



Consideration of  
proposals to amend the  
Public Audit (Wales) Act  
2013  
July 2019



CLILC • WLGA

## **Introduction**

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three national park authorities and the three fire and rescue authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. The WLGA is pleased to be able to respond to the Committee's consideration of proposals to amend the Public Audit (Wales) Act 2013. We have consulted the Society of Welsh Treasurers, Chief Executive and the Policy Officer's network. The response was limited but broadly supportive of the proposals even on questions the fees which all our members pay.

## **Response to the original legislation in 2012**

4. In 2012 we wrote to the Chair of the Public Accounts Committee to respond to Stage 1 consultation on the Public Audit (Wales) Bill. The Association had already commented on the Welsh Government consultation and in that we recognised the essential role that Public Audit plays in holding government and public services to account. Over the past decades Public Audit has moved beyond issues of legality and propriety to emphasise performance and improvement.
5. The main issue we highlighted at the time was around the governance arrangements. The underlying principle for us was that they should be as clear and transparent as possible. Overall we believed it was a step forward to have legislation that underpins the accountability and governance arrangements relating to the office of Auditor General for Wales (AGW) and the Wales Audit Office (WAO). We welcomed the move to establish a board for the WAO on a statutory basis.
6. We preferred a supervisory model our view at the time was that it would be less of a financial burden and would allow the board to concentrate on considering whether the AGW was running the organisation properly. So while the firmer statutory footing was viewed as desirable we saw the provisions, as drafted, burdensome to the effective running of the WAO and the independence of the AGW.

## **Current arrangements**

7. The Public Audit (Wales) Act 2013 became law in Wales on April 2013. The eventual legislation struck a balance strengthening and improving the accountability and governance arrangements relating to AGW and the WAO, whilst protecting the AGW's independence and objectivity.
8. However it has become apparent that the fee structure is different to those in place in the other parts of the UK. It is much more complex is difficult to disagree with the analysis presented in the Wales Audit Office's 2017 document, *Case for Change*.
9. We would fully support aligning the WAO's fee structure to those of other parts of the UK in the three particular provisions highlighted in the *Case for Change*:
  - the ability to charge fees with a view to breaking even on fee-related work 'taking one year with another';
  - setting notional fees for accounts prepared by government departments or other bodies that are funded directly from the relevant Consolidated Fund; and
  - greater latitude so that the full extent of the terms and conditions of agreement work are a matter for the relevant auditing body.
10. We agree with the AGW that the "no more than full cost" rule is complex, inflexible and costly as it is based on estimates and 'acts as a disincentive to economy and efficiency'. We would prefer a non-prescribed approach which would provide more flexibility and to allow 'off-setting' of unused projected fees charges against other pieces of work or spread additional/unused costs across financial years as is the case in Scotland.

## **Authority views**

11. When the questions posed by the Committee were posed to local authorities, those who responded commented mostly around the issue of fees. Some thought that charging is clearer now and thought there was an opportunity to better understand the charges especially for small audits things like joint Committees. One authority agreed with the observations in respect of the bureaucracy around timekeeping but thought it may be critical in cases where charging is more than expected.

12. For one or two authorities, the fee consultation is reported as being 'pretty academic'. Authorities don't feel that they have much influence over fees, even though they are incurring the cost. While some local authority Audit Committees challenge the fees and VFM, as long as the charging mechanism is transparent they seem happy. Some only make passing comments.
13. One of the few concerns registered by respondents was the arrangements to audit smaller local government bodies in line with Regulation 10 of the Accounts and Audit Wales Regulations (those whose annual income and expenditure is below £2.5m). The current requirement is that Joint Committees that come under this arrangement must obtain the signature of the Responsible Financial Officer and the Chair of the Joint Committee by the 15 June. A final version, if amended, must be re-signed, issued to the auditor and returned for publication by 15 September.
14. With the early closing timetable coming into effect for 2020-21 the dates for sign off are 31 May and 31 July respectively. Most Joint Committees only meet quarterly and hence additional meetings and full Joint committee sign off need to be reconsidered by WAO.
15. While many authorities think there is too much audit, particularly around performance, this is a slightly different issue to the one under consideration. Performance audit duties from the 2009 measure are expected to be repealed by the forthcoming Local Government Bill but this will not make any difference as these audit duties are broadly the same as the Wellbeing Future Generations Act duties.
16. One gap in the current arrangements is that while the WAO looks at value for money and performance across the health and local government sectors, there are currently no arrangements for the WAO to do the same for central government bodies. This is something that should be remedied.

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**For further information please contact:**

Jon Rae, Director of Resources  
Welsh Local Government Association  
Local Government House  
Drake Walk  
Cardiff  
CF10 4LG