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Chair of the Finance Committee
Senedd Cymru

Via email

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Dear Peredur

Finance Committee Annual Scrutiny of the Wales Audit Office

Further to your report - the *Annual scrutiny of the Wales Audit Office and the Auditor General for Wales* - we are writing to set out our responses to the Committee's recommendations, all of which we accept.

Recommendation 1

The Committee recommends that Audit Wales outlines what actions it is taking to mitigate the impact of long-term sickness absence on the successful delivery of NHS performance audit work in 2025-26.

A number of actions have been taken to pro-actively manage the impact of sickness absence on the delivery of our NHS performance audit work during 2025-26. These are as follows:

Supporting the successful return to work of colleagues who have experienced sickness absence.

In line with our policies and commitment to supporting staff well-being we have actively but sensitively managed colleagues returning to work after long-term sickness absence. That approach sees a tailored and, if appropriate, phased return to work for each colleague.

Securing additional temporary capacity.

Where it has been feasible to do so, we have secured capacity from other performance audit teams within Audit Wales to support delivery of our NHS performance audit work. We have also brought in additional temporary capacity through the engagement of relief auditors with relevant experience and skills.

Maintaining close engagement with audited bodies

We have kept NHS bodies sighted of any impact of sickness absence on the delivery timescales for our work and prioritised those pieces of work which are particularly timebound and linked to key events in NHS bodies' corporate calendars such as our annual structured assessment work. In a few instances, pace of input from NHS bodies has impacted on the delivery of work, and these issues have been proactively managed with the NHS bodies in question.

Overall impact of the above actions.

The above actions have gone a long way to mitigate the impact of the sickness absence experienced within the team and support the continued delivery of a comprehensive programme of performance audit work to NHS bodies. However, there has been some residual impact, largely linked to the fact that there is a limited supply of relief auditor capacity that we are able to draw upon. This means that we will be carrying over delivery of some pieces of work from the 2025-26 programme into the first part of 2026-27, although we expect that work to be largely completed by summer 2026.

Recommendation 2

The Committee recommends that Audit Wales considers implementing a consistent and statistically robust stakeholder engagement methodology for future KPI reporting, to ensure year-on-year comparability.

In Spring 2026, Audit Wales will be testing an updated stakeholder engagement methodology. Key officials from all principal audited bodies, including chief executives, board and audit committee chairs, council leaders, and directors of finance, alongside all members of the Senedd, will be invited to complete a survey designed to measure levels of engagement and gather views on the impact and value of our work.

Participants in the survey will also be offered the opportunity to take part in a follow-up interview to explore their responses in more detail. A comprehensive communications plan for the survey exercise has been prepared, aimed at maximising the level of participation.

In the light of the results, the Board and Auditor General will consider how best to gauge stakeholder views in the future. In doing so we are conscious of the need to balance statistical robustness and comparability over time, with cost, independence and the risk of survey fatigue.

In parallel to the stakeholder survey, a small number of related questions will also be included in the March 2026 edition of the Wales Omnibus survey, to help gauge levels of awareness and gather views on our work from a representative sample of the public.

Recommendation 3

The Committee recommends that Audit Wales develops a targeted workforce retention strategy to mitigate the risk of losing staff to other public audit bodies, including benchmarking of salaries and benefits, career development pathways and succession planning.

Audit Wales developed a Strategic Workforce Plan in 2023-24 and are nearing the end of the second full year of its implementation. The Plan covers multiple dimensions, including pay and benefit benchmarking, succession planning, and learning and development. In terms of learning and development, that itself covers multiple dimensions including audit technical skills, digital skills, and an aspiring leadership course run in partnership with Audit Scotland.

In considering recruitment and retention we are mindful of the need to ensure that we manage competition not just with other public audit bodies, but also with the wider public sector, and with the private sector. We are also mindful of the establishment of the Local Audit Office (LAO) in England, with which we are working closely. This presents both opportunities for our workforce planning and risks as its establishment will be accompanied with a significant recruitment drive. The extent to which that will affect us, and its timing, are uncertain and we will continue to monitor closely the development of the office.

Recommendation 4

The Committee recommends that Audit Wales explores options for publishing a summary version of its Management Information Dashboard, or selected key metrics, on its website.

Audit Wales already publishes a considerable amount of performance and management information through its Annual Report & Accounts, the statutory Interim Report and several data tools covering our [workforce diversity and pay gaps](#) and key [environmental sustainability metrics](#).

We continue to develop data tools for internal use and will consider if these can be used to further enhance our public reporting of key metrics.

Recommendation 5

The Committee recommends that any revisions to Audit Wales's Key Performance Indicators should be accompanied by a clear rationale and, where feasible, maintain continuity with previous indicators to allow for performance tracking over time.

Explanations for any revisions to Audit Wales's suite of key performance indicators will be provided in the appropriate published annual plan. Revisions will only be made where indicators are no longer relevant/appropriate or where important changes need to be made to retain their value and impact.

Recommendation 6

The Committee recommends that Audit Wales provides a breakdown of the factors contributing to the overall staff salaries budget in future Estimates, distinguishing between contractual increments, pay uplifts and other drivers.

The table in Part 1 of the Estimate sets out details of the overall staff salaries budget. We will consider how this can be expanded to provide greater clarity without compromising our flexibility in negotiations with our trade union partners.

Recommendation 7

The Committee recommends that Audit Wales:

- **provides clarity on any inflationary indicators used in developing its working assumption of a 2.75 per cent pay uplift in 2026-27; and**
- **includes its methodology for calculating provision for pay uplifts in future Estimates, including how it aligns with inflationary indicators.**

In setting our pay budget, we take the advice of our Remuneration & HR Committee before recommending a pay strategy to our Board. The pay budget was informed by:

- Benchmarking with the other UK audit bodies based on their plans and budgets for pay offers for 2026-27 – these are not yet in the public domain as their discussions with their Trade Union partners have not yet commenced.
- Benchmarking with other Welsh public bodies where budgets for 2026-27 have been set.
- Letter from Minister for Finance and Welsh Language to Chair of Finance Committee dated 11 July 2025.
- OBR pay and general inflation [projections](#).
- Trade union pay claim from Prospect.
- Equality impact assessment.

We are happy to set out the above methodology in future Estimates, although the Committee will understand that we will be unable to provide some details from comparator organisations that are subject to pay negotiations.

Recommendation 8

The Committee recommends that Audit Wales provides an update once pay negotiations for 2026–27 have concluded, including details of its budgetary impact on the organisation.

We will provide details of the 2026-27 pay settlement, and its impact, to the Finance Committee once agreed. However, the Board has agreed that pay negotiation will not commence until the Welsh Government budget has been approved, and there is certainty about the Audit Wales Estimate for 2026-27.

Recommendation 9

The Committee recommends that any future increases in travel and subsistence costs arising from a shift towards more on-site working should be met through efficiencies within existing budgets and balanced against environmental targets.

We are constantly bearing down on costs, and we have seen a successful reduction in our travel and subsistence costs from around £1.2m per annum in 2019-20 to just over £200,000 in 2024-25. This cost reduction has been driven in parallel with our carbon reduction plans, where we have achieved a reduction from 582 tonnes to 356 tonnes of Co2e over the same period. As part of this reduction, business travel related emissions reduced by 66%.

However, our desire to move to more on site working to support audit quality may result in pressure on this budget, which will have to be addressed by efficiencies in other budget areas. Such activity will also put pressure on our related KPI target relating to emissions reductions. We are reviewing our environmental impact KPI to ensure it remains challenging but achievable in light of those competing pressures.

Recommendation 10

In relation to the Audit Horizons programme, the Committee recommends that Audit Wales:

- **explains how it differs from, and interacts with, other transformational activity;**
- **clarifies how the £800,000 investment requirement was calculated and whether investment beyond the £150,000 requested for 2026-27 will be sought in future years;**
- **confirms what proportion of the programme's costs will be funded via fees, if any; and**
- **outlines the potential costs going forward, as well as the length of the programme.**

1. How Audit Horizons differs from and interacts with other transformational activity

Audit Horizons is a unifying framework that brings together previously separate initiatives. While other transformational activities, such as digitalisation projects, focus on specific elements (e.g., audit platform development), Audit Horizons integrates these strands - digital, sustainability, skills, and scope - into one programme with clear governance and alignment to our five-year strategy. This ensures that investment decisions are prioritised against a common set of criteria and that all parts of Audit Wales work collectively towards long-term objectives.

2. Calculation of the £800,000 investment requirement and future funding intentions.

The £800,000 figure represents the aggregated cost of bids submitted to the Executive Leadership Team and Board for developments that would advance Audit Wales' ambitions through Audit Horizons. These bids covered areas such as digital innovation, sustainability reporting, and workforce development. For 2026-27, we have requested £150,000 as an initial step, recognising that full funding is unlikely to be available in any one year. We anticipate that further investment may be sought in future years as priorities evolve and as Audit Horizons is updated annually to reflect emerging needs.

3. Proportion of programme costs funded via fees.

At present, the intention is to minimise reliance on audit fees for funding potential Audit Horizons investment. Some proposals, such as sustainability-related work, may transition from requiring Welsh Consolidated Fund support to fee-based funding if new work streams generate additional income. However, the core investment for transformational change is expected to be met through our Estimates process rather than audit fees.

4. Potential costs going forward and programme length.

Audit Horizons identifies the main forces affecting the work of Audit Wales in future years. It is not currently a programme with a finite delivery timetable. While the cost of potential activities currently identified totalled approximately £800,000, future costs will depend on prioritisation and the pace of implementation. The exercise will be refreshed annually as part of the Estimates cycle, ensuring transparency and adaptability to changing audit and public sector landscapes.

Recommendation 11

The Committee recommends that Audit Wales considers whether certain one-off items, such as funding for the independent evaluation of the Board, should be presented below the baseline for greater transparency.

We will adapt our future presentation accordingly.

Please do not hesitate to contact us if there is any further clarification we can helpfully provide.

Yours sincerely



DR IAN REES
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales