

## Finance Committee

### Financial Scrutiny of Public Audit (Wales) Bill

#### Paper to note: Financial Memorandum

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Date of paper

18 July 2012

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#### Related Information

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Welsh Government, [Public Audit \(Wales\) Bill](#), 9 July 2012

Welsh Government, [Explanatory Memorandum - Public Audit \(Wales\) Bill](#), 9 July 2012

Welsh Government, Jane Hutt, Minister for Finance, [Public Audit \(Wales\) Bill](#), Cabinet Written Statement, 9 July 2012

This briefing has been produced by the Research Service for use by Finance Committee.

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Research  
Service

Committee Reference: FIN(4) 12-12

## 1. Introduction

The Public Audit (Wales) Bill was laid before the Assembly on 9 July 2012.<sup>1</sup> The scrutiny of this Bill is the responsibility of the Public Accounts Committee.

**Additional annual costs highlighted are around £120,000 with £20,000 set up costs.**

## 2. Aims

The Bill aims to strengthen and improve the accountability and governance arrangements relating to the Auditor General for Wales (AGW) and the Wales Audit Office (WAO).

## 3. Content of Bill

**Part 1** of the Bill relates to the office of the AGW, establishes arrangements for the appointment and tenure of the office and provides safeguards to ensure the AGW's independence from the Welsh Government and the Assembly. It also makes provision to make the AGW the statutory auditor of local government bodies in Wales.

**Part 2** (sections 13 to 28) establishes the WAO as a body corporate consisting of seven members, five of which will be appointed by the Assembly, along with the AGW and a WAO employee recommended by the AGW for appointment.

In particular, the Bill provides the newly constituted WAO with the following responsibilities:

- to monitor and a power to advise the AGW;
- to employ the WAO's staff;
- to secure the provision of services; and
- hold property for the purposes of carrying out its functions and those of the AGW.

The Bill also requires both the AGW and WAO to prepare an annual income and expenditure estimate which must be laid before the Assembly and included in the Assembly's Annual Budget Motion.

The EM states that subject to the approval of the Bill by the Assembly, the Welsh Government intends that these new arrangements come into force by 1 April 2014.<sup>2</sup>

**Part 3** (sections 29 to 37) includes general and consequential provisions relating to the functions of the Assembly which allows it by standing orders to make provisions regarding the functions conferred on it in relation to the AGW and WAO by the Bill.

## 4. Financial implications of the Bill

**According to the EM, the preferred option within the Bill will give rise to transitional costs of around £20,000 and annual costs of just over £150,000.**

These costs would fall on the Wales Audit Office and National Assembly for Wales.

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<sup>1</sup> Welsh Government, *Public Audit (Wales) Bill*, 9 July 2012 [accessed 10 July 2012]

<sup>2</sup> Welsh Government, *Explanatory Memorandum – Public Audit (Wales) Bill*, 9 July 2012, paragraph 35 [accessed 10 July 2012]

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*Transitional costs*

- Advertising the posts of the WAO Chair and four board members: **£20,000** (one-off cost). This cost would fall on the Assembly;

*Average annual costs*

- WAO board running costs: **£155,000 a year**. This includes the remuneration, gratuities and other allowances of the Chair and the four WAO members; along with the costs of secretariat and technical support. The EM states that this cost would be borne by the WAO and would amount to 0.64% of the AGW's current budget, which is funded by a combination of the Welsh Consolidated Fund and fee income.
- **Enhanced oversight role of the Assembly:** The Assembly will need to place appropriate arrangements to undertake its enhanced oversight of the AGW and WAO. It is for the Assembly to decide whether this is achieved through an existing committee, a new committee or commission. Costs will be dependent on how the Assembly decide to achieve this.

These costs are in addition to the existing running costs associated with the AGW, which currently has an annual budget of £24.2 million.

## 5. Key Issues

*Impact on Wales Audit Office budget*

The running costs of the WAO are estimated to be around £155,000 per year. This is 0.64% of the current WAO budget. The EM does not state whether this is expected to be funded from existing funding, fee income or additional drawing from the Welsh Consolidated Fund. This reflects the independence of the WAO.

*Impact on the National Assembly for Wales*

There will be a one-off £20,000 cost in recruiting the chair and four board members. There will also be costs of recruitment if a board member needs to be replaced.

There is an enhanced oversight role for the Assembly. Now cost estimate is provided, as it is up to the Assembly to consider whether this function should be part of an existing committee, new committee or commission.

The Public Accounts Committee currently has responsibility for scrutinising the AGW estimate. This Bill gives the Assembly the ability to pass this responsibility to another committee.