.

Further savings and efficiencies

- 28** All public sector bodies, including the Wales Audit Office, face the challenge of continuing to deliver the best possible services against a background of unprecedented pressures on public finances.
- 29** In common with many public bodies, the largest area of Wales Audit Office expenditure is staff salaries and associated costs. **Exhibit 5** illustrates the reduction in the numbers of whole-time equivalent staff over the six-year period 2006-07 to 2011-12 (22.9 per cent) as set out in our audited annual report and accounts.

² www.wao.gov.uk/aboutus/4240.asp

Exhibit 5 - Numbers of Wales Audit Office whole-time equivalent staff over the six-year period 2006-07 to 2011-12



30 I have operated voluntary exit schemes during both 2010-11 and 2011-12 to achieve over time a staff mix more aligned to future work demands (including recruiting at lower grades where appropriate to achieve a leaner skill mix) and further reduce the staff costs of the Wales Audit Office. Fourteen members of staff left under the 2010-11 scheme. Staff interest in the 2011-12 scheme was lower than I had hoped, with approval being granted to six members of staff to leave, one of whom left in 2011-12 with a further five leaving in 2012-13. The cost of the 2011-12 scheme was £0.35 million, which will save £82,000 per annum.

I received a supplementary approval of £0.55 million to help fund the 2011-12 scheme. I used £0.1 million of this approval, with the unspent element of the approval reverting to the Welsh Consolidated Fund.

31 My staff and I continue to seek other efficiencies that will help us to further reduce our cost base in 2013-14 and I have tasked different parts of the business with generating efficiency savings of approximately 2.5 per cent to further reduce our cost base beyond 2012-13.

32 I have now also implemented new vehicle fleet arrangements in the Wales Audit Office to help improve staff safety and well-being, reduce our impact on the environment and generate cost savings. These new arrangements include the competitive procurement of a new fleet provider, restriction in the choice of vehicles to three manufacturers (all of which must meet the highest safety standards, and not exceed 140g/cm² emissions), reduction of the transport allowance and measures to reduce all forms of staff travel more generally through, for example, greater use of videoconferencing. The PAC has commissioned a value-for-money review of these new arrangements.

Additional costs to be incurred

- 33** While we shall continue to review our expenditure and to exercise pay constraints in line with central government guidelines, we also face a number of increasing cost pressures.
- a** The Public Audit (Wales) Bill once enacted will materially increase the governance and other costs of the new Wales Audit Office. I estimate the salary and support costs of the Chair and Non-Executive members to the Wales Audit Office Shadow Board will be approximately £250,000 in 2013-14 and that those costs will be approximately £350,000 in 2014-15.
 - b** I am seeking an additional £250,000 to develop the good practice work we undertake. As public sector auditors, the Wales Audit Office has a key role to play in helping public bodies to identify scope for savings. The feedback we have received from our stakeholders is that we could do this more effectively with increased investment in activities such as our Good Practice Exchange and by producing additional tools including a new suite of shorter and more timeous reports and aides for the public sector. Our Cost Reduction Guide is one such example, which provides guidance and direction on managing public services reductions.
 - c** By sharing good practice, Public Sector Bodies can more readily identify areas for improvement and maximise efficiencies. For example, our recent work on asset management energy efficiency identified a case study where one authority had implemented software that installed energy saving measures on 400 of the organisation's personal/desktop computers. This software cost £39,000 to purchase and delivered around £80,000 of energy savings annually. The case study was shared through the National Asset Management working group and globally through our Good Practice Exchange. We are aware that at least two other organisations subsequently implemented this approach, resulting in minimum annual savings of £160,000 per annum. The Good Practice Exchange content on the Wales Audit Office's website is already well used. In the year October 2011 to October 2012, there were over 140,000 page views of the existing materials posted on the website. Increased investment will allow me to do considerable more work in this area.
 - d** I am also seeking additional resource of £250,000 to ensure I can maintain my pre-planned value-for-money programme which is designed to provide comprehensive coverage of the Welsh public sector while also providing for a swift response to urgent projects without the need to defer planned work. I am receiving an increasing number of requests for special investigations, some of which have come from the Public Accounts Committee.

Recent examples have included the Awema and River Lodge investigations. Without this additional funding, there will inevitably be delays in the delivery of my National Studies Programme. I am also intending to introduce a new suite of shorter and more timeous value-for-money studies.

- e Looking beyond 2013-14, my staff are in the process of estimating how much extra work we may have to carry out as a result of the potential additional duties that are likely to arise from enactment of the Sustainable Development Bill. Such duties will, inevitably, lead to additional development and training costs. I anticipate at present that these additional costs would be incurred over a three year period covering 2014-15 to 2016-17, and would need to be included as additional resource requests in the estimates for those years.

Areas of uncertainty

Public Audit (Wales) Bill

- 34 I wrote to the Chair of the PAC on 5 September 2012 setting out my views on the Public Audit (Wales) Bill. In that letter, I expressed the view that the cost of the Bill as it stands is likely to be significantly higher than that estimated in the Explanatory Memorandum. In my subsequent letter of 12 October I have provided a breakdown of my estimate of those costs. I have included a figure of £250,000 in this estimate to cover the new governance and other arrangements and some initial transitional costs arising from the Bill's proposals and have indicated that I estimate that further costs of £350,000 will arise in 2014-15. I will be able to provide a clearer indication of the costs of implementing the Bill in presenting my 2014-15 estimate.

Value Added Tax

- 35 As reported in both the Auditor General estimate papers and also the annual report and accounts for every year since the creation of the Wales Audit Office in 2005, discussions are continuing with HMRC on my Value Added Tax (VAT) position. My estimates in previous years have reported that the potential liability associated with any change in my VAT status might be significant and might require me to make a future request for supplementary resources.
- 36 During 2011-12 HMRC made a ruling on my VAT status but discussions are continuing regarding the VAT treatment of work completed for me. Following this ruling, and based on independent expert advice, I made a substantial provision in my accounts for the year ended 31 March 2012 to cover potential historical liabilities should HMRC rule that that the work completed for me should have been treated differently for VAT purposes.
- 37 Although I have been able to make an accounting provision for these historical liabilities, should these liabilities crystallise I may need to seek additional cash from the Welsh Consolidated Fund as I outlined in my letter to the PAC of 26 September 2012. It is also possible that I may have to change the way in which I charge VAT in the future. If this is the case, my costs would probably increase by approximately £600,000 per annum, which I would need to include in a supplementary estimate for the year in which any change was implemented by HMRC.

Employee travel and subsistence expenses

- 38** I reported in my 2011-12 annual report and accounts that the way in which my staff need to work may have led to some having established permanent places of work at the offices of my audited bodies. It is possible that some payments for expenses incurred in travelling to these offices should have been subject to tax and national insurance. I am aware that other Welsh public sector bodies and another UK audit agency are experiencing similar problems. I am currently in discussion with HMRC to resolve this matter. Should HMRC rule that I should have deducted PAYE when paying these expenses, I may need to seek extra revenue and cash resources through a supplementary estimate.

Legislative changes: Westminster

- 39** In my estimate for the year ending 31 March 2012, I emphasised the potential impact for the Wales Audit Office of the abolition of the Audit Commission. The impact of this change is becoming clearer, but there are still issues to be resolved, such as arrangements for undertaking the National Fraud Initiative. I am continuing to keep this situation under review to assess any cost and operational implications for the Wales Audit Office.

Appendix 1 - Main operational activities of the Auditor General and the auditors he appoints in local government, and associated sources of funding

| Activity | Scale | Source of funding |
|--|---|--|
| Audit of accounts prepared by central government and health bodies | Eight accounts prepared by the Welsh Government; 31 other accounts, including the Assembly Commission; seven health boards; and, three NHS trusts. | Fees charged to audited bodies. |
| Audit of accounts prepared by local government bodies | 22 unitary authorities, four police authorities, three fire and rescue authorities, one probation trust, three national park authorities, one internal drainage board, eight pension funds, approximately 750 community councils and other small bodies. | Fees charged to audited bodies. |
| Local government improvement assessments | Includes audits of whether authorities have discharged their improvement planning and performance reporting duties, assessments of the likelihood of compliance with improvement duties and special inspections. Undertaken at 22 unitary authorities, three fire and rescue authorities and three national park authorities. | Fees charged to audited bodies. The Welsh Government also provides grant funding to support improvement assessment work. |
| Local performance audit work at health bodies | Includes assessments of arrangements to secure value-for-money in use of resources. Undertaken at seven health boards and three NHS trusts. | Fees charged to audited bodies. |
| Certification of grant claims and returns | 34 local government schemes (around 800 claims with a total value of some £1.6 billion), alongside European structural fund claims with a total annual claim value of around £300 million. | Fees charged to audited bodies. |
| Value-for-money examinations and studies | Typically 12 examinations, studies and other outputs are undertaken in the course of a calendar year, looking at value-for-money in key areas of public spending. Often this work is undertaken from a 'whole-system' or 'cross-cutting' perspective, where public spending is examined irrespective of who delivers the services. | Financed mostly from the Welsh Consolidated Fund, following approval by the National Assembly. The Welsh Government also provides grant funding to support local government studies. |
| Other significant activities | Includes: <ul style="list-style-type: none"> checking requests for grant of approval to draw from the Welsh Consolidated Fund; working with others to share learning, including provision of the Good Practice Exchange; anti-fraud and other data matching exercises, including the National Fraud Initiative; responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others; providing support to the Public Accounts Committee and other National Assembly committees; and administration of the Wales Audit Office. | Financed mostly from the Welsh Consolidated Fund, following approval by the National Assembly. Some activities are also funded in part by fees charged to audited bodies. |

Appendix 2 - Estimated budget requirements of the Auditor General for the year ending 31 March 2014

The Welsh Ministers must move an annual Budget Motion in the National Assembly for Wales³ to authorise, amongst other things:

- a the amount of resources which may be used in the financial year by the Auditor General;
- b the amount of resources accruing to the Auditor General which may be retained by him (rather than paid into the Welsh Consolidated Fund); and
- c the amount which may be paid out of the Welsh Consolidated Fund to the Auditor General.

The estimate examined and laid by the Public Accounts Committee is incorporated into the Budget Motion.

These resource and cash requirements, which due to the variability of income streams can only be estimates, are summarised below.

Estimated budget requirements of the Auditor General for the year ending 31 March 2013

| | |
|--|----------------|
| Resources other than accruing resources for use by the Auditor General on the discharge of the statutory functions of the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office ⁴ . | £ million |
| <ul style="list-style-type: none"> • Revenue • Capital | 5,474 0,020 |
| Accruing resources from fees and charges for audit and related services (excluding for local government audit, assessment and inspection work); other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, provision of administrative and professional and technical services; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; and interest received on working balances for use by the Auditor General on related services and the administration of the Wales Audit Office ⁵ . | £ million |
| | 7,944 |
| Net cash requirement from the Welsh Consolidated Fund to meet the net amounts falling due for payment in the year by the Auditor General ⁶ . | £ million |
| | 5,494 |

³ Under Section 125 of the 2006 Act.

⁴ This is the net revenue and capital expenditure in resource terms that the National Assembly will be requested to authorise by Budget Motion under Section 125(1)(a) of the 2006 Act.

⁵ This is the income accruing to the Auditor General (other than that arising from local government activities under Part 1 and Section 33 of the Local Government Act 1999, Part 2 of the Public Audit (Wales) Act 2004 and Part 1 of the Local Government (Wales) Measure 2009) that the National Assembly will be asked to authorise by Budget Motion under Section 125(1)(b) of the 2006 Act for use on related services rather than being paid into the Welsh Consolidated Fund.

⁶ This is the cash needed from the Welsh Consolidated Fund to meet the Auditor General's estimated net payments (payments less receipts) falling due in the year for authorisation by the National Assembly by Budget Motion under Section 125(1)(c) of the 2006 Act.

Reconciliation of net resource requirement to cash drawing requirement from the Welsh Consolidated Fund

| | Year to 31 March 2014 £000 |
|---|-------------------------------|
| Net request for resources – revenue and capital | 5,494 |
| Adjustments | 0 |
| NET CASH REQUIREMENT | 5,494 |

Appendix 3 - Estimate of the income and expenses of the Wales Audit Office for the year ending 31 March 2014

| | | Year to 31 March 2014 £000 |
|--|---|----------------------------------|
| Expenses | Staff-related costs | 16,702 |
| | Accommodation costs | 907 |
| | Training and development costs ⁷ | 260 |
| | IT costs | 726 |
| | Supplies and services | 4,648 |
| | EXPENSES TOTAL | 23,243 |
| Income | Audit and inspection fees | 14,301 |
| | Wales Programme for Improvement grant from the Welsh Government | 1,347 |
| | Local government grant certification fees | 1,774 |
| | Other income | 347 |
| | FEES AND OTHER INCOME TOTAL | 17,769 |
| TOTAL NET REVENUE EXPENDITURE REQUIREMENT | | 5,474 |

⁷ Includes staff time and direct costs.

Reconciliation of income accruals estimate to fees and other income total

| | Year to 31 March 2014 £000 |
|--|----------------------------------|
| Income accruing to the Auditor General other than that arising from local government activities | 7,944 |
| Income accruing to the Auditor General from local government audit, assessment and inspection work | 9,825 |
| FEES AND OTHER INCOME TOTAL | 17,769 |