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National Assembly for Wales
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Pages	1 of 2

Dear Chair

Thank you for your letters of 15 December and the Committee's report published in November on our *Annual Report and Accounts, Interim Report 2014-15* and *Estimate for 2015-16*.

Appointment of Baker Tilly as External Auditors of the Wales Audit Office

In light of the Committee's endorsement, we will proceed in appointing Baker Tilly as our External Auditors. I can confirm that performance metrics will be agreed as part of the contract. Our Audit & Risk Assurance Committee will also provide oversight of the auditors' performance, particularly in relation to future value-for-money work undertaken.

We will be happy to provide the Committee with updates as required.

Fee Scheme 2015

We welcome the Committee's agreement to the Scheme and will now proceed in publishing it and agreeing fees with individual audited bodies in accordance with the published rates. I am grateful for the Committee's recognition of the internal savings and efficiencies the Board has required so as to not affect the fees.

To clarify one answer I gave the Committee in relation to the consultation on our fee scales, we consulted with all audited bodies covered by the statutory regulations in relation to Local Government fee scales and fee scales for the National Fraud Initiative. Legislation does not require us to consult beyond that, though of course we benefited from comprehensive feedback through our Stakeholder Survey held earlier in the year, which I touched on with the Committee.

We will come back to the Committee in due course with proposals for a simpler model for the recovery of public audit costs.

Supplementary Estimate 2014-15

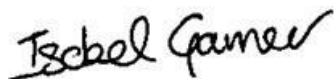
We very much welcome that the Committee was content with our Interim Report for 2014-15 and our Estimate for 2015-16. I can confirm that your recommendations are being incorporated into our normal business planning processes.

When attending your Committee on 6 November, we provided an update on the purchase and implementation of a new audit IT system to replace legacy systems that are now causing business continuity risks. The capital cost, to be met wholly in 2014-15, is estimated at £216,000. We explained that we would need to transfer revenue resources to capital to properly account for the investment.

The Committee noted the need for a supplementary budget to effect this transfer and welcomed that we could meet the additional spend through existing resources rather than seeking a budget increase. I am pleased to enclose an Explanatory Memorandum for the Committee's agreement and can confirm it has been discussed with Welsh Government officials to align with the Welsh Government's supplementary budget timeline. I have written separately to the Minister for Finance and Government Business.

As always, we are keen to provide your Committee with any information it may need.

Yours sincerely



Isobel Garner
Chair, Wales Audit Office