

## Agenda – Finance Committee

---

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom	For further information contact: <b>Owain Roberts</b> Committee Clerk 0300 200 6388 <a href="mailto:SeneddFinance@senedd.wales">SeneddFinance@senedd.wales</a>
Meeting date: 9 November 2022	
Meeting time: 09.30	

---

### Private pre-meeting – Informal (09.15–09.30)

- 1 **Introductions, apologies, substitutions and declarations of interest**  
(09.30)
- 2 **Paper(s) to note**  
(09.30) (Pages 1 – 8)
  - Minutes of the meeting held on 5 October 2022
  - Minutes of the meeting held on 12 October 2022
  - Minutes of the meeting held on 20 October 2022
- 2.1 **PTN 1 – Letter from the Minister for Finance and Local Government: Finance: Interministerial Standing Committee (F:ISC) – 19 October 2022**  
(Page 9)
- 2.2 **PTN 2 – Letter from the Public Services Ombudsman for Wales: Additional information following the evidence session on 12 October 2022 – 21 October 2022**  
(Page 10)
- 2.3 **PTN 3 – The Environmental Protection (Single-use Plastic Products) (Wales) Bill: Welsh Government response – 25 October 2022**  
(Pages 11 – 13)
- 2.4 **PTN 4 – Letter from the Minister for Finance and Local Government: Welsh Government Draft Budget 2023–24 Timetable – 24 October 2022**  
(Pages 14 – 16)



**2.5 PTN 5 – Letter from the Minister for Finance and Local Government:  
Timetable for the Second Supplementary Budget for 2022–23 – 3 November  
2022**

(Page 17)

**3 Financial implications of the Agriculture (Wales) Bill: Evidence  
session**

(09.30–10.30)

(Pages 18 – 31)

Lesley Griffiths MS, Minister for Rural Affairs and North Wales, and Trefnydd  
James Owen, Deputy Director, Land Management Reform Division  
Simon Bilsborough, Land Management Reform Unit

**Supporting documents:**

[Agriculture \(Wales\) Bill, as introduced](#) (PDF, 345KB)

[Explanatory Memorandum](#) (PDF, 3.4MB)

Research Service Brief

**4 Motion under Standing Order 17.42 (ix) to resolve to exclude the  
public from items 5 and 7 and the meetings on 16 November  
2022 and 1 December 2022**

(10.30)

**5 Financial implications of the Agriculture (Wales) Bill: Consideration  
of evidence**

(10.30–10.45)

**Public**

**6 Audit Wales – Scrutiny of the Estimate 2023–24 and Interim  
Report: Evidence session**

(10.45–12.00)

(Pages 32 – 148)

Adrian Crompton, Auditor General for Wales

Lindsay Foyster, Chair of the Wales Audit Office  
Kevin Thomas, Executive Director of Corporate Services  
Ann-Marie Harkin, Executive Director of Audit Services

**Supporting documents:**

FIN(6)-22-22 P1 – Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024

FIN(6)-22-22 P2 – Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024

FIN(6)-22-22 P3 – Interim Report – An assessment of progress made against our 2022–23 Annual Plan during the period 1 April to 30 September 2022

FIN(6)-22-22 P4 – Letter from Ben Robertson on behalf of PCS Union and Prospect Union branches at Audit Wales: Staff Pay – 3 November 2022  
Research Service brief

**Private**

**7 Audit Wales – Scrutiny of the Estimate 2023–24 and Interim Report: Consideration of evidence**

(12.00–12.15)

## Concise Minutes – Finance Committee

---

Meeting Venue: **Hybrid – Committee room 3, Senedd and video conference via Zoom**

Meeting date: Wednesday, 5 October 2022

Meeting time: 09.30 – 10.57

This meeting can be viewed on [Senedd TV](#) at:

<http://senedd.tv/en/13128>

## Hybrid

---

### Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS
Witnesses:	Ken Skates MS, Commissioner Manon Antoniazzi, Chief Executive and Clerk Nia Morgan, Director of Finance
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Martin Jennings (Researcher) Christian Tipples (Researcher)

### Private pre-meeting – Informal (09.15–09.30)

#### 1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.



1.2 Apologies were received from Rhianon Passmore MS.

1.3 In accordance with Standing Order 17.24A, Peter Fox MS declared an interest under item 7, namely that he is a farmer and recipient of the single farm payment.

## **2 Paper(s) to note**

2.1 The papers were noted.

2.2 The Committee agreed to write to the Counsel General and Minister for the Constitution regarding the Historic Environment (Wales) Bill.

**2.1 PTN 1 – Letter from the Minister for Finance and Local Government: Pre-budget scrutiny – 28 September 2022**

**2.2 PTN 2 – Letter from the Chair of the Legislation, Justice and Constitution Committee: The Historic Environment (Wales) Bill – 30 September 2022**

## **3 Scrutiny of the Senedd Commission Draft Budget 2023–24: Evidence session**

3.1 The Committee took evidence from Ken Skates MS, Commissioner for Budget and Governance; Manon Antoniazzi, Chief Executive and Clerk of the Senedd; and Nia Morgan, Director of Finance on the Senedd Commission's Draft Budget 2023–24.

3.2 The Senedd Commission agreed:

- to provide a note on the identified projects for 2023–24 contained within the Commission's project fund.
- to circulate a guide to Senedd Members regarding the heating and ventilation system in Tŷ Hywel offices.

- to provide a note on the top-level priorities within the Commission's strategy for reducing its energy costs and carbon footprint.
- to provide a note on the Commission's eligibility for the Welsh Government's invest-to-save initiative.
- to provide a note on the Commission's staff structure.

#### **4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.**

4.1 The motion was agreed.

#### **5 Scrutiny of the Senedd Commission Draft Budget 2023-24: Consideration of evidence**

5.1 The Committee considered the evidence received.

#### **6 Financial implications of the Environmental Protection (Single-use Plastic Products) (Wales) Bill: Draft report**

6.1 The Committee considered and agreed the report.

#### **7 Financial implications of the Agriculture (Wales) Bill**

7.1 The Committee considered the supporting documents and agreed to take evidence from the Minister for Rural Affairs and North Wales, and Trefnydd on the Financial implications of the Agriculture (Wales) Bill.

#### **8 Legislative Consent Memorandum (LCM) on the UK Infrastructure Bank Bill: Draft report**

8.1 The Committee considered and agreed the report.

#### **9 Review of the Budget Protocol**

9.1 The Committee considered the paper on the Budget Protocol.

# Concise Minutes – Finance Committee

---

Meeting Venue: **Hybrid – Committee room 4 Ty Hywel and video conference via Zoom**

This meeting can be viewed on [Senedd TV](http://senedd.tv) at: <http://senedd.tv/en/12995>

Meeting date: Wednesday, 12 October 2022

Meeting time: 09.30 – 12.00

## Hybrid

---

### Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Michelle Morris, Public Services Ombudsman for Wales Chris Vinestock, Public Services Ombudsman for Wales Katrin Shaw, Public Services Ombudsman for Wales Kevin Thomas, Audit Wales Laurie Davies, Wales Audit Office
Committee Staff:	Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher) Christian Tipples (Researcher) Craig Griffiths (Legal Adviser)



## **Private pre-meeting – Informal (09.15–09.30)**

### **1 Introductions, apologies, substitutions and declarations of interest**

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

### **2 Paper(s) to note**

2.1 The papers were noted.

2.1 **PTN 1 – Correspondence from the Scottish Parliament's Finance and Public Administration Committee: Levelling Up agenda – 5 October 2022**

### **3 Public Services Ombudsman for Wales (PSOW) – Scrutiny of Annual Report and Accounts 2021–22, and Estimate 2023–24: Evidence session**

3.1 The Committee took evidence from the Public Services Ombudsman for Wales (PSOW); and PSOW officials.

3.2 The PSOW agreed to provide a note clarifying whether a suspension of more than six months given to a local councillor would automatically trigger a by-election.

### **4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of the meeting and the meeting on 20 October 2022**

4.1 The motion was agreed.

### **5 Public Services Ombudsman for Wales – Scrutiny of Annual Report and Accounts 2021–22, and Estimate 2023–24: Consideration of evidence**

5.1 The Committee considered the evidence received.



## **6 External Audit Services to Wales Audit Office**

6.1 The Committee considered a paper from the Wales Audit Office on the procurement of external audit services to the Wales Audit Office. The Committee agreed to appoint the recommended supplier, RSM, for an initial four-year period commencing on 2 November 2022, including a right for the Wales Audit Office to extend the term annually up to a total duration of 7 years.

## **7 Financial Implications of the Social Partnership and Public Procurement (Wales) Bill**

7.1 The Committee considered the draft report and agreed it with minor changes.

# Concise Minutes – Finance Committee

---

Meeting Venue:

**Video Conference via Zoom**

Meeting date: Thursday, 20 October

2022

Meeting time: 09.30 – 10.10

## Remote

---

### Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Martin Jennings (Researcher) Owen Holzinger (Researcher) Samiwel Davies (Legal Adviser)



At its meeting on 12 October, the Committee agreed a motion under Standing Order 17.42(ix) to exclude the public from today's meeting.

**Registration (09.15–09.30)**

**1 Introductions, apologies, substitutions and declarations of interest**

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.

**2 Scrutiny of the Senedd Commission Draft Budget 2023–24:**

**Consideration of draft report**

2.1 The Committee considered the draft report and agreed it with minor changes.

**3 Consideration of the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2022**

3.1 The Committee considered the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) (Amendment) Regulations 2022 and agreed to report.

**4 Public Services Ombudsman for Wales (PSOW) – Scrutiny of Annual Report and Accounts 2021–22, and Estimate 2023–24: Consideration of revised estimate**

4.1 The Committee considered the revised estimate from the Public Services Ombudsman for Wales.

Rebecca Evans AS/MS  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Peredur Owen Griffiths MS  
Chair, Finance Committee  
Senedd Cymru

19 October 2022

Dear Peredur,

I am writing to inform you a meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 20 October.

The focus of the meeting will be on the current economic and fiscal crisis. Ahead of the Chancellor's Medium Term Fiscal Plan on 31 October, I will be seeking assurances in regard to support for vulnerable households and businesses. This includes ensuring previous commitments by the UK Government to uplift benefits in line with inflation are honoured.

I will be emphasising the impact of inflation, pay and other costs on public services and that the priority must be to ensure public services are protected. Additional support should be funded by targeting the excess profits of the energy and banking sectors.

I will also be pressing the UK Government to provide the capital stimulus required to boost economic growth, including investment in green energy and decarbonisation to improve our energy security for the future and to tackle the climate emergency.

Discussions will continue from the last meeting on improvements to strengthen processes to provide greater end of year certainty supported by appropriate budget flexibilities, with devolved governments setting out proposals for a way forward.

Given the need to focus on the current economic and fiscal crisis, the agreed action from the last meeting to discuss replacement EU funding will be postponed to the December meeting.

I will report to the Committee on the outcome of the meeting.

Yours sincerely,

**Rebecca Evans AS/MS**  
Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## Agenda Item 2.2

Our ref: MAM/CV/mm

Ask for: Michelle Morris

Date: 21 October 2022

Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru

By email only:  
SeneddFinance@senedd.wales

Dear Peredur

During your recent scrutiny of our Annual Report & Accounts and our Estimate for 2023-24, we agreed to provide further detail about the interaction of the suspension of local authority members and the provision that a member who fails to attend a meeting for six months ceases to be a member.

The relevant provision in the Local Government Act 1972, under which a member of a local authority who fails to attend a meeting of their authority throughout a period of six consecutive months ceases to be a member of the authority, does not apply to a member who has been suspended from office. This is because section 85(3A) of the 1972 Act states that '*any period during which a member of a local authority is suspended or partially suspended under... the Local Government Act 2000 shall be disregarded for the purposes of calculating the period of six months...*'.

I hope that this clarification is helpful.

I would also like to provide a brief update on the Code of Conduct case where leave to appeal has been sought. This was to have been considered this month, as mentioned during the Committee scrutiny, but the applicant has now asked the court to delay its consideration of the application. We have not yet heard when the hearing will now take place.

Yours sincerely



**Michelle Morris**  
Public Services Ombudsman

Julie James AS/MS  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change

Agenda Item 2.3



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref

Peredur Owen Griffiths, MS  
Chair of the Finance Committee  
Senedd Cymru  
Cardiff Bay  
CF99 1SN

25<sup>th</sup> October 2022

## The Environmental Protection (Single-use Plastic Products) (Wales) Bill

Dear Peredur

Thank you for the Finance Committee report which was published on 7 October 2022 in relation to the Environmental Protection (Single-use Plastic Products) (Wales) Bill ("the Bill").

Please see my response below to the set of recommendations within the report which I could not fully address during the Stage 1 General Principles Debate on 11 October 2022.

I have also written today to the Chair of the Legislation, Justice and Constitution Committee and the Chair of the Climate Change, Environment and Infrastructure Committee to set out my response to their recommendations.

### Recommendation 1

The Committee recommends that the Welsh Government reassesses the costs for businesses switching to alternative non-single use plastics as a result of the bill and that this information is included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

### Response

I accept this recommendation in principle. My officials are working with our original contractors to assess the feasibility of updating the original costs, benefits and impact model for businesses and manufacturers switching to alternative non-single-use plastics. I expect any work will take at least six months to complete, and I will share the outcomes with all committees when they are published.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Julie.James@llyw.cymru](mailto:Gohebiaeth.Julie.James@llyw.cymru)  
[Correspondence.Julie.James@gov.Wales](mailto:Correspondence.Julie.James@gov.Wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## **Recommendation 2**

The Committee recommends that the Welsh Government undertakes further work to assess the cost and disbenefits to manufacturers and other businesses in switching production away from plastic items. This information should be included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

### **Response**

I accept this recommendation in principle. The regulatory impact assessment report found that most manufacturing for the products to be banned was located outside of Wales and the UK. However, my officials are working with our original contractors to assess the feasibility of commissioning additional work to identify and engage manufacturers who may have been missed during the initial research in 2019/20 and have not come forward since. This may enable the Welsh Government to reassess the cost and disbenefits to manufacturers and other businesses in switching production away from plastic items. I expect this work will take at least six months to complete, and I will share the outcomes with all committees when they are published.

## **Recommendation 3**

The Committee recommends that the Welsh Government clarifies whether the £8.6 million identified as benefits from manufacturing relate to the UK or Wales, and, if the figure relates to the UK as a whole, calls on the Welsh Government to calculate the benefits specifically to Wales. This information should be included in an updated Regulatory Impact Assessment following Stage 2 proceedings.

### **Response**

I accept this recommendation in principle. I can confirm the £8.6 million of benefits applied to the UK. My officials are working with our contractors to assess the feasibility of commissioning additional work to establish whether the economic model can be updated to estimate the benefits from manufacturing which can be attributed to Wales. I expect this work will take at least six months to complete, and I will share the outcomes with all committees when they are published.

## **Recommendation 4**

The Committee recommends that the Welsh Government improves its level of engagement with manufacturers and affected businesses in Wales. In particular, it should focus its efforts in the first instance on providing guidance and support to encourage compliance within the sector, rather than rely on the Bill's enforcement powers.

### **Response**

I accept this recommendation. My officials will continue to work with manufacturers and will build on relationships with impacted sectors. This will support us in developing our policy to tackle plastic pollution and associated guidance to support its implementation.

We know from our successful implementation of the single-use carrier bag charge regulations that clear guidance is needed to help impacted businesses understand how they will be affected and what is needed of them. We will draw on our experiences from this. My officials have already started this important piece of work.

### **Recommendation 5**

The Committee recommends that the Welsh Government commits to providing full and robust Regulatory Impact Assessments to accompany any relevant subordinate legislation made under this Bill that bans further single-use plastic products not already covered within the scope of the legislation as drafted.

### **Response**

I accept this recommendation. I can confirm subordinate legislation associated with the Bill will be made under the draft affirmative procedure. This requires a draft of the Regulations to be laid before and approved by a resolution of the Senedd. The Regulations will be accompanied by an Explanatory Memorandum, which will include a Regulatory Impact Assessment. I also intend to introduce a government amendment at Stage 2 that will place a duty on Welsh Ministers to consult with businesses and other relevant parties prior to the introduction of new regulations to add to or amend the existing products in the Bill.

Yours sincerely



**Julie James AS/MS**

Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



# Agenda Item 2.4

Y Gweinidog Cyllid a Llywodraeth Leol  
Minister for Finance and Local Government



Llywodraeth Cymru  
Welsh Government

Peredur Owen Griffiths MS  
Chair of Finance Committee  
Senedd Cymru/ Welsh Parliament  
Cardiff Bay  
CF99 1NA  
[SeneddFinance@senedd.wales](mailto:SeneddFinance@senedd.wales)

24 October 2022

Dear Peredur,

## Welsh Government Draft Budget 2023-24 Timetable

Thank you for your letter dated 17<sup>th</sup> October requesting a review of the proposed timetable for the Welsh Government Draft Budget 2023-24 to enable further scrutiny time for the Senedd.

Once more, in the space of a few days, the circumstances in which I write to you have changed and the level of uncertainty within which we are operating has heightened. The Prime Minister's announcement that she will stand down creates renewed unpredictability over the future fiscal direction of the UK, accompanied by a lack of clarity on the future of the Chancellor and Chief Secretary to the Treasury. We do not know when this will be resolved and what implications it may have for the Welsh Government's Budget.

We do not know whether there will be any change to the date for publication of the UK Government's Medium-Term Fiscal Plan - currently scheduled for 31<sup>st</sup> October - and we are unlikely to have clarity on this in the coming days. We were hoping that publication of the OBR's independent forecasts would enable us to assess the implications for the Welsh Government's Budget and assist our Draft Budget preparations, but we are unclear as to when or if there will be an OBR publication along the original timescales. All of this is incredibly difficult to manage, as I am sure the Committee will appreciate.

In the face of this uncertainty, we must continue our preparations based on the parameters we currently have, and I remain committed to publication of the Draft Budget on 13<sup>th</sup> December. I will take a robust and considered approach to the challenges we face, working with my Ministerial colleagues to maximise the

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

[Gohebiaeth.Lesley.Griffiths@llyw.cymru](mailto:Gohebiaeth.Lesley.Griffiths@llyw.cymru)  
[Correspondence.Lesley.Griffiths@gov.wales](mailto:Correspondence.Lesley.Griffiths@gov.wales)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

investment of public money in the face of shrinking budgets. In these challenging times, unfortunately decisions will need to be made as to where funding must be stopped or postponed, as we simply do not have the money available to us to fund all we wish to do. On this basis, I wish to conduct the fullest possible assessment of impacts when preparing the Draft Budget.

I recognise how important the scrutiny of our plans is, and I want to continue to support the Finance Committee in undertaking this very important role. At the same time, I must weigh up the consequences of rushing the decision-making process in order to provide more time for scrutiny. If our Budget is cut there will be considerable ramifications for the services we deliver, the people who work in those services, and who are supported by those services; as well as impacts to society, the economy, and the environment. I also want to recognise that even if our funding is not cut, due to the economic climate our Budget will be reduced significantly in real terms, still requiring us to manage an incredibly difficult Budget process.

It is imperative therefore, that I ensure the most rigorous assessment of where funding should be prioritised. This process must account for any changes to our settlement, which remain unknown due to the uncertainty over the UK Government's plans. In order to provide a response commensurate to these circumstances, ensure it can be translated and published in an orderly fashion, this cannot be done within a shorter timeframe such as the one you have requested, without carrying significant disproportionate risks.

I committed to publishing our Draft Budget prior to Christmas to provide some certainty to delivery partners. This reflected a pattern whereby the Welsh Government has committed, exceptionally, to publish its Draft Budget within four weeks of a UK Government's late-November fiscal event. However, publishing within four weeks was never considered to be ideal and nor was it ever intended to become a precedent for years when it was not entirely necessary. It was always considered to be a 'worst case scenario' for the Budget timetable and does not reflect the difficult circumstances we now face.

Given my intention to publish the Outline and Detailed Draft Budgets together on 13<sup>th</sup> December (recognising the uncertainty associated with the UK Government) I would ask that the Finance Committee publishes its report on the Draft Budget on or before Monday 6<sup>th</sup> February, to enable the debate on the Draft Budget to take place on Tuesday 7<sup>th</sup> February. This would provide just one day fewer than the maximum set out in the protocol agreed between the Senedd Commission and the Welsh Government and will ensure that stakeholders and the public are able to engage with the Senedd and express their views. I propose this provides the most proportionate use of the time we have available and achieves a balance between the time available for Ministers to finalise their spending plans and for Senedd Committees to fully scrutinise the Draft Budget.

The Annual Budget will be published on 28<sup>th</sup> February 2023, to enable debate on Tuesday 7<sup>th</sup> March which is the latest date it can be debated and approved before the statutory deadline of 11<sup>th</sup> March.

Of course, these dates are subject to the continuing uncertainty surrounding the election of a new Prime Minister and the potential impacts of that election on our timetable for the Draft Budget 2023-24. However, I am committed to meet these dates, unless factors outside of my control prevent me from doing so.

While I appreciate these circumstances are less than ideal, I wish to wish to pass on my thanks to the Committee for their ongoing support. I would also like to put forward an opportunity for the Clerk of the Finance Committee to meet regularly with my lead officials on the Budget to ensure we maintain the open and constructive dialogue we have developed in recent times.

I am also copying this letter to the Chair of the Business Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a period at the end.

**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a Llywodraeth Leol**  
**Minister for Finance and Local Government**

**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a Llywodraeth Leol**  
**Minister for Finance and Local Government**

Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: MA/RE/3178/22

Peredur Owen Griffiths MS,  
Chair Finance Committee,  
The Senedd,  
Cardiff Bay,  
Cardiff CF99 1NA

03 November 2022

Dear Peredur,

In line with established practice, I intend to publish a Second Supplementary Budget for 2022-23. This letter is advanced notice of my intention which will allow you to plan for the appropriate scrutiny.

The main purpose of the Second Supplementary Budget will be to reflect budgetary changes since the First Supplementary Budget 2022-23, which was published by the Welsh Government in June. It will set out a number of allocations from our reserves, transfers between Welsh Government portfolios, transfers with UK Government Departments and will include revised Annually Managed Expenditure forecasts. It will also include revisions to forecasts of devolved taxes, the Block Grant Adjustment, funds drawn from the Wales Reserve, and proposed borrowing from the National Loan Fund.

I intend to table the Second Supplementary Budget for 2022-23 on 14 February. The budget will also be published on the Welsh Government internet site the same day.

Given the spring recess, I have agreed to delay moving the Second Supplementary Budget by a week until 14 March. This provides an additional week beyond the three-week period outlined in Standing Orders.

I hope you find this update helpful.

Yours sincerely,



**Rebecca Evans AS/MS**  
**Y Gweinidog Cyllid a Llywodraeth Leol**  
**Minister for Finance and Local Government**

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# Agenda Item 3

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted

## Agenda Item 6



# Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024

October 2022

Jointly prepared and laid before the Senedd under  
Section 20(1) of the Public Audit (Wales) Act 2013

**Lindsay Foyster**

Chair, Wales Audit Office

**Adrian Crompton**

Auditor General for Wales

Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the Senedd at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the Senedd may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- The Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the Senedd under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

---

Foreword	4
Budget Ambit 2023-24	6





# Foreword

---

Audit Wales exists to give the Senedd and the people of Wales confidence in a high-performing and accountable public sector.

Our Estimate for 2023-24 is the Budget Ambit contained in this document. We will provide separate supporting information on the Estimate for Finance Committee to understand how we will use the funding requested.

The Minister for Finance and Local Government set out the continuing uncertainty around future spending in her letter of 14 July 2022. We recognise this; but are also cognisant of inflationary pressures most notably on staffing costs and the need to respond to a new auditing standard – ISA315 – which we expect to have a significant impact on the cost of our audit work and consequently the fees that we will need to charge for that work. It was recently announced that audit fees in England for local government bodies could rise by as much as 150%.

For these reasons, our Estimate allows for an increase in our call on WCF for Audit Wales of just under 3% but a more significant increase in our audit of accounts fees associated with the implementation of ISA315. Taken together our total budget for the year will increase by 5.4%.

Our wide-ranging programme of value for money work is vital to robust parliamentary accountability through the Senedd Public Accounts and Public Administration, Finance and other Committees. We audit the accounts and governance of over 800 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed. From the Welsh Government itself to the smallest community council, through almost every area of public service delivery, the Auditor General can follow the public pound wherever it is spent.

We are acutely aware of our responsibility to other parts of the public sector to contain our own operating costs and the fees we charge, provided that does not risk audit quality and the assurance we can provide. Our supporting information sets out details of the savings we expect on our travel and accommodation costs which help to offset expected increases in staff costs.

For 2023-24 we have once again set challenging savings targets from both staff vacancy management and other areas of expenditure.

Our Annual Report and Accounts for 2021-22 sets out our record of achievement for the last financial year. In March this year we laid our Annual Plan for 2022-23 at the Senedd. This Estimate secures funding for our forward priorities for 2023-24 and provides indicative funding requirements to 2027-28. Our Annual Plan for 2023-24 will be laid before the Senedd before March 2023.

We look forward to discussing our Estimate with the Finance Committee in due course.



---

**Lindsay Foyster**  
Chair, Wales Audit Office



---

**Adrian Crompton**  
Auditor General for Wales

# Budget Ambit 2023-24

---

## Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2024

- 1 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the Senedd to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 2 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2024, the Budget Motion will authorise:
  - the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
  - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
  - the amount which may be paid out of the WCF to the Wales Audit Office.
- 3 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 1**.
- 4 Details of how we propose to use this funding to deliver public audit in Wales in 2023-24 are set out in our supporting information.

**Exhibit 1: summary of the estimated 2023-24 budget requirements**

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office:	
• Revenue	8,142
• Capital	310
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	16,133
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	8,922

- 5 **Exhibit 2** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2024.

**Exhibit 2: reconciliation of resource requirement to cash drawing requirement from the WCF**

	£'000
Net request for resources – revenue and capital	8,452
Non-cash adjustment – depreciation and interest charges	(360)
Lease rental payments	280
Non-cash adjustment – movements in working capital	550
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,922



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)



# Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2024

October 2022

# Contents

---

Estimate summary	3
Overview of Estimate 2023-24	3
Our response to the Statement of Principles	5
Our 5 Year Strategy	7
Revenue Budget 2023-24	9
Revenue costs and savings	9
Fee income	14
Our use of WCF 2023-24	17
How we use WCF	17
Audit work funded from WCF	20
WCF Funding for wider public sector benefit	22
Capital investment	24
IFRS16 Adjustments	26
Future Funding Requirements	28
Wellbeing of Future Generations	28
Medium Term Financial Plan	29
<b>Appendices</b>	<b>30</b>
1 Revenue Budget 2023-24	31
2 Draft Fee Scheme 2023-24	32

# Estimate summary

---

## Overview of Estimate 2023-24

- 1 With this Estimate we are requesting to increase our baseline call on Welsh Consolidated Fund (WCF) funding in 2023-24 by just under 3% cash and 3.8% resource including IFRS16 adjustments .
- 2 Our overall change in funding requirements – both for WCF and fee income for 2023-24 is set out in **Exhibit 1**.
- 3 All capital investment is funded from the WCF through this Estimate. The major capital investment planned for 2023-24 associated with the move from our Cardiff office has been brought forward to 2022-23 via a Supplementary Estimate.



**Exhibit 1: changes in our funding requirements 2022-23 to 2023-24**

	WCF (Revenue) £'000	WCF (Capital) £'000	WCF (Total) £'000	Fees £'000	Total £'000
<b>Baseline 2022-23</b>	<b>8,298</b>	<b>310</b>	<b>8,608</b>	<b>15,082</b>	<b>23,690</b>
Increased staff costs	272	-	272	430	702
ISA315 staffing	-	-	-	800	800
Savings on travel	(68)	-	(68)	(135)	(203)
Savings on accommodation	(74)	-	(74)	(148)	(222)
Cyber security and ICT	60	-	60	6	66
External training	50	-	50	13	63
Other supplies and services	43	-	43	85	128
NFI one year funding	(35)	-	(35)	-	(35)
IFRS16	80	-	80	-	80
<b>Baseline 2023-24</b>	<b>8,626</b>	<b>310</b>	<b>8,936</b>	<b>16,133</b>	<b>25,069</b>
2-year TA reduction	(354)	-	(354)	-	(354)
NFI cyclical reduction	(130)	-	(130)	-	(130)
<b>Total 2023-24</b>	<b>8,142</b>	<b>310</b>	<b>8,452</b>	<b>16,133</b>	<b>24,585</b>

## Our response to the Statement of Principles

- 4 On 14 July 2022 the Minister for Finance and Local Government wrote to the Chair of Finance Committee setting out the factors to inform future budget planning and the Government's best assessment of the level of funding available in future years.
- 5 The letter made it clear that there is little growth in cash terms in the Welsh Government's indicative plans for 2023-24 and 2024-25 and that there remains significant uncertainty over available funding in the coming years.
- 6 Like all public bodies we are facing inflationary pressures that have not been seen for many years. The letter references CPI inflation of 11% later in 2022-23 and average pay increases this year of 5.1%. The position remains volatile with more recent forecasts suggesting CPI increases of up to 14% by the end of the year.
- 7 Over 80% of our costs are in respect of our staff who are, themselves, subject to the cost-of-living crisis facing the UK economy. In 2022-23 we agreed a 3% pay award for our staff. Though significantly lower than inflation, this was more than had been allowed for in the Estimate for 2022-23 and had to be funded by making savings on other budget areas.
- 8 For 2023-24, given that inflation is currently forecast to be significant, and the level of pay increases being seen more widely, we have made provision for a further but modest pay uplift. Audit Wales competes directly with the private sector to attract and retain the professional staff that we require. We are increasingly unable to match the remuneration offered by private sector audit firms, making the loss of talent and expertise the number one risk to the organisation.
- 9 In addition, for our 2022-23 audit of accounts work, we are having to respond to a new auditing standard, ISA315<sup>1</sup> – a foundational standard which shapes our overall audit approach – which will require us to resource audits with more experienced and professionally qualified staff – leading to an expected increase in our fee scales of between 12% and 18%. Whilst this has no impact on the funding required from WCF, it does impact our staffing costs, fee income and the draft Fee Scheme which is included as part of this Estimate.

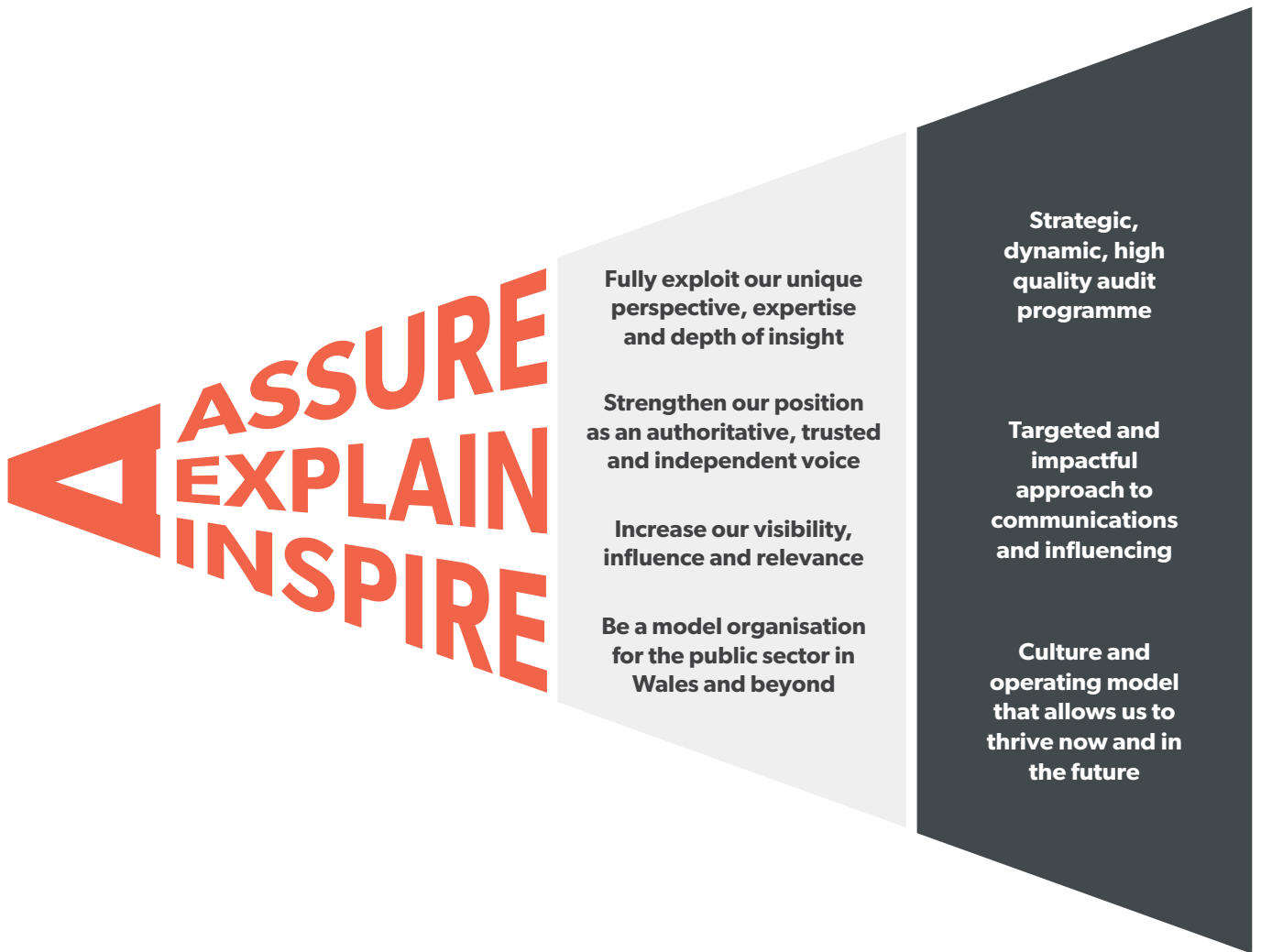
---

1 [ISA \(UK\) 315](#) Identifying and Assessing the Risks of Material Misstatements

- 10 We are responding to these cost pressures by identifying savings where possible on our non-pay budgets. In 2021, we agreed with staff that we would remove their entitlement to a fixed travel allowance as this no longer represented value for money for Audit Wales. 2023-24 is the second of two transitional years related to this agreement. Savings of £200,000 per year are forecast once transitional arrangements end in 2024.
- 11 In March 2023 we will be relocating our Cardiff office from Cathedral Road to a new office in the Capital Quarter Enterprise Zone. This significantly smaller office will deliver savings of over £220,000 per year.
- 12 Travel costs and our estate were the two non-staff budgets where savings of serious magnitude could be made. With some 84% of our costs being staff-related, it will be increasingly difficult to identify further savings without affecting the delivery of our statutory duties.
- 13 We have done all that we can to control price pressures from identifying savings on our non-pay budgets as set out above. As the unavoidable increase in costs associated with ISA315 will be recovered through fees we have been able to limit our baseline increase to WCF next year to just under 3%.

# Our 5-year strategy

---



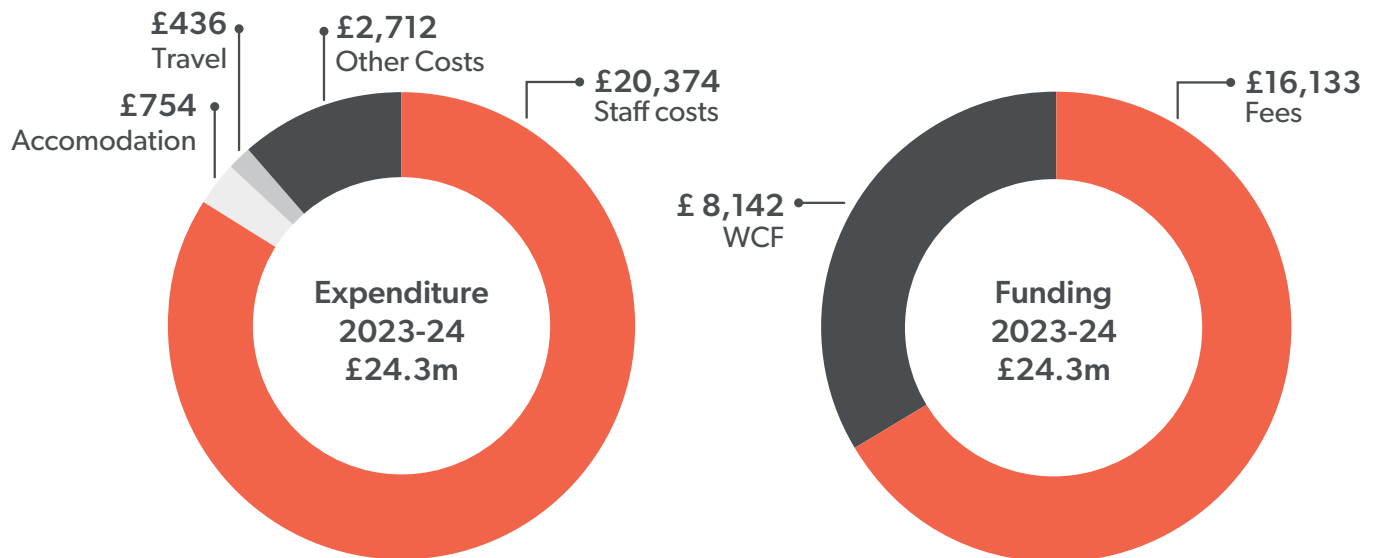
Our Focus	Our Estimate 2023-24	Our 5 Year View
<p><b>Strategic, dynamic, high quality audit programme</b></p>	<p>Completing our development and implementation of new audit platform software for both our Financial and Performance audit work to drive quality and efficiency.</p> <p>➔ Continued investment in audit quality</p> <p>Respond to a new auditing standard, ISA315, which will require us to resource a significant number of our audits with more qualified staff.</p>	<p>Loss of EU Agricultural funds audit work</p> <p>New Audit Approach</p> <p>➔ More bodies in scope for Wellbeing of Future Generations Act</p> <p>Environmental auditing</p>
<p><b>Targeted and impactful approach to communications and influencing</b></p>	<p>➔ Commence development of our external website to better meet our stakeholder requirements.</p>	
<p><b>Culture and operating model that allows us to thrive now and in the future</b></p>	<p>➔ Review our workforce strategy to identify how we meet our future workforce requirements, recognising that our salary package for qualified staff is becoming increasingly uncompetitive in a market where there is a global shortage of professionally qualified audit staff.</p> <p>Continue to invest in additional cyber security measures and ensure that our ICT provision makes the best use of available technology, taking advantage of available digital solutions in the delivery of our work.</p>	<p>➔ Ongoing identification of savings on our non-pay budgets, including realisation of forecast savings from removal of a fixed travel allowance following the end of our transitional arrangements in 2024, and following a move to a significantly smaller office.</p> <p>Further review our accommodation requirements in North and West Wales based on our emerging work patterns over the next few years targeting reductions in our total spend on travel and subsistence</p>

# Revenue budget 2023-24

## Revenue costs and savings

- 14 Our revenue budget for 2023-24 has been set in line with our 5-year strategy ambitions and is summarised at **Appendix 1**.
- 15 **Exhibit 2** summarises our planned revenue expenditure and funding for 2023-24.

### Exhibit 2: our expenditure and funding 2023-24



## Staff costs

- 16 Around 84% of our budget funds salaries and associated on-costs for our 288 FTE employees who are employed to deliver our audit work across Wales – either directly or in support of this audit delivery.
- 17 Our Estimate for 2022-23 identified additional funding for investment in audit quality in response to new and complex auditing and quality standards for our accounts audit work.
- 18 We had originally anticipated that this funding would be required for 2 years whilst we assessed future need. It is now evident that for us, and the whole audit profession worldwide, that the scale and pace of audit development, coupled with the increasing expectation of regulators, will require ongoing and sustained investment in audit quality.
- 19 At the same time, we are starting to find it more difficult to recruit and retain the quality staff that we need to deliver our audit work in an increasingly competitive environment. Similar challenges are being faced by the other public audit bodies who are also experiencing significant cost pressures passed on by audit firms employed to deliver elements of the audit work programme.
- 20 A recent news article flagged the planned investment by 2 of the large private audit firms. As an example:
  - Deloitte plan to recruit 6,000 more staff over the next five years (many outside London).
  - Deloitte plans to recruit 855 audit and assurance graduates and school leavers in 2022 (a 30% increase on the previous year).
  - Azets plans to add 900 jobs across the UK over the next 12 months, including up to 400 graduates and school leavers by September 2023 (100 more than the 300 joining next month).
  - Deloitte UK will invest more than £125m in the firm's audit product and quality improvements, as well as on learning and development for its audit and assurance teams.
- 21 These figures relate to the UK. They are not alone. Last year EY announced a global investment in audit transformation of US\$10bn between 2022 and 2024.

- 22 It would be easy to dismiss these announcements on the grounds that these firms are operating at a different scale and complexity to Audit Wales. This is true, but there are two very relevant considerations for Audit Wales:
- we are in direct competition with these firms when we are recruiting new staff. Operating in this highly competitive market against some of the world's largest and most profitable professional services firms puts us in a unique position as compared to other public organisations.
  - while our scale and complexity are different, we are grappling with the same issues as the firms, including risks to audit quality and the challenges associated with audit transformation, audit of climate risk, data, cyber, emerging technologies and analytics along with the ongoing need to invest in L&D.
- 23 Whilst we remain mindful of achieving value for the public purse, we must recognise that investment in transforming all our audit approaches will require sustained and ongoing investment.
- 24 On 3 October 2022, Public Sector Audit Appointments Ltd (PSAA) – the body that undertakes auditor procurement for 99% of local government bodies in England – announced <sup>2</sup> that it had completed the procurement exercise for audits covering the period 2023-24 to 2027-28.
- 25 This announcement included the following update on English local government audit fees:
- “ At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required. ”
- 26 While an element of this increase reflects particular difficulties in the local audit market in England, as the announcement states the increase also reflects the fact that ‘...recruitment and retention and regulatory risks are now even more pronounced’. As we have outlined these are factors that are redolent across the whole audit profession and represent fundamental cost drivers for Audit Wales.
- 27 We are under increasing pressure, both because of the current cost of living crisis and the global shortage of professionally qualified audit staff, to increase the amount that we pay our staff. In line with the steer from the Minister for Finance and Local Government we have assumed that any increases above the modest provision allowed will have to be met from savings on other budget areas. It is increasingly difficult to do so, however, without compromising staff wellbeing and delivery of or statutory duties.



- 28 We have made provision for increased staff costs of £0.8m in 2023-24 to deliver our ISA315 obligations – funded in full by increased audit fees. This is an estimate only to provide adequate headroom in the Estimate for the implementation of the new standard. Our detailed fee setting will determine the extent to which these additional resources will be required.
- 29 We are reviewing our workforce strategy to identify how we can meet our future workforce requirements. Our graduate training scheme provides us with the opportunity to recruit and train our future qualified auditors, but we recognise that the market for qualified staff is becoming increasingly competitive and we continue to review our overall benefits package to help address this.
- 30 Our staffing budget includes a provision for expected savings of 5% due to in-year natural staff turnover. Whilst we have met this level in recent years, there is a risk both in terms of staff morale, as evidenced by staff survey results, and reduced fee income if we don't have the staff available to deliver the income as planned.

## Accommodation

- 31 Audit Wales currently leases three offices in Cardiff, Penllergaer and Abergele at a total cost of just under £1m in 2022-23. As the leases are due to expire in the next few years, we have taken the opportunity to re-consider whether these offices meet our future workplace requirements.
- 32 Through the COVID pandemic most of our staff worked remotely but we have realised that, for our audit staff in particular, this was not the optimal arrangement and in recent months we have been piloting alternative hybrid working arrangements as part of the Our Future Workplaces project to assess our future accommodation needs.
- 33 As set out in [our Second Supplementary Estimate for 2022-23](#) we have made the decision to relocate our Cardiff office to smaller premises delivering savings of around £220,000 per year – reducing our budget for accommodation in 2023-24 to just under £800,000 despite increases in energy costs.
- 34 We plan to further review our workplace requirements in North and West Wales based on our emerging work patterns over the next few years. We need to better understand the extent to which our audit teams can continue to work at our offices rather than at audited bodies. Working at our offices delivers savings in terms of travel costs and travel time but this needs to be balanced with the requirement to deliver audit quality – a blend of both approaches is likely to provide the optimal solution.

## Travel and Subsistence

- 35 In 2019-20 Audit Wales spent £1.1m on travel and subsistence including £638,000 on a fixed annual Travel Allowance for our mobile staff and £445,000 on mileage and subsistence payments.
- 36 Following a value for money review by our external auditors, we made the decision to remove the fixed travel allowance from staff. Transitional arrangements, including the offer of an upfront payment or retaining entitlement to travel allowance until March 2024 were agreed with our staff. The upfront payment was partly funded from a Supplementary Estimate in 2021-22 with the agreement that this be returned to WCF over the following 2 years.
- 37 Since the COVID pandemic, we have also seen a significant reduction in travel as our staff move to new hybrid working arrangements. Audit staff are largely working from our own offices or from home rather than at audited bodies, reducing both our costs and the environmental impact of travel.
- 38 As a result of these changes, we expect our total spend on travel and subsistence in 2023-24 to reduce to £435,000 – a 60% reduction as compared to previous years.

## ICT

- 39 To facilitate our new working arrangements as well as enabling our investment in data analytics, our ICT costs have increased in recent years. For 2023-24 we are planning to spend an additional £66,000 on ICT, £60,000 of which is for additional cyber security measures for which we are requesting additional WCF funding.

## External training

- 40 Our budget for external training will increase by £63,000 in 2023-24 of which £50,000 is in respect of increased costs associated with our financial training programme.

## Depreciation

- 41 Our budget for depreciation has increased by £80,000 in 2023-24 including the impact of IFRS16 on our leased premises. This is an accounting adjustment only and will not require any additional cash in 2023-24.

## Fee income

- 42 For 2023-24 we plan for around 66% of our expenditure to be met from the fees that we charge to audited bodies. We are required by legislation to charge 'no more than the full cost' of the audit work at each audited body. We calculate this full cost based both on our budget for the year and the contribution from WCF towards our running costs.
- 43 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.
- 44 The income we receive from fees is governed by a Fee Scheme, as approved by the Senedd Finance Committee. Legislation requires us to publish a Fee Scheme at least on an annual basis.
- 45 Included within this Estimate document is our draft Fee Scheme for 2023-24 (**Appendix 2**). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2023-24 before the Senedd and then confirm estimated fees for next year to our audited bodies.

### Fee rates and fee scales

- 46 Inflationary pressures along with continued investment in audit quality have resulted in an average increase in our fee rates of 4.8%.
- 47 Additionally, for the audit of 2022-23 accounts, we have to apply a revised auditing standard (ISA315) which we anticipate will require us to use more professionally qualified staff on the vast majority of our audits.
- 48 The revised standard was issued with a view to modernising audit approaches, focusing more effectively on areas of greatest risk and reflecting the greater use of technology by auditors and audited bodies. Its release coincides with a series of corporate failings including Carillion and others as reflected in the FRC's enforcement action reports <sup>3</sup>, placing even greater emphasis on the need for its successful implementation to maintain and enhance audit quality.

---

3 [Enforcement-sanctions-imposed-against-Audit-firms-and-Audit-partners-September-2022.pdf](#)  
([frc.org.uk](http://frc.org.uk))

- 49 The most significant changes relate to the requirements for auditors to understand in greater depth how figures flow into accounts and for identifying and assessing the risks of material misstatement. In broad terms these changes require more detailed work to identify, analyse and assess risks that the accounts may be materially misstated.
- 50 In practical terms this will require us to use more highly qualified and experienced auditors on those audits to which the standard applies – increasing both our staff costs and the associated fees for the work.
- 51 The use of more senior staff mix along with the increase in fee rates has resulted in an estimated increase in our audit of accounts fee scales of 12-18%. It is unclear at present if this increase will be sustained in future years as this will likely depend on risk factors at individual audited bodies. The actual fee incurred by any individual organisation will depend on a range of factors including its risk profile and the quality of the draft accounts presented to us for audit.

### **Fee scales consultation**

- 52 In August 2022 we consulted all audited bodies and representative groups on our proposed fee scales for 2023-24 which made allowance for an estimated increase in our fee rates of 5.5%.
- 53 We received 17 responses which told us that:
- the proposed increase in our fee rates and, in particular, the increase in our audit of accounts fee scales associated with ISA315, would be challenging for those bodies whose own budgets are constrained by funding settlements and who are facing the same cost of living pressures as Audit Wales.
  - audited bodies do value the work that we do and recognise that implementation of ISA315 is unavoidable.
  - a joint response from the PCS and Prospect Trade Unions referenced the fact that the proposed increase in fee rates would not allow for a pay award in 2023-24 in line with inflation which is currently running at 10%. They requested that Audit Wales make financial provision for a pay award to match inflation.
  - the timescale for the consultation, driven by the requirement to include a draft Fee Scheme within this Estimate, was difficult for a number of bodies.
- 54 We specifically asked audited bodies and Welsh Government to comment on the proposed switch from fees to WCF for a proportion of our local

Performance Audit work. We received just 3 responses from audited bodies on this point:

- concern from one Unitary Authority that the proposed thematic reviews may be of less relevance than the local performance audit work.
- a query from one Fire and Rescue Authority as to why the switch did not apply to their work.
- a response from Welsh Government stressing the importance of them understanding the quantum of funding to be switched in time for this to be reflected in their own budget decisions but also asking for further clarification on a number of points. This clarification is being provided directly.

55 The Board has reflected on these responses and as a result have re-considered the proposed increase in fee rates which has been reduced to 4.8% for the draft fee scheme attached.

56 We will also work closely with audited bodies to mitigate the impact of the implementation of ISA315 on their audit fee. For most of the bodies who will be affected by this increase, our fee represents a very small proportion of their total expenditure. For, say, a large health board with a budget of over £1bn – a 12% increase in their audit fee equates to £25,000. For a small local government or central government body, the figure would be in the region of £5,000.

### **Fee income budget 2023-24**

57 We are anticipating an overall increase in audit fee income in 2023-24 of 7%, an increase of 4.8% in our fee rates and an average 15% increase in our audit of accounts fee income associated with the implementation of ISA315.

# Our use of WCF 2023-24

---

## How we use WCF

- 58 We use the funding provided directly from WCF for the following main purposes:
- funding audit work that is not funded by fee income – this includes our National and Local Government Studies programme.
  - contributing to the running costs of Audit Wales, including costs associated with the WAO Board, the cost of the 2019-20 pensions cost increase, the costs of learning and development for our staff and the costs of our own external auditors whose fees have increased by over 50% this year.
  - our Pan-Wales financial training programme.
  - our Good Practice Exchange.
  - free access to the National Fraud Initiative for all participating bodies.
- 59 In addition, all our capital investment is funded directly from WCF.

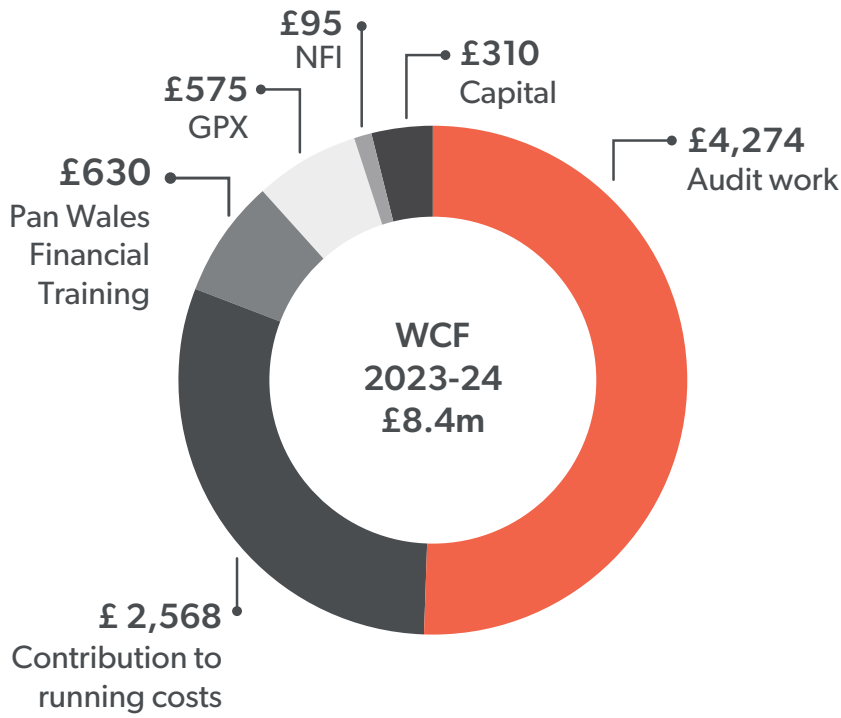
60 **Exhibit 3** details the changes in our use of WCF from 2022-23 to 2023-24.

**Exhibit 3: changes in our call on the WCF 2022-23 to 2023-24**

	Revenue £'000	Capital £'000	Total £'000
<b>Baseline WCF 2022-23</b>	<b>8,298</b>	<b>310</b>	<b>8,608</b>
Increased cost of audit work	221	-	221
Cyber security	60		60
Graduate training cost increase	50	-	50
External audit increase	20		20
IFRS16	80	-	80
Other supplies and services	(68)		(68)
NFI one year funding	(35)	-	(35)
<b>Baseline WCF 2023-24</b>	<b>8,626</b>	<b>310</b>	<b>8,936</b>
NFI cyclical funding	(130)		(130)
2-year reduction re TA	(354)	-	(354)
<b>Total WCF 2023-24</b>	<b>8,142</b>	<b>310</b>	<b>8,452</b>

61 **Exhibit 4** provides a breakdown of how we plan to use this funding to deliver our work in 2023-24.

**Exhibit 4: our use of WCF funding 2023-24**





## Audit work funded from WCF

### National and Local Government Studies

- 62 The Auditor General's programme of national value for money studies is undertaken to provide support to the scrutiny work of the Senedd. These studies are reported to the Senedd's Public Accounts and Public Administration Committee (PAPAC) and described in [our Annual Plan for 2022-23](#).
- 63 This funding is also used to help discharge the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015 for the relevant central government bodies.
- 64 The PAPAC is one of the key mechanisms for the Senedd to hold to account the organisations which it funds directly or through the Welsh Government. We therefore aim to ensure that the Committee is well supported by us in its work. Increasingly, we also support the work of other Senedd Committees.
- 65 We have increased funding for these areas of work for 2023-24 in line with our proposed fee rate increases.

### Local Performance Audit work

- 66 As part of our five-year strategy to support our ambition to 'fully exploit our unique perspective, expertise and depth of insight', we had proposed to switch around one third of the funding (£1.26m) for some of our performance audit work in Local Government and Health from fee to WCF funding in this Estimate.
- 67 The elements of our performance audit fee that we were seeking to switch to WCF relate to delivery of 'thematic' or topic-specific reviews that typically involve audit work across several audited bodies (on an all-Wales and/or regional level) and often with a cross-sector or whole-system focus. We might also look at issues such as the Welsh Government's system leadership on the theme being examined, which cannot be funded from audit fees.

- 68 We saw such reviews as adding value to our audit regime with their ability to give a whole-system view, helping improve the quality of services provided to taxpayers, and providing feedback on the Welsh Government's 'One Welsh Public Service' developments. We were keen to make the delivery of these reviews as flexible and efficient as possible. The key constraints that we emphasised about the current funding model concerned:
- potential inflexibility in the way we disseminate findings – arising from any expectation from audited bodies paying fees that there would typically be an output specific to that body; and
  - transactional complexity – given the need to balance time charging across multiple timesheet codes and with the 'charge no more than the full cost' requirements of the Public Audit (Wales) Act 2013, meaning we must be careful that there is no cross-subsidisation from one body to another.
- 69 We have consulted audited bodies through our Fee Scales consultation and just 3 bodies commented on this proposal – including Welsh Government (as detailed in **paragraph 56**).
- 70 In stakeholder focus groups held to help shape the development of our 5-year strategy, the shift towards more 'system-wide' reporting was seen as a very positive move, providing insight that Audit Wales is uniquely positioned to deliver.
- 71 The Welsh Government was unable to confirm, prior to submission of this Estimate, its support for making the adjustments in local authority and health body funding necessary to hold the WCF harmless. Consequently, the change is not reflected in this Estimate. That will constrain our ability to undertake cross-cutting and whole-system work, which had been widely welcomed by stakeholders during the development of our 5-year strategy.

### **Other audit related work**

- 72 As agreed in previous Estimates, we also use WCF funding to:
- undertake annual pieces of work to explore themes arising from our accounts work;
  - carry out necessary development associated with our performance audit work in Local Government; and
  - investigate and respond to issues brought to our attention by members of the public and their elected representatives.
- 73 Again, we have increased funding for these areas of work for 2023-24 in line with our proposed fee rate increases.

## WCF Funding for wider public sector benefit

### Pan-Wales financial skills development

- 74 Funding from WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 75 We currently employ around 60 graduate trainees and apprentices, providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 76 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees in other Welsh public sector bodies;
  - target our recruitment to improve social diversity and inclusion within our workforce and the wider finance profession in Wales; and
  - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 77 It has been necessary to increase the amount of funding for this programme in 2023-24 by £50,000 to reflect increased costs of training for our graduate trainees.

### Good Practice Exchange

- 78 We use funding provided by WCF to run our highly regarded Good Practice programme free of charge to public bodies and the third sector across Wales.
- 79 During the COVID-19 pandemic, we targeted resources away from running on-site shared learning events to sharing outputs from our real-time COVID-19 learning project. Since then, we have continued to provide online events and resources and are now in the process of finalising our forthcoming programme of Good Practice outputs which will include the reinstatement of in-person events commencing from October 2022.
- 80 We continue to provide facilitation support and online resources such as blogs and podcasts which are available on our website.

## National Fraud Initiative

- 81 Since 2015, the Finance Committee has supported the principle of participation in NFI for all public bodies in Wales at no cost to those bodies. Our last biennial report identified potential savings and over-payments of £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996 – a significant return on investment.
- 82 Without this funding, the costs of carrying out this work would instead need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.
- 83 For 2022-23 Finance Committee agreed to increase the funding allocated to NFI by £80,000 to allow us to invest in the development of data analytic tools to identify transactions which have a high fraud risk. Of this increase, £35,000 was for first year set up costs associated with accessing bank verification information. This funding will not be required from 2023-24.
- 84 Funding for our NFI work is subject to alternate year increases / reductions to meet bi-annual Cabinet Office costs for data checking. 2023-24 will see a reduction of £130,000 as compared to 2022-23.
- 85 A full breakdown of the funding allocated for NFI is set out in **Exhibit 5**.

### Exhibit 5: National Fraud Initiative cost breakdown 2022-23 to 2024-25

	2023-24 £'000	2022-23 £'000	Change £'000
NFI Application Checker (App Check).	50	50	-
Payments to Cabinet Office (alternate years)	-	130	(130)
Additional data matching	45	80	(35)
<b>Total</b>	<b>95</b>	<b>260</b>	<b>(165)</b>

## Capital investment

- 86 Our capital investment priorities for 2022-23 to 2026-27 are set out in **Exhibit 6**.
- 87 Capital investment is targeted at projects that will deliver future efficiencies and savings; ensuring that our ICT provision makes the best use of available technology and that we take advantage of available digital solutions in the delivery of our work.

### Exhibit 6: capital investment 2022-23 to 2026-27

	2022-23 £'000	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000
Change Programme	200	200	400	400	400
ICT Strategy	110	110	110	110	110
<b>Total</b>	<b>310</b>	<b>310</b>	<b>510</b>	<b>510</b>	<b>510</b>

## Our Change Programme

- 88 We have established a transformational change programme within Audit Wales to provide effective management of upcoming change projects. Some of these will require capital investment as set out below.

### Future workplaces

- 89 This is our most significant change project to date and, in 2022-23, as a result of an in year [Supplementary Estimate](#), we will conclude the relocation of our Cardiff office to new, smaller premises which will deliver significant savings on our accommodation costs. We continue to review our accommodation needs at our other offices in Penllergaer and Abergele and our change programme includes funding that will allow us to ensure that this accommodation continues to meet our emerging workplace requirements.

## **Our Digital Strategy**

90 We continue to invest in digital tools to ensure that we can deliver our work as efficiently and effectively as possible. Planned investment for 2023-24 includes:

- completing the development of new audit platform software for both our Financial and Performance audit work;
- the proposed development of our external website to better meet our stakeholder requirements; and
- improvements to management information systems.

## **Our ICT Strategy**

91 We have established a rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains fit for purpose and reliable.

# IFRS16 adjustments

---

## Background

- 92 A new accounting standard, International Financial Reporting Standard 16 – Leases (IFRS 16), had been due to take effect from financial year 2020-21. Due to issues created by the COVID pandemic, HM Treasury and the Financial Reporting Advisory Board (FRAB) decided to defer the implementation of IFRS 16 until January 2022.
- 93 Our First Supplementary Estimate for 2022-23 reflected the changes in accounting treatment necessary for the implementation of IFRS in our 2022-23 accounts.
- 94 IFRS 16 requires all leases to be accounted for on a consistent basis. Previously, leases classified as ‘operating leases’ were not recognised and were reported ‘off-balance sheet’. This change primarily affects the treatment of the leases of our three offices at Cathedral Road, Cardiff, Penllergaer and Abergele, which are not currently classified as assets and depreciated.
- 95 For 2022-23, given the short amount of time remaining on our office leases, the net resource impact for Audit Wales was negligible, requiring no adjustment to our overall resource or cash budgets.

## Impact on Estimate 2023-24

- 96 For 2023-24 we will be signing a new lease on an office at Capital Quarter, Cardiff and terminating the lease at Cathedral Road. Additional resource cover of £80,000 is required for IFRS16 related depreciation. No additional cash cover is required.

97 The associated cash and non-cash adjustments are set out below.

	<b>£'000</b>
IFRS 16 Depreciation and interest (Non-cash)	360
Lease rental payments	(280)
Net resource adjustment	80

98 Separately, in 2023-24 we will need to settle a dilapidation claim following the vacation of our Cathedral Road office. Provision for this has been built up in our accounts over a number of years and hence no additional resource cover is required. A maximum cash requirement of £550,000 has been included in our Estimate with any unused cash being returned to WCF.



# Future funding requirements

---

## Wellbeing of Future Generations (WFG)

- 99 In July 2022, Welsh Government announced a consultation on the proposed extension of the WFG Act to 8 additional bodies. These now include two bodies for which the AGW is not the external auditor (Transport for Wales and Centre for Digital Public Services) and three (Qualifications Wales, Social Care Wales, and the Welsh Revenue Authority) where we do not have local performance audit arrangements within which to consider embedding WFG work. The other three are NHS bodies, Health Education Improvement Wales, Digital Health Care Wales, and the Welsh Ambulance Services Trust.
- 100 Welsh Government is proposing that the new bodies would be subject to the well-being duty from 1 April 2023, and that bodies would be expected to set their well-being objectives within 12 months (by March 2024). If we are required to discharge our WFG duties across these bodies by March 2025 then this will have a bearing on the shape of our discretionary work programme over the next couple of years.
- 101 Any additional resources required to carry out this work will most likely be from 2024-25 but if the outcome of the consultation exercise results in our work having to start earlier than expected, it may be necessary to submit a Supplementary Estimate in 2023-24 to provide the additional resources required.
- 102 No provision for associated costs or funding has yet been included in our MTFP pending the outcome of the consultation exercise.

## Our Medium-Term Financial Plan

103 Set out below are known changes to our medium-term financial position. Given the current uncertainties around inflation, no allowance has been made for future price increases after 2023-24. Provision has however been made for known changes including:

- the full implementation of our new travel and subsistence arrangements from April 2024 including the end of WCF payback.
- the impact on fee income and associated resources from April 2024 as our work on EU Agricultural Funds comes to an end.
- bi-annual funding for NFI.

### Exhibit 7: Medium Term Financial Plan 2023-24 to 2027-28

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000
Staff costs	20,374	20,846	21,105	21,186	21,188
Accommodation	754	754	754	754	754
T&S	435	290	290	290	290
NFI cyclical costs	0	130	0	130	0
Other costs	2,712	2,712	2,712	2,712	2,712
<b>Total expenditure</b>	<b>24,275</b>	<b>24,732</b>	<b>24,861</b>	<b>25,072</b>	<b>24,944</b>
Audit Fee Income	16,133	16,106	16,365	16,446	16,448
Total call on WCF (Revenue)	8,142	8,626	8,496	8,626	8,496
<b>Total revenue funding</b>	<b>24,275</b>	<b>24,732</b>	<b>24,861</b>	<b>25,072</b>	<b>24,944</b>
Total call on WCF (Capital)	310	510	510	510	510

# Appendices

---

- 1 Revenue budget 2023-24
- 2 Draft Fee Scheme 2023-24

# 1 Revenue budget 2023-24

	Estimate 2023-24 £'000	Estimate <sup>4</sup> 2022-23 £'000	Increase/ (Reduction) £'000	
Expenses	Staff costs	20,241	19,511	730
	Staff costs re ISA315	800	-	800
	Vacancy management	(987)	(939)	(48)
	Travel and subsistence	435	638	(203)
	Accommodation	754	976	(222)
	Irrecoverable VAT	500	500	-
	ICT	699	633	66
	Audit Wales governance	320	300	20
	External training	341	278	63
	NFI annual costs	95	130	(35)
	Depreciation	360	280	80
	Other supplies and services	1,217	1,089	128
	Savings target	(500)	(500)	-
	<b>TOTAL</b>	<b>24,275</b>	<b>22,896</b>	<b>1,379</b>
	Cyclical NFI costs	-	130	(130)
<b>Expenses total</b>	<b>24,275</b>	<b>23,026</b>	<b>1,249</b>	
Income	Audit Fees	14,605	13,619	986
	EU Agricultural Funds Audit	600	650	(50)
	Grant certification fees	928	813	115
<b>INCOME TOTAL</b>	<b>16,133</b>	<b>15,082</b>	<b>1,051</b>	
<b>Total to be funded from WCF</b>	<b>8,142</b>	<b>7,944</b>	<b>198</b>	

## 2 Draft Fee Scheme 2023-24

# Fee Scheme 2022-23

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

© Wales Audit Office 2022



**Adrian Crompton**

Auditor General for  
Wales



**Lindsay Foyster**

Chair, Wales Audit  
Office

# Contents

---

## Overview

Introduction

Fee rates and fee scales

Charging of fees

## Appendices

- 1 Public Audit (Wales) Act 2013 – full text of section 24
- 2 List of enactments under which the Wales Audit Office may and must charge fees
- 3 Fee scales from 1 April 2022

# Introduction

---

## Fee rates and fee scales

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (Appendix 1). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.

### Fee rates 2023-24

- 2 As set out in our consultation on proposed fees in August 2022, we need to recognise cost of living pressures on our staff and have made provision for pay increases in line with the rest of the public sector. Where possible we have mitigated inflationary pressures by identifying savings on non-pay budgets such as accommodation and travel with savings of over £2m over the next 5 years being identified.
- 3 We continue to make significant investment in audit quality to respond to recent UK-wide reviews<sup>1</sup> of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 4 Taking these factors together means that we need to increase our fee rates by an average of 4.8% in 2023-24 – a reduction as compared to the proposed 5.5% increase set out in our consultation paper.
- 5 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.
- 6 Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

**Exhibit 1: proposed fee rates 2023-24**

<b>Grade</b>	<b>Rate (£ per hour) 2023-24</b>	<b>Rate (£ per hour) 2022-23</b>
Audit Director	168	163
Audit Manager	129	122
Audit Lead	106	100
Senior Auditor	85	84
Auditor	61	60
Graduate trainee	55	51
Apprentice	40	39

7 This Fee Scheme sets out:

- the enactments under which we charge audit fees.
- the arrangements for setting those fees, which comprise either:
  - fee scales that set out fee ranges for particular areas of audit work in local government; or
  - fee rates for work not covered by fee scales.

8 Broadly, 66% of our expenditure is funded through fees charged to audited bodies. The remaining 34% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.

9 Legislation requires that the fees we charge a body may not exceed the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.



- 10 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 11 We went beyond the statutory fee consultation requirements and, in August 2022, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2023-24.
- 12 We received 17 responses which told us that:
  - the 5.5% increase in our fee rates and, in particular, the 12-18% increase in our audit of accounts fee scales would be challenging for those bodies whose own budgets were increasing at the same level and who were facing the same cost of living pressures as Audit Wales.
  - audited bodies do value the work that we do and recognise that implementation of ISA315 is unavoidable.
  - the timescale for the consultation, driven by the requirement to include a draft Fee Scheme within this Estimate, was difficult for some bodies.
- 13 We specifically asked audited bodies and Welsh Government to comment on the proposed switch from fees to WCF for a proportion of our local Performance Audit work. We received just 3 responses from audited bodies on this point:
  - a concern from one Unitary Authority that the proposed thematic reviews may be of less relevance than the local performance audit work.
  - a query from one Fire and Rescue Authority as to why the switch did not apply to their work.
  - a response from Welsh Government stressing the importance of them understanding the quantum of funding to be switched in time for this to be reflected in their own budget decisions but also asking for further clarification on a number of points. The Welsh Government were unable to confirm support for this change so this will not now go ahead.
- 14 The Board has reflected on these responses and has responded by re-considering the proposed increase in fee rates, reducing the proposed increase from 5.5% to 4.8%.
- 15 We will work closely with audited bodies in an attempt to mitigate the impact of the implementation of ISA315 on their audit fee.

## Local Government Fee scales 2023-24

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of the 2022-23 financial accounts, together with fee funded performance audit work to be undertaken in 2023-24, are provided in **Appendix 3** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.
- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.

- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

### **ISA315 implementation**

- 26 As set out in the August consultation, our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.
- 27 Our initial assessment of the impact of this richer skills mix is an average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

### **Charging of fees**

- 28 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 29 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 30 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.

- 31 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



# Appendices

---

- 1 Public Audit (Wales) Act 2013 – full text of section 24**
- 2 List of enactments under which the Wales Audit Office may and must charge fees**
- 3 Fee scales from 1 April 2022**

# 1 Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
  - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
  - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
  - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
  - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
  - (a) include different provision for different cases or classes of case, and
  - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
  - (a) must review the scheme at least once in every calendar year;
  - (b) may revise or remake the scheme at any time, and
  - (c) must lay the scheme (and any revision to it) before the National Assembly<sup>[1]</sup>.

---

1 The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
  - (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
  - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

## 2 List of enactments under which Audit Wales may and must charge fees

Nature of work	Enactments
<b>The Wales Audit Office may charge fees for the following activities</b>	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004



Nature of work	Enactments
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013
<b>The Wales Audit Office must prescribe fee scales for the following activities</b>	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government & Elections (Wales) Act 2021

### 3 Fee Scales 2023-24

#### Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 32 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 33 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Our last biennial report identified potential savings and over-payments of £8 million across Wales's public services, increasing cumulative savings to £42.9 million since 1996.
- 34 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

#### Exhibit 2: NFI fees

	Fee 2022-23
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

## Fee scales for Local Government bodies

35 Our audit of accounts fee scale takes account of the expected additional resources required for the implementation of ISA315 on the audit of 2022-23 accounts. We will be working with audited bodies to mitigate additional costs where possible.

### Unitary authorities

#### Exhibit 3: fee scale for the audit of 2022-23 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	183	139
200	163	191	220	167
300	181	213	245	186
400	196	230	265	200
500	208	244	281	213
600	218	257	295	223
700	227	267	307	233
800	235	277	319	241
900	243	286	329	249
1,000	250	294	338	256
1,100	256	302	347	262
1,200	262	309	355	268

**Exhibit 4: fee scale for 2023-24 performance audit work**

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	137	146	164	105

**Local Government Pension Funds****Exhibit 5: fee scale for audit of 2022-23 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	36	48	57	41

**Fire and Rescue Authorities****Exhibit 6: fee scale for audit of 2022-23 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	40	47	54	41
40	48	56	65	49
60	53	63	72	54
80	57	68	78	59
100	61	72	82	62

**Exhibit 7: fee scale for 2023-24 performance audit work**

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	17	17	17	17

**National Park Authorities****Exhibit 8: fee scale for audit of 2022-23 accounts**

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	25	29	33	25
4	30	35	40	30
6	33	39	45	34
8	36	42	48	36
10	38	44	51	39

**Exhibit 9: fee scale for 2023-24 performance audit work**

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	26	21

## Police and Crime Commissioners

- 36 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

### Exhibit 10: fee scale for audit of 2022-23 accounts

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	68	78	89	69
100	80	93	106	81
150	88	102	117	90
200	95	110	125	96
250	100	116	133	102
300	105	122	139	106
350	109	126	144	111

## Town and community councils with annual income or expenditure under £2.5 million

- 37 Town and community councils in Wales are subject to a limited assurance audit regime.
- 38 In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

**Exhibit 11: three-year audit cycle for town and community councils**

	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 39 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 35**.
- 40 In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor's concerns.
- 41 It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 12** is for indicative purposes only.

**Exhibit 12: estimated time charges for the audit of 2022-23 accounts of town and community councils**

	<b>Band 1 (&lt;£10k)</b>	<b>Band 2 (&lt;£25k)</b>	<b>Band 3 (&lt;£50k)</b>	<b>Band 4 (&lt;£100k)</b>	<b>Band 5 (&lt;£500k)</b>	<b>Band 6 (&gt;£500k)</b>
Transaction audit	£150 – £183	£170 – £200	£230 – £282	£356 – £435	£635 – £760	£845 – £1,090
Limited procedures	£110 – £130	£136 – £162	£136 – £162	£210 – £250	£210 – £250	£210 – £250

## Fee rates for other work in local government

- 42 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in Exhibit 1. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 43 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 44 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

### **Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.**

Grade of staff	Complex grants staff mix	All other grants staff mix
	%	%
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return





Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

# Interim Report

An assessment of progress made against our  
2022-23 Annual Plan during the period 1 April  
to 30 September 2022.

November 2022

This Interim Report covers the period from 1 April to 30 September 2022. It has been jointly prepared, and is laid before the Senedd, by the Auditor General for Wales and the Chair of the Wales Audit office, in accordance with the requirements of the Public Audit (Wales) Act 2013.

The Interim Report includes an assessment of the extent to which:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for 2022-23;
- progress has been made towards achieving the priorities set out in the Plan; and
- progress has been made towards achieving our key performance indicator targets.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Report, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

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.

Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Telephone 02920 320 500

Email [info@audit.wales](mailto:info@audit.wales)

Website [www.audit.wales](http://www.audit.wales)

Twitter [@WalesAudit](https://twitter.com/WalesAudit)

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

# Contents

---

<b>Foreword</b>	<b>4</b>
<b>Audit delivery</b>	<b>6</b>
<b>Running the business</b>	<b>12</b>
<b>Reporting on our performance</b>	<b>17</b>
<b>Appendices</b>	
1 Local audit work	24
2 National value for money examinations and studies	25
3 Supporting effective scrutiny and accountability	28



# Foreword

---

The publication in June of Assure, Explain, Inspire: Our Strategy 2022-27 was a great milestone for Audit Wales. Through its development we challenged ourselves as an organisation, sought the scrutiny of others and gained a wealth of insight to help us identify a clear direction and focus for the next five years.

This Interim Report describes the progress we have made to date towards delivering our Annual Plan for 2022-23 against our five-year strategy. In the Report, we focus on progress made over the period 1 April to 30 September 2022 towards delivering our planned programmes of work and associated areas of focus, and on achieving our key performance indicator targets.

Audit quality is always a key focus for us, but especially over the reporting period as leading firms globally have been facing record fines for deficiencies in their audit quality. We have invested in our technical support function and have focused on developing our audit approaches through implementing new risk-based standards for our audit of accounts work and introducing new professional standards for our performance audit work. We are supporting these new approaches with bespoke IT platforms and are providing our audit teams with the learning and development programmes needed to use these tools and approaches to achieve high standards of audit quality.

Alongside our focus on quality, we are committed to ensuring Audit Wales is a model organisation for the Welsh public sector. The impacts of the cost of living, the pandemic and global events mean we are living with a continuing backdrop of uncertainty but no matter how challenging the times, we want Audit Wales to be an organisation where our staff are proud to work and where we do high quality work that makes a difference. To help us towards this end we published our Wellbeing Strategy, developed by staff from across the organisation working together to create something which is meaningful to them and their colleagues, with clear outcomes and measures of success.

We were also proud to publish our [Joint Strategic Equality Plan 2022-2026](#), which sets out a fresh suite of ambitious objectives for equality, diversity and inclusion and reinforces our commitment to being an employer of choice; increasing the diversity of our workplace; ensuring our work is accessible and inclusive and internally providing a culture in which everyone can thrive.

We are pleased to report that nearly all planned work has either been delivered or is progressing to plan. This is a credit to the professionalism, dedication and hard work of our staff and the co-operation we receive from the bodies we audit, and we are committed to building on this momentum for the remainder of the year.



---

**Adrian Crompton**

Auditor General for  
Wales



---

**Lindsay Foyster**

Chair of the Wales  
Audit Office

# Audit delivery

## Core work



Undertaking audit work at over **800** public bodies



Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£1.5 billion**



Approving around **£1.5 billion** of payments out of the Welsh Consolidated Fund every month



**Supporting effective scrutiny** including the work of the Senedd Committees



Sharing the **good practice** we see across Wales's public services



Facilitating the **detection of fraud and error** through the National Fraud Initiative



Participating with **observer status** on a range of key policy working groups

- 1 Work is ongoing to complete our audit of accounts work for the 2021-22 accounts. We have been unable to achieve our target of completing all Local Government audits by the end of October for a number of reasons including late submission of draft accounts by some Audited Bodies and ongoing uncertainties regarding the accounting infrastructure in public bodies. We completed our audit work at NHS bodies in June, except for Betsi Cadwaladr University Health Board, which was delayed due to issues identified during our work, and by the end of September, most Central Government 2021-22 audits were complete. A comprehensive list of the public bodies that we audit and the type of audit work carried out is provided in **Appendix 1**.

- 2 Our national work programme retains flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern as they arise. Earlier this year we launched [a consultation](#) to help plan an indicative medium-term work programme, including new work that will progress through the rest of 2022-23. When we launched the consultation, the impact of the conflict in Ukraine and cost-of-living pressures was only just beginning to emerge. Our local government study on tackling poverty provides an opportunity for some initial reflection on cost-of-living pressures. We are also considering how we might best shine an audit lens on the response of devolved public services to the needs of Ukrainian refugees.
- 3 An up-to-date list of national value-for-money examinations and studies completed, in progress or planned to commence during the remainder of 2022-23 is provided in **Appendix 2**.
- 4 Our work has continued to play a key role in supporting the work of the Public Accounts and Public Administration Committee (PAPAC) in their consideration of the use of resources and the discharge of public functions in Wales. In **Appendix 3** we provide more detail on how we have supported effective scrutiny and accountability in the first half of 2022-23, including sharing our audit learning with other Senedd committees.



## Priority Actions

- 5 In response to our operating environment and to help us in delivering our strategic ambitions, we identified six priority actions for our audit delivery in 2022-23. The progress we have made towards delivering each of these during the first half of the year is summarised in the following table.

Area of focus	What has been delivered so far
<p>Further develop our operating model, including by:</p> <ul style="list-style-type: none"> <li>• establishing new operating structures at local, regional and national levels;</li> <li>• embedding a new research and development function; and</li> <li>• clarifying the necessary adaptations to our ways of working in a post-pandemic world.</li> </ul>	<p>The new Research and Development team has been fully recruited to and the team are supporting us in our ambition of delivering a strategic, dynamic and high quality audit programme. Over the reporting period the team has:</p> <ul style="list-style-type: none"> <li>• brought together horizon scanning from across the organisation to inform potential areas where the impact of our work can add value;</li> <li>• analysed the responses to our work programme consultation; and</li> <li>• strengthen existing and build new networks, with academia, think tanks and other bodies to bring together knowledge to help inform the scoping of audit projects.</li> </ul> <p>Following the removal of all COVID-19 restrictions in Wales, we have adopted a hybrid working model and clarified how we expected our audit teams to operate. Teams have trialled working in collaborative spaces, in activity settings in our regional offices, in hubs and from home, visiting client premises only when it is appropriate to do so.</p> <p>During May, our NHS account audit teams were the first to return to our three regional offices; the success of these pilots is informing development of future hybrid ways of working and accommodation needs.</p>

Area of focus	What has been delivered so far
<p>Develop our work programme, to include:</p> <ul style="list-style-type: none"> <li>• setting out a more strategic medium-term programme, considering our current consultation and our response to emerging issues;</li> <li>• consulting on possible changes to our funding model;</li> <li>• adopting best professional standards, and incorporating a new audit quality management model; and</li> <li>• developing our audit outputs to ensure they are engaging and impactful.</li> </ul>	<p>Earlier in the year we launched <a href="#">a consultation</a> on the Auditor General’s medium-term work programme. The feedback we received was generally positive with support expressed for many of the potential areas of work identified.</p> <p>The shape of the programme will also be influenced by responses to our <a href="#">consultation on fee scales</a> for 2023-24. In that consultation, we set out proposals to change the way some of our work is funded, with a view to this enabling improved flexibility to examine more cross cutting and whole system issues. The Welsh Government has also launched a <a href="#">consultation on extending the coverage of the well-being duty under the Well-being of Future Generations (Wales) Act 2015</a>, which has potential implications for the design and resourcing of the work programme.</p> <p>Over the reporting period, we have focused on developing our audit approaches through implementing new risk-based standards for our audit of accounts work – in accordance with <a href="#">ISA (UK) 315</a>; and introducing new professional standards for our performance audit work – in accordance with <a href="#">INTOSAI quality standards</a>. These revised audit approaches have been supported by bespoke audit platforms, built using Microsoft 365 functionality. The launch of these new approaches and platforms is being underpinned by extensive learning and development programmes to equip our audit teams with the knowledge and confidence they need to achieve high standards of audit quality.</p>
<p>Develop more efficient, accessible and, where appropriate, automated management information processes, including implementation of a new time and resource management system.</p>	<p>During the reporting period, work has progressed on implementing a new software solution – ‘Hubplanner’ – to enable robust and efficient time and resource management; the system will go live on 31 October 2022.</p> <p>We have undertaken a ‘reset’ exercise to check and ensure the accuracy of our resourcing supply and demand data in preparation for the launch of the new system. This data also informed our new ‘One Staff Plan’, which all Audit Services staff can view, to see current information on audit project planning and how resources are being utilised.</p>

Area of focus	What has been delivered so far
<p>Develop the audit delivery element of our workforce plan so that it more effectively supports the delivery of our work programme and reinforces our learning and development strategy.</p>	<p>Our Audit Wales Workforce Strategy 2020-25 sets out a clear vision for our staff – ‘to develop a capable and diverse workforce that is motivated to deliver our purpose and ambitions and reach our full potential’. Work has commenced within Audit Services to develop a workforce plan that will support the achievement of these ambitions.</p>
<p>Maximise opportunities to influence the debate about the future of public audit in the UK and expand our input into other professional audit and accounting developments.</p>	<p>We have worked with other UK audit agencies in the Public Audit Forum (PAF) to share knowledge and experience. Over the reporting period we have:</p> <ul style="list-style-type: none"> <li>• hosted colleagues from the NIAO as part of a joint project to develop a new audit of accounts approach for 2022-23 and beyond;</li> <li>• shared learning on developments in IT audit approaches and IT audit skills;</li> <li>• shared experiences, plans and priorities focused on measuring the impact of audit work and digital communications; and</li> <li>• discussed our respective interest and the role of audit in the ‘net zero’ agenda.</li> </ul> <p>The PAF jointly responded to the Department for Business, Energy and Industrial Strategy (BEIS) consultation on the future of the UK audit profession; we have had a series of conversations with the Treasury and the Welsh Government on potential developments, including the possibility of the quality of Audit Wales work becoming subject to oversight by a committee of the Senedd.</p> <p>We continue to build our institute relationships and have staff members sitting on Chartered Institute of Public Finance and Accountancy (CIPFA) Panels, advising on topics including the Code of Practice on Local Authority Accounting for the UK (LASAAC).</p>

---

**Area of focus****What has been delivered so far**

---

Use technology and data analytics to continue to modernise the way we deliver our audit work, increase our impact, improve quality, and keep pace with industry expectations.

In April this year, we celebrated our Data Analytics team having been in place for four years. The work of the team is at the heart of our drive to modernise audit of accounts work, improve the way in which we display information and communicate our audit findings to achieve our five-year strategy.

Over the reporting period key developments in data analytics have included:

- Analytics Assisted Audit (AAA) – a suite of tools to enable easier access to external data sources; provide useful visuals and automate onerous tasks for audit of accounts work.
  - an interactive tool to inform health risk assessments at local health boards and trusts; providing access to public datasets and information from NHS agencies.
  - a Community Pharmacy data pilot which investigates large and complex pharmacy datasets to gain insight, including looking for anomalies to help identify potential fraud and areas of high cost.
  - successfully trialled ‘Inflo Collaboration’ at ten audited bodies. A secure digital collaboration portal to collate audit information, requests, responses, and documents all in one place.
  - progressed discussions with relevant stakeholders about the potential for other new data matching activity.
-

# Running the business

## Core work



Setting the overall budget of **£23.4 million** and charging fees for audit work



Employing around **290 staff** and managing a diverse range of physical and information assets



Providing **strong leadership** and embedding our values and behaviours



**Monitoring** the exercise of the Auditor General's functions and providing him with advice

- 6 Over the last six months, we have continued to adapt how we work, supporting our staff to work flexibly so they can deliver effective and efficient services.
- 7 The Board, its Committees and the Executive Leadership Team have operated effectively through a hybrid approach, using a combination of online meeting platforms and face to face meetings.
- 8 A key focus for us over the reporting period has been on decisions around our future office accommodation needs and ways of working. We have worked to ensure that we deliver high-quality work efficiently and provide an excellent working and learning environment whilst placing high value on the health and wellbeing of our staff and contributing to a reduction in our environmental impact.

## Priority Actions

- 9 In response to our operating environment and to help us in delivering our strategic ambitions, we identified five priority actions for how we run the business in 2022-23. The progress we have made towards delivering each of these during the first half of the year is summarised in the following table.

Area of focus	What has been delivered so far
<p>Determine what our 'new normal' ways of working will be as we move into a pandemic recovery phase, and in doing so continue to prioritise the ongoing health and wellbeing of Audit Wales staff.</p>	<p>Like many organisations, our experience of the pandemic demonstrated that wellbeing does not start and end during the working day. During and since the pandemic, much of our decision making around staff wellbeing has been guided by the principle 'self, family, work' recognising that we have a responsibility to ensure our workplace culture encourages positive behaviours and provides support networks for our employees.</p> <p>Building on this principle, in September, we launched our Wellbeing Strategy, which was developed by Audit Wales staff from across the organisation working together collaboratively to create something which was meaningful to them and their colleagues with clear outcomes and measures of success.</p> <p>The Strategy is designed around three themes of wellbeing that are at the centre of our aims for Audit Wales – Work Well, Live Well and Mean Well.</p>

Area of focus	What has been delivered so far
<p>Finalise our work on developing a five-year strategy and 'road map' for delivering our overarching ambitions, including ensuring:</p> <ul style="list-style-type: none"> <li>• organisation-wide engagement with the development of the road map;</li> <li>• that priority actions for the strategy are reflected and embedded within other organisation-wide, business unit and team level plans;</li> <li>• appropriate alignment and integration with our risk and performance management arrangements; and</li> <li>• there are clear linkages between the strategy and project and performance objectives agreed for individuals.</li> </ul>	<p>In June we published <a href="#"><u>Assure, Explain, Inspire: Our Strategy 2022-27</u></a>. This is a bold new strategy setting out our five year vision to drive improvement and support Welsh public services as they adapt to the challenges and opportunities of a changing world.</p> <p>The strategy contains three building blocks where we believe we need to prioritise action if we are to achieve our ambitions. These areas of focus and the outcomes for each were developed through a series of staff workshops and engagement activities across the whole organisation; together with feedback from various external stakeholders.</p> <p>The actions and activities required by each team at Audit Wales to deliver against these building blocks have been identified and set out in business plans. Progress is reported to the Executive Leadership Team and Wales Audit Office Board via a revised quarterly integrated performance report which brings together key performance information alongside an analysis of our strategic risks to monitor progress towards delivery of actions that support the strategy.</p>

Area of focus	What has been delivered so far
<p>Finalise our work on developing proposals for meeting our future accommodation needs, to enable a Board decision later in 2022-23.</p>	<p>In July, the Wales Audit Office Board approved a business case to relocate our Cardiff office to new premises with effect from early 2023. The Senedd Finance Committee subsequently agreed in principle the funding requested to support this move. Work continues to engage with staff on the design of the working space and co-ordinating construction and other related activity.</p> <p>As we continue to evolve our hybrid ways of working post COVID we continue to review all our accommodation needs. We have extended the lease on our West Wales office and have been piloting the use of a Hub in North Wales, alongside the re-opening of an audit room on a client site, to enable staff to work effectively and flexibly.</p>
<p>Embed the sustainable development principle to a greater extent in all our decision-making processes, including when:</p> <ul style="list-style-type: none"> <li>• implementing our revised staff travel and subsistence arrangements;</li> <li>• experimenting with and evaluating new, more efficient, and smarter ways of working;</li> <li>• determining our route map to moving towards net zero greenhouse gas emissions.</li> </ul>	<p>The Wales Audit Office Board has made a commitment to embed the sustainable development principle in the way it runs the business and makes decisions. We have focused on applying the principle in the development of key plans and strategies; including our new five-year strategy, our revised travel and subsistence arrangements, and our evolving office accommodation needs, including the decision to relocate our Cardiff office, which will in turn support our aspiration to achieve net zero emissions.</p> <p>Our new travel and subsistence arrangements were implemented from 1 April 2022 and included the commitment to develop an organisational travel plan. This plan will look at ways to reduce the need to travel and develop and promote the use of sustainable travel to reduce our impact on the environment and support our commitment to become a net zero carbon organisation by 2030.</p>



**Area of focus****What has been delivered so far**

---

Publish and implement a revised suite of equality objectives that are fit for purpose and form a key part of our strategy for achieving our overall ambitions.

In September we published our [Strategic Equality Plan 2022-2026](#), which sets out a fresh suite of objectives for equality, diversity, and inclusion. We are committed to being an employer of choice and increasing the diversity of our workforce. We are endeavouring to ensure our work is accessible and inclusive and internally we want to provide a culture in which everyone can thrive.

---

# Reporting on our performance

## Key performance indicators

10 The position as of 30 September 2022 in terms of achieving the 18 key performance indicator (KPI) targets set out in our Annual Plan 2022-23 is summarised below.

No	Indicator	Description	Target	Performance to 30 September
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.	100%	93%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	82%
3	Quality	Proportion of reviewed audits that are delivered in accordance with Financial Reporting Council (FRC) quality standards.	100% of sample assessed as in the highest two audit quality categories	Not yet available <sup>1</sup>
4	Credibility	Proportion of stakeholders that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90% <sup>2</sup>	95%

<sup>1</sup> Reviews will be completed in the second half of 2022-23.

<sup>2</sup> We conducted a survey of Chief Officers of audited bodies in early 2022, seeking their views on the value and impact of our work. Our performance against indicators 4 to 6 is taken from the results of this survey.

No	Indicator	Description	Target	Performance to 30 September
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%	95%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	91%
7	Savings identified	Value of potential savings, income, productivity gains and other financial benefits identified through our work.	At least £30 million during 2020-23	£25.5 million
8	Good practice events	Proportion of stakeholders who rated our good practice events useful or very useful.	At least 90%	Not available <sup>3</sup>
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	35,000 each year	20,794
10	Social media	Number of social media engagements, ie interactions with our posts such as a like, a comment, or a retweet/share.	3,000 each year	1,385
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year	39 <sup>4</sup>

<sup>3</sup> The Good Practice Exchange held two events during this period, both were by invitation only to selected groups. Due to the nature of each event formal feedback was not sought. Informal feedback, however, proved for both to be useful.

<sup>4</sup> This figure is checked at the end of the year to make adjustments, for example, to ensure repeat attendance as observers at ongoing groups is counted as a single entry.

No	Indicator	Description	Target	Performance to 30 September 2022
12	Employee engagement	Percent positive annual staff survey engagement index score, aligned with that for the Civil Service People Survey (CSPS).	At least the median score for the latest CSPS	64% <sup>5</sup>
13	Employee experience	Percent positive annual staff survey thematic employee experience scores.	At least the median scores for the latest key CSPS <sup>6</sup> themes	1 out of 10
14	Sickness absence	Average working days lost per member of staff per annum.	Less than six days	5.95 <sup>7</sup>
15	Financial balance	Level of variance in gross income and expenditure from that set out in our Estimate for the current year.	Within 2% of budget	0.7%
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.4 million	£1.23 million

5 The return is taken from the 2021 Staff survey, the 2022 survey will be run in October. The CSPS median engagement index score for 2021 was 66%.

6 The key CSPS employee experience themes are: organisational objective and purpose; leadership and managing change; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; pay and benefits; organisational culture.

7 Calculated on a rolling year basis.

No	Indicator	Description	Target	Performance to 30 September 2022
17	Greenhouse gas emissions	Total CO <sub>2</sub> equivalent emissions.	20% reduction on a recalculated <sup>8</sup> 2021-22 baseline	212 tonnes
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	100%

8 Which takes account of the latest Welsh Public Sector Net Zero Carbon reporting Guide published by the Welsh Government. The baseline for the purposes of reporting covers direct and indirect emissions, which includes building related emissions (energy, water, waste, and well-to-tank emissions), travel and commuting, and homeworking.

The baseline does not include supply chain emissions associated with the procurement of goods and services. As emission factors for calculating supply chain emissions were discontinued in 2011, the factors are highly uncertain. Since the discontinued factors are multiplied against expenditure to obtain emissions estimates, the Guide states 'This accounting method does not therefore lend itself to setting targets and measuring emission reduction efforts.'. Therefore, these estimates can only be used to consider where to focus emissions reduction effort with suppliers; with the estimates reported to the Welsh Government annually.

## Our Strategy 2022-27

11 In June 2022, we published [Our Strategy 2022-27](#). The strategy contains three building blocks where we believe we need to prioritise action if we are to achieve our ambitions. Progress to date to support these building blocks is summarised below.<sup>6</sup>

Building Block	Descriptor	What we have done
<b>Strategic, dynamic and high-quality audit programme</b>	<p>In addition to delivering our non-discretionary statutory audit work to time, cost and quality, we ensure that we focus our limited remaining resources on issues of greatest strategic importance.</p>	<ul style="list-style-type: none"> <li>• Consulted on our work programme with longer-term perspective.</li> <li>• Gathered feedback from external stakeholders on our Strategy.</li> <li>• Established our Research Development Team.</li> </ul>
	<p>We apply best professional practice as identified through the AGW Code of Audit Practice to ensure our work is of the highest standard.</p>	<ul style="list-style-type: none"> <li>• Annual Quality Report 2022 will be published shortly.</li> <li>• Begun the review of the AGW Code of Audit Practice.</li> </ul>
	<p>Our work drives high standards in the use of public resources and organisational governance.</p>	<ul style="list-style-type: none"> <li>• Published Public Interest Reports when significant failings are identified.</li> <li>• Used blogs and social media platforms to share the outcomes of reports in accessible formats.</li> </ul>

Building Block	Descriptor	What we have done
<b>Targeted and impactful approach to communications and influencing</b>	Our work is accessed by a diverse range of people.	<ul style="list-style-type: none"> <li>Put systems in place to collate communication statistics and produce data tools.</li> </ul>
	Our stakeholders recognise that their relationship with Audit Wales staff adds value.	<ul style="list-style-type: none"> <li>Commissioned independent engagement with stakeholders on the impact, value and reach of our work.</li> </ul>
	Our stakeholders point to examples where Audit Wales work has supported their organisations to deliver better outcomes.	<ul style="list-style-type: none"> <li>Obtained feedback from stakeholders as part of our engagement on the five-year strategy.</li> <li>Planned future engagement with a wider cross section of stakeholders.</li> </ul>
<b>Culture and operating model that allows us to thrive both now and, in the future</b>	Successful delivery of key strategies and plans.	<ul style="list-style-type: none"> <li>Aligned Annual Plan priorities to Our Strategy 2022-27.</li> <li>Published business plans and progress updates on our internal website.</li> <li>Developed integrated performance reporting approach to the Wales Audit Office Board.</li> </ul>
	We work collaboratively and manifest a 'One Audit Wales' culture.	<ul style="list-style-type: none"> <li>Undertaken a Mid-Year Review against management response to the outcomes of our last People Survey.</li> <li>Our Audit and Risk Assurance Committee carried out a 'deep dive' consideration of staff morale</li> <li>Launched our new staff newsletter – 'POBL'</li> <li>Promoted our new Strategy internally under the branding</li> </ul>
	The sustainable development principle shapes behaviour and decision-making.	<ul style="list-style-type: none"> <li>Continued to reflect the Well-being of Future Generations sustainable development principle and guidelines in Board decision making used by the Wales Audit Office Board.</li> <li>Applied the principle in the development of key plans and strategies, including our revised travel and subsistence arrangements and our evolving office accommodation needs.</li> </ul>



# Appendices

---

- 1 Local audit work**
- 2 National value-for-money examinations and studies**
- 3 Supporting effective scrutiny and accountability**



# 1 Local audit work

The Auditor General carries out local work at most public bodies in Wales. The programme includes audit of accounts, local performance audit work and well-being of future generations work.

Public body	Audit of accounts	Local performance audit work <sup>9</sup>	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ <sup>10</sup>
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ <sup>11</sup>
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Corporate Joint Committees	✓	✓	✓
City region growth deals	✓	✓	
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ <sup>12</sup>		

9 The Auditor General is not required to conduct a programme of local performance audit work at each central government body. Performance audit work conducted within this sector currently sits within his programme of national value for money examinations and studies.

10 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

11 Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

12 On a limited assurance basis.

## 2 National value-for-money examinations and studies

This programme of work includes value for money examinations, local government studies, and the preparation of summary reports of the findings from local audit work across multiple NHS, central government and/or local government bodies.

It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence. The outputs from much of this programme support the work of the Senedd Public Accounts and Public Administration Committee and other Senedd committees.

We keep our plans under regular review, taking account of our audit priorities, the context of our own resourcing and the capacity of our audited bodies to engage with us. We will be bringing some additional new work into our programme during the rest of 2022-23.

In addition to the work in progress listed, other outputs may also emerge from work we are undertaking in response to issues that have been raised with us. For example, we have been taking forward some work to understand more fully the circumstances leading up to the Welsh Government's purchase of Gilestone Farm (Talybont on Usk) and will decide on the appropriate form and content for any output in due course. Local audit work may also lead to other summary outputs, for example from our ongoing 'whole-system' review work on unscheduled care.

### Work completed or substantially completed as of 30 September 2022

<a href="#"><u>Direct Payments for Adult Social Care</u></a>	<a href="#"><u>Unscheduled care – data tool and blog</u></a>
<a href="#"><u>The new Curriculum for Wales</u></a>	<a href="#"><u>Tackling the Planned Care Backlog in Wales</u></a>
<a href="#"><u>The Welsh Community Care Information System – update</u></a>	<a href="#"><u>Third Sector COVID-19 Response Fund – Memorandum for the PAPAC</u></a>
<a href="#"><u>Sustainable Tourism in Wales National Parks</u></a>	<a href="#"><u>Public Sector Readiness for Net Zero Carbon by 2030</u></a>
<a href="#"><u>Public Sector Readiness for Net Zero Carbon by 2030 – Evidence Report</u></a>	<a href="#"><u>NHS Wales Finances Data Tool – up to March 2022</u></a>
<a href="#"><u>Welsh Government – setting of well-being objectives</u></a>	<a href="#"><u>Welsh Government workforce planning and management</u></a>
<a href="#"><u>Equality Impact Assessments: More than a tick-box exercise?</u></a>	<a href="#"><u>Payment to the Welsh Government’s Former Permanent Secretary on Termination of Employment</u></a>
<a href="#"><u>COVID-19 business support in 2020-21 – Memorandum for the PAPAC</u></a>	

<b>Work in progress or soon to get underway</b>	
National Fraud Initiative (summary report)	Cyber resilience
Complex needs and poverty – the challenge for local government	Flood risk management
Orthopaedic services	NHS quality governance
Social enterprises	Broadband infrastructure/digital inclusion
Building social resilience and self-reliance	Corporate Joint Committees
Building safety	Planning for sustainable development – brownfield regeneration
Affordable housing	Governance/oversight of National Park Authorities

## 3 Supporting effective scrutiny and accountability

### Supporting the work of the Public Accounts and Public Administration Committee and other Senedd Committees

Our work plays a key role in supporting the work of the Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources and the discharge of public functions in Wales.

During the reporting period, the outputs from our work supported eight PAPAC meetings, including the [Committee's own inquiry and report on Care Home Commissioning for Older People](#). The Committee also considered most of the work completed during the reporting period outlined in **Appendix 2**.

In May 2022, the Auditor General, Wales Audit Office Board Chair and all three Executive Directors met with members of the Finance Committee in a private session to provide a briefing on the development of our five-year strategy, including proposals for a potential funding switch between fees and estimate, in order to better support the delivery of more impactful cross cutting and themed audit work. The briefing also covered plans to submit two supplementary estimates – the first to make the first repayment in respect of funding previously provided in support of the buyout of the transport allowance that was withdrawn from staff, and the second to support the delivery of our estate strategy including an office move following the expiry of the lease on our Cardiff office in March 2023. We subsequently provided a detailed letter setting out the business case for the office move in August 2022, following which the Committee considered and supported our formal supplementary estimate for funding the office move in September.

We have continued to engage with clerking teams to other Senedd committees to discuss our work where this is of mutual interest, including for example the new Curriculum for Wales (Children, Young People and Education Committee) and Tackling the Planned Care Backlog (Health and Social Care Committee). The Equality and Social Justice Committee has also acknowledged our input to its [inquiry and report on Fuel Poverty and the Warm Homes Programme](#), building on our previous work on these topics, played a crucial part in informing the Committee's own thinking.

We have also responded formally to five consultations launched by the Senedd or its committees, to share learning from our audit work; one example being the Climate Change, Environment and Infrastructure Committee's consultation on 'Decarbonisation of housing: decarbonising the private housing sector'.

## **Supporting the work of the audit and scrutiny committees of public bodies**

Through the interim reporting period, we have attended meetings of the audit and scrutiny committees of the principal bodies that we audit, some of these are being held in person, whilst many have continued to use video communication platforms.

We continue to provide briefings and reports on our audit work together with advice and support to strengthen governance effectiveness.

## **Supporting the public and their local representatives**

We regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets.

During the reporting period, we received 33 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, five individuals contacted us between 1 April and 30 September 2022 indicating that they wished to make a whistleblowing disclosure.



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)



Audit Wales



Chair: Jeremy Saunders

Branch Chair: Ben Robertson

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

Peredur Owen  
Chair of the Finance Committee  
Senedd Cymru  
Cardiff Bay  
CF99 1SN

3 November 2022

Dear Peredur,

**Scrutiny of the Audit Wales Annual Report and Accounts 2021-22 and Estimate 2023-24 – Staff pay**

We are writing as you consider Audit Wales' estimate for 2023-24. We recognise that the WAO Board faces the same constraints as the rest of the public sector. Earlier in 2022, Audit Wales offered a 3% pay award for staff<sup>1</sup>, based on what was affordable within the budget. Neither PCS nor Prospect (the two recognised trade unions) felt able to ballot members on this offer because it was below the rate of inflation. In addition, the pay offer was less than that offered to many other public sector workers in Wales; for instance, the Welsh Government has recently announced for its staff a 4% pay award in 2022-23. Currently, both unions are in dispute with the WAO Board after it imposed the 3% pay award for 2022-23. This stance reflects our unions' policy position on public sector pay.

Nonetheless, we remain committed to working collaboratively with the WAO Board to support our members and help achieve the aims of Audit Wales. We have demonstrated this by retaining respectful relations through the difficult discussions which you will be aware accompanied the changes to travel and subsistence arrangements in 2021.

We have agreed to work with management to discuss 2023-24 pay and rewards much earlier than in previous years as we realise that the WAO estimate sets the parameters in which pay negotiations can take place. Therefore, Prospect and PCS have already tabled a claim for 10% in 2023-24, for the following reasons:

- It reflects the current rate of inflation and the fact that our pay rises have been below inflation for most of the last 13 years. For PCS, this is part of a wider campaign for public sector workers to receive a pay rise that matches inflation at a time of severe cost of living pressures, and our pay claim is consistent with the union's national pay claim.

<sup>1</sup> The pay rise equated to 2.5% on average once the removal of a home-working allowance paid was taken into account.



- Our pay award in 2022-23 was below the awards to many other public sector workers. The Welsh Government and most staff in [NHS Wales](#)<sup>2</sup> and [local government](#)<sup>3</sup> received more than 3% for 2022-23.
- The pay award must recognise recruitment and retention pressures for qualified staff. ISA 315 will increase the need for CCAB-qualified staff, not only in Audit Wales but across the audit sector. Competitive pressures are already becoming evident through substantial pay rises for audit staff in the large accountancy firms. The Public Accounts Committee of the House of Commons has reported on the problems facing local government audit in England and has concluded that the sector is in crisis due to a shortage of qualified and experienced staff to meet increasingly demanding audit requirements.<sup>4</sup>
- Audit Wales is now losing new and experienced auditors to the NHS, local government, the Welsh Government and UK Government departments that have a growing presence in Wales. Recent pay increases in the private sector raise the risk of us losing skilled and experienced audit staff to the large accountancy firms.

For obvious reasons, we do not know what assumptions about future pay Audit Wales has included in its 2023-24 estimate that you are considering. However, given the substantial cost pressures from the changing skills mix (the need for more qualified audit staff), we are concerned that the increase to pay rates will be less than the overall increase in fee scales of 5.5%. This would not meet our expectations and would not be sufficient to recruit staff and retain existing staff who are facing severe cost of living pressures.

On behalf of our members, we ask you to consider if the estimate before you is sufficient to allow an appropriate pay-award for staff in 2023-24 that goes some way towards helping Audit Wales in its recruitment and retention difficulties and provides a fair and reasonable pay award for staff.

Your sincerely,

**Ben Robertson**

On behalf of the PCS and Prospect branches at Audit Wales

---

<sup>2</sup> £1,400 for most grades resulting in effective pay rises of between 4% and 10.8% for pay bands 1 to 7; staff above band 7 (£47,673 in 2022-23) capped at £1,400.

<sup>3</sup> Local government workers have received a final offer of £1,925 for 2022-23, representing an increase of between 4.04% and 10.5% for staff covered by NJC salary scales (up to £47,650 in 2021-22).

<sup>4</sup> House of Commons Committee of Public Accounts, '[Local Auditor Reporting on Local Government in England](#)', report and minutes (HC171), July 2021

By virtue of paragraph(s) ix of Standing Order 17.42

Document is Restricted