



24 Cathedral Road / 24 Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ

Mr Llyr Gruffydd AM  
Chair of the Finance Committee  
National Assembly for Wales

Tel / Ffôn: 029 2032 0500  
Fax / Ffacs: 029 2032 0600  
Textphone / Ffôn testun: 029 2032 0660

[info@audit.wales](mailto:info@audit.wales) / [post@archwilio.cymru](mailto:post@archwilio.cymru)  
[www.audit.wales](http://www.audit.wales) / [www.archwilio.cymru](http://www.archwilio.cymru)

**Via email:**

**[SeneddFinance@Assembly.wales](mailto:SeneddFinance@Assembly.wales)**

**Reference:** IE20002/AC180/caf

**Date issued:** 20 February 2020

Dear Llyr

## Finance Committee Report on the Wales Audit Office

We are grateful for the Committee's support for our modified Estimate for next year and for the approval of our Supplementary Budget for this year. Further to your report on your annual scrutiny of the Wales Audit Office we are writing to set out our proposed responses to the Committee's recommendations on our statutory reports.

We address each of your recommendations in turn, below:

**R1. The Committee is pleased that a more inclusive approach is emerging in relation to the Board's interactions with stakeholders and would welcome an update on how the Stakeholder Strategy is improving the Board's understanding of its stakeholders.**

Work will be undertaken during 2020-21 to explore different options for refining our understanding of our stakeholders and their views on the impact of our work. We are keen to bring some independent input to our process to build on our current approach.

**R2. The Committee recommends that future Annual Reports set out the long-term benefits, including ongoing savings, of any voluntary exit scheme payments.**

The Remuneration and Staff Report, within the Annual Report and Accounts, includes a note on expected annual savings from voluntary exit schemes. We will expand on this in future reports.

**R3. The Committee recommends that the Wales Audit Office provides an update in its next Annual Report on the actions taken to address the issues**

**identified in the Final Audit Findings report as deficiencies in internal control.**

There were 3 'Deficiencies in Internal Control' reported in the Audit Findings Report.

1. The Finance Team had not been notified that an additional bill was to be raised for an audit where costs exceeded the agreed fee. As a result, this income had not been recognised in our accounts for the year. A process has been put in place to ensure that any such variances are followed up promptly to ensure that this situation does not recur. For context, this represented £75,000 of our total fee income for the year of over £14.6million.
2. The auditors reported that the theft of a laptop was at least in part contrary to the information security policy but that there was scope for the policy to be clarified. Amended policies have now been agreed by the Board.
3. Annual declarations of interest for Board and Management Committee members had been collected but had not been published on the website at the time of the audit as translation was awaited. These are now available on our website.

**R4. The Committee recommends that the Wales Audit Office's next annual report clearly sets out comparable information for its 2018-19 indicators alongside the results for its revised indicators in 2019-20, to ensure that the worst performing measures can be tracked.**

Except for the indicator included in our 2018-19 Annual Plan aimed at measuring our social media influence via the now defunct Klout Score, all other key performance indicators (KPIs) were retained in our 2019-20 Annual Plan. We will report our performance against these KPIs in our 2019-20 Annual Report and Accounts.

The Committee should note that the previous staff survey-related indicators listed on page 34 of our 2018-19 Annual Plan were again included in our 2019-20 Plan as KPIs 11 and 12 (which comprises a more comprehensive suite of thematic staff survey indicators).

The Board has challenged the executive leadership to develop more-focused KPIs for next financial year which means there will be some changes in comparability year-on-year. We will happily explain our reasoning for this to the Committee as, what matters most, is our ability to use KPIs to drive business improvement in the priority areas we identify.

**R5. The Committee recommends that, when reviewing key performance measures, the Wales Audit Office should ensure that the ability to track future performance against the previous year is protected.**

Ensuring the ability to track future performance against that for previous years is a key principle underpinning our review of performance measures. However, determining which indicators are most aligned with our new strategic ambitions

and therefore constitute our suite of KPIs is also a critical consideration. We will continue to track performance on an ongoing basis against a much broader range of operational indicators, many of which are also reported against in our Annual Report & Accounts.

**R6. The Committee recommends that the Wales Audit Office updates the Committee as its Estates Strategy develops, including the impact on the WAO's capital programme and any agreed savings targets.**

An update on the Estates Strategy will be included in the Estimate for 2021-22.

**R7. The Committee recommends that the Wales Audit Office provides further information on its work with partner audit bodies in relation the Data Analytics programme.**

Collaboration has been a major strand of our work from the start of the Data Analytics programme. We recognise that many organisations have similar ambitions to us around transforming the use of data. And we realise that as a relatively small organisation, the WAO should not expect to have all of the answers in-house.

We have therefore been reaching out to many organisations in Wales and further afield. In particular, we have been collaborating with partner audit bodies from the UK and Ireland.

We have built good relationships with these bodies' respective data teams, through six-monthly strategy/planning meetings. These have led to monthly operational meetings that are focused on specific projects, data techniques or problems we are experiencing. We are now sharing code, and actively helping one another on specific data analytics projects. We now plan to build on these positive relationships and expand this collaboration even further.

We will report on this in our Annual Report and Accounts.

**R8. The Committee recommends that future Estimates and Annual Reports set out the expected and realised costs and benefits of the Data Analytics programme.**

We have set out five specific benefits that we intend to deliver from Data Analytics. These are increased confidence in our work; improved evidence base for our work; expanded range of analytical methods/visualisations; time/cost savings; and our ideas being adopted by others.

Through our Benefits Realisation Framework, we are routinely gathering information about the impact of our data analytics projects. So far, much of this information has been qualitative narrative from users of our tools.

Wherever possible, we are also collecting data to be able to quantify the scale of our impacts. This is an area that we know we need to strengthen, and for future

Estimates and Annual Reports we will include further detail on the efficiencies we have secured, as well as the other, equally important benefits.

**R9. The Committee recommends that the Wales Audit Office provides an update on the replacement of its financial audit system, including any expected savings and efficiencies from this investment.**

The contract for the current financial audit system expires in December 2021 and cannot be renewed. We are currently evaluating three broad options:

- procurement of an 'off the shelf' system;
- building a SharePoint-based system that would align with our performance audit system; and
- development of a bespoke system with the other UK audit agencies.

We plan to complete this evaluation by summer 2020 and will provide a further update to the Committee once that evaluation is complete, in the context of our Estimate for 2021-22 and a new approach we are establishing with a Corporate Change Programme.

**R10. The Committee recommends that, prior to the Fee Scheme 2020-21 being laid before the Assembly, details are provided to the Finance Committee as to how the £240,000 increase in fee income relates directly to the cost of delivering the Auditor General's audit work.**


A letter was sent to Finance Committee in December 2019, along with a copy of the Fee Scheme, which provided the details requested. We thank the Committee for its approval of the Fee Scheme.

We trust the above provides the Committee with the assurances it is seeking but please do come back to us if you have any follow-on queries.

Yours sincerely



**ADRIAN CROMPTON**  
Auditor General for Wales



**ISOBEL EVERETT**  
Chair, Wales Audit Office