

Y Pwyllgor Cyllid | Finance Committee
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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Report and Accounts 2015-16



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

The Annual Report for the year ended 31 March 2016 has been jointly prepared, and is laid before the National Assembly for Wales, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and containing matters as directed by the Treasury.

The Annual Report demonstrates that, during 2015-16:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for the year under section 25 of the Public Audit (Wales) Act 2013, with no significant changes made to planned work; and
- the priorities set out in the Plan for 2015-16 have been substantively achieved.

The Accounts for the year ended 31 March 2016 have been prepared by the Auditor General for Wales as the Accounting Officer for the Wales Audit Office in accordance with Schedule 1 of the Public Audit (Wales) Act 2013 and in a form directed by the Treasury.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below.

We treat the English and Welsh languages on an equal basis.

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Snapshot of the year



April

Outlined that councils need to improve their planning in order to protect their financial resilience

May

Highlighted the wider lessons that could be learned from the Welsh Government's procurement of the Superfast Cymru contract



June

Reported that waiting times for orthopaedic treatment in Wales have deteriorated, and are longer than in England and Scotland



Issued reports on the accounts of most NHS bodies in Wales

July

Concluded that the Regeneration Investment Fund for Wales cannot provide assurance that its sale of land and property achieved value for money

Raised awareness of and encouraged engagement with our work at the Royal Welsh Show



August

Held a webinar that focused on procurement fraud in the Welsh public sector

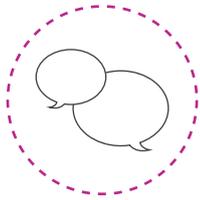
Reaccredited at Level 4 (the second highest level) of the Green Dragon Environmental Standard

September

Walked (collectively) all 870 miles of the Wales Coast Path in a 24-hour weekend window for charity

Issued reports on the accounts of most major local government bodies in Wales





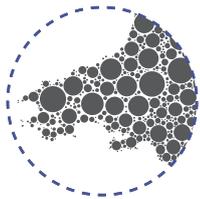
October

Recommended that Councils ensure more effective management of the services that support older people to live independently

November

Published our annual report on the progress we have made towards meeting our equality objectives

Gave our views on the extent to which all three national park authorities in Wales are delivering efficient planning services



December

Provided our analysis of the scale and nature of the funding pressures and the big issues facing public services in the coming years

January

Issued the findings of our examination of the Welsh Government's acquisition and ownership of Cardiff Airport



February

Concluded that Natural Resources Wales has made good progress towards achieving financial savings and delivering other benefits intended from its creation

Welcomed colleagues from the Children's Commissioner and the Public Services Ombudsman's offices to a workshop aimed at enhancing our working through the medium of Welsh.

March

Hosted a shared learning seminar for public bodies affected by the Well-being of Future Generations (Wales) Act 2015

Published our plan for 2016-17 including our three-year strategy and priorities, and key performance measures and targets



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Performance Report

A review of the work of the Auditor General and Wales Audit Office in 2015-16, including an analysis of our delivery and performance, and our position at the end of the year

Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

10 June 2016



Overview

Statement from the Auditor General



Our aim is to ensure that the people of Wales know whether public money is being managed wisely, and public bodies in Wales understand how to improve outcomes.

A quick glance through this report illustrates the sheer volume and range of audit work that we have delivered in 2015-16 to help us achieve this aim. Thanks to the professionalism, dedication and hard work of Wales Audit Office staff and contractors, we successfully delivered almost the entire programme of work laid out in our Plan for 2015-16, including providing opinions on the accounts of over 800 public bodies in Wales, and publishing 19 national reports.

The value of this work in terms of providing assurance, providing insight and promoting improvement has been readily confirmed by our stakeholders in a recent survey. Ninety-eight per cent of those surveyed said they have confidence in our work, and four-fifths believe our work provides useful insight and has led to improvements in the provision of public services.

Through using our unique remit to follow the public pound, our work in 2015-16 has continued to highlight the need for redesign and transformation of public services in Wales in the face of limited resource and growing demand.

And our continued emphasis on facilitating the sharing of good practice and learning through seminars and webinars to support the change process has again proved to be welcomed and highly valued.

Looking forward, the way we deliver our work over the next few years will continue to adapt and evolve, including through developing an approach to discharge my duties under the Well-being of Future Generations (Wales) Act 2015, as part of our ongoing commitment to improving the quality of life of the people of Wales and helping public bodies to succeed.

Huw Vaughan Thomas
Auditor General for Wales

Statement from the Chair



As outlined in this report, 2015-16 was an important and very productive year for the Wales Audit Office. Alongside delivering our programmes of work, the Board continued to challenge performance and is pleased with the progress made towards delivering our three-year priorities and targets.

On behalf of the Board, I would like to thank all our employees and contractors for their hard work and contribution over the last 12 months. I am always struck by their pride in and commitment to their work. I am very proud of what we have achieved.

However, like all public bodies, we need to continue to adapt, improve and become more efficient to respond to the significant challenges that lie ahead.

From 1 April 2016, a programme to facilitate transformation of the way we work, supported by approved funding from the National Assembly's Finance Committee, will commence and operate in parallel to the programmes of work undertaken as part of the annual business cycle.

Initially, we will be taking steps to enhance the impact of our work through further exploring how we can use new technology and maximising the effectiveness of our data collection, analysis and communication of findings.

We will also be increasing our focus on our workforce strategy to ensure we are able to anticipate and seamlessly respond to future political and policy developments.

These are interesting times for the Wales Audit Office and I am confident in our readiness to meet the challenges ahead.

Isobel Garner

Chair, on behalf of the Wales Audit Office

Who we are

The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector. The Public Audit (Wales) Acts 2004 and 2013, the Government of Wales Acts 1998 and 2006, alongside a range of other legislation, provide the statutory basis for the Auditor General's work.

The Auditor General is responsible for the audit of the majority of public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.

The Wales Audit Office is a Board that employs professionally qualified staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions. The Wales Audit Office was established as a corporate body in July 2013 and employed 248 staff as of 31 March 2016.

The Wales Audit Office has a Management Committee which is responsible for directing the organisation on a day-to-day basis. Further details on the Board and Management Committee are included in the Directors' Report, Remuneration Report and Governance Statement.

The Auditor General uses the resources provided by the Wales Audit Office to independently examine whether public money in Wales is being managed wisely and is properly accounted for.

What we do

Public sector audit involves providing an opinion on the accounts and also covers issues such as:

- regularity (whether public money is being used for approved purposes);
- propriety (whether public business is being conducted appropriately); and
- value for money.

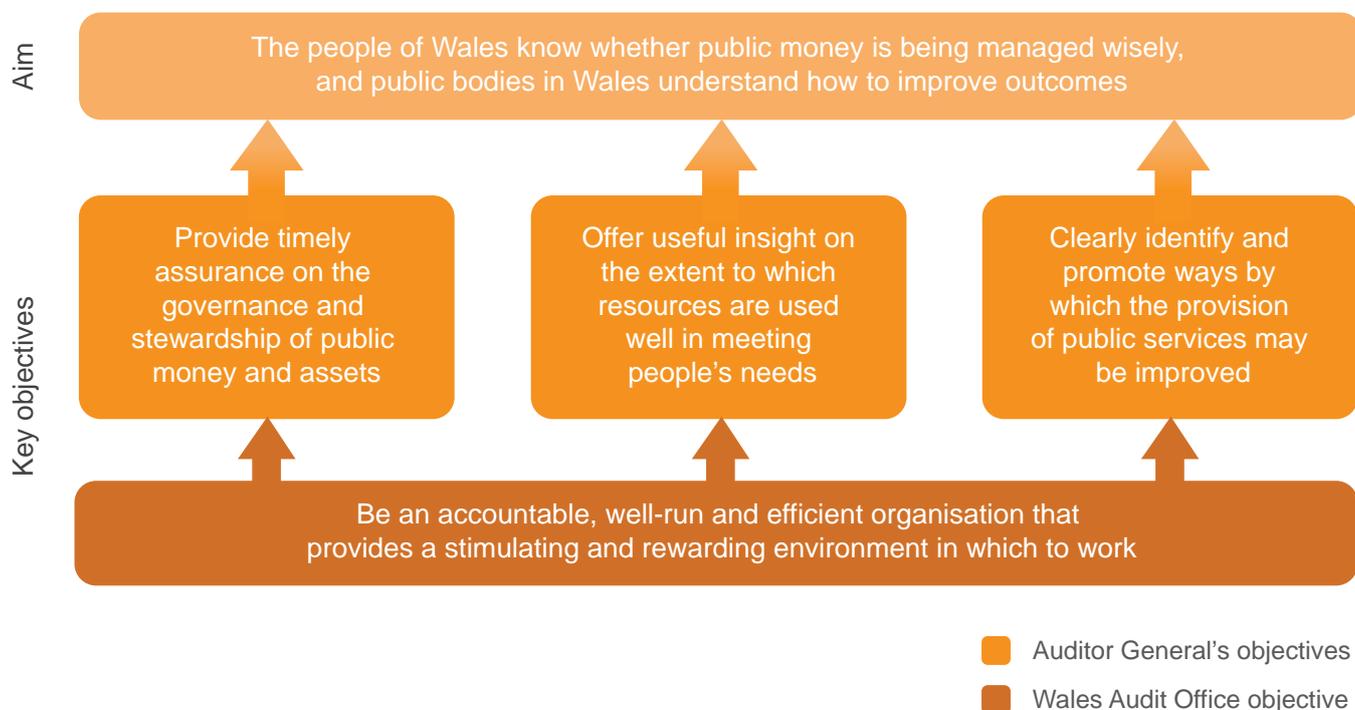
Each year the Auditor General, using resources provided by the Wales Audit Office, delivers an extensive but proportionate programme of external audit work, alongside certain other functions. The Auditor General also retains a degree of flexibility in his programme in order that he can respond swiftly and effectively to any issues we encounter through our audit work or that are brought to his attention.

The Auditor General's functions apply across different types of bodies, to examine public spending irrespective of who delivers the services.

We identify good practice from across the full breadth of the Auditor General's audit work and disseminate this through our Good Practice Exchange (a free web-based resource) and other media, including shared learning seminars and webinars.

Our [Annual Plan for 2016-17](#) provides more information on how we follow the public pound in Wales.

Our aim and objectives



Our aim is to inform the people of Wales and help public bodies in Wales succeed.

Our fourth key objective underpins the first three; in order for the Auditor General to deliver a high quality audit service, the Wales Audit Office must be a well-run organisation which delivers value for money.

The Auditor General and the Wales Audit Office jointly prepared and laid before the Assembly an [Annual Plan for the year ended 31 March 2016](#).

The Plan set out, for 2015-16, the work programmes of the Auditor General and Wales Audit Office, the resources available to the Wales Audit Office, and how those resources were to be used in order to undertake the work programmes.

Key issues and risks that we face

As outlined in greater detail in our [Annual Plan for 2016-17](#), we consider the following factors to be those that will have greatest influence over the way we deliver our work and achieve our aim and objectives over the next three years:

- We are in a period of financial constraint
- Governance arrangements are now required to have a wider scope
- The political and policy landscape continues to evolve
- We live in an increasingly networked society

In response to our operating environment, our Plan for delivering our programmes of work during 2016-17 and for the three-year period 2016-2019 is underpinned by four high-level strategic themes.

Continue to undertake our audit work with an austerity emphasis



We will continue to place increased emphasis on strengthening financial management across the Welsh public sector and improving the effectiveness and efficiency of the use of public resources and assets.

Our audit work will focus on assisting service transformation and helping public bodies cope with, and succeed despite, the impact of funding reductions.

Report more comprehensively on the effectiveness of governance arrangements



We will enhance our audit work on governance arrangements to support public bodies in meeting their responsibilities under the new legislation.

Increasingly, our consideration of financial resources, and the way in which public bodies account for their use, will be integrated with a consideration of their stewardship of human and natural resources.

Strengthen our workforce strategy so we can better respond to future developments



We will strengthen and optimise our workforce strategy to ensure we can both meet current demand and are able to anticipate and respond to future developments.

Our emphasis will be on having the right number and a diverse mix of people, with the right skills, knowledge and experience, in the right place, at the right time and at the right cost.

Make more effective use of data and information technology



We will undertake audit work focussed on audited bodies' capacity to exploit digital transformation and their digital risk awareness.

We will also seek to take steps to enhance the impact of our work through further exploring new technology and maximising the effectiveness of our data collection, analysis and communication findings.

An account of risk management in 2015-16, alongside a description of the principal risks and uncertainties we face, is provided in the [Governance Statement](#).

Performance measures

A framework of key performance measures, centred on seven themes and questions about our activities, was included in our [Annual Plan for 2015-16](#). A suite of targets was also developed with reference to levels of performance at the end of 2014-15 and appropriate benchmarks.

Over the course of 2015-16 we used a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This included quarterly reporting to our Management Committee and Board on progress made in achieving our priorities and targets. Our suite of performance measure targets was also subject to further scrutiny and refinement during the year to ensure they remained suitably challenging but achievable within the specified timescales.

Overall, in 2015-16 we achieved our targets for 21 of the 35 performance measures, and were close to achieving our targets for another four measures. For the remaining ten measures, the three that require the most significant improvement in performance in 2016-17 are all related to the way we are managing our impact on the environment.

Impact

To what extent is our work informing the people of Wales, helping public bodies in Wales to succeed, and valued by our stakeholders?



Achieved our target
 Close to achieving our target
 Improvement required
 Significant improvement required

Delivery

Are we delivering our audits on time and to the required quality and professional standards?



100%

of requests to draw funds from the WCF were **processed within 24 hours**



92%

of audit products were **delivered on time**



100%

of audits were delivered in accordance with **quality standards**



24

good practice products were delivered



19

National reports were published



Leadership

Are our governance and leadership arrangements operating effectively?



97%

stakeholders said they have **confidence in our work**



98%

staff feel that their **performance is evaluated fairly**



69%

staff feel **supported** to try new ideas and ways of working



75%

of staff feel **trusted** to carry out their job **effectively**



64%

of **staff feel engaged** with our strategic approach



Achieved our target



Close to achieving our target



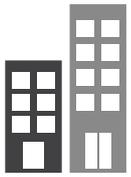
Improvement required



Significant improvement required

Financial

How well are we managing our finances and assets?



£3,228

estate cost per whole-time equivalent member of staff



£1.2m

of cost savings generated throughout the business



6.9%

variance between actual and **budgeted expenditure**



6.7%

variance between actual and **budgeted income**



Only £59k

of aged debts over 60 days



Social

How well are we promoting and supporting equality, well-being and learning?



80%

of staff feel that they are able to **access appropriate learning opportunities**



100%

of outputs were compliant with our Welsh language scheme



69%

of staff feel that they are able to strike a **good balance between work and private life**



7.3

days, on average, were lost through sickness per member of staff



66%

of staff feel that they are treated **fairly, with respect and are valued**



Achieved our target



Close to achieving our target



Improvement required



Significant improvement required

Environmental

How well are we managing our impact on the environment?



Accredited at
Level 4
of Green Dragon
Environmental
Standard



Produced
555
tonnes of CO₂
equivalent emissions



54.6%
of our waste
was reused,
recycled or composted



Consumed
2,150
reams of **paper**



Produced
86.1
tonnes of **waste**



Communication

How well are we raising awareness of and encouraging engagement with our work?



1,143
people **attended**
our shared
learning seminars



97%
of media articles published
about our work with **positive**
or **neutral sentiment**



Average Klout
score of
50



Staff were **invited to**
present audit learning
at **30** externally
hosted events



198k
website page
views



Achieved our target



Close to achieving our target



Improvement required



Significant improvement required

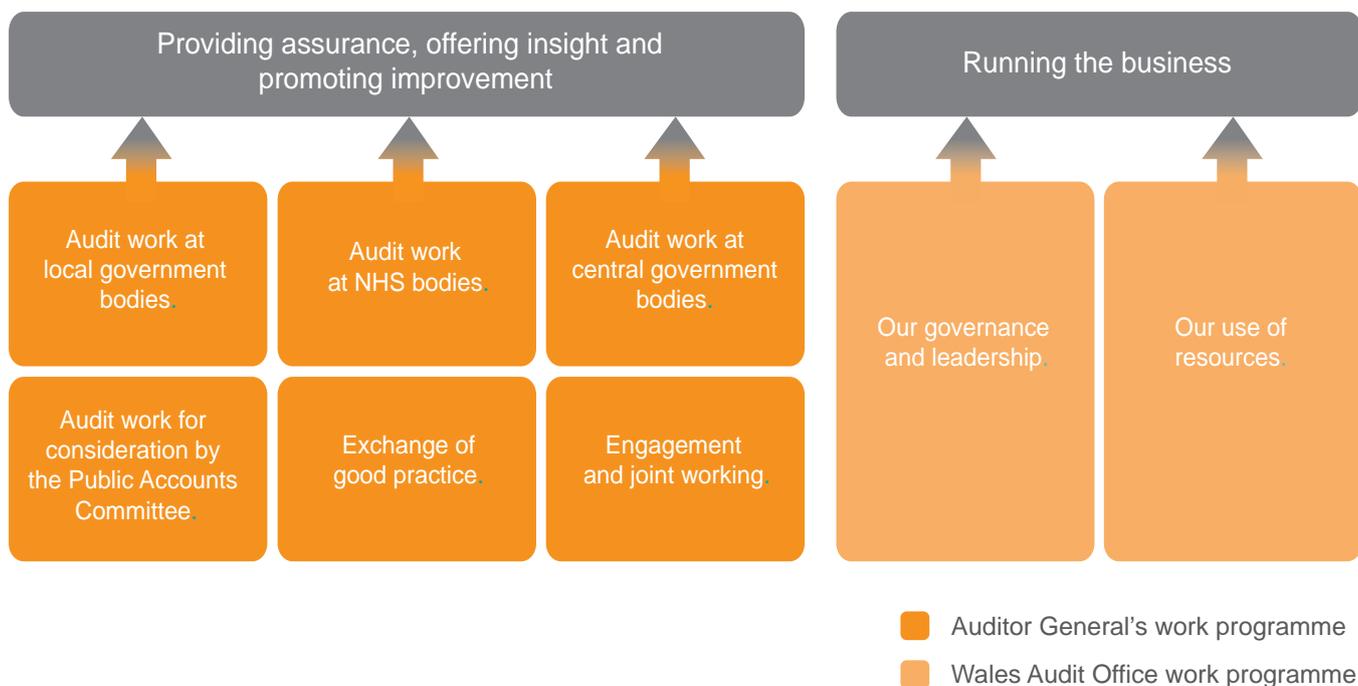
Performance analysis

In this section we provide an assessment of the extent to which the programmes of work and three-year priorities set out in our [2015-16 Annual Plan](#) have been achieved, including through the use of case study examples.

This section should be read in conjunction with:

- Appendix 1, which provides more detail on the Auditor General's programme of audit work delivered in 2015-16; and
- Appendix 2, which provides commentary on the progress we have made towards achieving our three-year priorities.

Consistent with our Plan, our analysis is divided into eight sections which are aligned with our objectives. The first six sections relate to the Auditor General's work programme. The remaining two sections relate to the Wales Audit Office's work programme.



In 2015-16, we successfully delivered almost the entire programme of work laid out in our Annual Plan for the year. And we are on track to deliver (and in some cases have already completed the necessary work on) all of our three-year priorities.

Audit work at local government bodies

The Auditor General's programme of work in local government covers a broad range of bodies, including unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners and chief constables, local government pension funds and town and community councils.

During 2015-16, our work on audits of accounts, certification of grant claims and returns, improvement audits and assessments, and local government studies, was completed in alignment with our Plan. Audit opinions on the 2014-15 accounts of all principal local government bodies were provided by the statutory deadline.

There are a number of ongoing local government studies which are due for completion in 2016-17.



Issued nearly
800
audit opinions
on the accounts of
local government
bodies

Delivered annual
improvement
assessments at all
28
improvement
authorities

Completed
7
local government
studies and
summary reports

Certified 25
grant schemes
worth approaching
£3
billion

All
of our three-year
priorities for local
government work
are currently
on track

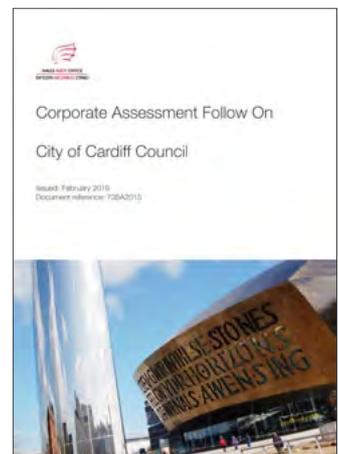
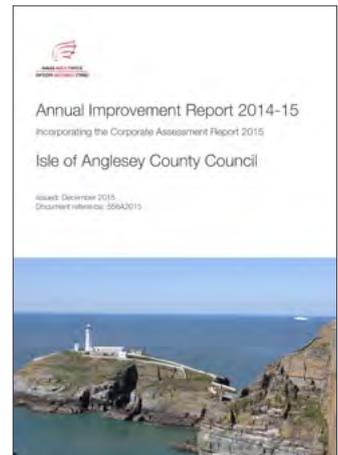
Case study: Cardiff and Isle of Anglesey corporate assessments

As part of our 2015-16 programme of local government audit work, we undertook a corporate assessment at the Isle of Anglesey County Council and a follow-on to a previous corporate assessment at the City of Cardiff Council.

In our 2014 corporate assessment of the City of Cardiff Council, we concluded that 'Fragmented leadership and management have meant that weak performance in key service areas has not improved.' A year later, we undertook the follow-on work to review progress, and concluded that 'The Council had put in place better arrangements to support improvement and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes.' The Auditor General also made a specific recommendation that 'The Council must ensure that it addresses the proposals for improvement as set out in this report to deliver improved outcomes within the next 12 months.'

The corporate assessment of the Isle of Anglesey County Council formed part of our cyclical programme and was not planned in relation to a perceived risk. Like most councils, Anglesey faces a number of significant challenges. However, most of the foundations of governance necessary to tackle these challenges are now as secure in Anglesey as they are elsewhere in Wales. Welsh Government intervention, which ended formally in May 2013, had supported the Council in turning around its fortunes.

Both councils have responded positively to our assessments, acknowledging the need to address the points raised by putting in place an action plan or Statement of Action. The Chief Executive of Cardiff reported to the Council's Cabinet that the Council strongly welcomes the Auditor General's assessment of progress over the last two years. The Isle of Anglesey has consistently reported in stakeholder surveys the beneficial impact of its regular dialogue with the Wales Audit Office team.



Audit work at NHS bodies

The Auditor General's work across NHS Wales covers all seven local health boards and the three NHS Trusts, as well as the work of the Welsh Government's Health and Social Services Department.

During 2015-16, the Auditor General provided his audit opinions on the 2014-15 accounts of each NHS body, and reported publicly on the arrangements in place to secure economy, efficiency and effectiveness in their use of resources, including through the publishing of a comparative picture of orthopaedic services report for each local health board. This work was delivered in line with the timetable set out in our Plan.

As part of a cyclical programme of health studies, work was carried out in accordance with our 2015-16 Plan on the studies listed in Appendix 1.



Issued reports on
the accounts of all

10

local health
boards and
NHS trusts

Delivered annual
structured
assessments

and local
performance
audit work

Completed
6
health studies
and commenced
work on two
further studies

Established an
Expert Panel
including academics
and health
professionals,
to advise on our
audit programme

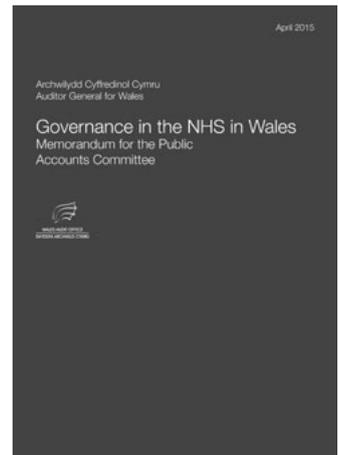
All
of our three-year
priorities for NHS
audit work are
either complete
or on track

Case study: NHS governance audit work

As part of its inquiry into governance arrangements at Betsi Cadwaladr University Health Board, the National Assembly's Public Accounts Committee took evidence during 2015 on a number of wider aspects of governance in NHS Wales. To support the Committee's inquiry, the Auditor General prepared a memorandum that provided a comprehensive overview of the governance arrangements that exist in NHS Wales, together with a commentary on how those arrangements were working in practice, based on the findings of our annual structured assessments.

Through the memorandum, we brought together a range of information on NHS governance arrangements that had previously been held in a number of different places. Alongside informing the work of the Public Accounts Committee, the memorandum has been used by the NHS Board Secretary Group to inform their work with Chairs of NHS bodies on improving governance. Board Secretaries also drew upon the memorandum when preparing their response to the recent NHS Wales Green paper on quality and governance.

More broadly, the findings from our structured assessment work at NHS bodies continue to allow us to contribute effectively to NHS Escalation and Intervention Round Table discussions, and to inform the Welsh Government's scrutiny of NHS bodies' draft integrated medium-term plans (IMTPs). The Welsh Government has included a whole day session with staff from the Wales Audit Office in its programme for the detailed annual review of IMTPs, thereby allowing the views of Welsh Government officials on the draft plans to be informed by relevant audit intelligence relating to the wider organisational effectiveness of NHS bodies.



Audit work at central government bodies

The central government sector in Wales covers a diverse range of public bodies, including the Welsh Government and its sponsored bodies, the offices of various statutory commissioners, inspectors and regulators, and the National Assembly Commission. In 2015-16 the Auditor General provided an annual opinion on the 2014-15 accounts of the listed central government bodies, consistent with our Plan.

Performance audit work was also conducted within this sector, as part of the Auditor General's programme of value for money studies.



Approved around
£1 billion
of payments out
of the Welsh
Consolidated
Fund every month

Provided opinions
on the accounts
of the Welsh
Government and
11
sponsored bodies

Certified European
structural fund
claims
worth around
£300 million

Facilitated a
good practice
workshop
with Chairs of Audit
and Risk Assurance
Committees and
Senior Finance
Officers

All
of our three-year
priorities for
central
government work
are currently
on track

Case study: Supporting good governance in the central government sector

The central government sector in Wales has been subject to some of the more significant budget reductions across the public sector. When combined with the relatively small size of many central government bodies, the budgetary reductions limit the resource available to develop good practice in governance and reporting. Although the Auditor General's regular audit work at central government bodies in Wales is usually limited to the audit of their financial statements, it is his intention to support bodies in this sector by facilitating six-monthly workshops with Chairs of Audit and Risk Assurance Committees (ARACs) and Senior Finance Officers to provide a forum for sharing of information and good practice.

The first of these workshops was held in February 2016, where participants discussed changes to annual reporting requirements, and good practice in developing board assurance frameworks. For each of these topics, a plenary session was followed by workshop discussion of challenges and practices, concluding with feedback and sharing of key issues and actions.

The positive feedback received from the day confirmed the enthusiasm for further sessions. The next one, planned for October 2016, aims to revisit and reflect on annual reporting, and to look at ARAC efficiency. The formal and informal contacts made amongst ARAC Chairs on the day should facilitate information sharing and discussions on an ongoing basis; there is often nothing better than 'a good old chat'.



Audit work for consideration by the Public Accounts Committee

This programme of audit work includes value for money examinations, the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies, and examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General.

The outputs for 2015-16, which have been delivered consistently with our Plan, have supported the work of the National Assembly's Public Accounts Committee and other Assembly committees.

As outlined in our Plan, in early 2015-16 the Auditor General considered and consulted on potential topic areas for future value for money studies. As a result, our ongoing work includes several new pieces of work added to our programme that got substantively underway in 2015-16.

During the year, we also undertook work to consider the Welsh Government's responses to previous Auditor General and Public Accounts Committee recommendations across a range of topics. That audit work supported our input to the Public Accounts Committee's [legacy report](#) on its own work during the fourth Assembly term and will inform any follow-up work by the new Public Accounts Committee in the fifth Assembly.



Completed

12

value for money studies, summary reports or reactive examinations

15

ongoing value for money examinations, summary reports or reactive examinations

Supported

35

meetings of the Public Accounts Committee

Established a new investigative studies team to strengthen our forensic audit capacity

All

of our three-year priorities for Public Accounts Committee audit work are either complete or on track

Case study: Regeneration Investment Fund for Wales

In July 2015, the Auditor General published his report on a study of the £21 million sale of public land and property assets by the Regeneration Investment Fund for Wales (RIFW), an arms-length body of the Welsh Government. During the study we examined RIFW's aims, governance and operation, including the effectiveness of the Welsh Government's oversight. Many of our recommendations are of wider application to arms-length operations and the maintenance of good governance.

We concluded that, due to flaws in the way RIFW was established, in the selection of assets and also in the sale process itself, neither RIFW nor the Welsh Government were able to demonstrate that value for money was achieved from the portfolio sale transaction.

Publication of the report aroused considerable public, political and media interest, including a documentary by BBC Wales. Following consideration of our report, the National Assembly's Public Accounts Committee undertook its own inquiry into RIFW during autumn 2015 and produced its own report in January 2016. The Committee concluded that the issues considered during the inquiry were some of the most concerning and complex that it had come across during the fourth Assembly term.

In [its report](#), the Committee concurred with the Auditor General's findings and also reflected subsequent events, including evidence from onward sales of the assets by the purchaser which '...demonstrate convincingly that the sale did not represent good value for money for the taxpayer – it appears that tens of millions of pounds could and should have been generated for investment in regeneration projects across Wales'. The Committee's findings prompted an apology from the First Minister to the National Assembly, and led to a lengthy plenary debate. In March 2016, the Welsh Government announced that it is taking legal action against the private-sector company that had advised the RIFW Board on the terms of the sale.



Exchange of good practice

One of the two main strands of our good practice work is the provision of freely available **online resources** that enable the public, service users, service providers, policy makers and decision makers to access information that will leave them better informed. Our other strand of activity involves facilitating conversations where the learning from comparative successes and failures is shared face-to-face.

During 2015-16, a broad range of outputs were delivered from this programme, either consistent with or adapted from our original Plan, and with particular emphasis on promoting the sharing of information across organisational, geographical and international boundaries.



Prepared a
good practice
guide
on the continued
independence
of older people

24
shared learning
seminars/webinars,
which were
attended by over
1,100
people

93%
of delegates
providing feedback
rated our shared
learning seminars
as useful or
very useful

83%
of stakeholders
believe our good
practice work
has benefited
public services

All
of our three-year
priorities for
good practice
work are currently
on track



Case study: Outcomes achieved through exchanging good practice

Through our shared learning seminars and webinars we encourage public service providers to identify and develop new and better ways of working. However, improvements and innovations can take time to translate into outcomes for service users. The examples below demonstrate some of the positive impacts that the transfer of knowledge from previous years' seminars have had during 2015-16.

- Wrexham town centre now has a fully operational alcohol treatment and welfare centre named 'Hafan y Dref'. The service was developed after Wrexham Council officers attended our [Adopting Preventative Approaches seminar](#) in April 2014, where the Cardiff Alcohol Treatment centre was showcased. The Hafan y Dref centre is able to triage and treat individuals at its site in the town centre, thereby reducing the burdens placed on and costs associated with emergency services.
- In 2014, North Wales Fire and Rescue Service were looking for opportunities to enhance their project management and associated knowledge and skills. By attending our [Programme and Project Management seminar](#) in September 2014, the North Wales Fire and Rescue Service learned about Conwy Council's approach to project management. The two organisations have since developed a closer working relationship and are now sharing training approaches.
- The Colwyn Bay Health Precinct Project was showcased at our [Housing and Sport seminar](#) in March 2015. Health and local government colleagues who met at the seminar developed the idea of relocating the Precinct project to within a local authority leisure centre. The subsequent relocation has resulted in improved awareness of the potential for leisure activities to be used to treat long term chronic conditions.
- Since our [Making Better Use of Public Assets seminar](#) in January 2015, Indycube, a social enterprise which provides opportunities for freelancers and micro-businesses to work alongside others while staying close to home, now operates in partnership with over a dozen public sector bodies across Wales, delivering a small revenue stream in return for the provision of working spaces.

'Very well organised. Everything flowed very well.
Networking before and after was really useful.'

'The speakers were engaging, informative and enthusiastic.
It was fantastic to have service users involved at all levels
during the seminar. They gave the most important insight
to the way services are delivered and received.'

Feedback from people that attended our continued independence
of older people shared learning seminar

Engagement and joint working

Over the reporting period, the Auditor General and Wales Audit Office have continued to exercise their commitment to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work. Consistent with our Plan, we have also worked closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work, and have undertaken a small amount of commissioned audit work.

The Wales Audit Office is able to make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of those bodies. But, we are mindful that all such activities should be self-financing and should not be undertaken to the detriment of our core audit work in Wales.



Worked with our partners to expand the information used in the National Fraud Initiative

data matching

exercise

Active member of

10

key external working groups and an observer on nine other groups

Audited

£250 million

of European funds used to support farmers and agriculture across Wales

66%

of stakeholders believe we work well with other external review bodies

All

of our three-year priorities for engagement and joint working are either complete or currently on track

Case study: Audit of the European agricultural funds

During 2015-16, the Auditor General audited approximately €318 million (£250 million) of European funds claimed by the Welsh Government to support farmers and agriculture across Wales.

Using those funds, the Welsh Government makes payments to farmers to support them in keeping their land in good agricultural and environmental condition and participating in other projects to support the delivery of the Wales Rural Development Plan. In addition, payments are made to rural businesses to support other elements of the Plan, such as the processing, marketing and supply of agricultural products.

The approach we apply to this work is prescribed by the European Commission, and undertaken by a consortium of UK auditors including the National Audit Office, the Northern Ireland Audit Office and Audit Scotland.

We are required to verify the work of Welsh Government inspectors, who physically confirm the agricultural information underpinning the claims from applicants for the funding. The types of task involved include assuring the size of a field, confirming that a woodland exists, or that a particular piece of equipment is being used. The work involves our auditors analysing satellite maps, visiting agricultural businesses and walking agricultural land across the length and breadth of Wales to verify the inspector's conclusions – quite literally 'field work'.

Through our audit work we identified a number of minor areas for improvement, but overall we were able to conclude that the expenditure was materially correct and that the controls in place at the Welsh Government are working well.



Our governance and leadership

As prescribed by the Public Audit (Wales) Act 2013, we are in the unique position of having not only non-executive and executive members of the Wales Audit Office Board, but also employee elected members to provide an extra dimension of insight and experience. Our governance arrangements provide us with a real opportunity to further develop and progress as a business.

The Wales Audit Office also has a senior management structure which is designed to provide clear lines of reporting and accountability, and to enable the Auditor General's work to inform the public and influence public service delivery in the most efficient and effective way.

An outline of the control structure of the Wales Audit Office, accounts of corporate governance and risk management for the year, and a description of the principal risks and uncertainties we faced in 2015-16, is provided in the [Governance Statement](#).

Further information on membership of the Board and the Management Committee during 2015-16 is provided in the [Directors' Report](#).

83%

of stakeholders believe the Wales Audit Office to be a well-run organisation

‘The Wales Audit Office is a professional-looking organisation with good communications and some very good people’

‘The Wales Audit Office is open, accessible and easy to deal with’

Feedback received through our stakeholder survey

Our use of resources

We have been working hard to embed the principles of sustainable development in the way we run our business, and in the way we resource the Auditor General's audit work, for a number of years. Sustainable development is about meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Financial management and efficiencies

In these times of financial restraint, robust financial management and cost efficiency remains a priority at the Wales Audit Office. We reduced our net operating expenditure when compared to our Estimate by almost £0.5 million (around seven per cent) in 2015-16. We did not need to call upon a £0.2 million general contingency held within the approved budget, which will be returned to the Welsh Consolidated Fund.

Our Estimate for 2015-16 included a savings target of £0.8 million for the year. This target was achieved, and a further £0.5 million was generated through careful management of spending, staff vacancies and our use of contractors, which in turn significantly reduced our VAT costs.

A new financial audit information management system (Insight) was rolled out in autumn 2015. The project was managed within time and budget and means we have:

- delivered our primary objective of securing business continuity of vital IT systems;
- rationalised our systems by using Insight for time recording as well as our financial audit platform; and
- achieved a 60 per cent reduction in annual maintenance and support costs for these systems; a saving of £48,000 annually.

Other efficiency improvements in a range of areas were made during the year, such as introducing:

- an online expenses system, seeking to increase automation and improve management information whilst reducing non-productive time;
- an online recruitment system, seeking to modernise the recruitment process and reduce time-intensive administration; and
- improved video conference facilities running from staff laptops to help reduce mileage and travel time.

The funding regime governing the Wales Audit Office is complex, restrictive and resource intensive. We welcome the National Assembly Finance Committee's commitment¹ to secure more streamlined arrangements for administering fees, which we believe will lead to greater operational cost efficiency and a reduced transaction burden on our audited bodies.

¹ National Assembly for Wales Finance Committee Fourth Assembly Legacy Report

Quality of our work

The quality of our work is of paramount importance to us and our stakeholders.

The [Code of Audit Practice](#), alongside a Statement of Practice for local government improvement audit, assessment and special inspection functions, prescribe the way in which the Auditor General's audit and certain other functions are to be exercised. Both documents are designed to complement International Standards on Auditing and embody best professional practice.

A [Transparency Report for 2015](#), which provides more detail on how the Wales Audit Office is meeting high standards in the way it works and in the quality of its work, is available on our website; a similar report for 2015-16 will be published later in 2016.

Recruitment, trainee scheme and work experience

As a professional audit body and an accredited training provider with three professional accountancy bodies, the Wales Audit Office is committed to a rolling programme of trainee recruitment. Through our annual recruitment campaigns we aim to attract the highest possible calibre of candidate.

During the 2015-16 financial year, 14 trainees successfully moved on to the next stages of their studies, collectively achieving a 91 per cent first-time pass rate for examinations with the Institute of Chartered Accountants in England and Wales (ICAEW).

In addition to their professional studies, we provide our trainees with bespoke training and relevant work experience. During their training over four years, they spend time working with various audit teams and make a key contribution to our overall success.

We also, through our links with Careers Wales and local schools and universities, offer work experience opportunities in the Wales Audit Office. During 2015-16, six students undertook work placements with us.

Learning and development

We continue to invest in staff learning and development to support our staff in the delivery of their work. In 2015-16, the average amount of time spent per employee on a range of learning and development activities was 9.3 days. Some of the training was designed and delivered in-house, and where appropriate and cost-effective, external training support was also commissioned to deliver training to our bespoke requirements.

An electronic evaluation form enables us to quickly capture outcomes and then measure the success and impact of the training courses. Ninety-seven per cent of staff felt that the courses they attended in 2015-16 were effective in helping them meet their objectives.



Promoting use of the Welsh language

The Wales Audit Office is committed to, and takes pride in, providing a bilingual service. Our [Welsh Language Scheme](#) forms the basis for our approach and highlights our determination to treat the English and Welsh languages on an equal basis. Our public documents are available in both English and Welsh, we have a fully bilingual website, and we communicate with the public, audited bodies and the media in both languages.

Our latest annual report on progress made towards implementing our Welsh Language Scheme is available on our website.

Employee well-being

We are committed to encouraging a healthy lifestyle and a good work-life balance amongst our staff. We also want our staff to feel valued and fully supported when they are experiencing difficulties, irrespective of whether or not there is an impact on their ability to undertake their role.

Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their wellbeing, including through an annual programme of events.

In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility. The employee assistance programme provides staff with professional advice and emotional support on a range of matters.

We closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 7.3 days per employee were lost to sickness absence during the reporting year ending 31 March 2016. We are working to reduce this to 6.5 days.

Equality and human rights

The Auditor General for Wales and Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010.

We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual reports on progress made towards delivering our equality objectives are available on our website.

Community and charity work

The Wales Audit Office recognises the benefits that community and charity work by staff can bring to the wider community and applauds its staff for their individual efforts. Staff can apply the skills they have developed in the workplace and can develop new skills, whilst improving their morale, physical health and work-life balance.

Subject to operational requirements we support employees who wish to undertake community or charity activities such as community care work, participating in conservation projects and the administration of public events.

In addition, a charity is chosen each year by staff vote to be the focus for a range of fundraising activities and opportunities for learning. Staff chose the charity Crossroads, which is part of the Carers Trust, as the focus for their fundraising activities in 2015-16. Over the course of the year, our staff held a number of fundraising events in their own time:

- Wales Audit Office colleagues were among the 15,000 riders on the gruelling 140 km and 50 km courses at the inaugural Velothon Wales, which took place on Sunday 14 June 2015.
- On the weekend of 12 to 13 September 2015, a large number of Wales Audit Office staff completed 'the audit trail', where they collectively walked all 870 miles of the Wales Coast Path in a 24-hour window.
- A number of other events were held, including cake sales, raffles, a quiz night and a barbecue night.

In total, staff again raised over £8,000 for the charity. For 2016-17, CDH UK will be the staff-chosen focus for fundraising activities.





Environmental stewardship²

We were re-accredited for 2015-16 at Level 4 (the second highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management. We are now working towards achieving Level 5 (the highest level) during 2016-17.

Our CO₂ equivalent emissions reduced by around two per cent when compared to the previous year and we made further investment in our video-conferencing facilities, as part of our ongoing commitment to support flexible working and to reduce unnecessary travel and associated costs.

Our production of waste slightly increased in 2015-16, due to us rationalising our storage and arranging for redundant or inoperable ICT, furniture and equipment to be collected for reuse or recycling. In the process, we generated some income and reduced our storage costs.

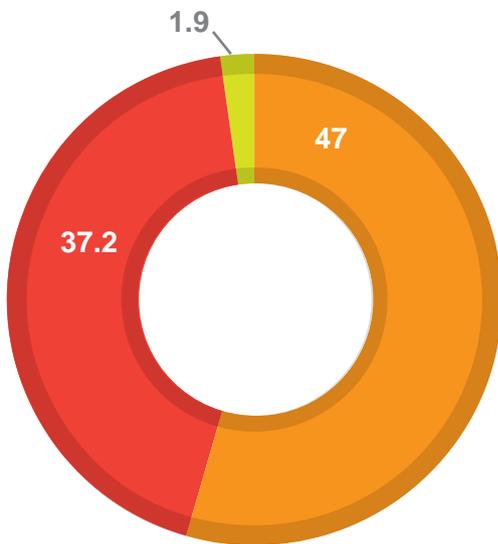
Fifty-five per cent of our waste in 2015-16 was reused, recycled or composted – a significant improvement on the 41 per cent in the previous year. We are committed to further improvement on this figure, as demonstrated in our Annual Plan for 2016-17, where we have retained our targets of 60 per cent in 2016-17 and 70 per cent by 2018.

Paper use and water consumption were reduced in 2015-16, and we improved the overall efficiency of our use of office space by five per cent. We have secured new premises in North Wales for 2016; this move will help us to reduce our overall costs, ensure better use of office space, and improve our environmental performance.

Following advice by our environmental auditor, Green Dragon, and with support from the environmental charity Waste and Resources Action Programme (WRAP), we undertook a review of our processes for measuring and reporting on our waste management. From 2016-17 onwards we will move to using the WRAP Business Waste Weights Calculator tool to provide a more accurate measurement of our levels of waste, and will use the tool to recalculate previous data and establish a revised baseline and targets.

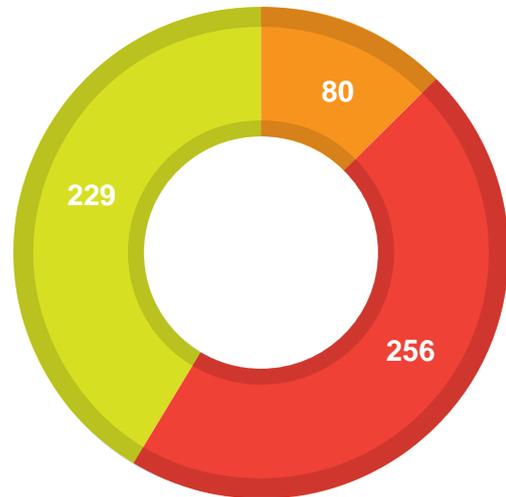
² Prepared in accordance with HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance 2015-16

Waste management



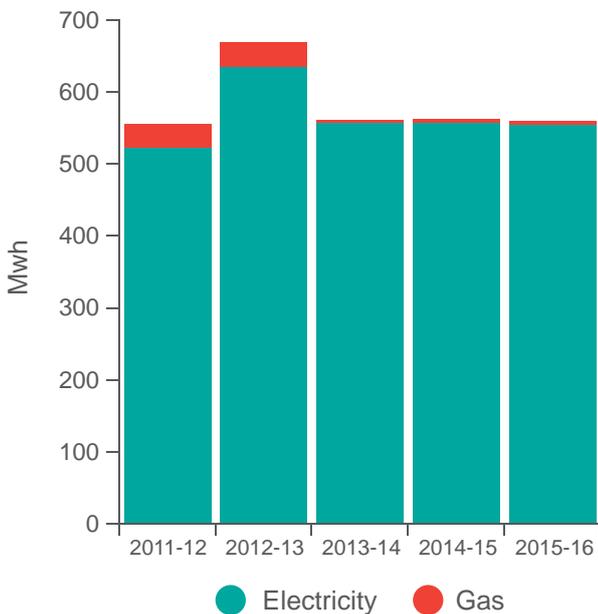
- Reused, recycled or composted (tonnes)
- Landfill (tonnes)
- Hazardous (tonnes)

Greenhouse gas emissions

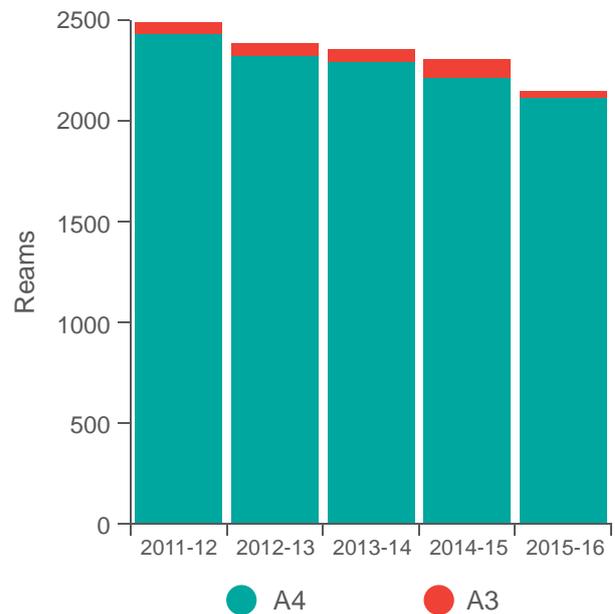


- Scope 1 - direct CO₂ equivalent emissions from sources that we own or control (tonnes)
- Scope 2 - indirect CO₂ emissions from consumption of purchased electricity (tonnes)
- Scope 3 - other indirect emissions as a consequence of our activities (tonnes)

Energy consumption



Paper consumption



	2015-16	2014-15	2013-14	2012-13
Environmental management				
Level of Green Dragon accreditation	4	4	4	4
Finite resource consumption³				
Water consumption m ³	2,756	2,760	2,351	2,322
Water consumption m ³ per WTE	10.5	12.0	10.1	9.9
Water supply costs £	6,280	4,754	4,348	3,336
Paper consumption in reams	2,150	2,305	2,325	2,385
Paper supply costs £	5,609	6,349	6,426	6,112
Waste management⁴				
Total waste tonnes	86.1	66.5	65.8	86.0
Reused, recycled or composted	47.0	27.4	26.2	26.9
ICT waste recycled and reused (externally)	3.5	0	0	0
Furniture and equipment (externally)	13.0	0	0	0
Mixed recycling, paper, food waste, garden	30.5	27.4	26.2	26.9
Landfill	37.2	39.1	39.2	59.2
Hazardous	1.9	0	.4	0
Reused, recycled, composted as % of total waste ⁵	54.6	41.1	39.8	31.2
Total disposal costs £	16,400	7,337	6,229	8,586
Greenhouse gas emissions⁶				
Total emissions tonnes CO ₂	555.6	563.1	539.5	551.6
Attributable to business travel	269.6	275.7	252.1	251.8
By car	230.1	239.1	231.2	235.9
By rail and air	39.5	36.6	20.9	16.0
Attributable to energy consumption	261.6	263.3	261.8	299.8
Electricity	256.1	257.7	257.5	293.4
Gas	5.5	5.5	4.3	6.4
Attributable to other ⁷	24.3	24.1	25.6	n/a
Total expenditure on business travel £000 ⁸	1,258	1,214	1,173	1,142
Cost per WTE of business travel £	4,972	5,037	4,827	5,053
Total energy expenditure £	64,394	63,119	56,556	69,874
Efficiency of estate				
Cost per WTE £ ⁹	3,228	3,397	3,431	3,186
Cost efficiency ¹⁰ £ per m ²	300	278	285	265
Space efficiency m ² per WTE ¹¹	10.7	12.2	12.0	12.0

3 2014-15 water consumption and supply cost figures restated. Good and best practice for water usage within an office is considered to be 4 m³ to 6 m³ and ≤4 m³ respectively per Whole-Time-Equivalent (WTE) per annum (**Greening Government Commitment targets**). However, we do not currently include office visitors in our calculation which is likely to have a substantial impact on our figures due to the number of shared learning events held at our Cardiff headquarters.

4 Calculated using appropriate WRAP conversion factors, with some previous year's figures restated.

5 Seventy-five per cent for the Welsh Government in 2014-15 (**State of the Estate Report 2014-15**).

6 Calculated in accordance with **DEFRA Environmental Reporting Guidelines**.

7 Attributable to energy transmission and distribution, waste disposal and water usage and treatment.

8 Restated for previous years and now includes costs of leased cars, transport allowances and travel and subsistence.

9 Compared to £3,139 for the Welsh Government as of 31 March 2015.

10 Including rent, rates and other costs.

11 Compared to 14.2 m² per WTE for the Welsh Government as of 31 March 2015. 2015-16 is the first year that we have included contractors in our WTE total, to ensure a like-for-like benchmarking comparison.

Accountability report

Key statements and reports that enable us to meet accountability requirements and demonstrate compliance with good corporate governance.

Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

10 June 2016



Corporate governance report

Directors' Report

General matters

On 1 April 2014, the Wales Audit Office became fully established under the Public Audit (Wales) Act 2013 with the transfer of staff, property, rights and liabilities from the Auditor General. Accordingly, 2014-15 was the first full accounting year of the Wales Audit Office.

The remuneration and staff report provides an indication of how pension liabilities are treated in the accounts and makes reference to the statements of the Civil Service Pension Scheme.

Information on our register of interests and how access to the information in that register may be obtained is provided in the [governance statement](#).

Wales Audit Office sickness absence data, alongside information regarding our commitment to ensuring fair and equal treatment for all staff with protected characteristics (including impairment¹²) in all aspects of employment, is provided in the [remuneration and staff report](#).

Information on our reporting of personal data related incidents is included in the information governance section of the [governance statement](#).

Our published [Annual Plan for 2016-17](#) provides an outline of likely future developments in the business of the Auditor General and Wales Audit Office.

¹² The Wales Audit Office subscribes to the Social Model of Disability in recognition that people with impairments are disabled by social, environmental, institutional and attitudinal barriers in society. Important definitions within the Social Model:

- Impairment is an injury, illness or congenital condition that causes or is likely to cause a long-term effect on physical appearance and/or limitation of function within the individual that differs from the commonplace.
- Disability is the loss or limitation of opportunities to take part in society on an equal level with others due to social, institutional, environmental and attitudinal barriers.

Communication and engagement with staff

During the course of the year we have used a variety of media and mechanisms to: provide Wales Audit Office employees with information on matters of concern to them as employees; consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests; encourage the involvement of employees in the organisation's performance; and achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Wales Audit Office.

These include communication, engagement and consultation through:

- holding regular team meetings with senior staff and Board member involvement;
- arranging 'partnership forum' meetings with trade union representatives, and engaging such representatives in the process for preparing or revising specific policies and organisational development initiatives, where relevant;
- posting regular blogs from members of the Board and Management Committee, and making Board and Management Committee minutes readily available for viewing on our intranet;
- maintaining an intranet 'carousel' of current news, reports and consultations and encouraging staff to share information and good practice through an internal social media network; and
- preparing, publishing and raising awareness of our Annual Plan (and interim and annual reports against that Plan), which includes additional information on our three-year strategy and priorities, alongside a suite of key performance measures and targets.

Employee elected members also provided an extra dimension of insight and experience, and conveyed a staff perception to the Board.

In addition, during 2015-16, we worked in partnership with the Prospect trade union to undertake an organisational trust survey through the Centre of Trust, Peace and Social Relations at Coventry University. This work was approaching completion at the year-end.

Auditor of the Wales Audit Office

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have been appointed as external auditor of the Wales Audit Office by the Finance Committee of the National Assembly for Wales for a period of three years commencing 1 April 2014.

In addition to their work to form an opinion on the financial statements, RSM UK Audit LLP also provide value for money reports on the Wales Audit Office to the Finance Committee, which are available on the [National Assembly's website](#). During 2015-16 we completed our response to RSM UK Audit LLP's review of our fleet and travel arrangements.

Details of the cost of external audit services are disclosed in the [notes to the financial statements](#).

So far as I am aware, there is no relevant audit information of which our auditor is unaware, and I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information, and to establish that our auditor is aware of that information.

The Wales Audit Office Board



David Corner
Non-executive
Member



Amanda Hughes
Elected
Employee
Member



Kevin Thomas
Appointed
Employee
Member



Steve Burnett
Non-executive
Member and
Senior Independent
Director



Isobel Garner
Non-executive
Chair



Huw Vaughan
Thomas
Auditor General
for Wales and
Chief Executive



Lindsay Foyster
Non-executive
Member



Peter Price
Non-executive
Member



Louise Fleet
Elected
Employee
Member

The Board is responsible for:

Monitoring the exercise of the Auditor General's functions

Providing the Auditor General with advice

Employing staff and providing resources for the exercise of the Auditor General's functions

Charging fees for work done by the Auditor General

Preparing jointly with the Auditor General an annual plan and estimate of income and expenses

The Wales Audit Office Management Committee



Huw Vaughan Thomas

Auditor General,
Accounting Officer
and Chief Executive



Anthony Barrett

Assistant Auditor
General and Head of
Financial Audit



Gillian Body

Assistant Auditor
General and Head of
Performance Audit



Alan Morris

Sector Lead,
Local Government
and Criminal Justice



Mike Usher

Sector Lead,
Health and Central
Government



Kevin Thomas

Director of Corporate
Services



Steve O'Donoghue

Director of Finance

Statement of Accounting Officer's responsibilities

Under paragraph 33 of Schedule 1 to the Public Audit (Wales) Act 2013, the Auditor General is the Accounting Officer for the Wales Audit Office and must, for each financial year:

- keep proper accounts and proper records in relation to them; and
- prepare a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Wales Audit Office and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:

- observe the Accounts Direction issued by the National Assembly for Wales, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Wales Audit Office's assets, are set out in Managing Public Money published by the Welsh Government.

As per the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the National Assembly, the Accounting Officer must:

- ensure that there is a high standard of financial management in the Wales Audit Office and that its financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity;
- ensure funds are applied only to the extent and for the purpose authorised by the Assembly;
- ensure that the resources for which the Wales Audit Office is responsible for are properly and well managed and safeguarded; and
- provide advice to the Wales Audit Office on all matters of financial propriety and regularity.

As Accounting Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware;
- I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information; and
- this annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for this annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance statement

This statement sets out the control structure of the Wales Audit Office, and provides an account of corporate governance and risk management, alongside a description of the principal risks and uncertainties we face.

My responsibilities as Accounting Officer are set out in the [statement of accounting officer's responsibilities](#). In discharging these responsibilities and amongst other requirements, I must seek to ensure that:

- a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
- the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.

Corporate governance

The governance framework

The governance framework of the Wales Audit Office, including information on the coverage of the Board's work and on its committees, is summarised in the exhibit overleaf.

Our full Board of nine members, as determined by the Public Audit (Wales Act 2013), comprises a majority of five non-executive members (including the Chair), the Auditor General, an appointed employee member and two elected employee members.

The Remuneration Committee comprises the five non-executive members of the Board. The Audit and Risk Assurance Committee (ARAC) comprises two non-executive Board members, an elected employee Board member and an independent member.

Further information on membership of the Board and Management Committee can be found in the Directors' Report.

The Management Committee and other Directors also meet on a regular basis as a broader Senior Leadership Team. The Board and its Committees, and the Management Committee are supported by a Board Secretary.

When carrying out its work, the Board applies a formal Scheme of Delegation, terms of reference incorporating its procedural rules, a Members' Code of Conduct and a Code of Relationship Practice between the Wales Audit Office and the Auditor General.

Finance Committee of the National Assembly

Scrutinises the Wales Audit Office's use of resources and is responsible for the appointment of the non-executive members of the Wales Audit Office Board and the external auditor

Wales Audit Office Board

Monitors the exercise of the Auditor General's functions

Provides the Auditor General with advice

Employs staff and provides resources for the exercise of the Auditor General's functions

Charges fees for work done by the Auditor General

Prepares jointly with the Auditor General an estimate of income and expenses, fee scheme, annual plan, interim report(s) and an annual report

Remuneration Committee

Advises the Board on whether the remuneration arrangements:

- a) support its strategic aims;
- b) enable the efficient, effective and economic conduct of business; and
- c) comply with regulatory requirements

Audit and Risk Assurance Committee

Advises the Board on whether the audit and risk assurance arrangements:

- a) support its strategic aims;
- b) enable the efficient, effective and economic conduct of business; and
- c) comply with regulatory requirements

Management Committee

Provides executive management and governance to the operational delivery of the work of the Auditor General and Wales Audit Office. Chaired by the Auditor General for Wales, as Chief Executive and Accounting Officer.

Attendance at Board and committee meetings 2015-16

	Board	ARAC	RC	MC
Number of meetings held	7	4	5	14
Members of the Board and its committees				
Isobel Garner – Non-executive Chair	7		5	1
Steve Burnett – Non-executive Member and Senior Independent Director	7		3	
David Corner – Non-executive Member and ARAC Chair	7	4	5	
Peter Price – Non-executive Member and Remuneration Committee (RC) Chair	7		5	
Lindsay Foyster – Non-executive Member	7	4	5	
Huw Vaughan Thomas – Auditor General for Wales, Chief Executive and Accounting Officer ¹	7	4	4	13
Kevin Thomas – Appointed Employee Member and Director of Corporate Services ²	7	4		11
Amanda Hughes – Elected Employee Member ³	7	1		
Louise Fleet – Elected Employee Member	7	3		
Alison Gerrard – Independent Non-executive ARAC Member	1	4		
Members of the Management Committee (MC) who are not Board members⁴				
Anthony Barrett	3	2		12
Gillian Body	5	1		12
Mike Usher	1			14
Alan Morris				12
Steve O'Donoghue ⁵	7	4	5	14

¹ Huw Vaughan Thomas attended ARAC and RC meetings in his capacity as Chief Executive and Accounting Officer.

² Kevin Thomas attended ARAC meetings in his capacity as Director of Corporate Services.

³ Amanda Hughes attended one ARAC meeting in an observer capacity.

⁴ Management Committee members attended meetings of the Board and ARAC as necessary to give briefings or to take their advice.

⁵ Steve O'Donoghue, as Director of Finance, is required to be in attendance at all meetings of the Board and ARAC. He attends the Remuneration Committee in that capacity and as the Strategic Head of the HR service.

Account of corporate governance

The Board receives assurance that its objectives are being met through:

- internal management reports, performance reports and topical briefings;
- independent internal reports, including internal audit reports and the reports of the Audit and Risk Assurance Committee and the Remuneration Committee; and
- external audit reports.

The level of assurance sought and provided is proportionate to the associated levels of assessed risk.

In 2015-16, the Board approved, amongst other business, an estimate of income and expenses for 2016-17, an interim report on progress made against the 2015-16 annual plan, a fee scheme for 2016 and an annual plan for 2016-17 which includes additional information on our three-year strategy and priorities. These documents were laid before the National Assembly and scrutinised by the Finance Committee.

The Board recognised the ongoing improvements in the quality of information it received to provide assurance and inform its decisions. Regular reporting of performance against the key performance measures and priorities set out in the Annual Plan enhanced the Board's ability to challenge the Chief Executive. The reporting process was supported by quality control systems, including Director-level reviews, Management Committee scrutiny prior to Board consideration, alongside internal audit reviews of quality assurance arrangements, management information and corporate reporting controls.

In 2016-17, the ARAC will be working with the Management Committee to conduct an assurance mapping exercise to systematically align the sources of assurance to the Board's information requirements to ensure that reporting is comprehensive and robust, and that there are no gaps or duplication.

The Scheme of Delegation reserves to the Board the setting of HR policies. In 2015-16 the Board considered how it could best implement that function. In November 2015, the Board approved a proposal to reconstitute the Remuneration Committee as a Remuneration & HR Committee with a wider remit to advise the Board on the HR policy framework and its fitness for supporting delivery of the Wales Audit Office's strategic objectives. Work is currently underway to put in place the practical arrangements to implement this decision.

The Board Secretary maintained a register of interests, which was updated during the year to capture any additional information from declarations at Board and committee meetings. This ensured that potential conflicts of interest were identified in advance of meetings where practicable and appropriate action was taken to mitigate them. Subject to applicable exemptions, this is available on request by emailing info@audit.wales.

The Chair of the Wales Audit Office and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the Finance Committee.

The Head of Internal Audit and the external auditor continued to have open and confidential access to the ARAC, including via a private session before each committee meeting.

The Board is satisfied that the Wales Audit Office is compliant with the requirements of the Code of Good Practice for Corporate Governance insofar as its requirements are relevant and practical. The arrangements did not comply with the Code's requirements in respect of Board composition since the composition is set out in statute, and to include ministerial representation and government officials would have risked compromising my independence as Auditor General.

Board performance and effectiveness review

In 2014-15, the Board commissioned external support for a Board effectiveness review, the interim report of which the Board received in March 2015. That report of a benchmarking exercise focusing on tasks and roles, interactions and individual contributions, helped to inform a facilitated development session in May 2015.

The development session delivered a number of actions designed to improve the practical arrangements around Board meetings as well as helping members to better understand their individual working styles and behaviours and how to maximise their collective impact to improve the Board's overall effectiveness.

The next phase of the project will deliver a final assessment report outlining strengths, areas for further development and direction of travel as well as recommending actions and activity to enhance performance. The Board will report on the outcomes to the National Assembly's Finance Committee later in 2016 and I will summarise them in my 2016-17 annual governance statement.

Also during the year:

- the Board continued with its convention of holding informal briefing sessions before meetings as an effective mechanism for improving members' knowledge and understanding of particular aspects of the business, thereby enhancing Board effectiveness;
- the Chair completed one-to-one reviews with each Board member in which she discussed with them their individual contributions;
- the Chair completed an appraisal of the Auditor General in his role as Chief Executive; and
- the Senior Independent Director completed an appraisal of the Chair's performance against her objectives.

Report of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2016, summarising its conclusions from the work it had undertaken during 2015-16.

The Committee was satisfied that it had completed sufficient work to provide assurance that the Wales Audit Office's systems are delivering an effective framework of governance, risk management and control.

In particular:

- the new risk management arrangements appear to be operating effectively, though the Board has already noted the need for vigilance in ensuring that the strategic risk register is up-to-date and used to inform business decision-making;
- the financial management and management reporting arrangements are developing to meet the challenge of the "cost of function" provisions of the Public Audit (Wales) Act 2013; and
- the annual governance statement is consistent with the Committee's view of the Wales Audit Office's internal control environment.

During the year the Board clarified the Committee's role in scrutinising the strategic risk register such that its focus was on testing individual risks to determine whether, in the round, the Wales Audit Office's arrangements were robust. The Committee considered three strategic risks relating to the introduction of a new IT system for financial audit work and time recording, audit supply contracts, and data security.

For the first time in 2015-16, the Committee also assessed the performance of the internal and external auditors using checklists developed from those used by one of the large accountancy practices. Overall, the responses characterised constructive and open relationships with both internal and external audit. The Committee did, however, note some areas for improvement in specific aspects of the work of both internal and external audit.

Report of the Remuneration Committee

The Remuneration Committee presented its annual report to the Board and Accounting Officer in June 2016.

In 2015-16, the review of transport arrangements for supporting mobile staff was the single most significant issue in the Committee's work programme because of the very high risk of demotivated and disengaged staff as well as the potential for reputational damage should the new arrangements be perceived as overly generous.

The Board was satisfied that the final offer for a new travel scheme, based on the Committee's comprehensive advice throughout the year, represented the best that it could achieve for both the Wales Audit Office and staff in terms of alignment with our responsibilities and duties in relation to the health, safety and well-being of staff, equality, environmental sustainability, and achieving value for money. The Committee was pleased to note the clear acceptance of the new terms in a ballot conducted by the Wales Audit Office's two trades' unions.

The Committee also spent time planning its strategic approach and working methods for the period after its scope is enlarged and membership changed. In 2016-17 it intends to look at the HR policy framework holistically as well as thematically.

Internal auditor's report

BDO LLP were appointed as the internal auditors of the Wales Audit Office for the year ended 31 March 2016. An internal audit plan for 2015-2018 was prepared for consideration and was approved by the ARAC at its meeting on 25 February 2015.

During 2015-16, 10 internal audit reports were issued by BDO LLP on reviews of: the delegated authority framework, business continuity, risk management, financial systems and controls (interim and final), iTrent implementation and HR processes, quality assurance arrangements, management information and corporate reporting (follow-up), and real time recording and WIP valuation.

Summary of the levels of assurance provided in internal audit report opinions in 2015-16

Design of internal control framework	Substantial			3	6
	Moderate				1
	Limited				
	None				
Assurance level	None	Limited	Moderate	Substantial	
Operational effectiveness of internal controls					

In his annual statement of assurance for 2015-16, the Head of Internal Audit reported that:

'As the provider of internal audit services to the Wales Audit Office, we are required to provide the Board with an opinion on the adequacy and effectiveness of internal control processes, which supports the organisation's own governance statement.

In giving our opinion it should be noted that assurance can never be absolute. The Internal Audit service provides the Wales Audit Office with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed for the period from 1 April 2015 to 31 March 2016.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Wales Audit Office's risk management and internal control arrangements.

In our opinion, based on the reviews undertaken and completed during the period, we are able to conclude that risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were generally achieved by the end of the period under review.'

Risk management

Given the nature of our business, our tolerance of risk in areas of professional audit judgement, regularity and propriety, and financial management is low. In other areas, such as in relation to the exchange of good practice and engaging more effectively with the public, we are prepared to accept more risk in order to take advantage of opportunities to pursue our aim and objectives.

The Wales Audit Office is committed to adopting best practice in the identification, evaluation and cost-effective control of risks to ensure they are reduced to an acceptable level or eliminated. It is acknowledged that some risks will always exist and will never be eliminated – but these too must be monitored and controlled.

Risk management and control framework

The Board has overall responsibility for risk management, and receives and considers a strategic risk register and a report which summarises any significant changes to the organisation's risk profile at each of its meetings.

The Board is supported by the ARAC, which reviews and advises the Board on:

- its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
- the Wales Audit Office's overall risk assessment processes that inform executive decision making;
- the Wales Audit Office's capability to identify and manage risk;
- the remit of the risk management function, including its access to resources and information to perform its role effectively and in accordance with the relevant professional standards, free from management or other restrictions; and
- management's responsiveness to risk assessment.

The Management Committee is responsible for managing risk on a day-to-day basis, and maintains a risk register with identified strategic and operational risks that could affect the achievement of the Wales Audit Office's aim and objectives.

The Management Committee reviewed the strategic risk register in advance of its consideration by the Board throughout 2015-16, and formally reviews the operational risk register every six months.

The Accounting Officer advises the Board and its committees on the system of internal control, and is supported in doing so by the Management Committee.

Risk assessment

New risk management arrangements for the Wales Audit Office were formally launched on 1 April 2015, following approval by the Board. The new arrangements had been developed following a review by Internal Audit in early 2014-15, which concluded that there was a need to strengthen risk management arrangements in a number of areas, and to improve risk awareness and ownership throughout the organisation.

At each of its meetings in 2015-16, the Board considered the key strategic risks faced by the organisation, alongside a more detailed strategic risk register which:

- provided an assessment of inherent levels of risk and assigned risk targets;
- described the key controls that have been put in place to mitigate risk likelihood and impact and achieve targets;
- provided an assessment of residual levels of risk, and identified movements since the last Board meeting; and
- summarised the content of the register through inherent and residual risk heat maps and profiles.

As in previous years, in 2015-16 there were a number of key strategic risks that fluctuated during the year and that particularly engaged the time of the Board and Management Committee:

- Financial audit continued to experience significant and persistent resourcing shortages as a result of staff turnover and recruitment difficulties in early 2015. In response, we rotated staff between projects based on priorities, used agency staff to fill short term gaps, limited the amount of leave taken and training undertaken in the busy accounting period, tried new approaches to recruitment and accelerated the appointment of trainee auditors.
- A broad range of policy and political factors are likely to influence how we deliver our work over the next few years. These include: changes to the devolution landscape: fiscal devolution – transfer of some tax raising and borrowing powers from Westminster to Wales by 2018; acceleration of changes to service delivery models and financing mechanisms; a requirement for earlier closure of local government accounts by 2018-19; the potential reorganisation of local government, and amendments to Welsh Government grant funding and certification arrangements. Work commenced on strengthening and optimising our workforce strategy to ensure we can both meet current demand and are able to anticipate and respond to future developments.

- We are continuing to work with the National Assembly's Finance Committee to overcome complexity and reduce risk in our fee charging arrangements. Section 23 of the Public Audit (Wales) Act 2013 requires that the fee charged for each individual piece of audit work at an audited body 'may not exceed the full cost' of that work. This requirement can result in a scenario where we have to refund costs for one piece of work whilst raising additional invoices for another, all for the same audited body.
- Our workforce must be sufficiently mobile in order to effectively deliver the Auditor General's work programme at public bodies throughout Wales. Our transport arrangements were reviewed and revised in 2015-16 to ensure that our policies are better aligned with our responsibilities and duties in relation to the health, safety and well-being of staff, equality, environmental sustainability, and achieving value for money.

I am satisfied that the risks associated with these projects have been monitored and managed effectively during the year.

A number of risks were successfully managed and removed from the strategic risk register during 2015-16. These include:

- the risk of having ineffective risk management arrangements; and
- the risk that a new IT system to support financial audit work and time recording would not be fully implemented to the planned timescale, thereby affecting business continuity.

The Wales Audit Office also faces a number of newly identified risks going forward into 2016-17, which have been reflected in our risk register. In particular, there is a risk that the Welsh language skills of Wales Audit Office staff will not be sufficient to meet the requirements of the new Welsh Language Standards. We have commissioned work to mitigate these new risks.

I will continue to ensure that risks are generally well managed, that where there are weaknesses, appropriate actions are in place to tackle them, and that the Wales Audit Office's internal controls are regularly reviewed to ensure they remain effective.

The Wales Audit Office's strategic risk profile

A summary of the Wales Audit Office's strategic risk profile in March 2016 is provided in the following 'heat map', which highlights the number of strategic risks and the assessed levels of residual risk following the application of controls to mitigate their impact and likelihood.

Impact	Severe					<table border="1"> <thead> <tr> <th colspan="2">Key</th> </tr> </thead> <tbody> <tr> <td></td> <td>Very high</td> </tr> <tr> <td></td> <td>High</td> </tr> <tr> <td></td> <td>Medium</td> </tr> <tr> <td></td> <td>Low</td> </tr> </tbody> </table>	Key			Very high		High		Medium		Low
	Key															
		Very high														
		High														
	Medium															
	Low															
Major	2	1	2													
Moderate	3	2		1												
Minor			1													
		Unlikely	Possible	Likely	Almost certain											
		Likelihood														

Information governance

As Auditor General, I have wide-ranging access to information for the discharge of my audit functions. These powerful access rights bring with them a responsibility to ensure that the information obtained by me and the Wales Audit Office is safeguarded properly.

The Wales Audit Office therefore has an Information Security Policy which sets out staff obligations and responsibilities, data processing requirements, monitoring and reporting arrangements, and explains how staff can obtain further support and guidance.

The Director of Corporate Services is accountable to the Board for information governance. The Wales Audit Office has adopted ISO 27001, the international standard for information security management, scaling its arrangements in line with the needs of the organisation.

There were no personal data related incidents reportable to the Information Commissioner's Office in 2015-16.

We are committed to openness and transparency in the way we operate as a business and have adopted the Model Publication Scheme prepared and approved by the Information Commissioner. The Scheme commits us to making certain information routinely available to the public.

In the 2015-16 financial year, we received 50 requests for information. In one case we did not meet the statutory deadline. This was because the request was handled as correspondence and, should, in part, have been handled as a request for information. However, the delay was not significant and full disclosure was provided.

We were not subject to any reviews in 2015-16 by the Information Commissioner.

Whistleblowing

All Wales Audit Office staff are encouraged to raise issues of concern about misconduct or wrongdoing that come to their attention while at work. The Wales Audit Office Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance.

We have a well-established internal whistleblowing policy, which reflects the provisions of the Public Interest Disclosure Act 1998, sets out the mechanism for raising such matters, and applies to staff of the Wales Audit Office and all contractors and others working for the Wales Audit Office in any capacity.

We have recently refreshed our policy and arrangements to take account of changes in legislation and developments in the organisation. It is difficult to assess the effectiveness of our arrangements, as we have had no internal disclosures in the year, or in preceding years. We have specific arrangements for reporting information governance problems, such as potential threats to information security, which are operated by the same staff as the whistleblowing arrangements. While the volume of reporting is not high – a handful of concerns raised during the year – this does indicate that staff have some confidence in making reports where appropriate.

We do intend, however, to further explore the issues of trust and confidence (which are essential to effectiveness) in our whistleblowing arrangements, possibly through surveying staff. A recent trust survey undertaken by Coventry University at the Wales Audit Office did not reveal any significant issues in relation to the whistleblowing arrangements.

The Auditor General is also a 'prescribed person' under the Public Interest Disclosure Act for raising concerns about the following matters:

- the proper conduct of public business; and
- fraud, value for money, and corruption in relation to the provision of public services.

Further information on blowing the whistle is provided on our website, via our leaflet:

[Are you concerned about wrongdoing or malpractice in the workplace?](#)

As a prescribed person, the Auditor General is not under a duty to investigate every disclosure he receives. He can only consider disclosures in accordance with his existing audit and related powers and duties (the Act does not confer any additional powers on to the Auditor General).

While we recognise that the issues external whistleblowers raise are important to them, we must make sure that we do not use public money looking at issues that are not relevant to the Auditor General's work, or spend too much time on minor issues.

Between January 2015 and December 2015 we received a total of 36 communications via our external whistleblowing arrangements. Of these 24 fell within the Auditor General's remit.

In March 2016, we published a newsletter highlighting the key issues and developments in the field of whistleblowing both inside and outside of the Wales Audit Office over the last 12 months, including a summary of the content and outcomes from two Good Practice Exchange events that were held in the autumn of 2015 on the topic of whistleblowing.

Remuneration and Staff Report

Remuneration report

Auditor General for Wales

The Auditor General's remuneration is determined by the National Assembly for Wales and, in accordance with the Public Audit (Wales) Act 2013, is to be met directly from the Welsh Consolidated Fund (WCF) rather than being paid by the Wales Audit Office. For enhanced transparency, the remuneration of the Auditor General is disclosed in this Remuneration Report.

The current Auditor General, Mr Huw Vaughan Thomas, was appointed by Her Majesty the Queen and took office on 1 October 2010 for a non-renewable period of eight years. The gross salary cost of the Auditor General during 2015-16 was £153,000 (2014-15: £153,000).

Mr Huw Vaughan Thomas has opted to contribute to a partnership pension account (a form of personal stakeholder pension to which an employer contributes). Total contributions to this account during 2015-16 were £31,237 (including employer contributions of £26,701 and member contributions of £4,536) (2014-15: £27,927 including employer contributions of £23,079 and member contributions of £4,848).

Wales Audit Office Board

The Wales Audit Office Board comprises five non-executive members appointed by the Assembly, two elected employee members, the Auditor General for Wales and his nominated employee member, the Director of Corporate Services.

The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the Assembly, and in the case of the Chair, is met from the WCF directly, in accordance with the Public Audit (Wales) Act 2013. For enhanced transparency, the remuneration of the Chair of the Wales Audit Office Board is disclosed in this report. The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot, in May 2014. The allowances that they receive for their Board related duties are set by the Board¹³ and disclosed in this report. The Auditor General and the Director of Corporate Services receive no additional allowances for their Board related duties.

The following information in the Remuneration and Staff report is subject to audit.

¹³ Employee members do not participate in this discussion

Single total figure of remuneration for Wales Audit Office Board members

	Remuneration/ Allowance		Tax inclusive expenses ¹		Single total figure of remuneration	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	£	£	£	£	£	£
Steven Burnett	12,500	12,500	1,687	3,031	14,187	15,531
David Corner	12,500	12,500	9,720 ²	9,643	22,220	22,143
Lindsay Foyster ³	12,500	537	602	112	13,102	649
Isobel Garner (Chair) ⁴	25,000	25,000	6,419	8,108	31,419	33,108
Christine Hayes ⁵	–	7,882	–	1,818	–	9,700
Peter Price	12,500	12,500	557	1,304	13,057	13,804
Amanda Hughes ⁶	4,167	3,573	866	378	5,033	3,951
Louise Fleet	4,167	3,573	667	693	4,834	4,266
Total	83,334	78,065	20,518	25,087	103,852	103,152

1 In addition to the remuneration or allowance for their role, Board and non-executive committee members are able to claim for their travel and expenses. The personal tax liability in respect of these expenses is settled by the Wales Audit Office under a PAYE Settlement Agreement with HMRC.

2 David Corner is based in North East England hence his expenses reflect the longer travel distance to Wales Audit Office offices

3 Lindsay Foyster was appointed from 16 March 2015.

4 Isobel Garner, as Chair of the Wales Audit Office Board is paid directly from the WCF and receives no remuneration from the Wales Audit Office other than reimbursement of travel and expenses. Her remuneration has been disclosed for enhanced transparency.

5 Christine Hayes resigned from the Wales Audit Office Board on 18 November 2014 and was replaced by Lindsay Foyster.

6 Amanda Hughes and Louise Fleet are employee members of the Wales Audit Office Board and were appointed by the non-executive members in May 2014 following a staff ballot. The allowances disclosed above relate solely to their board member duties.

Non-Executive committee members

The Wales Audit Office Board has appointed an independent member of its ARAC. Remuneration for this post was determined by the Board and is non-pensionable.

Single total figure of remuneration for Non-executive committee members

	Remuneration		Tax inclusive expenses		Single total figure of remuneration	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	£	£	£	£	£	£
Alison Gerrard ¹	5,000	2,500	184	107	5,184	2,607
Total	5,000	2,500	184	107	5,184	2,607

¹ Alison Gerrard was appointed as an independent member of the ARAC on 1 October 2014.

The accounts for 2014-15 included payments to previous non-executive committee members, totalling £3,795, whose terms of office had ended by 31 March 2015.

Wales Audit Office staff

All members of staff are employed by the Wales Audit Office on such terms and conditions as the Board determines. Remuneration of all members of staff is subject to periodic review under strategies set by the Board and consultation with trade unions under a collective agreement. Remuneration is pensionable under the Civil Service Pension Scheme.

Wales Audit Office staff normally hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

When determining pay strategies, the Board considers:

- the need to recruit, retain and motivate suitably able, qualified and high-calibre people;
- overall affordability;
- pay practices in the wider public sector and comparator organisations; and
- relevant legal obligations including equality and anti-discrimination requirements.

Pay ranges for all staff are available on our website. The Wales Audit Office does not pay performance related bonuses to any members of staff, but does have annual performance appraisal arrangements that suspend salary increments if performance is less than satisfactory.

During 2015-16, £15,265 was paid as compensation on early retirement for a past director (2014-15 : £30,583). These costs have been offset against a provision held for this purpose established in 2010-11.

Set out overleaf are details of the remuneration and pension interests of members of the Management Committee. The Auditor General's performance appraisal summary of Management Committee members is subject to scrutiny by the Board's Remuneration Committee.

Single total figure of remuneration for senior managers

	Year to 31 March 2016					Year to 31 March 2015				
	Salary ¹	Benefits in kind	Taxable expenses ²	Pension benefit	Total single figure of remuneration	Salary	Benefits in kind	Taxable expenses	Pension benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £100	To nearest £1,000	Bands of £5,000	Bands of £5,000	To nearest £100	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	115-120	4,600	11,800	63	190-195	115-120	4,700	14,300	26	160-165
Gillian Body	120-125	–	–	40	160-165	120-125	–	–	13	135-140
Mike Usher	105-110	–	–	41	145-150	105-110	–	–	13	115-120
Alan Morris	95-100	2,800	–	72	165-170	90-95	2,200	–	94	185-190
Kevin Thomas	120-125 ³	–	15,000	54	190-195	115-120	3,500	19,600	62	200-205
Steve O'Donoghue	80-85	–	–	67	145-150	70-75 ⁴	–	–	42	110-115

1 Including Transport Allowance paid to Gillian Body and Kevin Thomas. Mike Usher is entitled to Transport Allowance but did not exercise this entitlement in 2015-16 or 2014-15. Steve O'Donoghue is not entitled to this allowance.

2 Being the tax inclusive value of payments made to Anthony Barrett and Kevin Thomas for travel to a main place of work.

3 Includes the sale of annual leave as available to all staff

4 Steve O'Donoghue was appointed on 28 April 2014

Salary

'Salary' includes gross salary and any other allowance (eg, transport allowance) to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind represents leased car benefits provided by the Wales Audit Office and treated by Her Majesty's Revenue and Customs (HMRC) as a taxable emolument. These benefits are in line with a standard entitlement for all mobile staff.

The Wales Audit Office provides a death in service benefit equivalent to a payment of one year's salary for any member of staff who dies whilst in the employment of the Wales Audit Office. The annual cost of this scheme in 2015-16 was £15,487 (2014-15: £10,684). This is a group insurance policy, and as such, cannot be directly attributed to any one member of staff and hence is excluded from the table above.

Expenses of senior staff

Information on the expenses of Management Committee members is published on the Wales Audit Office [website](#).

Pension entitlements for senior managers

	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Anthony Barrett	40-45	2.5-5	676	574	35	–
Gillian Body	50-55 plus lump sum of 150-155	7.5-10	1,088	974	36	–
Mike Usher	35-40 plus lump sum of 105-110	0-2.5	672	593	19	–
Alan Morris	55-60	2.5-5	1,088	947	71	–
Kevin Thomas	45-50	2.5-5	738	644	26	–
Steve O'Donoghue	30-35	2.5-5	451	371	36	–

Civil service pensions

Past and present employees of the Wales Audit Office are covered by the provisions of the Principal Civil Service Pension Scheme. The scheme is a defined benefit scheme and liability rests with the Scheme, and not the Wales Audit Office. The cost of benefits is met by monies voted by Parliament each year. The Wales Audit Office makes contributions as determined by the Cabinet Office to cover accruing pension entitlement for staff employed.

[Further details about the Civil Service pension arrangements can be found on its website.](#)

Cash equivalent transfer values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in cash equivalent transfer value

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair pay disclosure

The relationship between the remuneration of the highest-paid director and the median remuneration of the workforce is as disclosed in the following table.

	2015-16	2014-15
Band of highest-paid director's total remuneration ¹ excluding pension contributions (£'000)	135-140	135-140
Median total remuneration based on full-time-equivalent staff (excluding pension contributions)	£43,850	£44,704
Range of total remuneration excluding pension contributions	£18,219-£136,336	£14,900-£138,575
Remuneration ratio	3.11	3.10

¹ Total remuneration includes salary, transport allowance and benefits in kind. In the case of the highest-paid director, it also includes taxable expenses and the sale of annual leave. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

In 2015-16, no employees received remuneration in excess of the highest-paid director (2014-15: none). Remuneration ranged from £18,219 to £136,336 (2014-15: £14,900 to £138,575). The lowest remuneration in 2014-15 reflected work experience placements.

The reduction in median salary as compared to 2014-15 reflects the increased number of audit trainees employed in the year.

There is no requirement to disclose the salary of the Auditor General as he is paid directly from the WCF and not by the Wales Audit Office. For enhanced transparency, his total remuneration of £153,000 (excluding pension contributions) represented 3.49 times the median total remuneration for the Wales Audit Office (2014-15: £153,000, ratio: 3.42).

Staff report

Staff numbers

The average number of full-time equivalent staff employed increased by eight during the year, reflecting planned changes in the balance of work undertaken in-house versus contracted out to audit firms.

	2015-16	2014-15
Average number of full-time-equivalent, UK-based, permanent staff employed during the year	229	227
Average number of full-time-equivalent, UK-based, staff on fixed term contracts employed during the year	24	14
Audit and inspection contractors (average number of full-time equivalents in year)	8	12

Staff and associated costs

	2015-16	2014-15 ¹
	£'000	£'000
Staff salaries	10,826	10,429
Seconded in staff	210	-
Short-term contract staff	285	226
Non-executive member remuneration ²	68	59
Social security costs	1,095	1,055
Pension costs (PCPS) ³	2,335	2,115
Pension costs (stakeholder pensions)	4	3
	14,823	13,887
Transport allowance and leased cars	782	722
Car scheme contractual changes	128	50
Subscriptions ⁴	42	48
	15,775	14,707
Audit and inspection contractors ⁵	222	548
	15,997	15,255
Redundancy, early retirement and severance costs ⁶	31	240
Less monies received in respect of outward secondments	(45)	(89)
Net staff costs	15,983	15,406

¹ 2014-15 restated to separately show short-term contract staff and costs of car scheme contractual changes.

² Excluding the remuneration of Chair of the Wales Audit Office Board whose remuneration is met by the Welsh Consolidated Fund.

³ Principal Civil Service Pension Scheme.

⁴ Fees for the membership of professional bodies, eye tests and staff medicals.

⁵ The Wales Audit Office uses a number of temporary audit and inspection contractors at certain times in the year to meet demand for resources at peak times.

⁶ Costs associated with historical early retirees over and above that provided at the time.

Redundancies, early retirements and severances

The Wales Audit Office operates voluntary severance arrangements in accordance with the Civil Service Compensation Scheme and as approved by the Cabinet Office.

No such arrangements were agreed in 2015-16 and hence the cost of the scheme in 2015-16 was £Nil (2014-15: £316,825).

Details of the number of employees who entered into approved exit packages during 2014-15 are summarised below:

Exit package cost band	2015-16			2014-15		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Less than £25,000	-	-	-	-	1	1
£25,001 – £50,000	-	-	-	-	2	2
£50,001 – £100,000	-	-	-	-	2	2
£100,001 – £150,000	-	-	-	-	1	1
Total	-	-	-	-	6	6

No members of staff retired early on health grounds during the year.

Bought-in services

	2015-16	2014-15
	£'000	£'000
Payments to private accountancy firms	2,269	3,070
Research and other consultancy costs	101	86
	2,370	3,156

These costs relate to services bought in by the Auditor General that directly relate to audit, inspection, advice or research functions. The cost has reduced in line with a planned reduction in contracted out work as part of a long-term savings plan and workforce planning.

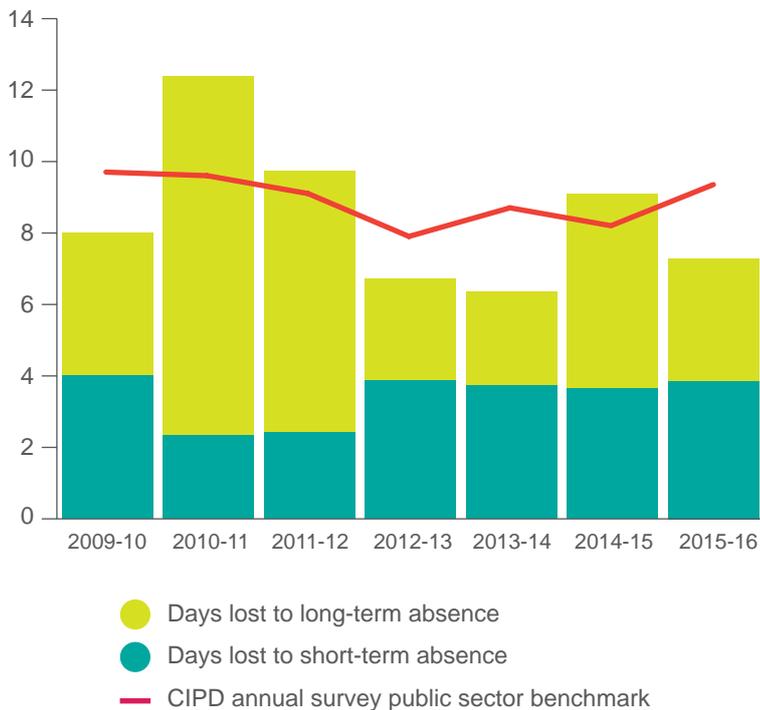
The following information in the Remuneration and Staff report is subject to audit.

Sickness absence

- Our staff sickness levels reduced by an average of almost two days per person due to a reduction in long term sickness.
- The overall absence figure was two days less than the Chartered Institute of Personnel and Development (CIPD) benchmark¹⁴, although marginally above our corporate target of 6.5 days.

	2015-16	2014-15
Average working days lost per member of staff	7.3	9.1
Due to short-term absence	3.9	3.7
Due to long-term absence (periods of ≥ 21 days)	3.4	5.4

Staff sickness absence 2009-10 to 2015-16



¹⁴ Mean of 9.3 days per employee per year for those public service organisations that responded to the 2015 CIPD annual Absence Management Survey

Equality and diversity

- Our age profile is broadly similar to that of the Civil Service, although we have a higher proportion of staff under 30 and a lower proportion of staff aged over 60.¹⁵

The Auditor General for Wales and Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010.

We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual reports on progress made towards delivering our equality objectives are available on our website. Our Equality and Diversity Policy outlines our commitment to ensuring fair and equal treatment for all staff with protected characteristics (including impairment) in all aspects of employment. The policy provides for parity in selection for employment, recruitment, promotion, learning and development and/or any other benefit, based solely on aptitude and ability in accordance with our duties under the Equality Act 2010 and associated legislation.

¹⁵ Civil Service Statistics 2015 figures: approximately 9.1 per cent aged less than 30 years, 82 per cent aged 30 to 59 years, and 8.3 per cent aged 60 years and over.

	2015-16	2014-15
Diversity	%	%
Female	49.6	51.0
Aged less than 30 years	13.1	9.8
Aged 30 to 59 years	83.1	84.5
Aged 60 years and over	3.8	5.7
Staff with a disability ¹	8.0	— ²
Staff from an ethnic minority ³	2.7	—
LGBT+ staff ⁴	3.1	—

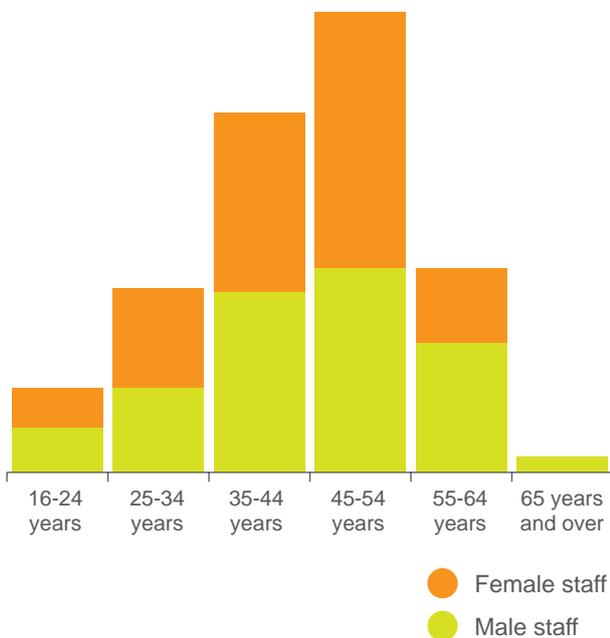
1 Percentage of staff who declared their disability status.

2 Data for staff with protected characteristics was not fully collected in 2014-15.

3 Percentage of staff who declared their ethnicity as Black, Asian or mixed race.

4 Percentage of staff who disclosed their sexual orientation as Lesbian, Gay, Bisexual or Transgender.

Staff age and gender analysis 2015-16 (Headcount)

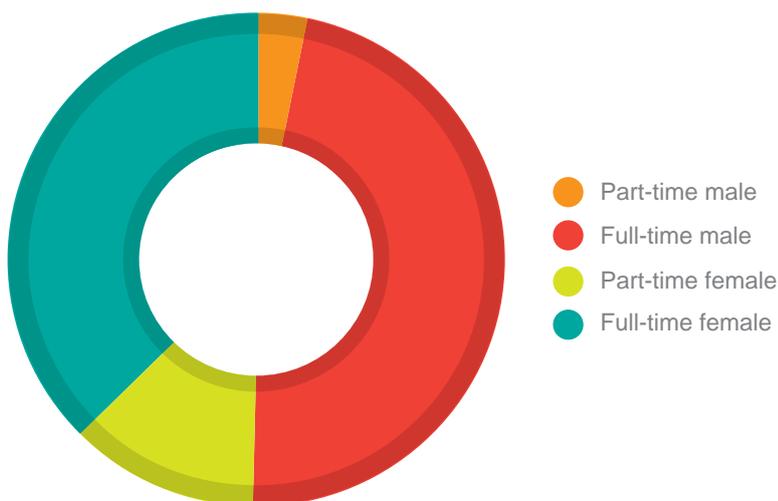


Our workforce

- The proportion of part-time employees reduced slightly for both male and female staff.
- The proportion of staff in management roles that are female increased
- The percentage of staff on permanent employment contracts reduced reflecting an increase in audit trainees on four-year training contracts
- Our annual staff turnover rate reduced to 5.3 per cent and is below the CIPD benchmark of 13.6 per cent¹⁶

	2015-16	2014-15
Working patterns		
Part-time employees as a percentage of total ¹	15.3	18.0
For men	6.1	7.5
For women	24.6	28.0
Employment contract type		
Percentage of staff on permanent employment contracts	90.5	95.1
Turnover		
Annual staff turnover rate percentage	5.3	9.8

¹ 25.4 per cent for the Civil Service in 2015 and 17 per cent for the Welsh Government.



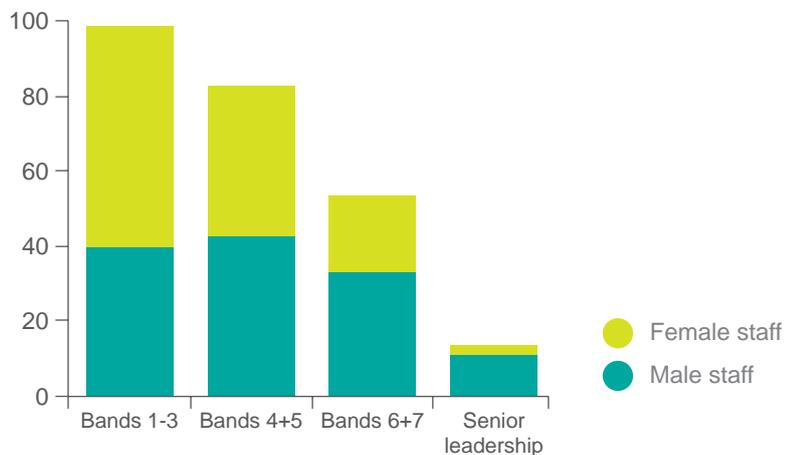
¹⁶ 13.6 per cent median for all organisations that responded to the 2014 CIPD Resourcing and Talent Planning Survey.

Grade distribution¹	2015-16	2014-15
Staff in senior leadership team bands ² (A to C) percentage	5.6	6.0
Staff in management bands (6 and 7) percentage	21.6	22.8
Staff in supervisory pay bands (4 and 5)	33.2	33.0
Staff in other pay bands (1 to 3) percentage	39.6	38.2
Percentage staff in senior leadership team that are female	20.3	20.3
Percentage staff in management that are female	37.9	34.5
Percentage staff in supervisory roles that are female	48.0	50.4
Percentage staff in other pay bands that are female	59.7	61.9

1 FTE at 31 March

2 Excluding Auditor General and Non-Executive Board Members.

Staff grade and gender distribution



Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

10 June 2015

Statement of Resource Out-turn 2015-16

This statement provides a comparison of the Estimate for 2015-16 as agreed by the National Assembly with actual income and expenditure in the year.

The Estimate included a sum of £200,000 contingency for unplanned work arising in the year. This was not required in 2015-16.

Summary of cash payable to the Welsh Consolidated Fund (WCF)

Arising from the operations of the Wales Audit Office for the 2015-16 financial year, the sum of £143,000 is repayable to the WCF.

Note	2015-16 Estimate			2015-16 Out-turn			Net total out-turn compared to estimate	2014-15 Out-turn	
	Gross expenditure	Income	Net Total	Gross expenditure	Income	Net Total			
	£'000	£'000	£'000	£'000	£'000	£'000			
SORO1	Revenue	23,580	(17,324)	6,256	21,962	(16,155)	5,807	(449)	5,293
SORO1	Capital	50	-	50	39	-	39	(11)	289
	Total resources	23,630	(17,324)	6,306	22,001	(16,155)	5,846	(460)	5,582
SORO2	Net cash requirement	6,146	-	6,146	-	-	6,003	(143)	5,276

Notes to the Summary of Resource Out-turn

Note SORO1: Reconciliation of net resource out-turn to net cash requirement

	2015-16 Estimate £'000	2015-16 Out-turn £'000	2015-16 Variance £'000	2014-15 Out-turn £'000
Revenue resources	6,256	5,807	(449)	5,293
Capital resources	50	39	(11)	289
Adjustments:				
Non-cash items (depreciation)	(160)	(193)	(33)	(177)
Movements in working capital other than cash	-	350	350	(129)
Total net cash requirement	6,146	6,003	(143)	5,276

The movements in working capital other than cash in the above table (£350,000) are the net of an increase in receivables and work in progress (£550,000), reductions in payables and deferred income (£14,000) and current provisions (£186,000) as included in the Statement of Financial Position.

Note SORO2: Analysis of net resource out-turn 2015-16

	2015-16 Estimate £'000	2015-16 Out-turn £'000	Variance £'000	Reason for significant variances	2014-15 Out-turn ¹ £'000
Expenses					
Staff costs	14,828	14,388	(440)	Staff vacancies in-year flexed to income expectations	13,786
Contractor staff	862	507	(355)	Demand for contractor staff reduced in line with income	548
Travel and subsistence	1,319	1,258	(61)	Linked to staff vacancies	1,264
Private sector firms (incl VAT)	2,728	2,582	(146)	Linked to reduction in grant certification fees	3,684
Accommodation	971	969	(2)		913
ICT	524	427	(97)	Includes efficiency savings following Insight implementation	426
Balance of irrecoverable VAT	500	344	(156)	Reflects lower than expected spend on other budget heads	368
Wales Audit Office Governance Arrangements	300	306	6		300
External training	266	266	-		203
Legal & professional fees	203	167	(36)		231
Translation of documents	110	145	35		141
Other costs	969	603	(366)	Includes unused contingency provision	548
TOTAL EXPENSES	23,580	21,962	(1,618)		22,412
Income					
Audit fees	(14,139)	(13,632)	507	See note below	(13,841)
Grant certification fees	(2,279)	(1,560)	719	Reduction in demand for EU and WG grant certification	(2,267)
WPI Grant	(906)	(951)	(45)		(947)
Other income	0	(12)	(12)		(64)
TOTAL INCOME	(17,324)	(16,155)	1,169		(17,119)
NET REVENUE RESOURCE	6,256	5,807	(449)		5,293
CAPITAL EXPENDITURE	50	39	(11)		289

¹ 2014-15 restated to provide further analysis.

In 2015-16 the net cost of the Wales Audit Office was £449,000 less than anticipated when the Estimate was agreed. This reduction includes savings due to staff vacancies and lower than expected demand for contractor staff and private sector firms. This was in response to a reduction in fee income in the year including a reduced requirement for grant certification. The £200,000 contingency for unplanned work was not required.

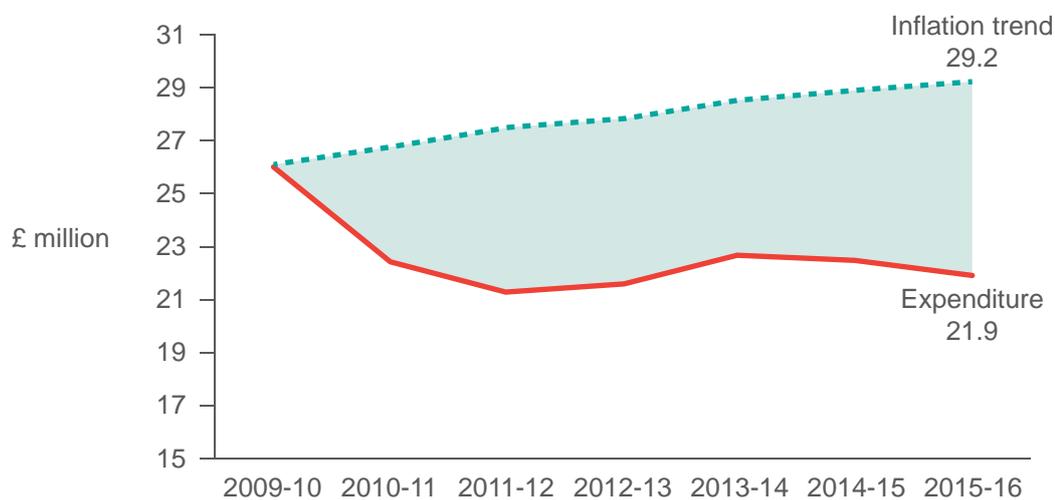
The financial management summary on page 33 provides further explanation of cost efficiency at the Wales Audit Office.

Audit fee income is governed by the Fee Scheme approved by the Finance Committee of the National Assembly. The Estimate for 2015-16 included provision for fee income and associated expenditure to increase above the level received in 2014-15 to allow for unforeseen additional fee earning work. In the event, these contingent amounts were not required and fee income in 2015-16 was actually less than in the previous year, being a combination of a small reduction in the number of bodies audited and a reduction in additional work required.

Long-term expenditure trends

Since 2009-10, the Wales Audit Office has reduced its expenditure by 25 per cent in real terms¹⁷, as represented below. The cumulative saving generated across those years (the shaded area) amounts to over £36 million, reducing both the call on the WCF, other than for new responsibilities, and the amount required to be raised from charging fees to audited bodies.

Expenditure 2009-10 to 2015-16



Future budgeted expenditure of the Wales Audit Office is determined annually by the National Assembly.

The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.

Complaints about the work of the Wales Audit Office are handled in accordance with guidance published on the Wales Audit Office website. No financial liability is envisaged in relation to any complaints in progress at the year- end.

¹⁷ Based on GDP deflators published by ONS June 2015.

Independent auditor's report

We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2016 under Schedule 1 of the Public Audit (Wales) Act 2013. These financial statements comprise the Summary of Resource Outturn, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and related notes. The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited. We have also undertaken work, as required under Schedule 1 of the Public Audit (Wales) Act 2013, to obtain reasonable assurance that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that money to which the statement relates, received by the WAO for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

This report is made solely to the National Assembly for Wales to whom it is addressed in accordance with the Public Audit (Wales) Act 2013 and for no other purpose. Our audit work has been undertaken so that we might state to the National Assembly for Wales those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the National Assembly for Wales for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Wales Audit Office, the Auditor General for Wales and the Auditor

As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 46, the Wales Audit Office and the Auditor General for Wales are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and the Auditor General is also responsible for ensuring expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the WAO for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving a reasonable assurance opinion that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the WAO for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Scope of the audit on the financial statements

A description of the scope of an audit on financial statements is provided on the [Financial Reporting Council's website](#).

We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the WAO for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes. We have conducted our work in accordance with the Audit Practices Board Practice Note 10 in this respect.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Wales Audit Office affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- have been properly prepared in accordance with the HM Treasury directions issued under the Public Audit (Wales) Act 2013.

Opinion on regularity

In our opinion, in all material respects:

- the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it; and
- the money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

Opinion on other matters

In our opinion:

- the part of the Remuneration & Staff Report to be audited has been properly prepared in accordance HM Treasury directions issued under the Public Audit (Wales) Act 2013; and
- the information included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

RSM UK Audit LLP (Previously Baker Tilly UK Audit LLP)
10 June 2016

Registered Auditors
Davidson House
Forbury Square
Reading
RG1 3EU

Financial statements

The financial statements for the Wales Audit Office, alongside supporting
and explanatory notes.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 £'000	2014-15 £'000
Expenditure			
Staff and associated costs	Staff report ¹	15,983	15,406
Bought-in services	Staff report	2,370	3,156
Other operating costs	3	3,609	3,850
		21,962	22,412
Income			
Audit fee income	1	(15,192)	(16,108)
Inspection grant	1	(951)	(947)
Other operating income	2	(10)	(57)
		(16,153)	(17,112)
Net (expenditure)		5,809	5,300
Interest receivable		(2)	(7)
Net expenditure after tax and interest		5,807	5,293
Total comprehensive net expenditure for the year		5,807	5,293

¹ Staff costs note on page 73 of the Remuneration and Staff Report

The notes that follow on pages 92 to 108 form part of these financial statements

There were no discontinued operations, acquisitions or disposals during the period nor any unrecognised gains or losses.

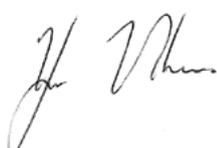
Statement of Financial Position

at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Property, plant and equipment	4	533	623
Intangible assets	5	188	252
		721	875
Current assets			
Trade receivables and work in progress	6	1,633	2,166
Other receivables	7	549	566
Cash and cash equivalents	8	2,950	2,841
		5,132	5,573
Total assets		5,853	6,448
Current liabilities			
Trade payables and other current liabilities	9	(2,225)	(2,055)
Deferred income	10	(2,220)	(2,404)
Provisions for liabilities and charges	11	(350)	(536)
Distribution of reserves to local government bodies	9	-	(2)
WCF (see Summary of Resource Out-turn)		(143)	(698)
		(4,938)	(5,695)
Total assets less current liabilities		915	753
Non-current liabilities			
Provisions for liabilities and charges	11	(736)	(770)
		(736)	(770)
Total assets less liabilities		179	(17)
Taxpayers' equity			
General fund		179	(17)
		179	(17)

The notes that follow on [pages 92 to 108](#) form part of these financial statements.

The financial statements on pages 88 to 108 were approved by the Wales Audit Office Board and authorised for issue on 8 June 2016 and are signed on its behalf by:



Huw Vaughan Thomas
Auditor General for Wales and Accounting Officer

10 June 2016

Statement of Cash Flows

for the year ended 31 March 2016

		2015-16	2014-15
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		5,807	5,293
Non cash: depreciation and amortisation	3	(193)	(177)
Increase/(decrease) in trade and other receivables	6, 7	(550)	164
(Increase)/decrease in trade and other payables	9,10	14	(136)
(Increase)/decrease in distribution of reserves to LG bodies	9,10	2	1,631
(Increase)/decrease in provisions	11	220	221
Net cash outflow from operating activities		5,300	6,996
Cash flows from investing activities			
Purchases of property, plant and equipment	4	35	72
Purchases of intangible assets	5	4	217
Net cash outflow from investing activities		39	289
Cash flows from financing activities			
WCF		(6,146)	(5,974)
WCF repaid		698	337
Net financing		(5,448)	(5,637)
Movements in cash and cash equivalents	8	(109)	1,648

The notes that follow on [pages 92 to 108](#) form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	£'000
Balance at 31 March 2014	0
Changes in taxpayers' equity in 2014-15	
Total comprehensive expenditure	(5,293)
WCF finance	5,974
	<hr/> 681
Payable to WCF	(698)
Balance at 31 March 2015	(17)
Changes in taxpayers' equity in 2015-16	
Total comprehensive expenditure	(5,807)
WCF finance	6,146
	<hr/> 322
Payable to WCF ¹	(143)
Balance at 31 March 2016	179

¹ As reported in the Summary of Resource Out-turn for 2015-16 (page 80).

The notes that follow on [pages 92 to 108](#) form part of these financial statements.

Notes to Financial Statements

These financial statements have been prepared in accordance with the 2015-16 FReM, issued by the relevant authorities. The financial statements have been prepared on a going concern basis as set out in Note 17: Events after the reporting period.

The accounting policies contained in the FReM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Wales Audit Office for the purpose of giving a true and fair view has been selected. Significant policies adopted by the Wales Audit Office are described alongside the note to which they refer. They have been applied consistently in dealing with items considered material in relation to the accounts.

The potential impact of IFRS 16 (Leases) issued in January 2016 but not effective until 1 January 2019 is discussed in Note 12.

There are no other new accounting standards issued, but not yet effective, that would have had a material effect on these financial statements had they been applied in this reporting period.

Critical accounting estimates and areas of judgement

- Revenue recognition is based on time charged to projects adjusted where applicable to reflect stage completion of work done.
- Provisions have been made where, in the opinion of the accounting officer, it is more likely than not that a financial liability exists which cannot be accurately estimated at present.

Note 1 (a): Wales Audit Office operating segments

2015-16

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(11,585)	(3,607)	-	(15,192)
Grant	-	(951)	-	(951)
Other income	-	-	(10)	(10)
Total	(11,585)	(4,558)	(10)	(16,153)
Expenditure	11,924	4,221	5,817	21,962
	339	(337)	5,807	5,809

2014-15

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(12,268)	(3,840)	-	(16,108)
Grant	-	(947)	-	(947)
Other income	-	-	(57)	(57)
Total	(12,268)	(4,787)	(57)	(17,112)
Expenditure	12,582	4,480	5,350	22,412
	314	(307)	5,293	5,300

The Wales Audit Office reports income and expenditure on its two main audit functions for which fees are charged and also for activities which are funded directly from the Welsh Consolidated Fund (WCF).

Reconciliation to Statement of Comprehensive Net Expenditure

	2015-16	2014-15
	£'000	£'000
Net expenditure per above analysis	5,809	5,300
Interest receivable	(2)	(7)
Per Statement of Comprehensive Net Expenditure	5,807	5,293

Note 1 (b): Analysis of audit fee income

	2015-16			2014-15		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	5,841	2,217	8,058	6,146	2,556	8,702
Local Government Grant Certification	1,560	-	1,560	2,079	-	2,079
NHS	2,090	1,389	3,479	2,107	1,273	3,380
Central Government Audit	2,094	1	2,095	1,936	11	1,947
	11,585	3,607	15,192	12,268	3,840	16,108

Fees charged for audit work are set in accordance with a Fee Scheme agreed by the Finance Committee of the National Assembly.

Note 2: Other operating income

	2015-16	2014-15
	£'000	£'000
Sundry income ¹	10	57
	<hr/> 10	<hr/> 57

¹ Sundry income includes charges for training provided, personal use of mobile phones and recharges for refreshments.

Gross fee income and other operating income are recognised on the value of chargeable work exclusive of VAT. This value is assessed by reference to time charges and stage of completion of projects.

Operating income, whether derived from direct government grant or fees generated from audited bodies, is credited to the year of account in which the work is done. Income received in advance of the work being done is classed as deferred income (see Note 10). Work done in advance of income received is classed as work in progress (see Note 6). Funding drawn from the WCF is not direct government grant and is credited directly to taxpayers' equity.

Note 3: Other operating costs

	2015-16	2014-15
	£'000	£'000
Accommodation		
Rent lease costs	482	459
Other costs	407	373
Supplies and services	1,598	1,931
Recruitment and transfers	61	62
Depreciation and amortisation	193	177
Professional fees		
Internal audit services	49	30
External audit fees	40	37
Other professional fees	78	78
Travel and subsistence	476	492
Learning and development	225	203
Write off of debts	–	8
	<hr/> 3,609	<hr/> 3,850

Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
2015-16	£'000	£'000	£'000	£'000
Cost				
At 31 March 2015	1,377	272	138	1,787
Additions	-	35 ¹	-	35
Disposals	(81) ²	(1)	(6)	(88)
At 31 March 2016	1,296	306	132	1,734
Depreciation				
At 31 March 2015	907	152	105	1,164
Provided in period	79	35	9	123
Disposals	(79)	(1)	(6)	(86)
At 31 March 2016	907	186	108	1,201
Net book value				
At 31 March 2016	389	120	24	533
At 31 March 2015	470	120	33	623
Asset financing				
Owned	389	120	24	533

¹ Laptop replacement programme.

² Disposal of obsolete furniture and equipment during 2015-16.

	Furniture and fittings	Information technology	Office equipment	Total
2014-15	£'000	£'000	£'000	£'000
Cost				
At 31 March 2014	1,377	223	115	1,715
Additions	-	49	23	72
Disposals	-	-	-	-
At 31 March 2015	1,377	272	138	1,787
Depreciation				
At 31 March 2014	826	137	86	1,049
Provided in period	81	15	19	115
Disposals	-	-	-	-
At 31 March 2015	907	152	105	1,164
Net book value				
At 31 March 2015	470	120	33	623
At 31 March 2014	551	86	29	666
Asset financing				
Owned	470	120	33	623

Fixed assets are held at depreciated replacement cost as an approximation to fair value.

Under the Wales Audit Office's capitalisation policy, individual and grouped computer equipment and software in excess of £5,000, other equipment in excess of £1,000 and office refurbishments are capitalised. Depreciation is calculated from the date the asset commences its useful life.

Depreciation is provided on all property, plant and equipment assets calculated to write off the cost, less estimated residual value, of each asset in equal annual instalments over its expected useful life as follows:

Furniture and fittings (including IT infrastructure)	10 years (or shorter of asset life or length of lease for fittings in leased buildings)
Computer equipment	Three years
Office equipment	Five years

In the opinion of the Auditor General, there is no material difference between the net book value of assets at current values and at their depreciated replacement cost.

Note 5: Intangible assets

Intangible assets, which are software licences, are stated at amortised historic cost. The assets are amortised on a straight-line basis over the shorter of the term of licence or useful economic life (five years). Amortisation is calculated from the date the intangible asset commences its useful life.

	Total
2015-16	£'000
Cost	
At 31 March 2015	829
Additions	4
Disposals ¹	(354)
At 31 March 2016	<u>479</u>
Amortisation	
At 31 March 2015	577
Provided in period	68
Disposals	(354)
At 31 March 2016	<u>291</u>
Net book value	
At 31 March 2016	<u>188</u>
At 31 March 2015	<u>252</u>
Asset financing	
Owned	<u>188</u>

¹ Discontinued use of time recording and audit management software following implementation of Insight.

2014-15	Total £'000
Cost	
At 31 March 2014	719
Additions	217
Disposals	(107)
At 31 March 2015	<u>829</u>
Amortisation	
At 31 March 2014	622
Provided in period	62
Disposals	(107)
At 31 March 2015	<u>577</u>
Net book value	
At 31 March 2015	<u>252</u>
At 31 March 2014	<u>97</u>
Asset financing	
Owned	<u>252</u>

In the opinion of the Auditor General, there is no material difference between the net book value of assets at current values and at their historical cost.

No material inventories are held.

Note 6: Trade receivables and work in progress

Receivables and work in progress are valued at estimated realisable value. Work in progress relates to amounts due on completed work where the fee is yet to be issued or where work done falls into different account periods. This is stated at full cost less provision for foreseeable losses and amounts billed on account. A provision for impairment of trade receivables would be established when there is evidence that the Wales Audit Office will not be able to recover all amounts due in accordance with contracts.

	31 March 2016	31 March 2015
	£'000	£'000
Trade receivables		
Central government	41	102
Local government	257	616
NHS	52	242
External to government	26	18
Work in progress		
Central government	553	455
Local government	703	587
NHS	1	6
External to government	-	140
	<hr/> 1,633	<hr/> 2,166

There are no amounts falling due after one year included in the above figures.

A provision for bad and doubtful debts has not been required in 2015-16 (2014-15: not required).

Note 7: Other receivables

	31 March 2016	31 March 2015
	£'000	£'000
Prepayments and accrued income ¹	548	565
Loans to employees ²	1	1
	<hr/> 549	<hr/> 566

1 Mainly advance payments for rent and other property-related costs.

2 Cycle to work scheme.

There are no amounts falling due after one year included in the above figures.

Note 8: Cash and cash equivalents

Cash and cash equivalents include all funds held in accounts to which the Wales Audit Office has instant access. The Current account includes an overnight interest-bearing facility.

During 2015-16, the Wales Audit Office began the process of transferring all funds to the Government Banking Service in line with the recommendations in Managing Welsh Public Money. The Global Treasury Fund and Euro account were subsequently closed as a result.

	31 March 2016	31 March 2015
	£'000	£'000
Balance at 1 April	2,841	4,489
Net change in cash and cash equivalents	109	(1,648)
Balance at 31 March	<u>2,950</u>	<u>2,841</u>

	31 March 2016	31 March 2015
	£'000	£'000
Current account (Government Banking Service)	1,748	2,128
Current account (Commercial Accounts ¹)	1,202	-
Euro account	-	1
Global Treasury Fund	-	712
	<u>2,950</u>	<u>2,841</u>

¹ Other than a £10,000 balance maintained in a current account, this balance is held in an overnight interest bearing account.

Note 9: Trade payables and other current liabilities

	31 March 2016	31 March 2015
	£'000	£'000
Trade payables ¹	410	585
VAT	61	80
Taxation and social security costs	340	327
Accrual for holiday entitlement not yet taken	519	481
Redistribution of reserves to local government bodies ²	–	2
Other accruals ³	895	582
	<hr/> 2,225	<hr/> 2,057

1 All trade payables (amounts owed to other bodies) are falling due within one year.

2 Accumulated reserves to 31 March 2014 were distributed to local government bodies in accordance with the commitment made in the annual Estimate for 2014-15.

3 The bulk of the other accruals (£623,000) relates to trade payable invoices received post year-end. £260,000 is in respect of pension contributions for March 2016, paid in April 2016.

The Wales Audit Office aims to pay 95 per cent of all undisputed supplier invoices within 30 days of receipt and 84 per cent within 10 days. In 2015-16, 99.3 per cent were paid within 30 days and 84.6 per cent within 10 days.

Note 10: Deferred income

In accordance with accounting standards, we are required to assess the percentage completion of projects (by reference to time charges and an assessment of work in progress) and recognise that proportion of expected fee income as revenue in the period. Deferred income represents income that has been billed but not yet recognised.

	31 March 2016	31 March 2015
	£'000	£'000
Deferred income	2,220	2,404
	<hr/> 2,220	<hr/> 2,404

Note 11: Provisions for liabilities and charges

Provisions are recognised when an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

	Dilapidations¹	Early retirement and severance²	HMRC	Other	Totals
	£'000	£'000	£'000	£'000	£'000
At 31 March 2015	584	606	66	50	1,306
Provided in year	41	-	21	128	190
Provisions utilised in year	-	(385)	-	-	(385)
Provisions released in year	-	-	(25)	-	(25)
At 31 March 2016	625	221	62	178	1,086

1 The Wales Audit Office uses HM Treasury's discount rate net of CPI at November 2015 for balances of 0-5 years of -1.5 per cent and for 5 to 10 years of -1.05 per cent to calculate this balance.

2 The Wales Audit Office uses HM Treasury's discount rate net of CPI at November 2015 of 1.37 per cent to calculate this balance.

Analysis of expected timing:

	Dilapidations	Early retirement and severance	HMRC	Other	Totals
	£'000	£'000	£'000	£'000	£'000
Not later than one year	70	47	62	171	350
Later than one year and not later than five years	-	174	-	7	181
Later than five years	555	-	-	-	555
	625	221	62	178	1,086

The dilapidations provision represents an estimate of the costs the Wales Audit Office may incur in making good its leased properties at the end of the leases.

This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of the leased assets. Dilapidation liabilities relating to the cost of restoring alterations made to leased buildings are accounted for by means of a provision set aside in the year the cost was identified, based on estimates provided by independent surveyors. Such provisions are capitalised and depreciated over the shorter of the asset life or the length of the lease.

The early retirement and severance provisions represent the future liability of the Wales Audit Office in respect of members of staff who have left under redundancy, early retirement and severance schemes. This liability comes to an end in June 2019.

The HMRC provision at the start of the year related to:

- potential underpayment of PAYE tax and national insurance contributions to a contractor who provided services to the Wales Audit Office during the period 1 April 2009 to 31 March 2013;
- potential underpayment of PAYE tax and national insurance contributions in respect of expenses paid to some Wales Audit Office staff prior to 2011; and
- potential underpayment of PAYE tax and national insurance contributions in respect of the Employee Death in Service benefit.

The Wales Audit Office has now reached agreement with HMRC in respect of the first two points above. This agreement determined that, after taking into account a payment of £90,000 paid on account in 2012, no liability was outstanding and a balance of £42,518 was owed to the Wales Audit Office.

Agreement has yet to be reached regarding any potential liability in respect of the Employee Death in Service benefit and hence this provision has been retained and increased to reflect potential liability accruing in the year.

The car scheme provision reflects a commitment to compensate staff who have agreed to a buy-out of terms and conditions relating to the provision of leased cars and transport allowance.

Note 12: Operating leases

The Wales Audit Office holds operating leases for cars and its operational offices. Operating lease rentals are charged on a straight-line basis over the lease term. Lease incentives received are recognised in the Statement of Comprehensive Net Expenditure as an integral part of the total lease expense. Where the Wales Audit Office enjoys the benefit of rent-free periods in leases, that benefit is credited evenly over the period from the inception of the lease until the first rent review.

There were aggregate minimum lease payments at 31 March 2016 in respect of non-cancellable car leases:

	31 March 2016	31 March 2015
	£'000	£'000
Within one year	21	189
Within one to five years	204	226
	<hr/> 225	<hr/> 415

There were aggregate minimum lease payments at 31 March 2016 in respect of four office accommodation leases¹⁸:

	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	Number of properties	£'000	Number of properties
Within one year	452	4	440	3
Within one to five years	1,634	2	1,563	2
Over five years	792	2	1,042	1
	<hr/> 2,878		<hr/> 3,045	

Office accommodation leases are subject to periodic rent reviews.

IFRS16 issued in January 2016 but not effective until 1 January 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in financial statements. It is not yet known if this standard will be adopted within the FrEM; if it had been adopted for 2016-17 there would have been an increase to both assets and liabilities of £3.073 million.

¹⁸ The Wales Audit Office has three operational offices at Cardiff, Swansea and Ewloe. A new lease was signed in March 2016 for an office at Abergele which will replace the Ewloe base in June 2016.

Note 13: Capital commitments

There were capital commitments of £10,000 for items ordered but not yet received at 31 March 2016 (31 March 2015: none).

Note 14: Losses and special payments

There were no special payments or disclosable losses in 2015-16 (2014-15: none).

Note 15: Derivatives and financial instruments

IFRS 7 Financial Instruments Disclosures requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Owing to the nature of the Wales Audit Office's activities and the way in which the operations are financed, the office is not exposed to a significant level of financial risk. Although the Wales Audit Office can borrow funds for short term financing purposes, the office has not been required to do so in this financial year. The Wales Audit Office can also invest surplus funds, which has been done through an overnight interest-bearing account during the year. These activities do not give rise to any significant financial risk.

Liquidity risk

Given the nature of our business, our tolerance of risk in areas of financial management is low.

In light of this risk appetite, and the backing of the WCF, the Wales Audit Office is not exposed to significant liquidity risks.

Interest rate risk

The Wales Audit Office's financial assets and liabilities are not exposed to interest rate risk.

Foreign currency risk

The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases of foreign currency are made in connection with foreign travel and other associated costs such as hotels. Also, any fees generated from foreign work or secondments are converted when received. Any exchange differences are recorded in the Statement of Comprehensive Net Expenditure for the year in arriving at the operating surplus.

Credit risk

The Wales Audit Office's clients are mainly the Welsh Government, its sponsored and related public bodies, NHS Wales and local government bodies in Wales. The Wales Audit Office charges fees under legislation in accordance with an approved Fee Scheme and is therefore not exposed to any material credit risks.

Fair values

There is no difference between the book values and fair values of the Wales Audit Office's financial assets and liabilities as at 31 March 2016 (31 March 2015: nil).

Note 16: Related party transactions

The Wales Audit Office is a body corporate established under statute and has had material transactions with the Welsh Consolidated Fund and with bodies audited by the Auditor General as disclosed in the Remuneration Report.

During the year, no members of the non-executive committees, nor key members of staff nor their related parties had undertaken any material transactions with either the Auditor General or the Wales Audit Office. Information about key management personnel is included in the Remuneration Report.

Note 17: Events after the reporting period

The Wales Audit Office works to annual funding arrangements by statute. Although voted funding has only been approved for nine months after the date of signing these statements, an Estimate for the 2017-18 financial year will be presented to the Finance Committee of the National Assembly in the autumn of 2016-17 and there is no reason to believe that funding will not be approved for that financial year.

Glossary of Terms

Accruals basis	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
Amortisation	The apportionment of the cost of an intangible fixed asset over its useful life
Assets	Something that the organisation owns or uses eg, equipment or software rights.
Capital expenditure	Spending on non-current (fixed) assets
Current assets	An asset that is expected to be converted to cash within the next twelve months
Current liability	A liability that is expected to be settled within the next 12 months
Deferred income	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure
Depreciation	The apportionment of the cost of a tangible fixed asset over its useful life
Estimate	For the Wales Audit Office the annual Estimate of Income and Expenses approved in plenary by the Budget Motion. The National Assembly Finance Committee provides a report to support this. Also referred to as the approved budget.
Fixed assets	An asset that is held by an organisation for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the reporting entity's activities. Examples are equipment, vehicles, land and buildings.
Going concern basis	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
Intangible fixed asset	An asset, such as a right, that cannot be touched
Leasing	Acquiring the use of an asset through a rental agreement
Prepayments	An amount paid for in advance such as insurance premiums or rent in advance. Initially recognised as an asset, then transferred to expense in the period when the benefit is enjoyed.

Provision	Liability of uncertain timing or amount
Taxpayers' equity	The net assets of the organisation
Trade payables	Amounts due for payment to suppliers of goods and services
Trade receivables	Amounts due from clients
Tangible fixed asset	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an Intangible fixed asset.
Welsh Consolidated Fund	The fund used by the National Assembly to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, National Assembly Commission and Public Service Ombudsman for Wales.
Work in progress	Work done and recognised as income in the accounts which has yet to be invoiced to clients.

Appendices

Appendix 1: Programmes of work delivered in 2015-16

The Auditor General's programme of audit work delivered at local government bodies

Audits of accounts

22 unitary authorities
3 fire and rescue authorities
3 national park authorities
4 police and crime commissioners
4 chief constables
8 pension funds
A number of other smaller local government bodies including joint committees and harbour authorities
Audits of over 740 town and community councils on a limited assurance basis

Certification of grant claims and returns

Up to 25 schemes worth approaching £3 billion and involving around 450 individual claims

Improvement audits and assessments

22 unitary authorities (including six more detailed corporate assessments)
3 fire and rescue authorities
3 national park authorities

Studies and summary reports completed or substantially completed

Financial resilience of councils in Wales
Safeguarding – governance arrangements
Financial management and governance in community and town councils 2013-14
Addressing health and social care demand – supporting the independence of older people
Delivering with less – leisure services
Local government accounts 2014-15
Financial management and governance in local councils 2014-15

Ongoing studies

Financial position and resilience
Council funding of third sector services
The strategic approach of councils to income generation and charging for services
The effectiveness of local community safety partnerships

The Auditor General's programme of audit work delivered at NHS bodies

Audits of accounts

7 local health boards
3 NHS trusts
Local health board summarised accounts
NHS trusts summarised accounts
NHS charitable funds

Local performance audit work

7 local health boards
3 NHS trusts

Structured assessments

7 local health boards
3 NHS trusts

Studies completed or substantially completed

Orthopaedic services
Medicines management in the acute sector
Outpatient services: follow-up appointments
IT infrastructure and capacity
Hospital catering and patient nutrition (follow-up study)
Governance arrangements at Betsi Cadwaladr University Health Board (follow-up study with Healthcare Inspectorate Wales)

Ongoing studies

Radiology services
NHS Consultant Contract (follow-up study)

The Auditor General's programme of audit work delivered at central government bodies

Welsh Government accounts

Welsh Government Consolidated Accounts
Non-domestic Rating Account
Welsh Consolidated Fund receipts and payment account
Whole of Government Accounts
Approval of payments out of the Welsh Consolidated Fund

Accounts of Welsh Government sponsored bodies

Arts Council of Wales
Arts Council of Wales Lottery Fund
Care Council for Wales
Higher Education Funding Council for Wales
National Library of Wales
National Museums and Galleries of Wales
Natural Resources Wales
Sports Council for Wales Main and Trust Accounts
Sports Council for Wales Lottery Fund
Local Democracy and Boundary Commission for Wales
Qualifications Wales

National Assembly for Wales accounts

National Assembly for Wales Commission
Assembly Members Pension Fund

Accounts of commissioners, inspectors and regulators

Children's Commissioner for Wales
Older People's Commissioner for Wales
Public Services Ombudsman for Wales
Welsh Language Commissioner
Estyn
General Teaching Council for Wales

Certification of grant claims and returns

European structural fund claims from the Welsh Government and its sponsored bodies worth around £300 million

Welsh Government companies

Hybu Cig Cymru
Careers Choice
Life Sciences Hub
Sector Development Wales

The Auditor General's programme of audit work undertaken for consideration by the Public Accounts Committee

Value for money studies, summary reports or reactive examinations completed

Welsh Government investment in next generation broadband infrastructure
Regional education consortia
Orthopaedic services
Primary Care Prescribing – summary of local audit findings – memorandum for the Public Accounts Committee
Governance in the NHS in Wales – memorandum for the Public Accounts Committee
Regeneration Investment Fund for Wales
Picture of public services
Welsh Government acquisition of Cardiff Airport
NHS waiting lists and private practice
Development of Natural Resources Wales
Wales Life Sciences Investment Fund
Operating theatres

Summary reports in progress

Hospital catering and patient nutrition – follow-up
National Fraud Initiative
Medicines management

Ongoing value for money examinations

Flood and erosion risk management
Rail services
Public procurement and the National Procurement Service
Welsh Government oversight of further education institutions' finances and delivery
NHS Wales Informatics Service
Supporting People programme
Waste management
School places and capital investment in schools
Access to public services with the support of specialist interpretation and translation

Ongoing reactive examinations

Governance review of the National Library of Wales
Governance and oversight of arms-length bodies

Our programme of good practice work

Shared learning seminars delivered

Trustees
Continued independence of older people
Service user experience
Transferring knowledge to create continuity
Staff trust
Making a reality of integration
The future of parks and their positive impact on well-being
Faster closure of local government accounts
Whistleblowing
Sharing personal data to better serve citizens and communities
Managing and improving business operations
Well-being of Future Generations Act

Good practice guides delivered

Continued independence of older people

Shared learning webinars delivered

Staff involvement and engagement
Fighting procurement fraud

External facilitation of shared learning and community support

Academi Wales summer school
NHS Wales Finance Directors Network
Good Practice Wales
Sustainable Futures Commissioner
Public Health Wales
Welsh Local Government Association
All Wales Continuous Improvement Community
Assets Cymru

The Auditor General's programme of joint working activity

Joined up delivery

National Fraud Initiative with other UK audit agencies

Working with Estyn to undertake value for money studies of regional education consortia

Working with Care and Social Services Inspectorate Wales and the Older People's Commissioner on a study on the independence of older people

Annual certification of the accounts of the European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD)

Follow-up joint review with Healthcare Inspectorate Wales of governance arrangements at Betsi Cadwaladr University Health Board

Membership of external working groups

EURORAI

International Integrated Reporting Council's Public Sector Integrated Reporting Network

Public Audit Forum

Financial Reporting Advisory Board

CIPFA/LASAAC Local Authority Code Board

ICAEW Public Sector Audit Committee

CIPFA Audit and Accounting Standards Panel

Inspection Wales initiative

DWP Housing Benefit and Welfare Reform UK Inspectorates liaison group

Youth Justice Board/HMIP 'Keeping in Touch' liaison panel

Commissioned audit work

Audit of EU grant claims for the University of Glamorgan

Chief Auditor to and audit of the accounts of the Government of Anguilla

Waste management and trade refuse benchmarking groups

Participation with observer status on external working groups

Partnership Council for Wales

Reforming Local Government Programme Board

Well-being of Future Generations (Wales) Bill advisory and reference group

Welsh Government Treasury Implementation Board

Finance Minister's Welsh Tax Forum

CSSIW Local Authority Inspection Framework Board

Local Government Data Unit Board

Fire and Rescue Service National Framework Project Board

Public Appointments Working Group

Appendix 2: Progress made during the year towards achieving our three-year priorities

Commentary on the progress made towards achieving our priorities for local government audit work

Three-year priorities	When	Progress	Commentary
Further enhance our local assessments of financial health and quality of financial planning and continue to provide an annual all-Wales overview	2015 and each year thereafter	On track	Local assessments of local government financial health have been undertaken at all Unitary Authorities, and an all-Wales overview report is due to be published in June 2016.
Better integrate the planning and reporting of our local audit of accounts and performance audit work, particularly in relation to examining the effectiveness of governance arrangements, and further align our work with that of other external review bodies	2015-2016	Complete	Work was undertaken in 2015-16 to better integrate the planning of our local audit work programmes. Further work will be undertaken following consideration of stakeholder responses to the Auditor General's consultation on his approach to audit work to be carried out under the Well-being of Future Generations (Wales) Act 2015.
Prepare for the introduction of faster closure of local government accounts, and for the impact of changes to the grant funding regime in Wales, whether arising from new terms and conditions set by the Welsh Government or the introduction of Universal Credit by the Department for Work and Pensions	2015-2016	On track	We have commenced work on preparing for faster closure in local government. The Welsh Government has issued a consultation document setting out the proposed timetable for earlier closure. We have already taken account of a reducing level of grant certification in our financial and workforce planning for 2016-17 and beyond. We will shortly commence our preparations for Universal Credit, which will not be fully introduced into Wales until 2020.
Modify our framework for the audit of town and community councils to provide more informative reporting on the effectiveness of governance arrangements	2016	On track	Our framework for the audit of town and community councils has now been modified, and new work in this area commenced at the beginning of the 2016 calendar year. Our first audit reports under the new arrangements will be produced in autumn 2016.
Examine local government bodies' preparedness and planning for reform and mergers	2016-2018	Yet to commence	Our work in this area will commence after the local government reform legislation has been confirmed. The theme of fitness for transformation and change has been included in our 2016-17 local government audit work programmes.

Commentary on the progress made towards achieving our priorities for NHS audit work

Three-year priorities	When	Progress	Commentary
Establish an NHS Expert Panel, including academics and health professional bodies, to advise on all aspects of our health audit programme	2015	Complete	An Expert Panel has now been established and met in late 2015 to advise us on our 2016 and longer term programme of local and national performance audit work in the health sector.
Further enhance the content and impact of our reports for NHS bodies on the effectiveness of governance arrangements to better support both corporate and service improvement	2015	Complete	An updated Memorandum on Governance in the NHS in Wales was prepared for the Public Accounts Committee for its meeting in April 2015, to support the Committee's inquiries. The effectiveness of governance arrangements is now routinely monitored as part of our annual structured assessment work at all 10 NHS bodies, with local tailoring to focus on progress made against previously identified areas of improvement.
Participate fully in applying the new protocol for identifying and responding to serious issues affecting service delivery, quality and safety of care and organisational effectiveness across NHS Wales	2015 and each year thereafter	On track	Continued engagement in the tri-lateral NHS Wales protocol arrangements with both the Welsh Government and Healthcare Inspectorate Wales. Scheduled and 'ad hoc' discussion mechanisms have been operating successfully in practice, and all three parties jointly reviewed the effectiveness of the protocol in late 2015.
Draw on local audit work to present a national picture of relative financial and service performance by NHS bodies	2015 and each year thereafter	Complete	For 2015-16 a Picture of Public Services report, published in December 2015 replaced the annual NHS finances report. Structured assessment work at local NHS bodies will be undertaken during 2016 to support our national reporting.
Publish an audit review of the initial operation of three-year NHS integrated delivery plans	2017	On track	Detailed planning and scoping for this project commenced in April 2016, and the review will build on work undertaken in 2015-16 as part of our programme of NHS audit work.

Commentary on the progress made towards achieving our priorities for central government audit work

Three-year priorities	When	Progress	Commentary
Publish an annual overview report on the results of audit work undertaken within the central government sector	2015 and each year thereafter	On track	For 2015, our Picture of Public Services report included central government sector coverage.
Explore with the Welsh Government the potential for undertaking a cyclical programme of governance and performance audit reviews across each of the Welsh Government departments and sponsored bodies	2015-2016	Yet to commence	Work on this priority will commence after the Assembly elections in May 2016.
Provide the National Assembly's Finance Committee and Public Accounts Committee with an audit commentary on preparedness for the introduction of fiscal powers and on progress made throughout the planning and implementation stages	2015-2018	On track	The 'go live' date for fiscal devolution to Wales has now been confirmed as 1 April 2018. Based on the Scottish experience, we anticipate producing an initial Auditor General commentary in November 2016, with a further update report in September 2017. In the meantime, we will continue to liaise closely with the National Assembly's Finance Committee to support their ongoing scrutiny.
Evaluate and prepare for the accounting and audit implications of the implementation of Welsh fiscal powers, together with the UK Government's impending response to the 'Silk 2' report	2015-2018	On track	We have commenced discussions with both the National Audit Office and Audit Scotland on the accounting and audit implications of fiscal devolution for Wales and are receiving excellent co-operation. We also have an observer on both the Welsh Government's Programme Board and its Tax Forum, and so we have access to real-time intelligence to help inform our assessments of the accounting and audit implications.

Commentary on the progress made towards achieving our priorities for Public Accounts Committee audit work

Three-year priorities	When	Progress	Commentary
Put in place discrete arrangements to strengthen our forensic audit capacity and ensure timely responses to issues of public concern without detracting from our statutory audit work	2015-2016	Complete	The new investigative studies team is fully staffed and engaged in delivering forensic audit work. We have engaged closely with our counterparts at the National Audit Office who have similar arrangements, to learn from their experiences.
Increase the impact of, and engagement with, our public reporting through enhancing the design of our reports and broadening our communication channels	2015-2017	On track	Our Communications Team have redesigned our reporting templates to improve accessibility for on-line readers. Following providing training for staff on 'data storytelling', we are making greater use of infographics and social media to promote the key messages in our reports. We have also increasingly been providing good practice guides or checklists to supplement and support the messages in our main audit reports.
Enhance our work that examines whole systems and the linkages between service providers, including in particular the interface between health and social care provision	2015-2018	On track	Forward planning for the next performance audit cycle of work was undertaken over the summer in 2015. Following consultation, our programmes of performance audit work for 2016 and subsequent years include a series of cross-cutting studies that examine whole systems and will require integrated working across audit teams.
Better understand the expectations and requirements of the Public Accounts Committee, through surveying members on their views of our support for their scrutiny work, and seeking feedback on individual audit reports	2016-2017	Yet to commence	Yet to commence. However, preparatory work is already underway to consider the optimum approach and timing. Following the 2016 Assembly elections, we aim to develop a constructive relationship with the new Public Accounts Committee and identify ways to further enhance support for their scrutiny work.
Raise awareness of the work of the Auditor General and Wales Audit Office amongst Assembly Committees, including through contributing to the induction of new Assembly Members after the 2016 Assembly elections	2016-2017	On track	Discussions have been held with the Assembly Commission to ensure coverage of the role and work of the Auditor General as part of the induction arrangements for new Assembly Members. We have also engaged with Inspection Wales to develop a briefing intended for new Assembly Members and their advisors on the role and work of audit, inspection and regulation.

Commentary on the progress made towards achieving our priorities for facilitating the exchange of good practice

Three-year priorities	When	Progress	Commentary
Encourage improvements in public services by capturing at least 50 pledges to action from an annual programme of 12 shared learning events, and monitor their translation into action	2015 and each year thereafter	On track	We captured pledges to action at the end of each shared learning seminar. We also piloted a new 'Random Coffee Trials' approach during 2015-16, through which we facilitated follow-up conversations between delegates on how they are implementing pledges to action. The success of this approach is currently being evaluated.
Develop programmes of good practice work on key challenges facing public services including governance, risk management, strategic financial management and planning for the long term	2015 and each year thereafter	On track	Recent seminars and the planned programme for 2016-17 address a number of key challenges facing public services, including: governance and the Well-being of Future Generations (Wales) Act; digital delivery; workforce planning; partnership working; and data sharing.
Invest in developing and supporting self-sustaining 'communities of interest' to build upon the momentum generated by our good practice and shared learning activity	2015 and each year thereafter	On track	Work is being undertaken on an ongoing basis with seminar partners to develop communities of interest to build on momentum generated at events. A review of approaches to behaviour change across public services is currently being delivered in an innovative way, using good practice methods and with a strong focus on the development of communities of practice.
Increase the proportion of audit projects that incorporate good practice and shared learning activity and outputs	2015 and each year thereafter	On track	Links between the good practice team and our audit teams continue to be strengthened, with over half of the events delivered in 2015-16 and those planned for 2016-17, being directly linked to audit projects or associated workstreams.

Commentary on the progress made towards achieving our priorities for joint working

Three-year priorities	When	Progress	Commentary
Put in place arrangements for more effective management of correspondence received from the public or other interested parties about matters relevant to the Auditor General's functions, including providing swifter and more substantive responses	2015	Complete	New guidance for the public on corresponding with the Auditor General and Wales Audit Office has been developed and published on our website. Revised internal processes to support more effective correspondence handling have been implemented. Our annual plan for 2016-17 includes a priority to improve the management information to support the new correspondence arrangements.
Further enhance our sector understanding and relationships with audited bodies to both better inform our work programme and contribute to developments and improvements across the public sector	2015 and each year thereafter	On track	The work of our Sector Leads is strengthening external engagement at a strategic level, particularly through observer participation in various groups. The newly established Engagement Director role is also helping to further enhance engagement with audited bodies.
Engage more effectively with the public, their representatives and other stakeholders to gauge the impact of our work, assess our performance and measure our success	2015 and each year thereafter	Complete	In 2015-16 we established and are now implementing a new stakeholder engagement strategy. This includes a range of activity, including holding structured interviews with senior stakeholders and attending at a range of public events, to extend our reach and assess our impact. An impact task and finish group has also been established and has been liaising with colleagues at Audit Scotland and the National Audit Office to develop our approach to maximising the impact of our work.
Encourage participation in the National Fraud Initiative (NFI) from a greater range of bodies in receipt of public funding, and expand the information used in the data matching exercise	2015-2016	On track	In 2015-16, we have expanded the information used in the NFI data matching exercise by providing participants with unlimited access to a new Application Checker tool, which is designed to help identify potentially fraudulent or erroneous applications for benefits, services or employment at the application stage. We have also written to Welsh Government sponsored bodies, housing associations and universities to make them aware of the benefits of participating in the National Fraud Initiative and that the Auditor General does not charge for this service. We also offer visits and demonstrations to those bodies.
Further enhance the efficiency and effectiveness of audit, inspection and regulation in Wales through working with other external review bodies to streamline our reviews and strengthen joint working and the sharing of intelligence and resources	2015-2018	On track	Over the past year, we have worked jointly with our Inspection Wales partners on a range of audit products, thereby sharing intelligence and resources. These include a review of regional education consortia (with Estyn), a study into the independence of older people (with CSSIW), and our ongoing governance work at Betsi Cadwaladr Health Board (with Healthcare Inspectorate Wales).

Commentary on the progress made towards achieving our priorities for our governance and leadership

Three-year priorities	When	Progress	Commentary
Strengthen our workforce strategy to meet current demand and ensure we are able to anticipate and respond to future legal, environmental, and professional developments, including through effective succession planning	2015-2016	On track	A strategic workforce planning project was commenced in 2015; the initial phase will be completed by 31 December 2016. A series of key milestones have been agreed and progress is being reported to the Management Committee and Board.
Strengthen leadership capability, including through the use of 360° performance reviews for senior staff and supporting reviews of Board effectiveness	2015-2018	On track	A revised performance appraisal scheme for Senior Leadership Team members was agreed and implemented in 2015-16, and included the use of 360° reviews. Proposals for a Senior Leadership Development Programme are currently being explored with external stakeholders including Academi Wales.
Monitor the evolution of our unique governance arrangements, with a view to sharing knowledge, learning and experience	2015-2018	On track	Commentary provided in the Governance Statement
More effectively use external benchmarking and comparison to assess our performance and measure our success and impact	2015-2018	On track	We have been working with the other UK audit agencies to further develop our use of external benchmarking as part of a broader exercise to improve the quality of our management information.

Commentary on the progress made towards achieving our priorities for our use of resources

Three-year priorities	When	Progress	Commentary
Make better use of technology and information management to rationalise and streamline our business systems and processes, through implementation of a rolling three-year ICT plan	2015-2018	On track	Over the reporting period we have implemented a new travel and expenses system, a more effective and integrated time recording and audit data management IT platform. We have also made successful use of cloud technology to support collaborative work with audit suppliers, and are exploring the use of cloud storage solutions for our finance and email systems to secure improved resilience.
Make further arrangements to establish the Wales Audit Office as a recognised training ground for pan-public sector accountants	2015-2017	On track	A bid for additional funding to support this initiative was included in our Estimate for 2016-17 and was approved by the Finance Committee. The first secondments under the new arrangements are planned to start in autumn 2016.
Keep a tight grip on costs, seek further efficiencies and keep fees as low as possible	2015-2018	On track	Commentary provided in the financial management and efficiencies section of the performance analysis
Make better use of our physical and information assets to support the delivery of our objectives	2015-2018	Complete	Staff information has been substantially rationalised in 2015-16 through the development of a new Corporate Handbook. A new asset management plan is also currently under development.
Demonstrate our corporate social responsibility through our work on: <ul style="list-style-type: none"> improving environmental stewardship; promoting a healthy lifestyle and good work-life balance amongst our staff; advancing equality of opportunity, eliminating discrimination and fostering good relations; and promoting use of the Welsh language and meeting the new Welsh language standards 	2015-2018	On track	Commentary provided in the environmental stewardship, employee well-being, equality and human rights and promoting the Welsh language sections of the performance analysis.

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