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National Assembly for Wales
Cardiff Bay
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Dear Chair

The Well-Being of Future Generations (Wales) Bill: Consultation on General Principles

1. Thank you for the invitation to provide evidence to the Committee on the general principles of the Well-Being of Future Generations (Wales) Bill. I am sorry that, because of other commitments, I am not able to attend the Committee to give evidence on 1 October. I hope that this written submission, combined with the Auditor General's evidence, will be sufficient to inform your deliberations.
2. You will know that the Wales Audit Office has been established as a statutory board and that, since 1 April 2014, it has been responsible for employing staff, procuring services, and providing other resources to enable the Auditor General to exercise his functions. It also monitors and advises the Auditor General.
3. Given the Board's responsibility for resources, it seems appropriate that we specifically address the sixth question (on the financial implications of the Bill) set out in your invitation, though there are, of course, connections with your other questions. I have discussed your other questions with the Auditor General, and we agree that it is appropriate that he responds to them as they relate to the conduct of audits which are within his purview).

6. The financial implications of the Bill (as set out in Part 2 of the Explanatory Memorandum and Regulatory Impact Assessment, which estimates the costs and benefits of implementation of the Bill)

4. The Bill is innovative and has wide-ranging implications for the public bodies covered by the duties that it imposes. While this innovation provides an

opportunity for appropriate focus of public administration, it makes identifying the financial implications of the Bill a difficult task. This is evident from paragraph 327 of the Explanatory Memorandum, which noted that PwC were commissioned (we understand by the Welsh Government) to assess the administrative impact of the legislation on public bodies but were “unable to provide a quantified assessment of the costs involved”.

5. As the Board does not itself have public audit functions, it is not appropriate for us to attempt to analyse in any depth the Government’s costing across the public sector. However, given our responsibility for providing resources to enable the Auditor General to discharge his functions it is appropriate for us to comment on the Government’s costings as they relate to the Wales Audit Office.
6. We are concerned that the Explanatory Memorandum includes an on-going annual cost of audit review work of £130,000. This figure is attributed to the Wales Audit Office’s estimate of income and expenses for 2014-15, which reflects some early tentative costing undertaken in response to the White Paper, *A Sustainable Wales: Better Choices for a Better Future* (2012). Our 2014-15 estimate noted that, “as the Bill is yet to be published, it is very difficult to properly assess the level of required activity and associated cost”. (This material was also headed “Areas of uncertainty”).
7. We should emphasise that the £130,000 figure was produced in relation to the policy set out in the 2012 White Paper, which proposed “...a duty on the AGW, to include an examination of how organisations have embedded sustainable development as their central organising principle...”.
8. The White Paper’s policy proposal was of course quite different to that now set out in the Explanatory Memorandum (reflecting the provisions of the Bill), which at paragraph 390 is expressed as:

“This means that the AGW is under a duty to consider the effectiveness and efficiency of the use of resources for the majority of the bodies covered by the Bill in undertaking the FG Bill duties (amongst other functions) – namely the setting of well-being objectives and taking all reasonable steps to achieve the objectives in a manner consistent with the sustainable development principle – on an annual basis as an integral part of the audit of accounts”.

(We would also emphasise that our legal advice indicates that this explanation in paragraph 390 is not entirely correct).

9. Indeed we understand that the Welsh Government did not obtain confirmation of whether its use of the £130,000 figure was appropriate before including it in the

Explanatory Memorandum. The Welsh Government did request information on the cost of audit under the proposed Bill, to inform its Regulatory Impact Assessment. In order to provide such information, Wales Audit Office staff had several meetings and exchanges of correspondence, including to request the relevant provisions of the Bill. As the Welsh Government did not provide the relevant provisions, our staff were able to give only a range of indicative cost estimates, which were necessarily caveated as being subject to change pending confirmation of the Bill's provisions. These estimates ranged from a minimal (almost check-list) approach with annual costs of some £225,000 through to a reasonably thorough professional audit with annual costs of some £870,000.

10. In our view, while work still needs to be done on identifying how the Bill as it stands interacts with existing audit functions, the cost of the Bill in terms of audit functions is more likely to lie the range mentioned above than at the level quoted in the Explanatory Memorandum.
11. That said, I should also note that we consider that the Bill could be amended so as to reduce costs in terms of audit functions. For example, as suggested in the Auditor General's response to the 2012 White Paper, the Bill could be used as an opportunity to reform the Local Government (Wales) Measure 2009, and so probably reduce local government review costs. In particular, the extensive requirements for the Auditor General to audit improvement authority improvement plans and undertake assessments of authorities' compliance with the improvement duties of the 2009 Measure could be reduced if there were a duty to undertake sustainable development examinations under the Bill along the lines suggested in the 2012 White Paper.
12. Similarly, it is unfortunate that the focus on principles in the 2012 White Paper has been diluted by the inclusion of goals and provision for objectives in the Bill. Goals and objectives introduce both complexity and ambiguity, which will increase the quantity (and therefore the cost) of work that needs to be undertaken.
13. It is also unfortunate that the Bill places no duty on the Auditor General to examine how organisations have embedded sustainable development as their central organising principle. Instead, reliance on existing duties under which the Auditor General must satisfy himself as to whether bodies have made appropriate arrangements for securing economy, efficiency and effectiveness (sections 17 and 61 of the Public Audit (Wales) Act 2004), will lead to confusion and debate about the appropriateness of the extent of work to arrive at such satisfaction.
14. Indeed, the duty to satisfy himself as to whether appropriate arrangements have been made is not the same as the Government's statement that there is a "duty to consider the effectiveness and efficiency of the use of resources ... in undertaking

the FG Bill duties... namely the setting of well-being objectives and taking all reasonable steps to achieve the objectives". This in turn may lead to debate about fee levels that will need to be charged by the Wales Audit Office, which in itself will consume additional resources.

15. In summary, we consider that the Bill provides an opportunity to appropriately focus public administration in Wales. We do, however, consider that the audit function costs set out in the Explanatory Memorandum are inappropriately and misleadingly low. We also consider that the Bill has missed opportunities to reduce or avoid costs by providing the Auditor General with a specific duty to examine the embedding of sustainable development as the central organising principle.
16. I am copying this letter to Jocelyn Davies given the Finance Committee's responsibility for scrutinising the Wales Audit Office's estimate of income and expenses.

Yours sincerely



Isobel Garner
Chair, Wales Audit Office