

Peredur Owen Griffiths MS
Chair of the Finance Committee
Senedd Cymru
Via email

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Dear Peredur

Finance Committee Meeting 20 September 2023

Thank you for your letter dated 26 September 2023. We set out below answers to the questions you raised at the Committee meeting on 20 September, as well as those highlighted in your letter.

Further detail on the staff turnover rate across the organisation during the previous twelve months, including a breakdown of the roles of those departing staff and the number of qualified audit staff leaving the organisation within that time.

Table 1 below shows the number of staff departures over the past 12 months, including resignation, voluntary exit, retirement, dismissal, mutual agreement and other reasons.

Table 1: All staff turnover from September 2022 to end August 2023

	Audit Wales		Audit Services		Corp Services / Communications & Change	
	Turnover	No. leavers	Turnover	No. leavers	Turnover	No. leavers
2022/2023	15.5%	34	15.2%	25	16.6%	9

Table 2 sets out details of the roles of those 25 staff who have left the Audit Services area of the organisation in the past year. 16 of those 25 staff were qualified accountants. During September 2023, another Audit Manager has resigned and an Audit Lead is due to finish in the next few weeks, both of whom are qualified staff.

Table 2: Roles of audit staff leaving from September 2022 to end August 2023

	No.
Data Analytics Officer	1
Data Analyst	1
Fixed Term Auditor	2
Relief Auditor	3
Audit Trainee	2
Auditor	1
Senior Auditor	4
Audit Lead	6
Audit Manager	5
Total	25

Your Annual Report describes the establishment of a Financial Sustainability Review group. Can you outline the remit of this group and what it has delivered so far?

The Financial Sustainability Review (FSR) Group is a steering group of senior representatives from across the organisation. It was established by the Auditor General to ensure we have concrete plans to deliver necessary in-year savings as well as medium and long term financial sustainability. In simple terms it seeks to reduce our costs without adversely affecting the quality of our audit delivery, our ability to generate income, or staff wellbeing.

For the financial year 2023-24, we must deliver some £500,000 of in-year savings (in addition to any that arise through staff turnover). We have plans in place to achieve this through a range of activities including right sizing budgets, restructuring, and zero-based budgeting.

Business cases are being developed for changes that could deliver benefit in 2024-25 and 2025-26. These, however, will be increasingly difficult to deliver given the backdrop of resourcing challenges, workload backlogs and ongoing industrial action.

Your audit fee income was over £1 million lower than expected. Can you explain why and what the impact has been on Audit Wales?

Fee income was £828k less than budget last year. The reasons primarily relate to staff vacancies, but sickness absence and industrial action were also factors.

In addition, we have made a significant amount of investment in mandatory training, for which we do not generate income, reflecting the new audit approach in both Financial Audit and Performance Audit. This unavoidably added to the significant backlog in audit work we already faced and which is proving extremely challenging given the recruitment and retention pressures we highlighted at the Finance Committee meeting.

The impact of reduced fee income is illustrated by the extremely tight year-end financial position in 2022-23. The unique funding arrangements of Audit Wales – combining WCF and fee income streams – make navigation to a balanced year-end position particularly challenging. Whereas most public bodies have certainty over their annual budget and control expenditure accordingly, Audit Wales must maximise the value of its expenditure against fluctuating income, without any year-end flexibility.

Your accounts show expected credit losses of £77k, you've also outlined a loss of £3.5k associated with a salary sacrifice scheme. Can you explain what these two losses relate to and how they have been resolved?

The credit losses of £77k relate to a provision for potential bad debts older than 12 months. We have made a prudent provision for these losses but continue to pursue the debts so have not yet written them off. It is normal practice for them to be accounted for in this way.

In terms of the £3.5k loss associated with a salary sacrifice scheme, our staff have access to a public sector lease car scheme. A technical issue with the software operated by the provider meant that some staff had been undercharged for vehicles. The provider agreed to pick up most of the costs and will honour the prices for the remainder of the leases. A small number of staff, however, had contracts that had been extended due to delays in replacement vehicle delivery. Audit Wales agreed to meet costs for these staff for 3 months, which we felt was fair to those staff who had entered into the lease agreements in good faith.

I hope this information is helpful but please do let us know if there is anything else you need.

Yours sincerely



KATE CHAMBERLAIN
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales