

Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2022

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Submitted to the Finance Committee of the Senedd for consideration under Standing Order 20.35.

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Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the Senedd. The responsible committee must examine that Estimate and lay it before the Senedd after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2021-22 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 9 March 2021 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £14.461 million of accruing resources, generated through fees charged to audited bodies and a grant from the Welsh Government, and supplied a further £8.148 million of other resources in support of our expenditure plans for the year. Together, this £22.609 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2022.

Reason for change

Changes to our travel and subsistence arrangements

- 5 On 21 September 2020, the [Finance Committee of the Fifth Senedd](#) considered a report from our external auditors RSM UK Audit LLP on the value for money of the travel and subsistence arrangements at Audit Wales – including the payment of an annual travel allowance to its operational staff.
- 6 In its report on the [annual scrutiny](#) of the Wales Audit Office in November 2020 the Committee welcomed the value for money study and was 'mindful of the direct financial consequences for employees and the need to ensure that due consideration is given to salaries and staff retention when proposals to change the Travel Allowance Scheme are developed'.
- 7 The Committee recommended that:
'an update is provided as the project to review the travel scheme progresses, including the outcome of discussions with staff and Trade Unions on the changes proposed, as well as the timelines for implementation and projected savings'.
- 8 Having considered the RSM report, the Wales Audit Office Board determined that the travel allowance element of our travel and subsistence arrangements should be removed and established a staff 'Task and Finish' group to make proposals for how staff should be reimbursed in the future for any travel necessary to carry out their work.

- 9 The 'Task and Finish' group reported back to the Board in July 2021 making a number of proposals, including providing staff with the option of a two-year transition period or an upfront payment equivalent to slightly more than the value of the allowance for two years.
- 10 The Board has agreed to implement these proposals which means that we will need to make provision for the potential cost of the upfront payment in the current financial year.
- 11 The additional resource cover requested is the maximum we would need if all staff take up the option of an upfront payment rather than the two-year transition.
- 12 **Exhibit 1** below demonstrates the costs and savings of the proposals (assuming that all staff take the upfront payment) and demonstrates that payback will be achieved within less than two years. Once all proposals are fully implemented in 2024-25, we anticipate ongoing annual savings in the region of £200,000.
- 13 In the event that some staff choose the option of a two-year transition period, the initial cost will be reduced, and the resulting savings will be delayed until 2024-25.

Exhibit 1 – costs and savings of proposed new travel and subsistence arrangements

	2021-22 £'000	2022-23 £'000	2023-24 £'000	Three-year total £'000
Upfront payment	1,480			1,480
Savings		(762)	(762)	(1,524)
Payback	1,480	718	(44)	(44)

Adjustments to resource budgets

- 14 As explained above, the Wales Audit Office is seeking an increase to its revenue resources for 2021-22 by £1.48 million. This is the maximum that will be required and any underspend against the total resource requirement will be declared to WCF.
- 15 No additional cash resources are required for 2021-22 – the cash adjustment is reflected in our Estimate for 2022-23.
- 16 As requested by the Finance Committee, in the event that the take-up of the upfront payment is significantly less than expected, a Supplementary Estimate for 2022-23 will be prepared to adjust the cash drawdown accordingly.
- 17 The budget changes required for 2021-22 are set out in **Exhibit 2**.

Exhibit 2: budget changes 2021-22

	Approved Estimate 2021-22 £'000	Supplementary Estimate 2021-22 £'000	Revised Estimate 2021-22 £'000
Revenue resource	7,798	1,480	9,278
Capital resource	350	–	350
Accruing resources	14,461	–	14,461
Total expenditure	22,609	1,480	24,089
Net cash requirement	8,368	–	8,368

Appendix 1

Summary of the 2021-22 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 (the 2006 Act), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2022, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in **Tables 1 and 2** below.

Table 1: summary of the estimated 2021-22 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, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	9,278
• Capital	350
Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	14,461
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	8,368

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

	£'000
Net request for resources – revenue and capital	9,628
Non-cash adjustment – depreciation	(280)
Non-cash adjustment – movements in working capital	500
Non-cash adjustment – provision for an upfront payment to be paid in 2022-23	(1,480)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,368



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.