



Eich cyf/Your ref – your letter of 6 March 2025
Ein cyf/Our ref -

Mr Peredur Owen Griffiths MS,
Chair of the Finance Committee
Welsh Parliament
Cardiff Bay,
Cardiff, CF99 1SN

11 July 2025

Dear Peredur,

I would like to thank the Finance Committee for seeking the views of Ministers regarding the changes which the Auditor General has identified as being 'essential' and 'desirable' to simplify various provisions in the 2013 Public Audit (Wales) Act.

The notion of changing the Act has been discussed for some time now. Over that time, the position of the Welsh Government has remained unchanged from that communicated in April 2022 to the Finance Committee by the then Cabinet Secretary for Finance. While there are some matters that may warrant attention, these are considered to be minor and not legislative priorities. The subsequent disqualification of the former Chair of the WAO Board does not change this view. Consequently, the case for looking again at the operation of the 2013 Act is not strong.

The Auditor General's letter to you of 20 September 2024 identifies three changes which are ranked as 'essential' which I wish to address specifically:

1. The Auditor General believes the requirements on the Senedd to **consult the First Minister on appointment matters** should be removed. This is characterised in his letter as a measure being 'conducive to good scrutiny and improving value for money'. In my view, I cannot see how taking away the consultation with the First Minister somehow enhances scrutiny. Rather, this would seem to diminish the level of scrutiny of appointments. The 2013 Act was designed to achieve an appropriate and reasonable system of 'checks and balances'.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

So, while the Auditor General's professional and operational independence is not fettered, there must also be appropriate scrutiny of the role, given the Auditor General holds a public office and deploys public resources for which they are accountable (including their own remuneration). It provides for a multi-layered system of oversight of the Auditor General and consultation with the First Minister (which is not a veto) is an important element of this system. Therefore, I am of the same view as the former Cabinet Secretary for Finance when they wrote to you in April 2022; there is insufficient justification for amending the current arrangements.

2. The Auditor General believes there are essential changes required to address the **rationalisation of fee provisions**. It is still the firm view of the Welsh Government the fee charging scheme provided for in the legislation, operating on a cost recovery basis, remains sufficient and appropriate. Given Audit Wales operates to the same standards as the rest of the public sector in Wales, driving efficiencies should be a goal for the Auditor General just as it is for all public bodies in Wales, as should correct record-keeping to ensure those paying for services are charged correctly in accordance with the current provisions. While the case study provided is helpful, there is limited information available to demonstrate the extent and real significance of the charging issue, nor is there significant evidence of any public body challenging the Auditor General's charging across the different statutory duties.

Similarly, in the case of efficiency incentives, whilst it is understood achieving efficiencies on one audit interacts with the cost recovery provisions for that audited body, overall staffing and the efficiency of Audit Wales operate across the portfolio of audits undertaken annually. As with the wider Welsh public sector, achieving efficiencies engages the need for strategic workforce planning to support the alignment of resources and cost, which should mitigate against the risks noted. The view that cost recovery limitations disincentivise audit efficiency is not persuasive. The Auditor General is invited to share with Officials any comparative analysis evidence he has about the different approaches other UK Auditors General use for resource and cost allocation.

I should also stress, once again, the functions of the Auditor General and Audit Wales can only relate to Wales. In consequence, the so-called "non-statutory functions" from which the Auditor General wishes to generate a profit are not (as that expression suggests) functions that have been conferred on the Auditor General - nor can they be as they would not relate to Wales. Therefore, the Auditor General does not have, nor should have, the power to undertake this work.

3. The Auditor General believes the **clarification of disqualification provisions** is essential to reduce the risk of administrative and legal work and to remove the disincentive to potential candidates for office, given recent experience regarding the WAO Chair. However, I am not persuaded of the lack of clarity in the 2013 Act's provisions or of the relevance of the Ethical Standard referenced, given this applies to Auditors (General) and not to non-executive office holders of a public body. In this case, the risk of administrative and legal work is a potential cost which could, and should, be avoidable and not a certainty. There is also little evidence provided to support the contention the current qualification provisions are a disincentive. Certainly, they do not appear to have been a barrier to sufficient applications being received in the case of the most recent appointment to the post of Auditor General.

Regarding the other non-essential changes to legislation which the Auditor General has identified, my officials advise these could represent a substantial piece of work to evaluate fully and there would need to be more work and engagement between officials and the Auditor General to understand the detail of what is being proposed. This applies particularly

in the case of any 'proper arrangements' duty in central government where questions of value for money are not as easily defined as they can be in the (relatively) homogenous delivery-focused operations found in local government and the NHS. Given what the Auditor General has argued in the case of fees and charging, it is difficult to see how a new 'proper arrangements' duty in central government can offset the level of work required for sustainable development examinations.

Practically, officials would require more information to understand and respond constructively to the various amendments the Auditor General proposes but, as I have explained, this is not considered a priority. In this case, for all the reasons outlined above, the Government is not able to support this proposal.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language