

June 2019

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# ANNUAL REPORT AND ACCOUNTS

## 2018-19



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU





The Annual Report for the year ended 31 March 2019 has been jointly prepared, and is laid before the National Assembly for Wales, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with Schedule 2 of the Public Audit (Wales) Act 2013 and containing matters as directed by the Treasury.

The Annual Report demonstrates that, during 2018-19:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the [Annual Plan](#) prepared for the year under section 25 of the Public Audit (Wales) Act 2013, with no significant changes made to planned work; and
- the priorities set out in the Plan for 2018-19 have been substantively achieved.

The Accounts for the year ended 31 March 2019 have been prepared by the Auditor General for Wales, as the Accounting Officer for the Wales Audit Office, in accordance with Schedule 1 of the Public Audit (Wales) Act 2013 and in a form directed by the Treasury.

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. We welcome correspondence in Welsh and English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

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This document is also available in Welsh.





## OCTOBER

Published the results of the latest National Fraud Initiative exercise in Wales, which has detected and prevented £5.4 million in fraud and overpayments.

Concluded that the Welsh Government has set up a well-managed programme to help councils procure capacity for food and residual waste treatment.



## NOVEMBER

Called on local authorities in Wales to think and act differently to sustain services in rural communities and help those communities overcome the challenges they face.

Reported that waiting time targets for radiology examinations are currently being met and radiology services are well managed, but that clear and targeted action is needed to ensure they can cope with future demand.



## DECEMBER

Concluded that only a few local authorities have focused on building an environment to get the most from the data they hold to help improve services and outcomes.

Showed that the Welsh Revenue Authority has operated effectively to date to administer newly devolved taxes in Wales.



## JANUARY 2019

Found that overall take-up of the MyTravelPass youth discounted bus fare scheme has been significantly lower than suggested by early Welsh Government estimates.

Reported that expenditure on agency staff by NHS Wales has increased markedly in recent years, with around 80% of that expenditure providing cover for vacant positions.



## FEBRUARY

Produced a discussion paper and six-point checklist for councils in Wales to help improve overview and scrutiny functions.

Set out our views on the Welsh public sector's approach to managing the implications of a 'no-deal' Brexit.



## MARCH

Established some lessons to be learned for future investment decisions by the Cardiff Capital Region City Deal and other similar partnerships.

Held an interactive webinar aimed at equipping board and non-executive members with the necessary tools and knowledge to seek assurance that their organisation has the necessary cyber security arrangements in place.

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# PERFORMANCE REPORT

A REVIEW OF THE WORK OF THE AUDITOR GENERAL AND WALES AUDIT OFFICE IN 2018-19, INCLUDING AN ANALYSIS OF OUR DELIVERY AND PERFORMANCE, AND OUR POSITION AT THE END OF THE YEAR.

A handwritten signature in white ink on a dark grey rectangular background. The signature is stylized and appears to read 'Adrian Crompton'.

Adrian Crompton  
Auditor General for Wales and Accounting Officer

6 June 2019





# OVERVIEW

## Statement from the Auditor General



2018-19 was a very productive year for us in terms of our audit work. We successfully delivered the entire programme of audits laid out in our Annual Plan to a high quality standard. Most of the credit for this success must go to the professionalism, dedication and hard work of Wales Audit Office staff and our contractors, for which I am extremely grateful.

A selection of case studies has been included in this Report to give more insight on some of the projects that we have been involved with, and the significant contribution that our work makes in terms of holding public bodies to account and

helping improve the delivery of public services in Wales.

We also made substantial progress over the course of the year on transforming the way we deliver our audit programme to make sure we maximise the power of our unique insight, bring trusted commentary to the fore on the right issues at the right time, and engage in a way that resonates with a wider range of audiences.

We reviewed events such as the fast changing Brexit situation as they unfolded and provided our independent perspective on what a changing environment means to the bodies we audit.

We made increased use of data analytics to improve how we source, acquire and analyse data and how we visualise and communicate our findings and recommendations.

And we supported the change process by facilitating the sharing of good practice and audit learning through a programme of seminars and webinars, increasingly bringing the views and experiences of service users and global experts to these conversations.

Looking forward, we aim to build on the momentum gained from our work in 2018-19 and unleash our full potential as a driver of change and improvement at the heart of public services by achieving the ambitions laid out in our new Annual Plan.

**Adrian Crompton**  
Auditor General for Wales

## Statement from the Chair



The last 12 months have in many ways been a year of transition at the Wales Audit Office. We welcomed Adrian as the new Auditor General and Chief Executive and spent time re-evaluating our key risks and priorities and refreshing our corporate ambitions. However, we also kept the pressure up towards delivering our ongoing commitments to maintain high standards of corporate governance, seek further efficiencies and deliver impactful work that adds value.

Overall, we performed well and I am pleased with and proud of our achievements. Strategic risks were well managed and we achieved many of the challenging targets we had set for our key performance indicators. I pay tribute to the staff of the Wales Audit Office for all their hard work and commitment throughout the year. In this Report we celebrate our achievements, of which there are many, but also identify some important areas where we need to reflect and make further improvements.

Our role as a board is to oversee the exercise of all functions of the Wales Audit Office and to support the Auditor General in his role of providing independent assurance that public money is being spent wisely. We met formally six times during the year and I am very grateful for the support of my fellow board members.

Like all public bodies, we now need to continue to adapt and improve to ensure we are able to respond to the changes and challenges that lie ahead and achieve our ambition of being a model organisation for the public sector in Wales and beyond.

### **Isobel Everett**

Chair, on behalf of the Wales Audit Office

## Who we are and what we do

The Auditor General for Wales is the statutory external auditor of most of the Welsh public sector.

The Auditor General is responsible for the audit of most of the public money spent in Wales, including the funds that are voted annually by the National Assembly. Significant elements of this funding are passed by the Welsh Government to the NHS and local government in Wales.

The Wales Audit Office employs around 270 professional staff and utilises other resources, including additional expertise from private sector accountancy firms, to enable the Auditor General to carry out his functions.

## Why we are here



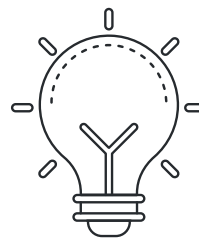
### Assure

the people of Wales that public money is well managed



### Explain

how public money is being used to meet people's needs



### Inspire

and empower the Welsh public sector to improve

The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.

Altogether, we audit some £19 billion of income and expenditure, which is nearly a third of Welsh GDP.

Each year we publish an [Annual Plan](#) that provides more information on:

- a how we follow the public pound in Wales;
- b our longer-term ambitions;
- c our operating environment;
- d our planned programmes of work and associated change commitments for the next 12 months; and
- e how we measure and report on our performance.



## Key issues and risks that we face

Over the coming years, we want to unleash our full potential as a driver of change and improvement at the heart of public services and democratic accountability. We have four broad ambitions that we believe will enable us to do this.



### Fully exploit our unique perspective, expertise and depth of insight

- Maximise the power of our unique insight through more integrated team working and knowledge sharing.
- Search proactively for synergies and trends within the information that we hold.
- Focus on what matters most and will make the biggest difference to the public and public bodies.



### Strengthen our position as an authoritative, trusted and independent voice

- Bring trusted commentary and evidence to the fore on the right issues at the right time.
- Ensure we clearly lay out the facts and concisely explain why we have arrived at a particular conclusion or interpretation.
- Be alert and responsive to new opportunities to share audit knowledge and insight where it can add value.



### Increase our visibility, influence and relevance

- Have an overtly outward focus and engage in a way that resonates with a wide range of audiences.
- Influence the thinking and behaviour of others and shape the wider public debate.
- Seek and be receptive to ideas and lines of thought from outside Wales and outside the public sector.



### Be a model organisation for the public sector in Wales and beyond

- Since we form audit judgements on others, make sure we consistently practise what we preach.
- Provide clear, consistent and authentic leadership and increase the pace of our decision making.
- Empower people throughout the organisation to come up with new ideas and effect positive change.

As outlined in greater detail in our current [Annual Plan](#), we consider the following factors to be those that will have the greatest influence over the way we deliver our work and achieve our ambitions over the next few years:

- a We remain in a period of financial constraint
- b The political and policy landscape continues to evolve
- c Governance arrangements in the public sector have a wider scope
- d We live in an increasingly networked society

An account of our risk management in 2018-19, alongside a description of the principal risks and uncertainties we face, is provided in the Governance Statement section of this Report.

## Performance indicators

A framework of key performance indicators was included in our [Annual Plan for 2018-19](#). We also developed a suite of targets, with reference to levels of performance at the end of 2017-18 and appropriate benchmarks.

Over the course of 2018-19, we used a combination of quantitative and qualitative methods to measure, report and reflect on our performance and risks. This included quarterly reporting to our Management Committee and Board on progress made towards achieving our performance targets.

Overall, in 2018-19 we achieved our targets for 11 of the 26 performance indicators and were close to achieving our targets for another seven indicators. Our performance against the remaining eight indicators will be a focus for our improvement work in 2019-20. In 2019-20, we will also undertake a full review of our framework of key performance indicators to ensure it remains aligned with our overall ambitions.

## End-of-year position in terms of achieving our key performance indicator targets

### DELIVERY AND IMPACT

	99% of our recommendations were fully accepted for implementation	
	£6.6M potential savings identified through our work	
	89% of stakeholders perceived that we are delivering the Auditor General's objectives	
	90% of key audit products were delivered on time	
	1,363 people attended our shared learning seminars and webinars	
	95% of attendees at our good practice exchange events rated them useful	
	35% of website visits resulted in an action eg download of a report	
	22,394 website visits where at least one action was performed	
	N/A Klout score reflecting our social media reach <sup>1</sup>	
	2 instances where a response to a concern raised about public spending was not issued within 30 days	
	26 National reports published	

 Achieved our target
  Close to achieving our target
  Improvement required
  Significant Improvement required

<sup>1</sup> The Klout score measure has been discontinued. We are currently seeking an alternative to provide a meaningful insight on our levels of engagement across all social media platforms.
















## LEADERSHIP AND CULTURE

	67% of staff felt a strong emotional connection and commitment to the organisation	
	84% of staff felt positive about our organisational objectives and purpose	
	42% of staff felt positive about our leadership and change management	
	77% of staff felt positive about our organisational culture	
	71% of staff felt positive about the effectiveness of their manager	
	79% of staff felt they were treated fairly and inclusively	
	52% of staff felt positive about our learning and development arrangements	
	81% of staff felt positive about the resources available to them and their workload	

 Achieved our target  
  Close to achieving our target  
  Improvement required  
  Significant Improvement required



## MANAGING THE BUSINESS

	6.7 days were lost due to sickness per member of staff per annum	
	1.1% variance in gross expenditure that was set out in our 2018-19 Estimate	
	84% of suppliers paid within ten working days	
	£490K of cost savings and efficiencies identified throughout the business	
	£3,378 estate costs per full-time equivalent member of staff	
	0 complaints were received and upheld regarding our Welsh language provision	
	LEVEL 5 Accredited to Level 5 of the Green Dragon Environmental Standard	
	398 tonnes of CO <sub>2</sub> equivalent emissions produced <sup>2</sup>	

 Achieved our target  
  Close to achieving our target  
  Improvement required  
  Significant Improvement required

<sup>2</sup> All of which were offset by purchasing carbon credits, more detail on which is provided in the Environmental Stewardship section.

# PERFORMANCE ANALYSIS

In this section we provide an assessment of the extent to which the programmes of work and three-year priorities set out in our [2018-19 Annual Plan](#) have been achieved, including through the use of case study examples.

This section should be read in conjunction with:

- a [Appendix 1](#), which provides more detail on the Auditor General's programme of work delivered in 2018-19, and includes the Auditor General's report on disclosures of information; and
- b [Appendix 2](#), which provides further commentary on the progress we have made towards achieving our priorities.

Our analysis is divided into six sections. The first four sections relate to the Auditor General's work programme. The remaining two sections relate to the Wales Audit Office's work programme.

In 2018-19, we successfully delivered the programme of work laid out in our Annual Plan for the year.

## Audit projects

The Auditor General's functions include auditing accounts and undertaking local performance audit work at a broad range of public bodies, alongside conducting a programme of national value for money examinations and studies. These functions may be exercised, in combination if necessary, across different types of bodies to examine public spending irrespective of who delivers the services.

Altogether, we audit some £19 billion of income and expenditure, which is nearly a third of Welsh GDP.

During 2018-19, all our audit projects were completed or progressed in alignment with our [Plan](#).

The quality of our work is of paramount importance to us and our stakeholders. The [Code of Audit Practice](#), which is reviewed on an annual basis, prescribes the way in which the Auditor General's audit and certain other functions are to be exercised, and is designed to complement International Standards on Auditing and embody best professional practice.

Our [Transparency Statement](#) provides more detail on how the Wales Audit Office is meeting high standards in the way it works and in the quality of its work. As outlined in the Statement, we carry out annual programmes of quality reviews on a sample of accounts audits and completed performance audit projects to ensure that they meet required quality standards. This year, our quality monitoring showed that 100% of the sampled 2017-18 accounts audits and 100% of the reviewed 2018 performance audit projects met the required quality standards.

ISSUED OVER  
**800**  
AUDIT OPINIONS ON  
THE ACCOUNTS OF  
PUBLIC BODIES

CERTIFIED 23 GRANT  
SCHEMES  
WORTH APPROACHING  
**£3**  
**BILLION**

PUBLISHED  
**26**  
NATIONAL REPORTS

APPROVED AROUND  
**£1**  
**BILLION**  
OF PAYMENTS OUT  
OF THE WELSH  
CONSOLIDATED FUND  
EVERY MONTH

## Case study examples

### Drawing attention to a growing problem – the management of follow-up outpatients

In October 2018, the Auditor General published a report on the [Management of follow up outpatients across Wales](#). In the report, we drew attention to a growing problem which, to date, has typically not received a great deal of coverage – across Wales, large numbers of patients are waiting for review on a follow-up NHS outpatient list, with associated clinical risks.

Alongside communicating our findings at a national level through the short and easy-to-read summary report, we made a range of recommendations for action through local audit reports.

We took proactive steps to ensure key national groups were sighted of the findings through making presentations to:

- a the National Planned Care Programme Board and its Outpatient Steering Group;
- b the all Wales Medical Directors Group; and
- c the NHS Wales Healthcare Efficiency, Value and Improvement Group.

The presentations were supported by an interactive data tool, and our work has helped focus scrutiny and action on this important area. The Public Accounts Committee are also now holding an inquiry on the back of our work and are expected to publish their findings in summer 2019.

**‘FOLLOW-UP OUTPATIENTS HAVE SUFFERED AT THE EXPENSE OF RTT, THE WORK OF THE WALES AUDIT OFFICE WILL NOW ENSURE THAT OUTPATIENTS HAS NATIONAL SCRUTINY’**

**‘THE WALES AUDIT OFFICE REPORT IS PIVOTAL IN ENSURING THAT IMPROVEMENTS ARE MADE’**

– EXTRACTS FROM MINUTES OF THE NATIONAL OUTPATIENT STEERING GROUP

## Brexit-related audit work

The UK's planned departure from the European Union has featured significantly in our audit work in 2018-19.

In the first half of the year, we published the findings of our reviews of how the risks and opportunities posed by Brexit for [EU Structural Funds](#) and the [Rural Development Programme in Wales](#) were being managed. We then followed these up in February 2019 with a report on [Preparations in Wales for a 'no deal' Brexit](#); a report which attracted significant media coverage and supported an ongoing Brexit inquiry being conducted by the National Assembly's External Affairs Committee.

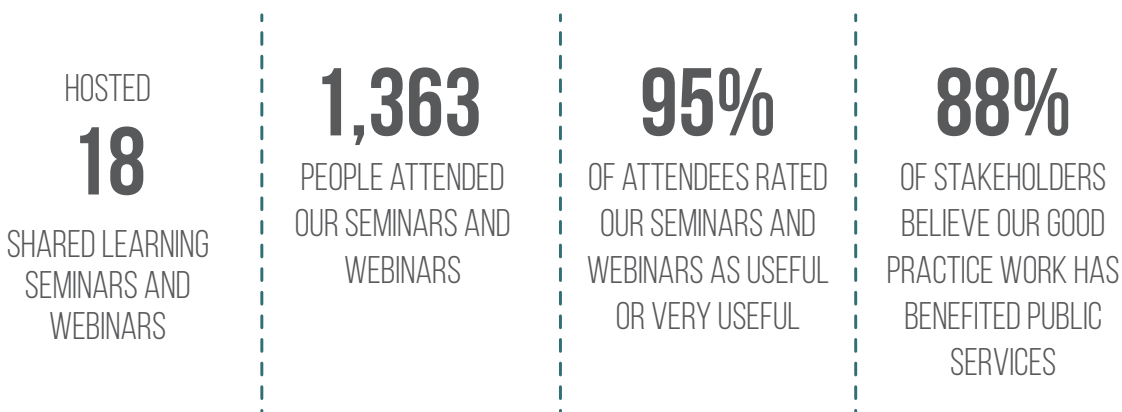
We raised further awareness of our key findings and facilitated further discussions on the topic via a [webinar](#), social media, blog postings and at three conferences held at locations across Wales.

In 2019-20, we will continue to closely monitor Brexit-related developments and their implications for Welsh public services.

## Good practice work

A key focus of our good practice work is to facilitate conversations between service providers where the learning from our audit work and from their comparative successes and failures is shared face-to-face. Increasingly we are bringing the views and experience of service users and of global experts to these conversations.

Our [programme of shared learning seminars and webinars](#) is flexible and further topics are added during the year.



## Case study example

### Sharing learning from the Basque Country

During 2018, one of our good practice team members was awarded a [Winston Churchill Travelling Fellowship](#) to look at the governance and impact of large-scale co-operatives and social enterprises in the USA and Basque Country. The role of these organisations in supporting vibrant communities, people's well-being and reducing inequality has direct relevance to public services in Wales.

In December 2018, we hosted a well-received shared learning event where six people from the Basque Country travelled to Wales for four days to share their experiences and examples of delivering projects aligned with many of the aspirations of the Well-being of Future Generations (Wales) Act 2015. Through the use of online [webinars](#), [blog posts](#), site visits and [face-to-face events](#) over 250 people were able to engage with the Basque visitors to learn from their experiences and form positive international relationships.



## Supporting effective scrutiny and accountability

Our work plays a key role in supporting the work of the Public Accounts Committee in its consideration of matters relating to the use of resources in the discharge of public functions in Wales. Where applicable, our work can also inform the work of other National Assembly committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation. In 2018-19, we presented 20 reports for consideration by the Public Accounts Committee and other Assembly committees.

Throughout the year, we also attended most meetings of the audit committees of the principal bodies that we audit to provide regular briefings and report on our audit work, and provided further advice and support to audit and scrutiny committees.

In addition, we regularly received correspondence from the public, their local and national elected representatives and others that raised potential concerns about the stewardship of public money and assets, and the Auditor General is a 'prescribed person' for making whistleblowing disclosures.

THE OUTPUTS FROM  
OUR WORK  
SUPPORTED

**30**

MEETINGS OF THE  
PUBLIC ACCOUNTS  
COMMITTEE

**96**

PIECES OF  
**CORRESPONDENCE**  
RECEIVED THAT RAISED  
POTENTIAL CONCERNS  
ABOUT PUBLIC  
SPENDING

**ONLY 2**

INSTANCES WHERE A  
**RESPONSE TO**  
**CONCERNS RAISED**  
ABOUT PUBLIC SPENDING  
WAS **NOT ISSUED**  
**WITHIN 30 DAYS**

**23**

INDIVIDUALS  
CONTACTED US  
INDICATING THAT THEY  
WISHED TO MAKE A  
**WHISTLEBLOWING**  
**DISCLOSURE**

## Case study examples

### Helping make scrutiny fit for the future

Through the course of 2018, we explored with the 22 councils in Wales how ‘fit for the future’ their overview and scrutiny arrangements are. We considered how scrutiny is responding to current challenges, including those presented by the Well-being of Future Generations (Wales) Act 2015 and how they are beginning to scrutinise the recently-established Public Service Boards.

We also examined how well placed overview and scrutiny functions are to respond to future challenges such as continued pressure on public finances. After our work was completed we:

- a issued separate reports with proposals for improvement to each of the councils;
- b identified six common themes and issues arising from the work and published these in February 2019 in a [Discussion paper and associated checklist](#) to assist councils in reflecting on how to improve the efficiency and effectiveness of their scrutiny functions.

### Responding to concerns raised through correspondence

In response to concerns raised through correspondence by an Assembly Member which were considered by the relevant audit team, we examined and published a report about [The Welsh Government’s relationship with Pinewood](#).

Our report set out a range of governance and value-for-money concerns and supported subsequent inquiries by two National Assembly Committees. Both the Culture, Welsh Language and Communications Committee and the Public Accounts Committee considered aspects of the Welsh Government’s commercial relationships with Pinewood Studios, drawing extensively on our audit work in making their recommendations to the Welsh Government.



## Engagement and joint working activity

Over the reporting period, the Auditor General and Wales Audit Office have continued to exercise their commitment to effective stakeholder engagement to inform the development, maximise the relevance, and extend the reach and impact of the Auditor General's work.

Consistent with our Plan, we have also worked closely with the other UK audit agencies and with the other main external review bodies in Wales to enhance the collective impact of our work and have undertaken a small amount of commissioned audit work.

The Wales Audit Office can make arrangements with certain types of bodies for it or the Auditor General to provide services to, or to exercise the functions of, those bodies. But we are mindful that all such activities should be self-financing and should not be undertaken to the detriment of our core audit work in Wales.

From time to time, we are proud to represent Wales on the international stage in relation to our work and in 2018-19, we regularly delivered papers at EURORAI events.

**OBSERVER**

MEMBER OF A RANGE OF  
**KEY POLICY WORKING  
GROUPS**

AUDITED

**£250  
MILLION**

OF **EUROPEAN FUNDS**  
USED TO SUPPORT  
FARMERS AND  
AGRICULTURE ACROSS  
WALES

**56%**

OF STAKEHOLDERS  
BELIEVE WE **WORK  
WELL WITH OTHER  
EXTERNAL REVIEW  
BODIES**

FACILITATED THE  
DETECTION AND  
**PREVENTION OF FRAUD**  
AND ERROR WORTH  
MORE THAN

**£5.4  
MILLION**

## Case study example

### Identifying anomalous data on student grant applications that could be due to fraud

In 2018, a new higher education student finance system was introduced for students commencing their studies in the 2018-19 academic year. This new system meant students could apply for maintenance support grants of up to £10,124 per annum. All means-tested grants, benefits or services carry a risk of application fraud.

In response to this risk, we engaged with the Welsh Government, Student Finance Wales (SFW), the Cabinet Office and HMRC in a collaborative project designed to identify potential fraudulent applications. The project used sophisticated data-matching techniques to compare data submitted to SFW with data held by other organisations including HMRC and credit reference agencies. Integral to the success of the project was the alignment of HMRC's statutory data-sharing powers with the Auditor General's statutory data-matching powers.

The project has been highly successful in identifying anomalous data on student applications that could be due to fraud. These anomalies are currently being investigated by SFW. The project has demonstrated the benefits that can accrue when public bodies and auditors work together, sharing information and aligning powers to address a common challenge. The success of the Wales project has resulted in a parallel project being established in Scotland.



## Our governance and leadership

The Public Audit (Wales) Act 2013 prescribes the framework for our governance arrangements, most notably in relation to the composition and functions of the Wales Audit Office Board, and the relationship between the Wales Audit Office and the Auditor General.

Our Board combines the knowledge and skills of non-executive, executive and elected employee members to provide dimensions of insight and experience that are helping to shape our strategic direction.

The Wales Audit Office also has a senior management structure which is currently subject to review and further refinement to ensure clearer lines of reporting and accountability, to enable swifter and more efficient decision making and to support more effective management of change.

In a survey of key stakeholders conducted in early 2018, 86% of respondents either agreed or strongly agreed with the statement ‘the Wales Audit Office appears to be a well-run organisation’.

Our Governance Statement provides an outline of the control structure of the Wales Audit Office, accounts of corporate governance and risk management for the year, and a description of the principal risks and uncertainties we faced in 2018-19.

Further information on membership of the Board and the Management Committee during 2018-19 is provided in the Directors’ Report.

During the year, the Board approved, amongst other business, [the Annual Report and Accounts for 2017-18](#), an [Estimate of income and expenses for 2019-20](#), an [Interim Report](#) on progress made against the 2018-19 Annual Plan, a [Fee Scheme for 2019-20](#) and an [Annual Plan for 2019-20](#) which includes additional information on our longer-term ambitions and key performance indicators.

These documents were laid before the National Assembly and scrutinised by its Finance Committee.

## Our use of resources

We have been working hard to embed the principle of sustainable development<sup>3</sup> in the way we run our business, and in the way we resource the Auditor General's audit work, for several years. In this section we provide some high-level commentary on how we have managed our use of resources in 2018-19.

While neither the Auditor General nor the Wales Audit Office are listed public bodies for the purposes of the Well-being of Future Generations (Wales) Act 2015, we nonetheless seek to maximise our contribution to achieving the seven Welsh well-being goals:

- a A prosperous Wales
- b A resilient Wales
- c A healthier Wales
- d A more equal Wales
- e A Wales of cohesive communities
- f A Wales of vibrant culture and thriving Welsh language
- g A globally responsible Wales.

In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2018-19 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#)<sup>4</sup>.



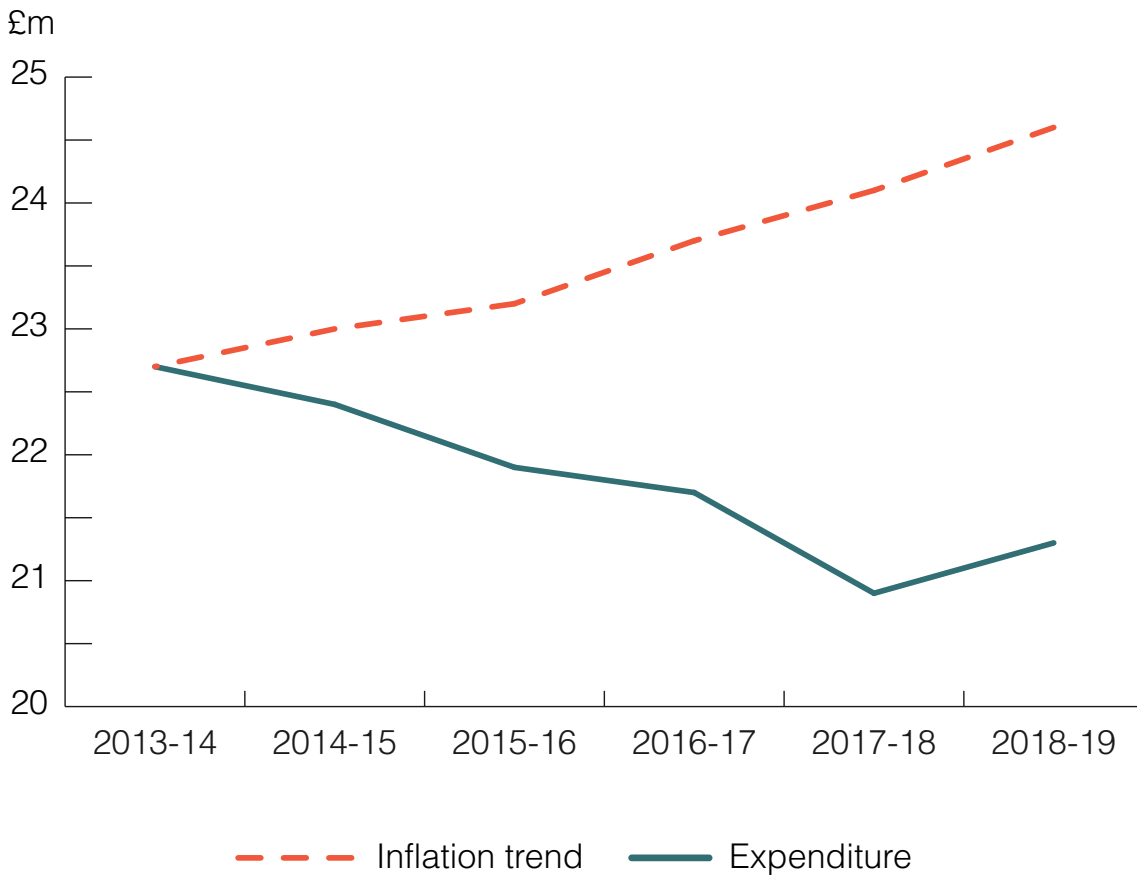
<sup>3</sup> Defined in the Well-being of Future Generations (Wales) Act 2015 as acting 'in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'.

<sup>4</sup> In accordance with HM Treasury [Public sector annual reports: sustainability reporting guidance 2018-19](#).

## Financial management and efficiencies

Since 2013-14, the Wales Audit Office has reduced its expenditure by 13% in real terms<sup>5</sup>. Cumulative savings generated across the last five years amount to £10.2 million, reducing both our call on the Welsh Consolidated Fund (other than for new responsibilities) and the amount required to be raised from fees charged to audited bodies.

### Wales Audit Office expenditure



<sup>5</sup> Based on GDP deflators published by the Office for National Statistics in March 2019

In 2018-19, our total gross expenditure was £240,000 (1.1%) lower than the approved [Estimate](#) for the year.

We used savings on staffing and other costs of £384,000 generated during the year to fund a voluntary exit scheme which aligned with our longer-term workforce planning commitments. It is estimated that the scheme will deliver future annual savings of £242,000, thereby positively impacting on our medium-term financial plan.

Overall savings identified for 2018-19 totalled some £490,000, including savings from previous voluntary exit schemes and those identified through organisational transformation projects.

Over the year and in alignment with our Estimate, we continued to invest in transformation projects, including in relation to data analytics and our future ways of working, to ensure our impact continues to be maximised in the changing environment ahead and to deliver further savings for our medium-term financial plan.

We also invested £210,000 of capital funding across five areas, some of which will help us to deliver further efficiency savings in coming years:

- a £70,000 on new hybrid laptops which allow our staff to work more efficiently and reduce our consumption of paper;
- b £50,000 on improvements to our corporate and audit data management systems and software;
- c £41,000 on essential improvements to our IT network;
- d £37,000 on necessary repairs and accessibility improvements to our Cardiff office, including to facilitate new ways of working; and
- e £12,000 on improvements to our video conferencing facilities which allow us to reduce our business travel with associated cost savings and environmental benefits.

## Learning and development

As a professional audit body and an accredited training provider with three professional accountancy bodies, the Wales Audit Office is committed to a rolling programme of trainee recruitment. Through our annual recruitment campaigns, we aim to attract the highest possible calibre of candidate.

During the 2018-19 financial year, 39 trainees successfully moved on to the next stages of their studies, collectively achieving a 90% first-time pass rate for examinations with the Institute of Chartered Accountants in England and Wales (ICAEW).

In 2018-19, we continued to work in partnership with other publicly funded bodies in Wales on the Finance Skills and Development Initiative, which aims to make public finance a more attractive career option for graduates and to raise the standard of financial management in the country. Under the initiative, partner organisations including the Wales Audit Office offer secondment opportunities for finance trainees to spend periods of time at other publicly funded bodies. In 2018-19, eight Wales Audit Office trainees completed placements at bodies including Natural Resources Wales, the National Assembly Commission, Aneurin Bevan University Health Board, Swansea Bay University Health Board, Betsi Cadwaladr University Health Board, Companies House and several local authorities. We also facilitated a reciprocal inward secondment from Betsi Cadwaladr University Health Board.

We continue to invest more broadly in learning and development to support our staff in the delivery of their work. In 2018-19, the average amount of time spent per employee on a range of learning and development activities was 5.8 days. Some of the training was designed and delivered in-house, and where appropriate and cost-effective, we commissioned external support to deliver training to our bespoke requirements.

Learning and development is one of the key themes explored in our annual staff survey. In 2018, two-thirds of staff indicated that they felt able to access the right learning and development opportunities when they needed to, and over half agreed that learning and development activities they had completed in the past 12 months had helped to improve their performance. However, just under 50% of staff were of the view that learning and development activities completed while working for the organisation were helping to develop their careers; addressing these concerns will be an important area of focus for our People Strategy work in 2019-20.





## Staff engagement and the employee experience

During the year we used a variety of media and mechanisms to provide Wales Audit Office employees with corporate information, to encourage the involvement of employees in the organisation's performance, and to consult with employees so that their views can be considered when making decisions which are likely to affect their interests.

These included:

- a posting regular blogs from members of the Board and Management Committee, and making Board and Management Committee minutes readily available for viewing on our intranet;
- b encouraging staff to share information and good practice through an internal social media network, through which the Auditor General and Chief Executive also hosted a live question and answer session for staff; and
- c arranging 'partnership forum' meetings with trade union representatives, and engaging such representatives in the process for preparing or revising specific policies and organisational development initiatives, where relevant.

In October 2018, we again ran an all-staff survey to keep our finger on the pulse of the employee experience at the Wales Audit Office and identify where we need to improve. For the second year running, we used the same core survey questionnaire as used in the Civil Service People Survey (CSPS).

The survey covered a range of themes, from the leadership and culture of the organisation through to how individual teams function.

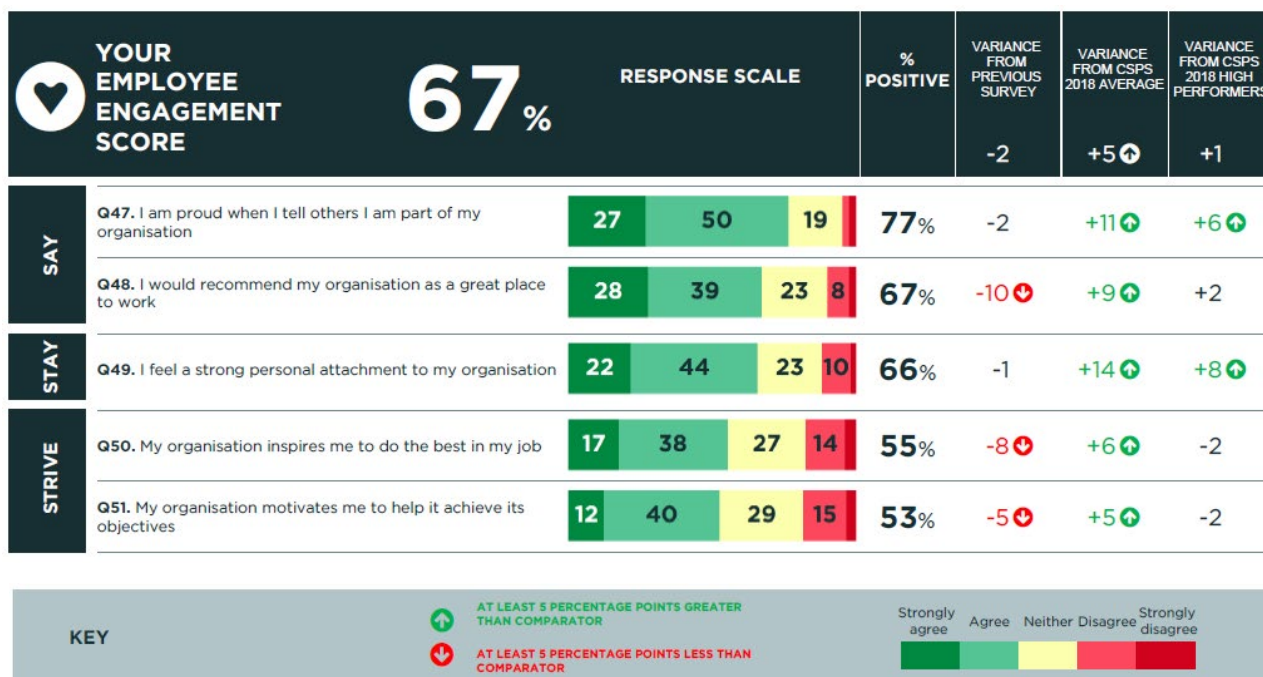
Overall, our results in 2018 remain strong in comparison to the CSPS average, and in many cases, the CSPS high performance benchmark (upper quartile). When compared to these benchmarks, Wales Audit Office staff are generally satisfied with their pay and benefits package, feel a very strong attachment to the organisation and feel they have the tools to get on with their job effectively. This positivity was reflected in our strong overall engagement index score of 67%.

However, when compared to our results in 2017, staff perceptions in 2018 have taken a notable decline, particularly in the following areas:

- a leadership and how well change is managed in the organisation;
- b learning and development, particularly in relation to opportunities for career development; and
- c the effectiveness of performance feedback.

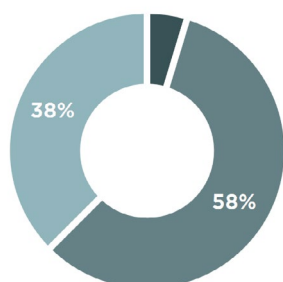
In late 2018 and early 2019, we explored the reasons behind the survey results in more detail through discussions at team meetings and have used the outcomes from both the survey and those discussions to inform our future planning priorities. These include:

- a making changes to the composition and focus of Management Committee and how it and the wider Senior Leadership Team should operate in future;
- b enhancing our change management capacity and capability through a programme management approach and recruitment of a suitably qualified and experienced programme manager;
- c devising an organisational development framework which includes key learning pathways, alongside taking a more proactive approach to identifying and supporting outward secondment opportunities; and
- d a planned overhaul of our performance appraisal scheme, incorporating a new behavioural framework and mechanisms for provision of 360° feedback, and with the aim of making clearer 'golden thread' linkages between overall corporate ambitions and individual and team objectives.



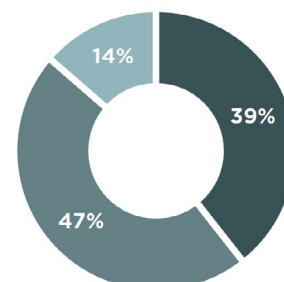
### VARIANCE FROM PREVIOUS SURVEY

- 3 questions above
- 37 questions in line
- 24 questions below



### VARIANCE FROM CSPS 2018 AVERAGE

- 26 questions above
- 31 questions in line
- 9 questions below



## Employee well-being

We are committed to encouraging a healthy lifestyle and a good work-life balance amongst our staff. We also want our staff to feel valued and fully supported when they are experiencing difficulties, irrespective of whether there is an impact on their ability to undertake their role.

Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their well-being, including through an annual programme of events and through offering a health screening service.

In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility. The employee assistance programme provides staff with professional advice and emotional support on a range of matters.

At an organisational level, in our staff survey we included the four questions being used by the Office for National Statistics as part of their Measuring National Well-being programme:

- a Overall, how satisfied are you with your life nowadays?
- b Overall, to what extent do you think the things you do in your life are worthwhile?
- c Overall, how happy did you feel yesterday?
- d Overall, how anxious did you feel yesterday?

In 2018, responses from our staff were typically more positive than those of a CSPS 'high performing' organisation.

We also closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 6.7 days per employee were lost to sickness absence during the reporting year ending 31 March 2019 (compared to 7.6 days per employee for the previous year, and an average of 8.5 days for the public sector<sup>6</sup>).



<sup>6</sup> Source: [Health and Well-Being at Work \(Public sector summary\); CIPD, May 2018](#)

## Equality and human rights

The Auditor General for Wales and Wales Audit Office are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

We are required to follow the framework of protection against discrimination, harassment and victimisation and the public sector equality duties brought in by the Equality Act 2010. We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) on progress made towards delivering our equality objectives in 2017-18 is available on our website. Our report for 2018-19 will be published in summer 2019.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**

**5** GENDER  
EQUALITY



**10** REDUCED  
INEQUALITIES



## Promoting use of the Welsh language

The Auditor General and Wales Audit Office take pride in providing a bilingual audit service. Our public documents are available in both English and Welsh, we have a fully bilingual website, and throughout 2018-19 we communicated with the public, audited bodies and the media in both languages. We also actively encourage staff to learn Welsh and to use the Welsh language in their work and socially.

We are committed to implementing and maintaining the new Welsh Language Standards. Our [Compliance Notices](#) can be found on our website, alongside our Annual Report on the Welsh language.

## Procurement of additional audit resource

The Wales Audit Office employs highly skilled staff to undertake around 90% of the Auditor General's work programme, complemented by a further 10% of audit resource contracted mainly from private sector accountancy firms.

The Wales Audit Office's current contract with those firms runs to 31 March 2020 and covers audits up to and including those for the 2019-20 financial year. During 2018-19, we have been considering very carefully what arrangements we should put in place when the current contracts end.

In February 2019, the Wales Audit Office Board took the decision not to invite tenders for audits beyond 2020; as a result, all Auditor General audits from 2020-21 will be conducted solely by Wales Audit Office staff. This was a difficult decision and is not a reflection of the quality of the firms' audit work. Rather, it takes account of several factors, including:

- a a projected overall reduction in the volume of public sector audit work in Wales in the coming years with the consequent need to ensure that audit services are provided in a cost-effective way;
- b the need to ensure that the Wales Audit Office and Auditor General are meeting their obligations under the Welsh Language Standards;
- c uncertainty about the future shape of the town and community council sector and the audit regime required for that sector; and
- d uncertainty about whether there will be voluntary mergers in local government over the medium term.

The combined impact of these and other factors creates a level of uncertainty that would render it very difficult over the next year or two to invite tenders for meaningful contracts that do not create unacceptable risks and cost pressures for both the Wales Audit Office and the private sector firms.

## Community and charity work

The Wales Audit Office recognises the benefits that community and charity work by staff can bring to the wider community and applauds its staff for their individual efforts. Staff can apply the skills they have developed in the workplace and can develop new skills, whilst improving their morale, physical health and work-life balance.

Subject to operational requirements, we support employees who wish to undertake community or charity activities such as community care work, participating in conservation projects and the administration of public events.

Wales Audit Office staff chose charities involved in helping people who are homeless or who have been dispossessed as the focus for their fundraising activities in 2018-19. Over the course of the year and in their own time, our staff held several fundraising and donation events:

- a a spring clean event where staff were encouraged to donate unused or unwanted items;
- b a staff charity day held by our South Wales financial audit teams, which raised £280 through a cake sale and bake-off, and through which 550 tins of food were collected and donated to Cardiff Foodbank;
- c a member of staff singlehandedly raised nearly £1,000 for the homelessness charity Llamau through support for her completing the gruelling Ironman Wales challenge; and
- d several other events in our offices, including regular raffles and cake sales, and a Six Nations Championship scores and results predictor competition;

In total, staff raised nearly £1,500 for charities involved in helping people who are homeless or who have been dispossessed.



3 GOOD HEALTH AND WELL-BEING



## Environmental stewardship<sup>7</sup>

ACCREDITED AT  
**LEVEL 5**  
OF THE GREEN DRAGON  
ENVIRONMENTAL  
STANDARD

REDUCED OUR  
CONSUMPTION OF  
PAPER BY NEARLY  
**16%**

RECYCLED OVER  
**3/4**  
OF OUR WASTE

USED CARBON  
CREDITS TO OFFSET  
**100%**  
OUR GREENHOUSE  
GAS EMISSIONS

In 2018-19, we were proud to achieve our target of reaching Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.

As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset<sup>8</sup> all of our carbon dioxide equivalent emissions (tCO<sub>2</sub>e) including those resulting from our business travel, by supporting the following projects:

- a Portel-Pará reduced deforestation project in Brazil (199 tCO<sub>2</sub>e)
- b Wind-based power generation project by Panama Wind in India (198 tCO<sub>2</sub>e)
- c Planting 199 trees in Wales

In 2018-19 we continued to invest in Skype for Business – a system which allows our staff to collaborate and communicate with each other, and with outside contacts, through phone calls, video conferencing, screen sharing and instant messaging, via their laptops and regardless of where they are working. This significantly reduces the need for colleagues and client staff to travel to meet and work together; in 2018-19 we reduced car business travel by 79,000 miles.

Most of our staff also now use laptops which combine the size format of tablets with mobile device functionality, reducing the need for the printing of meeting papers and enabling them to take notes onscreen.

<sup>7</sup> Prepared in accordance with [HM Treasury Public Sector Annual Reports Sustainability Reporting Guidance 2018-19](#).

<sup>8</sup> Carbon offsetting is the use of carbon credits to enable organisations to compensate for some of their emissions.

Organisations can make up for some of the carbon emissions by buying credits in projects by funding an equivalent carbon dioxide saving elsewhere.

We are committed to using recycled stationery products and using the Buying Standards as a guide for cleaning, construction and purchase of equipment. We also invested in multi-functional machines that are of high productivity, value for money and have low environmental impact for our offices.

During the year, we launched a new cycle-to-work scheme for staff, purchased pool bicycles for our offices and invested in a larger bike cage for our Cardiff office, to help further reduce our environmental impacts and improve the health and well-being of our staff.

We also undertook preventative repairs to our Cardiff office to improve its overall performance and established an environmental champions staff group to promote the sustainability principle and raise awareness of various initiatives.



13 CLIMATE ACTION



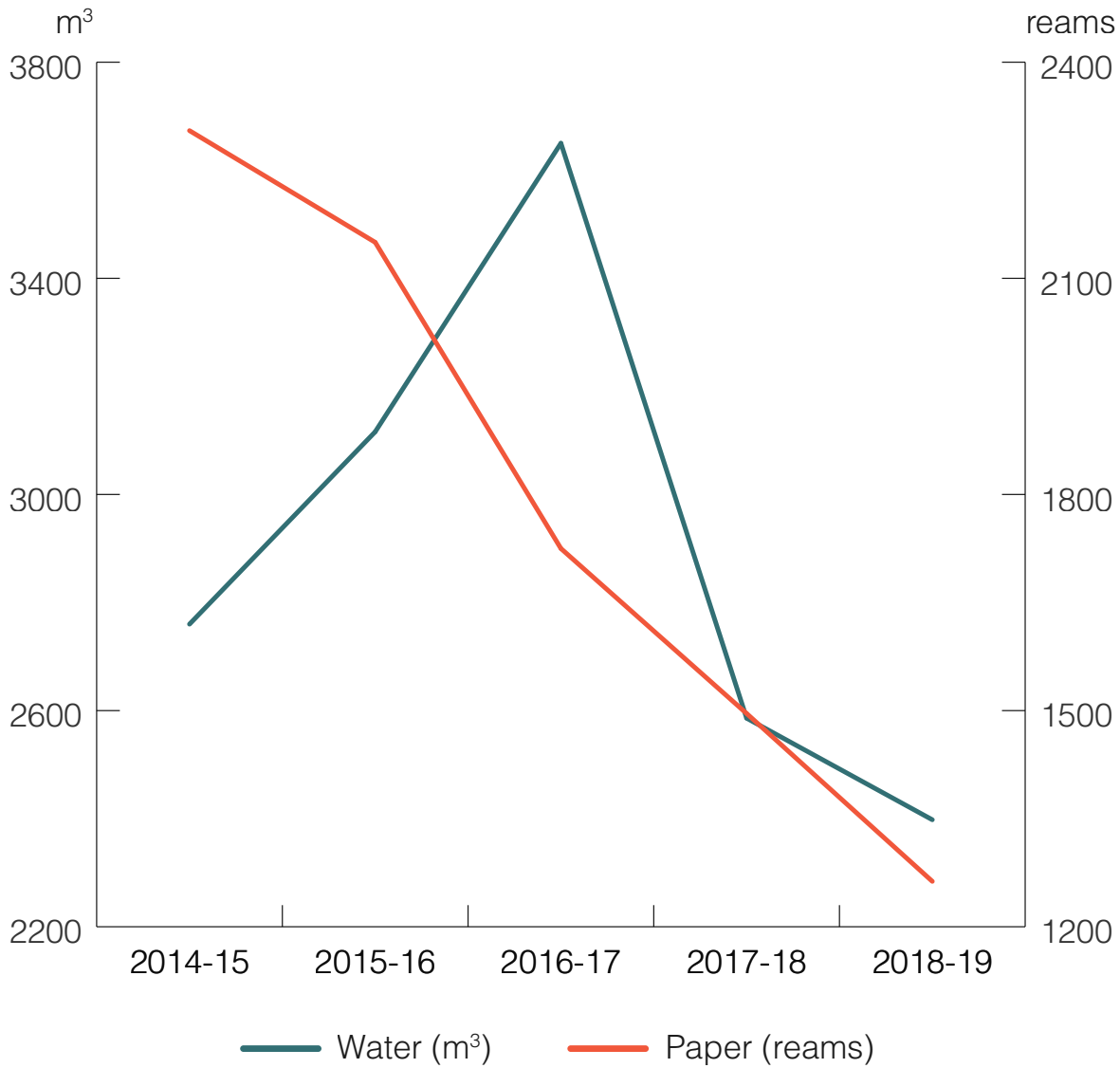
15 LIFE ON LAND





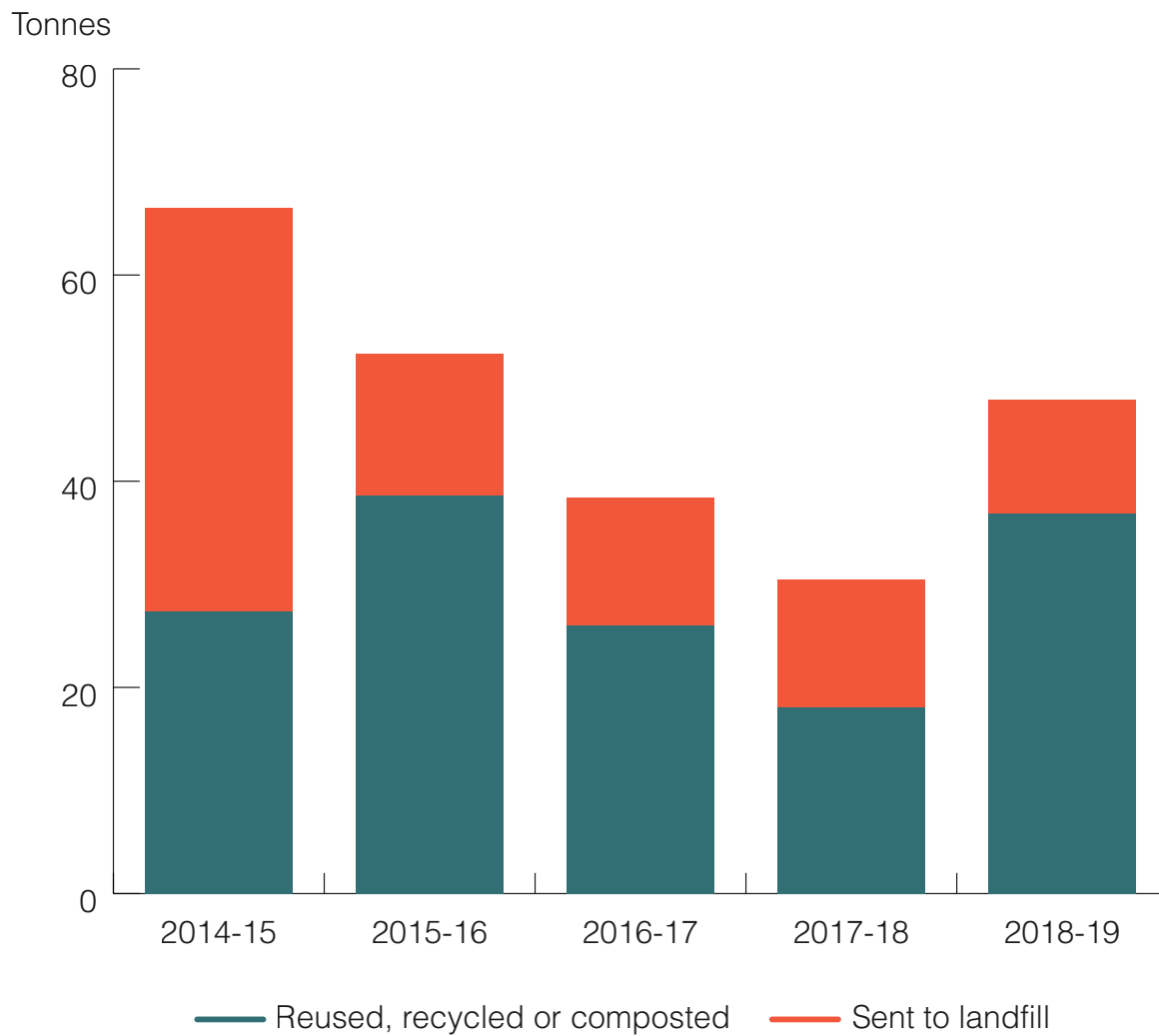
## Finite resource consumption

Line graph showing trends in our consumption of water and paper over the last five years



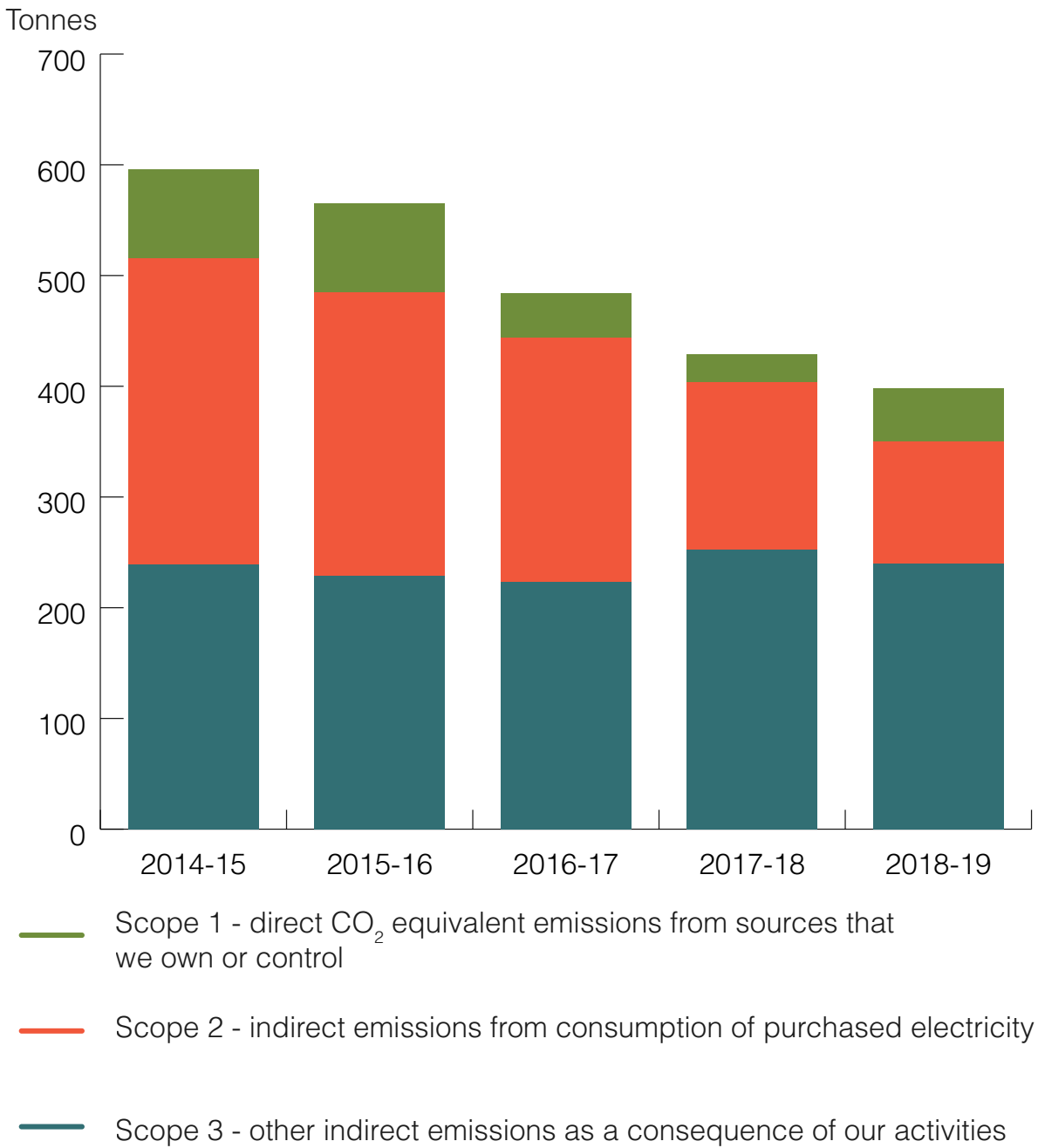
## Waste minimisation and management

Column chart showing the trend in the total amount of waste produced and the proportion of that waste reused, recycled or composted or sent to landfill over the last five years



## Greenhouse gas emissions

Column chart showing trend in total amount of CO<sub>2</sub> equivalent emissions and the proportion of those emissions by scope over the last five years



## Energy consumption

Column chart showing trend in total energy consumption and the proportion of that energy sourced from gas and electricity supply over the last five years

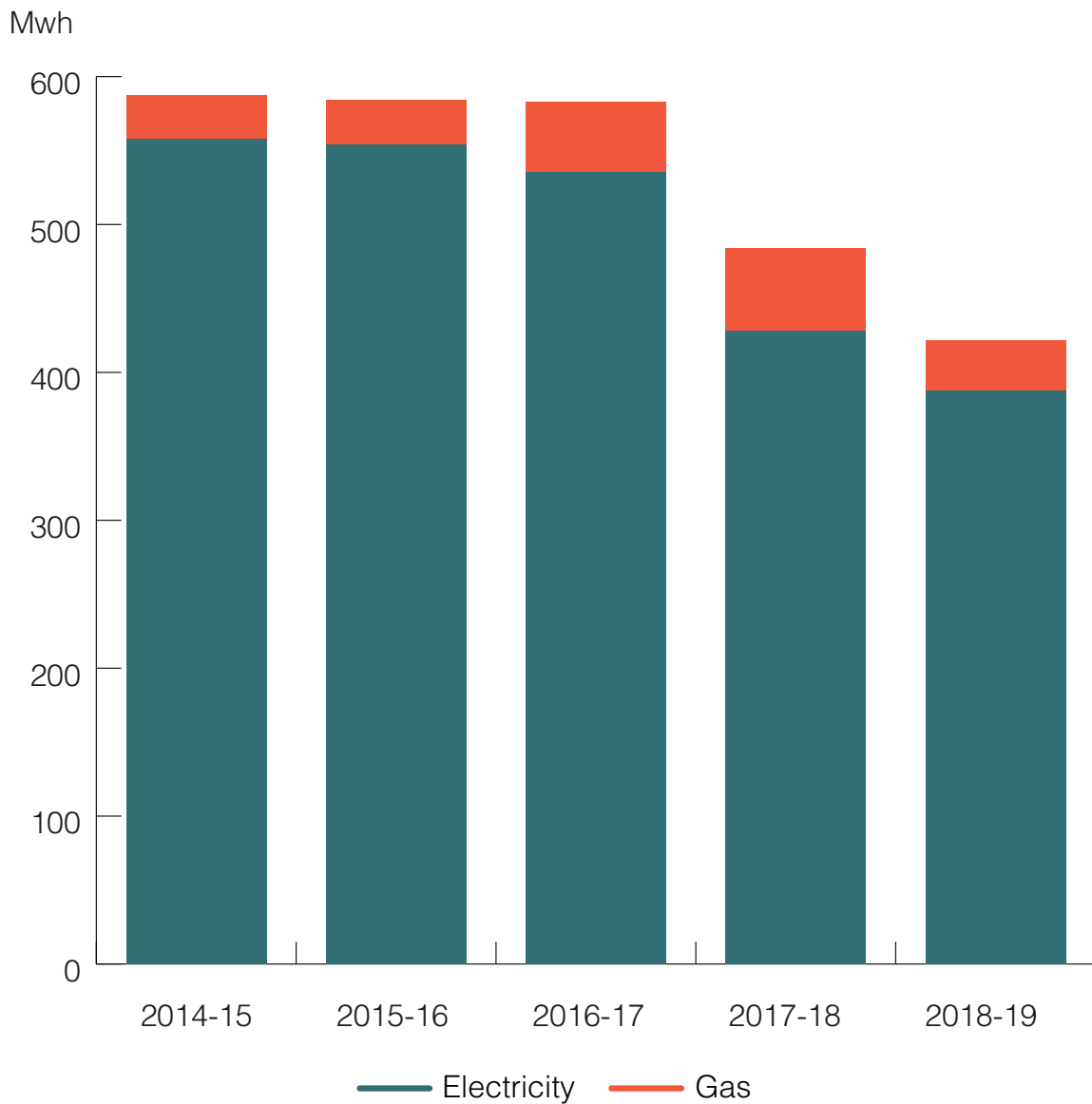


Table providing more detailed information on our environmental management, finite resource consumption and waste minimisation and management over the last five years

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Environmental management</b>					
Level of Green Dragon accreditation	4	4	4	4	5
<b>Finite resource consumption<sup>9</sup></b>					
Water consumption m <sup>310</sup>	2,760	3,116	3,650	2,586	2,398
Water consumption m <sup>3</sup> per FTE	12.0	10.5	13.9	10.0	9.1
Water supply costs £	4,754	6,280	6,219	3,564	4,389
Paper consumption in reams	2,305	2,150	1,725	1,496	1,263
Paper supply costs £	6,349	5,609	4,269	3,737	3,894
<b>Waste minimisation and management<sup>11</sup></b>					
Total waste tonnes	66.5	54.9	38.7	33.2	47.9
Reused, recycled or composted	27.4	38.6	26.0	18.1	36.9
ICT waste recycled and reused (externally)	0.0	2.6	0.7	0.2	0.5
Furniture and equipment (externally)	0.0	12.3	2.6	0.0	3.8
Mixed recycling, paper, food waste, garden	27.4	23.7	22.6	17.9	32.6
Landfill	39.1	13.7	12.4	12.4	10.5
Hazardous	0.0	2.5	0.4	2.7	0.5
Reused, recycled, composted as % of total waste <sup>12</sup>	41.1	70.4	67.0	54.5	76.9
Total disposal costs £	7,337	16,400	13,466	9,964	13,340

9 Good practice for water usage within an office is considered to be between 4 m<sup>3</sup> and 6 m<sup>3</sup> per Full Time Equivalent (FTE) per annum ([Greening Government Commitment targets](#)). However, we do not include office visitors in our calculation which is likely to have a substantial impact on our figures due to the number of shared learning events held at our Cardiff headquarters.

10 Billing periods not aligned with financial reporting period, so 2018-19 consumption figures are an estimate. Our increased water consumption in 2016-17 was primarily due to a leak which has subsequently been fixed.

11 Calculated using appropriate WRAP conversion factors; hazardous waste includes ICT disposals and interceptor cleaning. The 2018-19 waste increase is due to replacement of furniture and IT equipment beyond useful life, and garden waste for a new hardstanding.

12 Eighty-eight per cent for the Welsh Government in 2017-18 ([State of the Estate Report 2017-18](#)).

Table providing more detailed information on our greenhouse gas emissions and efficiency of estate management over the last five years

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Greenhouse gas emissions<sup>13</sup></b>					
Total emissions tonnes CO <sub>2</sub> e	563.1	533.0	483.7	419.0	397.5
Attributable to business travel	275.7	272.3	233.2	242.1	229.0
By car	239.1	232.7	199.5	215.7	188.7
By rail and air	36.6	39.6	33.7	26.4	40.3
Attributable to energy consumption	263.3	233.8	227.8	160.7	116.1
Electricity	257.7	228.3	220.5	150.5	109.8
Gas	5.5	5.5	7.3	10.2	6.3
Attributable to other <sup>14</sup>	24.1	23.6	22.6	16.1	52.4
Total expenditure on business travel £000 <sup>15</sup>	1,214	1,258	1,232	1,204	1,205
Cost per FTE of business travel £	5,037	4,972	4,720	4,658	4,566
Total energy expenditure £	63,119	64,394	57,051	54,676	60,046
<b>Efficiency of estate</b>					
Cost per FTE £ <sup>16</sup>	3,397	3,228	3,072	3,317	3,378
Cost efficiency <sup>17</sup> £ per m <sup>2</sup>	278	300	287	306	318
Space efficiency m <sup>2</sup> per FTE <sup>18</sup>	12.2	10.7	10.7	10.8	10.6

<sup>13</sup> Calculated in accordance with [DEFRA Environmental Reporting Guidelines](#).

<sup>14</sup> Attributable to energy transmission and distribution, waste disposal and water usage and treatment.

<sup>15</sup> Includes costs of leased cars, transport allowances and travel and subsistence.

<sup>16</sup> Compared to £3,576 for the Welsh Government as of 31 March 2018.

<sup>17</sup> Including rent, rates and other costs

<sup>18</sup> Compared to 15.5 m<sup>2</sup> per FTE for the Welsh Government as of 31 March 2018. 2015-16 was the first year that we included contractors in our FTE total, to ensure a like-for-like benchmarking comparison

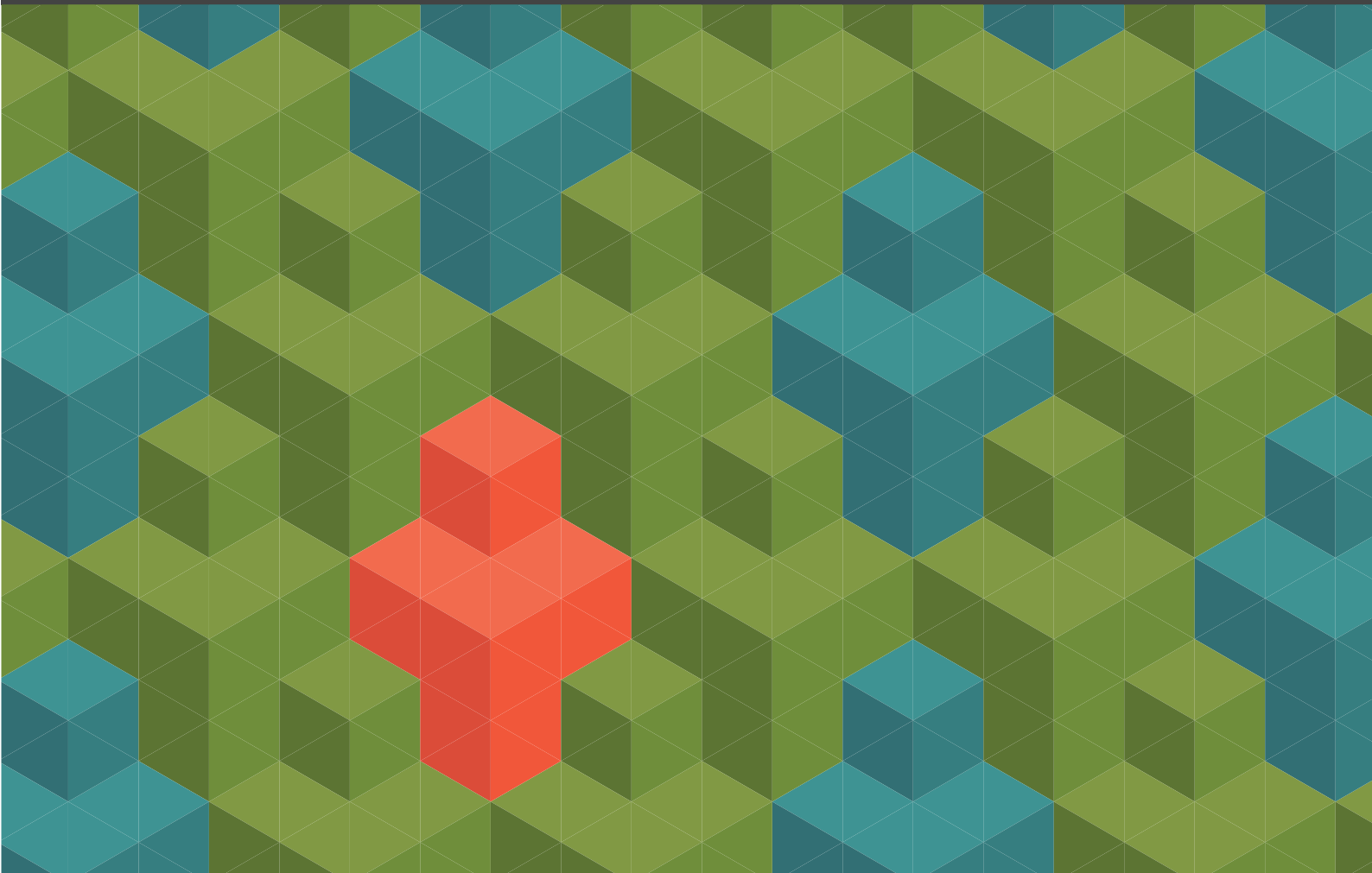
# ACCOUNTABILITY REPORT

KEY STATEMENTS AND REPORTS THAT ENABLE US TO MEET  
ACCOUNTABILITY REQUIREMENTS AND DEMONSTRATE  
COMPLIANCE WITH GOOD CORPORATE GOVERNANCE

A handwritten signature in white ink on a dark grey rectangular background. The signature is cursive and appears to read 'Adrian Crompton'.

Adrian Crompton  
Auditor General for Wales and Accounting Officer

6 June 2019



## Directors' report

### The Wales Audit Office Board



**Adrian Crompton**  
Auditor General and  
Chief Executive



**Alison Gerrard**  
Non-executive  
member



**Amanda Hughes**  
Elected employee  
member



**Anne Beegan**  
Elected employee  
member



**Bill Richardson**  
Non-executive  
member



**David Francis**  
Non-executive  
member



**Isobel Everett**  
Chair of the Board



**Kevin Thomas**  
Appointed  
employee member



**Lindsay Foyster**  
Non-executive  
member and  
Senior Independent  
Director



## The Wales Audit Office Management Committee



**Adrian Crompton**  
Auditor General,  
Accounting  
Officer and Chief  
Executive



**Anthony Barrett**  
Assistant Auditor  
General



**Jane Holownia**  
Sector Lead,  
Local Government  
and Criminal  
Justice



**Kevin Thomas**  
Director of  
Corporate  
Services



**Mike Usher**  
Sector Lead,  
Health and  
Central  
Government



**Steve  
O'Donoghue**  
Director of  
Finance and HR

## Auditor of the Wales Audit Office

RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Finance Committee of the National Assembly for Wales since 1 March 2015, most recently for a period of 48 months commencing 1 November 2018.

In addition to their work to form an opinion on the financial statements and regularity, the auditor may carry out examinations into the economy, efficiency and effectiveness with which the Auditor General or Wales Audit Office has used resources in discharging their functions and lay a report of the results of any such examinations before the National Assembly.

Details of the cost of external audit services are disclosed in the Notes to the financial statements.

## Statement of Accounting Officer's responsibilities

Under paragraph 33 of Schedule 1 to the Public Audit (Wales) Act 2013, the Auditor General is the Accounting Officer for the Wales Audit Office and must, for each financial year:

- a keep proper accounts and proper records in relation to them; and
- b prepare a statement of accounts in the form and on the basis set out in the Accounts Direction issued by the National Assembly for Wales.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Wales Audit Office's assets, are set out in [Managing Welsh Public Money](#) published by the Welsh Government.

Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the National Assembly.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the [Government Financial Reporting Manual](#), and in particular to:

- a observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b make judgements and estimates on a reasonable basis;
- c state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- d prepare the accounts on a going concern basis.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Wales Audit Office and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

As Accounting Officer, I confirm that:

- a this Annual Report and Accounts as a whole is fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable;
- b I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Audit Office's auditors are aware of that information; and
- c as far as I am aware, there is no relevant audit information of which the Wales Audit Office's auditors are unaware.

## Governance statement

This statement sets out the control structure of the Wales Audit Office and provides an account of corporate governance and risk management, alongside a description of the principal risks and uncertainties we face.

My responsibilities as Accounting Officer are set out in the Statement of Accounting Officer's responsibilities. In discharging these responsibilities and amongst other requirements, I must seek to ensure that:

- a a sound system of internal control is maintained in the Wales Audit Office, including a robust internal audit process, to support the proper exercise of statutory functions; and
- b the Wales Audit Office's management of opportunities and risk achieves the right balance commensurate with the business of the Auditor General and Wales Audit Office.

## Corporate governance

### The governance framework

The governance framework of the Wales Audit Office, including information on the coverage of the Board's work and that of its committees, is summarised in the exhibit overleaf.

Our Board of nine members comprises a majority of five non-executive members (including the Chair), the Auditor General, an employee member appointed on the Auditor General's recommendation and two elected employee members.

There is a Senior Independent Director whose responsibilities include: deputising for the Chair when she is unable to act; appraising the performance of the Chair; receiving reports from whistleblowers outside the normal line management chain; and overseeing the election of employee members to the Board.

The relationship between the Wales Audit Office and the Auditor General is governed by a [Code of Practice](#) which is approved by the National Assembly and reviewed periodically.

The Board has established two committees which operate in an advisory capacity:

- a the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member; and
- b the Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member

The elected employee Board members are not members of the Management Committee nor involved in senior-level decision-making other than in a Board capacity. The Board is satisfied that there are no conflicts of interest in their Committee membership and that, where conflicts arise, they are managed and mitigated effectively.

I chair a Management Committee to advise me in my capacity as Auditor General, Chief Executive and Accounting Officer. It comprises the Wales Audit Office's five most senior managers and meets at least once every month. Towards the end of the year I announced proposals to change the membership and refocus the purpose of the Management Committee and expect to implement those changes in 2019-20.

The Board and its Committees, and the Management Committee are supported by a Board Secretary. There is a forward programme of business that informs their provisional agenda, designed to ensure that business is conducted as efficiently and effectively as possible.

Further information on membership of the Board and Management Committee can be found in the Directors' Report.

## FINANCE COMMITTEE OF THE NATIONAL ASSEMBLY

Scrutinises the Wales Audit Office's use of resources, recommends the appointment of the Auditor General and non-executive members of the Wales Audit Office, and is responsible for the appointment of the Wales Audit Office's external auditor.



## WALES AUDIT OFFICE BOARD

Monitors the exercise of the Auditor General's functions.

Provides the Auditor General with advice.

Employs staff and provides resources for the exercise of the Auditor General's functions.

Charges fees for work done by the Auditor General.

Prepares jointly with the Auditor General an estimate of income and expenses, fee scheme, annual plan, interim report(s) and an annual report.



## REMUNERATION AND HR COMMITTEE

Advises the Board by scrutinising and challenging three broad areas of human resources management and development:

- a) governance;
- b) performance; and
- c) policy and remuneration.

## AUDIT AND RISK ASSURANCE COMMITTEE

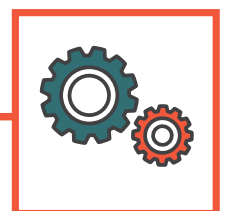
Advises the Board by:

- a) reviewing the comprehensiveness and reliability of sources of corporate assurance;
- b) reviewing the integrity of the annual report and accounts; and
- c) providing an opinion on how well the Board and the Accounting Officer are supported in discharging their respective roles.



## MANAGEMENT COMMITTEE

Directs and oversees implementation of the vision and objectives described in the joint Annual Plan of the Auditor General and Wales Audit Office



## Attendance at Board and committee meetings 2018-19

	Board	ARAC	RHRC	MC
<b>Number of meetings held</b>	6	4	3	17
<b>Members of the Board and its committees</b>				
Adrian Crompton <sup>19</sup>	5	3	2	13
Alison Gerrard, Chair of the Audit and Risk Assurance Committee (ARAC)	6	4		
Amanda Hughes <sup>20</sup>	6	1	3	
Anne Beegan <sup>21</sup>	6	3		
Bill Richardson	6		3	
David Francis <sup>22</sup>	1			
Dianne Thomas, Independent Member of ARAC <sup>23</sup>	1	4		
Huw Vaughan Thomas <sup>24</sup>	1	1		5
Isobel Everett	6	4		
Kevin Thomas <sup>25</sup>	6	4		16
Lindsay Foyster, Chair of the Remuneration and HR Committee (RHRC) <sup>26</sup>	6		3	
Louise Fleet <sup>27</sup>	1			
Steven Burnett <sup>28</sup>	4		2	

19 Adrian Crompton took up post as Auditor General and Chief Executive from 21 July 2018 and prior to that observed one Board meeting and one Management Committee meeting as the Auditor General Elect. He attended ARAC and RHRC meetings in his capacity as Chief Executive and Accounting Officer.

20 Amanda Hughes was re-appointed as an employee member of the Board from 11 June 2018. On that date she transferred from the ARAC to the RHRC.

21 Anne Beegan was appointed as an elected employee member of the Board and as a member of the ARAC from 11 June 2018. Prior to her appointment she attended one Board meeting as the Elected Employee Member Elect. She attended one further Board meeting in an observer capacity to preserve the quorum in the absence of Steven Burnett.

22 David Francis was appointed as a non-executive member of the Board from 16 March 2019.

23 Dianne Thomas attended one Board meeting in her role as Independent Member of ARAC.

24 Huw Vaughan Thomas retired from the post of Auditor General on 20 July 2018.

25 Kevin Thomas attended ARAC meetings in his capacity as Director of Corporate Services.

26 Lindsay Foyster was re-appointed as a non-executive member of the Board from 16 March 2019. She was appointed as the Senior Independent Director on 21 March 2019.

27 Louise Fleet's term of appointment as an elected employee member of the Board ended on 8 June 2019.

28 Steven Burnett's term of appointment as a non-executive member of the Board, during which he also acted as Senior Independent Director, ended on 15 March 2019.

	Board	ARAC	RHRC	MC
<b>Number of meetings held</b>	6	4	3	17
<b>Members of the Management Committee (MC) who are not Board members<sup>29</sup></b>				
Anthony Barrett	5			15
Jane Holownia	5			16
Mike Usher <sup>30</sup>	6		1	15
Steven O'Donoghue <sup>31</sup>	6	4	3	16



<sup>29</sup> Management Committee members attended meetings of the ARAC as necessary to give briefings, participate in discussions or to take their advice. They have a standing invitation to attend Board meetings.

<sup>30</sup> Mike Usher attended the RHRC to present one item for which he is the lead director.

<sup>31</sup> Steve O'Donoghue, as Director of Finance and HR, is required to attend all meetings of the Board, ARAC and RHRC.



## Account of corporate governance

The Board receives assurance that its objectives are being met through:

- a internal management reports, performance reports and topical briefings;
- b independent internal reports, including internal audit reports and the reports of the Audit and Risk Assurance Committee and the Remuneration and HR Committee; and
- c external audit reports.

The level of assurance sought and provided is proportionate to the associated levels of assessed risk.

The Board is satisfied with the quality of the information it receives, although there is scope to improve both its breadth and timeliness and to ensure that the focus of the work of the Management Committee and the Board are more closely aligned; work is in hand to address these points.

When carrying out our work, the Wales Audit Office and I (in my capacity both as Auditor General and Accounting Officer) apply formal [Schemes of Delegation](#). The schemes of delegation inform the terms of reference of the Board, its committees and the Management Committee, which are reviewed annually.

The Board operates a Code of Conduct under which the Board Secretary maintains members' registers of interests which are reviewed annually and updated during the year to capture any changes notified by members. This ensures that potential conflicts of interest, including risks to the Auditor General's independence, are identified on an ongoing basis and appropriate action is taken to mitigate them. The Wales Audit Office publishes the [Registers](#) on its website.

The Chair of the Wales Audit Office and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the Finance Committee.

The Head of Internal Audit and the External Auditor continue to have open and confidential access to the Chair of the Audit and Risk Assurance Committee. In addition, the Committee holds a private session with the internal and external auditors before each committee meeting.

On a voluntary basis, the Wales Audit Office assesses its arrangements against the requirements of the [Code of Good Practice for Corporate Governance in central government departments](#). The Board is satisfied that it complies with those requirements insofar as they are relevant and practical given the need to preserve the Auditor General's independence. The arrangements did not comply with the Code's requirements in respect of the following aspects:

- a the Wales Audit Office is not a ministerial department, nor does it report to or receive instructions from ministers or their officials;
- b the role and responsibilities of the Board and its membership are set in statute; and
- c the Board has not established a nominations committee, but the functions described in the Code are undertaken by the Board and the Remuneration and HR Committee.

## **Board performance and effectiveness review**

The Board completed a self-assessment of its effectiveness and considered the results in March 2019. It measured itself as moderately to highly effective across all aspects of the assessment and was satisfied overall that the results revealed nothing unexpected. A number of actions were already in hand to address some of the areas identified for improvement, notably in respect of the development of the performance management arrangements around the new [Annual Plan](#).

As part of their annual reporting requirements, the Board committees each complete a self-assessment of their effectiveness. The Audit and Risk Assurance Committee assesses itself against the good practice principles described in [HM Treasury's Audit Committee Handbook](#). The Remuneration and HR Committee has adapted that assessment to ensure that it is relevant and proportionate to its needs. The Board is satisfied with the robustness of the assessments and content that there are no matters of concern.

The Board has in place a process for conducting members' performance appraisals operating on a 12 to 18-month cycle. They were last completed in November 2018. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle.

The Board has a learning and development plan which is updated annually. The plan sets out the arrangements for induction training and for meeting ongoing learning and development needs identified during the year, including through the performance appraisal process.

## Report of the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2019, summarising its conclusions from the work it had undertaken during 2018-19.

The Committee provided assurance that:

- a the risk management arrangements appeared to be operating effectively within a policy framework that was reviewed during the year and updated to account for the outcome of an internal audit review;
- b financial reporting was in line with the [Government's Financial Reporting Manual](#) and adopted appropriate accounting policies;
- c through its strategic reviews of the assurance map the Committee had a better understanding of the internal control framework and any gaps in it;
- d the arrangements to enable staff to report wrongdoing in the workplace in the public interest and for money laundering reporting were robust; and
- e management had strengthened the counter-fraud arrangements and updated the supporting documentation during the year, ensuring they are consistent with good practice.

Whilst the Committee was satisfied that there appeared to be no significant gaps in the risk and assurance framework, its self-assessment highlighted the need for greater focus on scrutinising the reliability of the assurances it receives from management. The Committee anticipated that this work:

- a would follow the Board's consideration of the assurances it needs around delivering the Annual Plan for 2019-20 and that will guide its work programme; and
- b would, to an extent, depend on the work underway to improve the governance arrangements below Board level on which management will be reporting back to the Committee in September 2019.

On the strength of these conclusions, the Committee did not identify the need to make recommendations but will track progress during the year using its action tracker

The Committee's self-assessment demonstrates that it is following accepted good practice.

## Report of the Remuneration and HR Committee

In 2018-19, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. Common themes in the Committee's consideration were:

- a ensuring that workforce-related decisions were informed by the workforce vision and strategy rather than taken in isolation or driven only by cost considerations;
- b the well-developed arrangements around updating the HR policy framework through an established programme of rolling review and including more robust benchmarking against other comparable organisations;
- c the capacity constraints in the HR team which had also been discussed by the Audit and Risk Assurance Committee and the Board;
- d evidence that management was implementing the results of post-project learning exercises which led to noticeable improvements in the decision-making process; and
- e the challenges of securing assurance that the Board's priorities were being delivered, for example through the Committee's monitoring of the People Strategy delivery plan and its discussions on the trainee and apprenticeships programme.

Overall, the Committee was broadly satisfied that the remuneration and HR arrangements:

- a support the Board's strategic aims;
- b enable the efficient, effective and economic conduct of business including the recruitment, motivation and retention of staff; and
- c comply with regulatory requirements, including ensuring that the disclosures in the annual remuneration report are in accordance with legal requirements.

However, the Committee noted:

- a management's recognition that there is work to do to ensure that the governance and delivery framework around the People Strategy is effective with the right measures in place to provide assurance; and
- b its contribution to a significant level of activity during the year, and acknowledged that the HR team needs a period of stability in its management and staffing given its central role in supporting delivery of the People Strategy.

The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern although it has made some related recommendations. The Committee is conscious that the appointments of a new Chair and non-executive member could change the dynamic of its internal operation which it will need to monitor and manage as the year progresses.

## Internal auditor's report

Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP have been appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21.







An internal audit strategy and plan for 2018-19 was prepared for consideration and was approved by the Audit and Risk Assurance Committee at its meeting on 28 February 2018. During 2018-19, six internal audit reports were issued by PricewaterhouseCoopers LLP.

A tracker was maintained by the Head of Internal Audit to track and follow up on audit recommendations and agreed actions during the year. In addition, in March 2019, internal audit validated that actions reported as completed in the year have been sufficiently addressed via inspection of appropriate supporting evidence.



## Levels of assurance provided in internal audit report opinions

Table listing the internal audit reviews carried out in 2018-19 and providing the report classification in terms of levels of assurance for each review, alongside a summary of key observations.

Internal audit review	Report classification	Internal audit observations
Strategy and corporate governance	 Low risk	Overall, we have found the strategy-setting process and corporate governance structure of the Wales Audit Office to be designed and operating effectively.
Risk management framework	 Low risk	This review assessed the Wales Audit Office's risk management framework against the principles of best practice Enterprise Risk Management, as defined by the COSO ERM Framework and the principles of ISO31000. Overall, we found the risk management arrangements within the Wales Audit Office to be well understood by key senior stakeholders.
Information strategy and data protection	 Low risk	Overall, we believe that the Wales Audit Office has a relatively mature action plan in relation to the General Data Protection Regulation (GDPR) programme.
Cyber security governance and ICT assets	 High risk	The cyber security governance is not formalised, and the risk is addressed in a somewhat ad hoc fashion. Our review identified several areas where strengthening the governance arrangements in place could improve how the cyber security risk is managed.
Service delivery and quality assurance	 Medium risk	We observed a number of areas of good practice in the processes and controls supporting the service delivery arrangements at the Wales Audit Office, but these processes and controls could be further strengthened.
Workforce and people strategy	 Medium risk	Although there is no strategic workforce plan in place, the organisation understands the benefits of one and there are plans in place to develop one. However, critical roles are yet to be identified and there is no succession plan in place.

In his annual statement of assurance for 2018-19, the Head of Internal Audit reported that:

‘Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance, risk management and control.’

### **Risk appetite and management**

Given the nature of our business, our tolerance of risk in areas of professional audit judgement, regularity, propriety and financial management is low. In other areas, such as in relation to the exchange of good practice and engaging more effectively with the public, we are prepared to accept more risk to take advantage of opportunities to pursue our ambitions.

The 11 assurance areas listed overleaf have been adopted by the Board as a framework around which to structure an assurance map which lists existing controls and sources of assurance and highlights any gaps relative to meeting the needs of the Board.

For each assurance area, the Board has broadly defined its risk appetite using the classification recommended in [HM Treasury guidance](#) and periodically considers to what extent existing controls align with that appetite

The Wales Audit Office is committed to adopting best practice in the identification, evaluation and cost-effective control of risks to ensure they are reduced to an acceptable level or eliminated. It is acknowledged that some risks will always exist and will never be eliminated – but these too must be monitored and controlled.



**STRATEGIC DIRECTION**



**GOVERNANCE, LEADERSHIP  
& CULTURE**



**OPERATING MODEL /  
APPROACH TO RESOURCE  
DEPLOYMENT**



**EXTERNAL STAKEHOLDER  
RELATIONSHIPS AND  
REPUTATION**



**WORKFORCE AND PEOPLE  
STRATEGY**



**INFORMATION STRATEGY**



**STEWARDSHIP OF PHYSICAL  
& ICT ASSETS**



**EFFECTIVENESS OF BUSINESS  
SYSTEMS**



**SAFEGUARDING  
ARRANGEMENTS**



**SECURING VALUE FOR MONEY  
IN OUR USE OF RESOURCES**



**ARRANGEMENTS FOR  
MONITORING THE EXERCISE  
OF THE AUDITOR GENERAL'S  
FUNCTIONS**



## **Risk management and control framework**

The Board has overall responsibility for risk management and receives and considers a strategic risk register and a report which summarises any significant changes to the organisation's risk profile at each of its meetings.

The Board is supported by the Audit and Risk Assurance Committee, which reviews and advises the Board on:

- a its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
- b the Wales Audit Office's overall risk assessment processes that inform executive decision making;
- c the Wales Audit Office's capability to identify and manage risk;
- d the remit of the risk management function; and
- e management's responsiveness to risk assessment.

The Management Committee is responsible for: approving and overseeing the implementation of the Wales Audit Office's risk management policy and agreeing any resources needed to support this corporately; assessing and managing strategic risks; and reviewing the operational risk register every six months.

The Accounting Officer advises the Board and its committees on the system of internal control and is supported in doing so by the Management Committee.

## **Risk assessment**

At each of its meetings in 2018-19, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed strategic risk register which:

- a provided an assessment of inherent levels of risk and assigned risk targets;
- b described the key controls that had been put in place to mitigate risk likelihood and impact and achieve targets;
- c provided an assessment of residual levels of risk;
- d identified risk movements and highlighted changes that had been made to mitigating controls since the last Board meeting; and
- e summarised the content of the register through inherent and residual risk heat maps and profiles.

Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Management Committee. These included risks associated with:

- a failing to embrace the opportunities presented by the transfer of the role of Auditor General, including for raising awareness of our work, refreshing relationships with key stakeholders and gaining further insight to help inform our future strategic direction;
- b not responding appropriately through our audit work to the immediate and longer-term implications of Brexit for Welsh public services;
- c cessation of the current EU agricultural funding arrangements following Brexit and loss of associated audit work and fee income;
- d our ability to invite tenders for meaningful contracts with private sector firms for additional audit resource; and
- e not taking, and being seen to take, appropriate action in response to the results of the 2018 Wales Audit Office People Survey.

I am satisfied that these risks have been monitored and managed effectively during the year.

In 2018-19, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through testing individual strategic risks, to determine whether, in the round, the risk management arrangements were robust. Over the course of the year, the Committee considered three strategic risks, alongside undertaking two reviews of the operational risk register. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.

Several risks were successfully managed and removed from the strategic risk register during 2018-19. The risks were either closed completely or de-escalated to the operational risk register for ongoing management by the relevant risk lead.

The Wales Audit Office also faces a small number of newly identified risks going forward into 2019-20, which have been reflected in our strategic risk register. These include risks associated with:

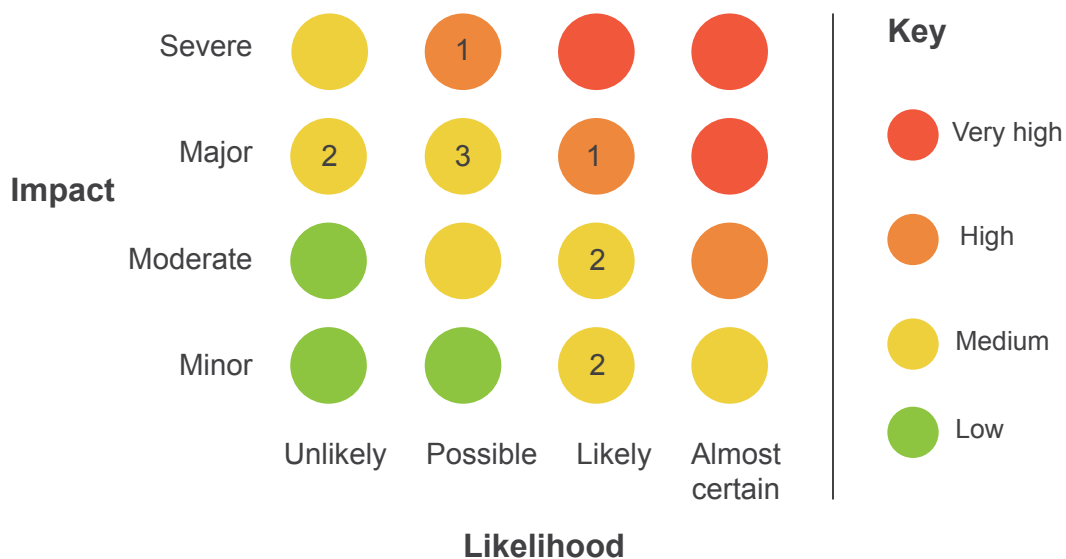
- a potential cuts to income streams;
- b failing to establish and deliver a properly resourced, holistic change programme;
- c workforce planning; and
- d cybersecurity governance and records management.

We have commissioned work to mitigate these new risks.

I will continue to ensure that risks are generally well managed, that where there are weaknesses, appropriate actions are in place to tackle them, and that the Wales Audit Office’s internal controls are regularly reviewed to ensure they remain effective.

### The Wales Audit Office’s strategic risk profile

A summary of the Wales Audit Office’s strategic risk profile as of 31 March 2019 is provided in the following ‘heat map’, which highlights the number of strategic risks and the assessed levels of residual risk following the application of controls to mitigate their impact and likelihood.



### Information governance

As Auditor General, I have wide-ranging access to information for the discharge of my audit functions. These powerful statutory access rights bring with them a responsibility to ensure that the information obtained by me and the Wales Audit Office is safeguarded properly.

The Wales Audit Office therefore has an Information Governance Policy and an Information Security Policy which set out staff obligations and responsibilities, data processing requirements, monitoring and reporting arrangements, and explain how staff can obtain further support and guidance.

## Data protection

The protection of personal data is especially important, and during the year the organisation has continued to work to ensure compliance with data protection legislation including the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. This work has included:

- a providing data protection training and guidance to staff across the organisation;
- b ensuring that appropriate records are held about the personal information that is processed by the Wales Audit Office, the purposes of the processing, the legal basis for the processing, data retention and details of technical and organisational security measures;
- c the development of a compliance monitoring programme by the Data Protection Officer;
- d engaging with and responding to the recommendations of an internal audit review of information strategy and data protection; and
- e carrying out a privacy impact assessment on a new IT platform.

In my role as Chief Executive I am accountable to the Board for information governance, and have delegated this function further to the Director of Corporate Services. The Wales Audit Office has adopted ISO 27001, the international standard for information security management, scaling its arrangements in line with the needs of the organisation.

We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. Most incidents in the year have been of a minor nature. However, we reported one incident to the Information Commissioner's Office, as we were alerted to apparent external access to electronic folders holding some personal information on our systems. Our investigations, including a review by external experts, found no significant vulnerabilities in our information security arrangements.

## **Openness and transparency**

We are committed to openness and transparency in the way we operate as a business and have adopted the Information Commissioner's Model Publication Scheme. The Scheme commits us to making certain information routinely available to the public.

In the 2018-19 financial year, we received 62 requests for information, including three requests by individuals exercising their rights of subject access under data protection laws. We met the statutory 20-working-day deadline for 57 of the requests made under the Freedom of Information Act, and in the remaining two cases we extended the time permitted for a response in accordance with the Act in order to properly apply public interest tests in respect of exemptions. In relation to two of the subject access requests, as permitted by the General Data Protection Regulation, we extended the time permitted for response due to the complexity of one request and the complexity and volume of information in respect of another request.

We were not subject to any reviews by the Information Commissioner in 2018-19 in respect of our handling of requests.

## **Whistleblowing (internal)**

All Wales Audit Office staff are encouraged to raise issues of concern about wrongdoing that come to their attention while at work. The Board regards the internal identification of wrongdoing as an important contribution to managing corporate risk and ensuring good governance.

We have a well-established internal whistleblowing policy which reflects the provisions of the Public Interest Disclosure Act 1998, sets out the mechanism for raising such matters, and applies to staff of the Wales Audit Office and all contractors and others working for the Wales Audit Office in any capacity.

To assess the effectiveness of our whistleblowing arrangements, we have considered two issues: staff confidence in the arrangements; and what we have learned from disclosures. We have been able to address the second issue for the first time in the history of the Wales Audit Office, as we received our first disclosure during the first quarter of the year (we also received a second disclosure in the last quarter).

In terms of staff confidence in arrangements, for the second year running we asked staff in our October 2018 staff survey (to which 77% of staff responded), to rate their response to the following statement on a strongly agree to strongly disagree scale: 'I am confident that if I raised a concern under the Wales Audit Office's whistleblowing arrangements it would be investigated properly.' Seventy-six per cent of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 16% responding 'neither agree nor disagree' (in the October 2017 survey, the equivalent figures were 76% and 17% respectively). While this result indicates continued extensive confidence in the arrangements, it suggests a continuing need for work to ensure that all staff are aware of and have confidence in those arrangements.

In terms of what we have learned, the first disclosure that we received helped the Board to clarify its procedural rules and the guide to the Model Publication Scheme, so as to provide a clear and proportionate approach to disclosure of Board papers. Procedure in relation to the second disclosure is not yet complete, so it is too early to review the learning from that case.



# REMUNERATION AND STAFF REPORT

## Remuneration report

### Auditor General for Wales

The Auditor General's remuneration is determined by the National Assembly and, in accordance with the Public Audit (Wales) Act 2013, is met directly from the Welsh Consolidated Fund (WCF) rather than being paid by the Wales Audit Office. For transparency, the remuneration of the Auditor General is disclosed in this remuneration report.

The current Auditor General, Adrian Crompton, was appointed by the Queen and took office on 21 July 2018 for a non-renewable period of eight years. The previous Auditor General, Huw Vaughan Thomas, retired from his role on 20 July 2018.

The gross salary costs of the Auditors General during 2018-19 were:

- Huw Vaughan Thomas £58,227<sup>32</sup> (2017-18: £161,744)
- Adrian Crompton<sup>33</sup> £98,865 (2017-18: Nil)

Employer pension contributions during 2018-19 were:

- Huw Vaughan Thomas £8,991<sup>34</sup> (2017-18: £23,333)
- Adrian Crompton<sup>35</sup> £24,222 (2017-18: Nil)

<sup>32</sup> Full-year equivalent salary £161,744.

<sup>33</sup> Full-year equivalent salary £142,000.

<sup>34</sup> Full-year equivalent £24,975. Huw Vaughan Thomas participated in a stakeholder pension which has lower employer contributions than the Principal Civil Service Pension Scheme (PCSPS).

<sup>35</sup> Full-year equivalent £34,790.

## Wales Audit Office Board

The Wales Audit Office Board comprises five non-executive members appointed by the National Assembly, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Director of Corporate Services.

The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the National Assembly. In the case of the Chair, the cost is met from the WCF directly, in accordance with the Public Audit (Wales) Act 2013. For enhanced transparency, the remuneration of the Chair is disclosed in this report.

In May 2018, a staff ballot was held to elect employee members for the next four-year period. Two employee members were then appointed by the non-executive members of the Board. The allowance that they receive for their Board-related duties is set by the non-executive members of the Board and disclosed in this report.

The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

**The information on pages 73 to 83 in the Remuneration and Staff Report is subject to audit**



## Single total figure of remuneration for Wales Audit Office Board members

	Remuneration / Allowance		Tax-inclusive expenses <sup>36</sup>		Single total figure of remuneration	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	£	£	£	£	£	£
<b>Board Members at 31 March 2019</b>						
Isobel Everett (Chair) <sup>37</sup>	25,000	25,000	6,373	9,403	31,373	34,403
Lindsay Foyster	12,500	12,500	513	1,156	13,013	13,656
David Francis <sup>38</sup>	504				504	
Alison Gerrard	12,500	6,771	1,174	1,412	13,674	8,183
Bill Richardson	12,500	5,712	3,407	1,480	15,907	7,192
Anne Beegan <sup>39</sup>	3,357		1,733		5,090	
Amanda Hughes <sup>40</sup>	4,167	4,167	2,301	1,982	6,468	6,149
<b>Previous members of the Board</b>						
Steven Burnett <sup>41</sup>	11,962	12,500	1,819	3,324	13,781	15,824
David Corner		3,583		1,805		5,388
Peter Price		5,786		386		6,172
Louise Fleet <sup>42</sup>	787	4,167	52	457	839	4,624
<b>Total</b>	<b>83,277</b>	<b>80,186</b>	<b>17,372</b>	<b>21,405</b>	<b>100,649</b>	<b>101,591</b>

<sup>36</sup> Board and non-executive committee members can claim for travel and expenses for Wales Audit Office related business. The personal tax liability of these expenses is settled by the Wales Audit Office under a PAYE Settlement Agreement with HMRC.

<sup>37</sup> The Chair's remuneration is met directly from WCF. Travel and expenses are met by the Wales Audit Office.

<sup>38</sup> David Francis replaced Steven Burnett on the Wales Audit Office Board on 16 March 2019.

<sup>39</sup> Anne Beegan and Amanda Hughes are employee Board members. Anne was appointed on 11 June 2018; Amanda was re-appointed from 11 June 2018. Allowances disclosed above relate solely to Board-member duties.

<sup>40</sup> Steven Burnett's term of office came to an end on 15 March 2019.

<sup>41</sup> Louise Fleet was an employee Board member until 8 June 2018. Allowances disclosed above relate solely to Board-member duties.

## Non-executive committee members

The Wales Audit Office Board has appointed an independent member of its Audit and Risk Assurance Committee (ARAC).

### Single total figure of remuneration for ARAC members

	Remuneration / Allowance		Tax-inclusive expenses		Single total figure of remuneration	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	£	£	£	£	£	£
Dianne Thomas	5,000	1,667	496	399	5,496	2,066
<b>Previous committee member</b>						
Alison Gerrard		2,541		79		2,620
<b>Total</b>	<b>5,000</b>	<b>4,208</b>	<b>496</b>	<b>478</b>	<b>5,496</b>	<b>4,686</b>

## Wales Audit Office staff

The Wales Audit Office pay policy is available on our [website](#).

All members of staff are employed by the Wales Audit Office on such terms and conditions as the Board determines. Remuneration of all members of staff is subject to periodic review under strategies set by the Board and in consultation with trade unions under a collective agreement. Remuneration is pensionable under the Civil Service Pension Scheme (PCSPS).

Wales Audit Office staff normally hold appointments which are open ended, unless on fixed-term contracts. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Wales Audit Office does not pay performance-related bonuses to any members of staff but does have performance-appraisal arrangements that suspend salary increments if performance is less than satisfactory.

During 2018-19, no payments were made to previous members of staff whose remuneration would have been disclosable. (2017-18: Nil).

## Single total figure of remuneration for senior managers

Set out below are details of the remuneration and pension interests of members of the Management Committee. The Auditor General's performance-appraisal summary of Management Committee members is subject to scrutiny by the Board's Remuneration Committee.

	Year to 31 March 2019			
	Salary <sup>42</sup>	Taxable Expenses <sup>43</sup>	Pension Benefit <sup>44</sup>	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	16,400	51	190-195
Jane Holownia (0.8FTE)	85-90		37	125-130
Steve O'Donoghue	90-95		47	135-140
Kevin Thomas	120-125	19,700	47	185-190
Mike Usher	105-110		25	130-135

	Year to 31 March 2018			
	Salary	Taxable Expenses	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	17,200	29	165-170
Gillian Body <sup>45</sup>	30-35		(3)	25-30
Jane Holownia (0.8FTE)	85-90		13	100-105
Steve O'Donoghue	85-90		45	130-135
Kevin Thomas	120-125	14,100	21	155-160
Mike Usher	105-110		16	120-125

Information on the expenses of Management Committee members is published on our [website](#)

<sup>42</sup> Includes gross salary and travel allowance. Travel allowance paid to Anthony Barrett (£4,255), Kevin Thomas (£4,255) and Jane Holownia (£3,015). Mike Usher is entitled to travel allowance but did not access this in 2018-19 or 2017-18.

<sup>43</sup> Being the tax-inclusive value of payments made to Anthony Barrett and Kevin Thomas for travel to a main place of work.

<sup>44</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

<sup>45</sup> Gillian Body left the Wales Audit Office at the end of June 2017 (full-year equivalent salary in the range 120-125). She received a compensation payment of £177,000 in 2017-18.

## Pension entitlements for senior managers

	Accrued pension at pension age as at 31 March 2019	Real increase in pension at pension age	CETV <sup>1</sup> at 31 March 2019	CETV <sup>1</sup> at 31 March 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Anthony Barrett	50-55	2.5-5	911	777	31
Jane Holownia	50-55	2.5-5	952	816	34
Steve O'Donoghue	45-50	2.5-5	678	563	26
Kevin Thomas	60-65	2.5-5	996	852	26
Mike Usher	45-50 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0	869	764	9

Note:

1 CETV = Cash Equivalent Transfer Value

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final-salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole-career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final-salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes; but note that part of that pension may be payable from different ages.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos, a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Further details about the Civil Service pension arrangements can be found on the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Cash equivalent transfer values (CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Compensation for loss of office

Jane Holownia will leave the Wales Audit Office under Voluntary Exit terms on 30 June 2019. She will receive a compensation payment of £161,333 in accordance with the Civil Service Compensation Scheme. During 2018-19 the Wales Audit Office invited expressions of interest from staff to exit under the scheme as part of on-going workforce planning arrangements. Jane Holownia's application was considered by the Remuneration and HR Committee and approved by the Board. Savings associated with this exit will result in the cost of the compensation payment being recouped within 17 months.

## Pay multiples

The relationship between the remuneration of the highest paid director and the median remuneration of the workforce is disclosed in the following table.

	2018-19	2017-18
Band of highest-paid director's total remuneration <sup>46</sup> excluding pension contributions (£'000)	140-145	135-140
Median total remuneration based on full-time-equivalent staff (excluding pension contributions)	£45,858	£42,757
Range of total remuneration excluding pension contributions	£16,381 <sup>47</sup> -£143,430	£16,381 - £138,632
Remuneration ratio	3.13	3.24

In 2018-19, no employees received remuneration more than the highest paid director (2017-18: none).

For transparency, the Auditor General's total remuneration of £157,092<sup>48</sup> (excluding pension contributions) represented 3.43 times the median total remuneration for the Wales Audit Office (2017-18: £161,744, ratio: 3.78).

<sup>46</sup> Total remuneration includes salary and travel allowance. In the case of the highest paid director it also includes taxable expenses.

<sup>47</sup> Graduate work placement

<sup>48</sup> Based on salaries paid to Huw Vaughan Thomas to 20 July 2018 and Adrian Crompton from 21 July 2018 to 31 March 2019.

## Off payroll engagements

The Wales Audit Office had no contracts during 2018-19 which met the HM Treasury definition of off-payroll engagements (2017-18:none).

## Redundancies, early retirements and severances

The Wales Audit Office operates voluntary-severance arrangements in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

The cost of the scheme in 2018-19 was £383,654 (2017-18: £501,078) and will deliver savings estimated at £242,000 annually (2017-18: £194,000). Payback will be achieved within 24 months.

Eight employees (2017-18: 7) agreed approved exit packages during 2018-19 as detailed below.

No members of staff retired early on health grounds during the year (2017-18: none). There were no compulsory redundancies in 2018-19 (2017-18: none).

### Number of exit packages by cost band

	2018-19	2017-18
Less than £25,000	3	1
£25,001-£50,000	2	2
£50,001-£100,000	2	2
£100,001-£150,000		1
£150,001-£200,000	1	1
<b>Total</b>	<b>8</b>	<b>7</b>



## Staff report

### Senior leadership

The following table details the number of senior staff by pay band at 31 March 2019.

Posts in Bands A and B form the Management Committee, chaired by the Auditor General. With posts in Band C, they collectively form the Senior Leadership team.

	31 March 2019	31 March 2018
Band A (£96,258-£118,581)	2	2
Band B (£82,594-£105,989)	3	3
Band C (£73,579-£91,053)	7	8
<b>Total</b>	<b>12</b>	<b>13</b>

### Staff numbers

The overall increase in staff numbers reflects additional graduate trainees and apprentices recruited during the year, all of whom are on fixed-term training contracts.

The number of permanent staff employed during the year reduced by six in line with our workforce planning objective (supported by the Welsh Consolidated Fund) to increase opportunities for graduate trainees and apprentices.

	2018-19	2017-18
Average number of full-time equivalent, UK-based, permanent staff employed during the year	203	209
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	54	38
Audit and inspection contractors (average number of full-time equivalents in year)	7	8
<b>Total</b>	<b>264</b>	<b>255</b>

## Staff and associated costs

	2018-19	2017-18
	£'000	£'000
Staff salaries	11,440	11,016
Seconded-in staff	39	29
Short-term contract staff	223	249
Non-executive committee remuneration	63	59
Social security costs	1,340	1,299
Pension costs (PCPS)	2,425	2,365
Pension costs (stakeholder pensions)	33	18
	<b>15,563</b>	<b>15,035</b>
Transport allowance and leased cars	659	709
Subscriptions <sup>49</sup>	72	75
	<b>16,294</b>	<b>15,819</b>
Audit and inspection contractors	110	104
	<b>16,404</b>	<b>15,923</b>
Redundancy, early retirement and severance costs	458	501
Less monies received in respect of outward secondments	(388)	(153)
	<b>16,474</b>	<b>16,271</b>

<sup>49</sup> Fees for the membership of professional bodies, eye tests and health screening.

## Bought-in services<sup>50</sup>

	2018-19	2017-18
	£'000	£'000
Payments to private accountancy firms	860	795
Research and other consultancy costs	239	21
	<b>1,099</b>	<b>816</b>

These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2018-19, they also include bi-annual costs associated with the National Fraud Initiative.

**The following information on pages 83 to 87 in the Remuneration and Staff Report is not subject to audit**

### Staff policies, equality and diversity

The Auditor General and the Wales Audit Office are required to follow the framework of protection against discrimination, harassment and victimisation, and the public sector equality duties in the Equality Act 2010.

We also have a responsibility to uphold the conventions set out in the Human Rights Act 1998. We are committed to providing a work environment that values the diversity of all people, both our own staff and those with whom we come into contact during our work, and we fully support the rights of people to be treated with dignity and respect.

Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our [Annual Report](#) for 2017-18 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2018-19 will be published in summer 2019 and this will include details of the gender pay gap for the year.

Our Equality and Diversity Policy outlines our commitment to ensuring fair and equal treatment for all staff with protected characteristics (including impairment) in all aspects of employment. The policy provides for parity in selection for employment, recruitment, promotion, learning and development and/or any other benefit, based solely on aptitude and ability in accordance with our duties under the Equality Act 2010 and associated legislation.

<sup>50</sup> Exclusive of VAT.

## Staff composition (number of persons employed at 31 March 2018)

	Male	Female	Prefer not to say	No data
Directors	10	2		
Other employees of the Wales Audit Office	88	134	2	28
Total	98	136	2	28

## Sickness absence

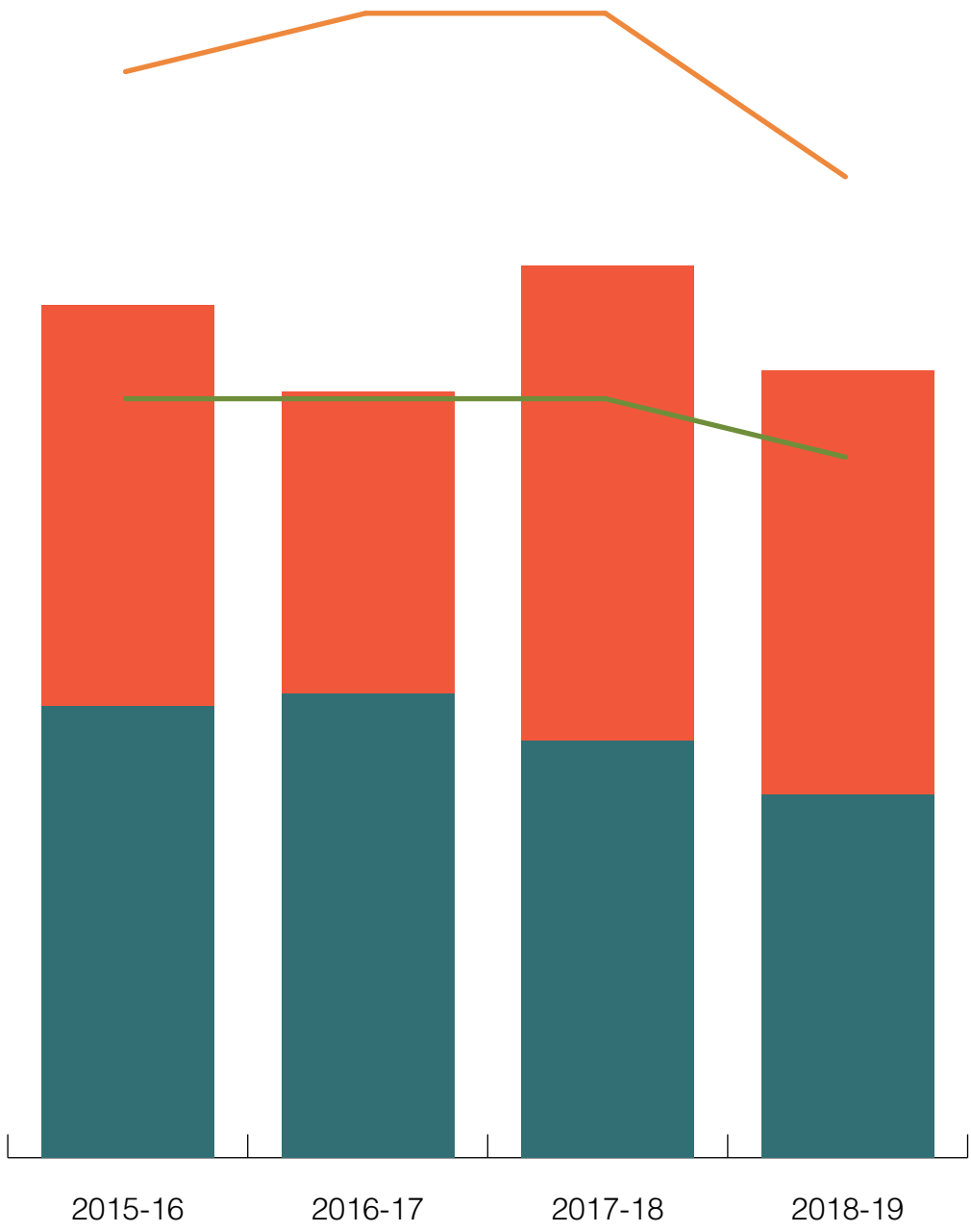
	2018-19	2017-18
	£'000	£'000
Average working days lost per member of staff	6.7	7.7
Due to short-term absence	3.1	3.6
Due to long-term absence (periods ≥21 days)	3.6	4.1

Our staff sickness levels have improved by one day between 2017-18 and 2018-19. The overall sickness level was 1.7 days less than the Chartered Institute of Personnel and Development (CIPD) benchmark<sup>51</sup>, but 0.7 days more than our target of six days.

In order to help staff manage their health, we have in place Health Screening, an Employee Assistance Programme, Mental Health Champions and a programme of well-being awareness events.

<sup>51</sup> Mean of 8.4 days per employee per year for those public service organisations that responded to the [2018 CIPD Health and Well-Being at Work Survey](#)

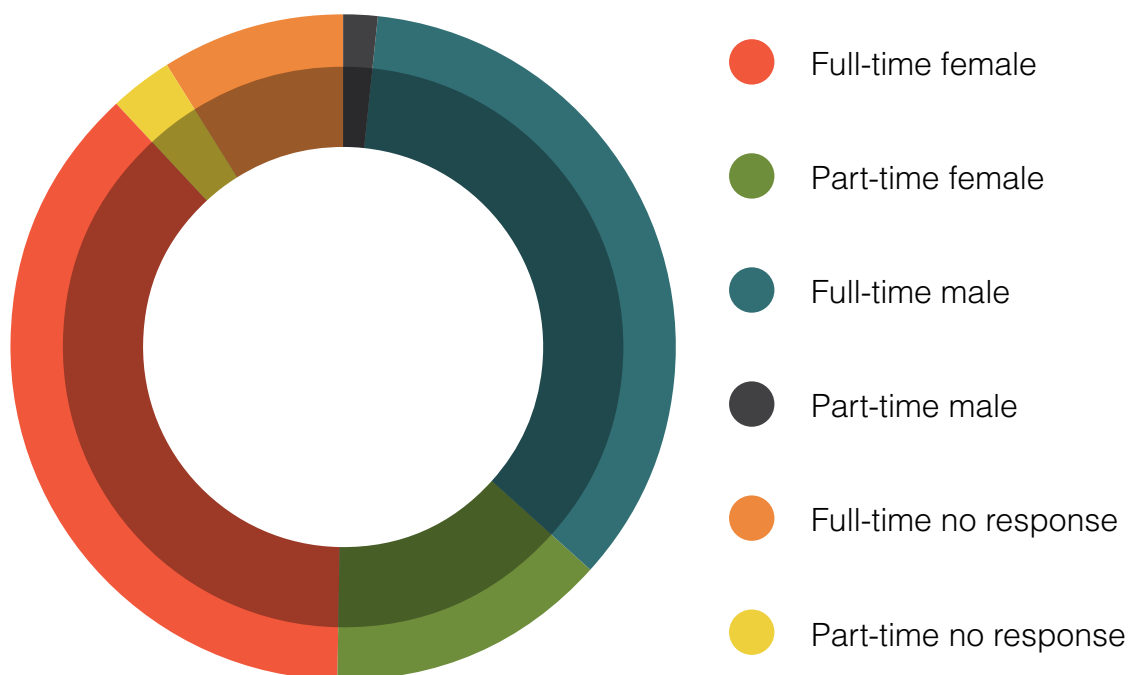
Staff sickness absence 2015-16 to 2018-19



- Days lost to short-term absence
- Days lost to long-term absence
- CIPD annual survey public sector benchmark
- WAO target

## Our workforce

	2018-19	2017-18
	£'000	£'000
<b>Working patterns</b>		
Part-time employees as a percentage of total	18.6	17.7
For men	5.2	4.1
For women	26.5	28.1
<b>Employment contract type</b>		
Percentage of staff on permanent employment contracts	76.9	82.0
<b>Turnover</b>		
Annual staff turnover rate percentage	10.1	10



The proportion of part-time employees increased by 0.9% in 2018-19. This included an increase for men of 1.1% and a 1.6%% reduction for women.

The percentage of staff on permanent employment contracts reduced, reflecting an increase in graduate trainees and apprentices on fixed-term training contracts.

Our annual staff turnover rate has remained broadly the same as 2017-18 at 10.1%.

# RESOURCE OUT-TURN AND AUDITORS' REPORT

## Summary of resource out-turn 2018-19

The information on pages 88 to 119 is subject to audit.

This statement provides a comparison of the Estimate for 2018-19, as voted by the National Assembly, with actual income and expenditure for the year.

## Summary of resource out-turn 2018-19

NOTE		2018-19 Estimate			2018-19 Out-turn			2017-18 Out-turn	
		Gross expenditure	Income	NET TOTAL	Gross expenditure	Income	NET TOTAL	Net total out-turn compared to estimate	NET TOTAL
		£'000	£'000	£'000	£'000	£'000	£'000		
SORO1	Revenue	21,625	(14,644)	6,981	21,385	(14,644)	6,741	(240)	6,847
SORO2	Capital	280		280	210		210	(70)	313
SORO2	Total Resources	21,905	(14,644)	7,261	21,595	(14,644)	6,951	(310)	7,160
SORO3	Net Cash Requirement			7,061			5,285	(1,776)	6,308

Arising from the operations of the Wales Audit Office for the financial year 2018-19:

- the net total out-turn on revenue resources was £240,000 less than the approved net resources of £6,981,000;
- accruing resources were £168,000 more than allowed for in the estimate for the year (see notes below);
- the out-turn on capital spend was £70,000 less than the approved capital budget of £280,000; and
- the balance of cash held by the Wales Audit Office (£1,776,000) is shown as being due to the Welsh Consolidated Fund (WCF).

An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 29.

Audit fee income is governed by the Fee Scheme approved by the National Assembly. A breakdown of this income is included in Note 1 to the Financial Statements.



## Notes to the Summary of Resource Out-turn

For 2018-19 and future years the balance of cash held by the Wales Audit Office is shown as being due to the Welsh Consolidated Fund.

### Note SORO1: reconciliation of net resource out-turn to net cash requirement

	2018-19		2017-18	
	Estimate	Out-turn	Variance	Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	6,981	6,741	(240)	6,847
Capital resources	280	210	(70)	313
<b>Adjustments</b>				
Non-cash items (depreciation)	(200)	(284)	(84)	(226)
Cash balance 1 April 2018		(3,017)	(3,017)	
Returned to WCF 2018-19		723	723	
Movements in working capital other than cash:				
Increase/(reduction)in receivables and work in progress		1,051	1,051	(698)
(Increase)/reduction in payables and deferred income		(152)	(152)	242
Reduction / (increase) in provisions		181	181	(170)
Income in excess of estimate		(168)	(168)	
<b>Total net cash requirement</b>	<b>7,061</b>	<b>5,285</b>	<b>(1,776)</b>	<b>6,308</b>

## Note SORO2: reconciliation of resource out-turn to net expenditure

	2018-19	2017-18
	Out-turn	Out-turn
	£'000	£'000
Total revenue resources	6,741	6,847
Income in excess of estimate	(168)	
<b>Total comprehensive net expenditure</b>	<b>6,573</b>	<b>6,847</b>

## Note SORO3: Reconciliation of net resource out-turn to net cash requirement

2017-18 Out-turn £'000		2018-19 Estimate £'000	2018-19 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
	<b>Expenses</b>				
14,909	Staff costs	15,286	15,186	(100)	Number of staff vacancies and outward secondments in year
353	Contractor staff	617	333	(284)	Reduced use of short-term contract staff due to increased use of trainees and apprentices
1,204	Travel and subsistence	1,231	1,205	(26)	
917	Private-sector firms (incl VAT)	962	992	30	
931	Accommodation	960	907	(53)	Reduction in dilapidations and repairs and maintenance costs
494	ICT	397	392	(5)	
519	Balance of irrecoverable VAT	500	490	(10)	
300	Wales Audit Office Governance Arrangements	300	296	(4)	
292	External training	275	259	(16)	
120	Legal and professional fees	194	234	40	
158	Translation of documents	145	142	(3)	
–	NFI data collection	130	136	6	
772	Other costs	878	813	(65)	Savings on various budget areas
–	Savings target 2018-19	(250)	–	250	Target for efficiency savings achieved mainly from staff costs.
<b>20,969</b>	<b>Total Expenses</b>	<b>21,625</b>	<b>21,385</b>	<b>(240)</b>	
	<b>Income</b>				
(12,755)	Audit fees	(13,193)	(13,562)	(369)	Early delivery of audit work re early closure of accounts
(1,351)	Grant certification fees	(1,451)	(1,233)	218	Ongoing reduction in grant certification work
(5)	WPI grant	–	–	–	
(11)	Other income	–	(17)	(17)	
–	Income in excess of estimate	–	168	168	
<b>(14,122)</b>	<b>Total income</b>	<b>(14,644)</b>	<b>(14,644)</b>		
<b>6,847</b>	<b>Net revenue resources</b>	<b>6,981</b>	<b>6,741</b>	<b>(240)</b>	
<b>313</b>	<b>Capital resources</b>	<b>280</b>	<b>210</b>	<b>(70)</b>	

Future budgeted expenditure and income of the Wales Audit Office are voted on annually by the National Assembly.

The Auditor General is not aware of any remote contingent liabilities that will impact long-term expenditure plans.

Any special payments and disclosable losses in 2018-19 are disclosed in Note 14 to the Financial Statements.

## Independent auditors' report to the National Assembly

### Opinion of financial statements

We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2019 under Schedule 1 of the Public Audit (Wales) Act 2013. These financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and related notes. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.

The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act.

In our opinion the financial statements:

- give a true and fair view of the state of the Wales Audit Office's affairs as at 31 March 2019 and of its net operating cost for the year then ended; and
- have been properly prepared in accordance with the HM Treasury directions issued under the Public Audit (Wales) Act 2013.

### Regularity opinion on financial statements

We have undertaken work, as required under Schedule 1 of the Public Audit (Wales) Act 2013, to obtain reasonable assurance that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

In our opinion, in all material respects:

- the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it; and
- the money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

## **Basis for the opinion on the financial statements**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Wales Audit Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We also audit the Summary of Resource Out-turn and associated notes and the information in the Accountability Report that is described in the report as having been audited.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Basis for the regularity opinion on the financial statements**

We are required to obtain evidence sufficient to give reasonable assurance that the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes. We have conducted our work in accordance with the Statement of Recommended Practice, Practice Note 10 audit of financial statements of public sector bodies in the United Kingdom in this respect.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Wales Audit Office's and the Auditor General for Wales's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Wales Audit Office and the Auditor General for Wales have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Wales Audit Office and the Auditor General for Wales are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matters**

In our opinion:

- the Summary of Resource Outturn and the part of the Accountability Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Public Audit (Wales) Act 2013; and
- the information included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Responsibilities of the Wales Audit Office and the Auditor General for Wales**

As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 50, the Wales Audit Office and the Auditor General for Wales are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Wales Audit Office and the Auditor General for Wales are responsible for assessing the Wales Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the National Assembly intends to dissolve the Wales Audit Office without continuation of its operations.

The Auditor General is also responsible for ensuring expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.



## **Auditor's responsibilities for regularity opinion on the financial statements**

We are also responsible for giving a reasonable assurance opinion that expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Wales Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes.

## **Use of our report**

This report is made solely to the National Assembly for Wales to whom it is addressed in accordance with the Public Audit (Wales) Act 2013 and for no other purpose. Our audit work has been undertaken so that we might state to the National Assembly for Wales those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the National Assembly for Wales for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

7 June 2019

Statutory Auditors  
Third Floor  
One London Square  
Cross Lanes  
Guildford  
GU1 1UN

# FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS FOR THE WALES AUDIT OFFICE,  
ALONGSIDE SUPPORTING AND EXPLANATORY NOTES.



## Statement of comprehensive net expenditure for the year ended 31 March 2019

		2018-19	2017-18
	Note	£'000	£'000
<b>Expenditure</b>			
Staff and associated costs	Staff report <sup>52</sup>	16,474	16,271
Bought-in services	Staff report	1,099	816
Other operating costs	3	3,812	3,882
		<b>21,385</b>	<b>20,969</b>
<b>Income</b>			
Audit fee income	1	(14,795)	(14,106)
Inspection grant	1		(5)
Other operating income	2	(17)	(11)
		<b>(14,812)</b>	<b>(14,122)</b>
<b>Total comprehensive net expenditure for the year</b>		<b>6,573</b>	<b>6,847</b>

### The notes that follow on pages 103 to 120 form part of these financial statements

There were no discontinued operations, acquisitions or disposals during the period nor any unrecognised gains or losses.

<sup>52</sup> Staff costs note on page 82 of the Remuneration and Staff Report.

## Statement of financial position at 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	4	572	593
Intangible assets	5	180	233
<b>Total non-current assets</b>		<b>752</b>	<b>826</b>
<b>Current assets</b>			
Trade receivables and work in progress	6	2,436	1,432
Other receivables	7	603	556
Cash and cash equivalents	8	1,776	3,017
<b>Total current assets</b>		<b>4,815</b>	<b>5,005</b>
<b>Total assets</b>		<b>5,567</b>	<b>5,831</b>
<b>Current liabilities</b>			
Trade and other payables	9	(2,117)	(1,745)
Deferred income	10	(2,336)	(2,556)
Provisions for other liabilities and charges	11	(617)	(687)
WCF	SORO	(1,776)	(723)
<b>Total current liabilities</b>		<b>(6,846)</b>	<b>(5,711)</b>
<b>Total assets less current liabilities</b>		<b>(1,279)</b>	<b>120</b>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	11	(622)	(733)
<b>Total non-current liabilities</b>		<b>(622)</b>	<b>(733)</b>
<b>Total assets less liabilities</b>		<b>(1,901)</b>	<b>(613)</b>
<b>Taxpayers' equity</b>			
General fund		(1,901)	(613)
<b>Total taxpayers' equity</b>		<b>(1,901)</b>	<b>(613)</b>

### The notes that follow on pages 103 to 120 form part of these financial statements

The financial statements on pages 99 to 120 were approved by the Wales Audit Office Board and authorised for issue on 6 June 2019 and are signed on its behalf by:



#### Adrian Crompton

Auditor General for Wales and Accounting Officer

6 June 2019

## Statement of cash flows for the year ended 31 March 2019

		31 March 2019	31 March 2018
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Comprehensive net expenditure		(6,573)	(6,847)
Adjustments for non-cash transactions: depreciation and amortisation	3	284	226
(Decrease) / increase in provisions	11	(181)	170
<b>Changes in working capital</b>			
(Increase)/decrease in trade and other receivables	6,7	(1,051)	698
Increase/(decrease) in trade and other payables	9,10	152	(242)
<b>Net cash outflow used from operating activities</b>		<b>(7,369)</b>	<b>(5,995)</b>
<b>Cash flows used from investing activities</b>			
Purchases of property, plant and equipment	4	(160)	(152)
Purchases of intangible assets	5	(50)	(161)
<b>Net cash outflow from investing activities</b>		<b>(210)</b>	<b>(313)</b>
<b>Cash flows from financing activities</b>			
WCF		7,061	7,031
WCF repaid		(723)	(495)
<b>Net financing</b>		<b>6,338</b>	<b>6,536</b>
<b>Movements in cash and cash equivalents</b>		<b>(1,241)</b>	<b>228</b>

The notes that follow on pages 103 to 120 form part of these financial statements

## Statement of changes in taxpayers' equity for the year ended 31 March 2019

	£'000
<b>Balance at 31 March 2017</b>	(74)
Changes in taxpayers' equity 2017-18	
Total comprehensive expenditure	(6,847)
WCF finance	7,031
	110
Payable to WCF	(723)
<b>Balance at 31 March 2018</b>	<b>(613)</b>
Changes in taxpayers' equity in 2017-18	
Total comprehensive net expenditure	(6,573)
WCF finance	7,061
	(125)
Due to WCF	(1,776)
<b>Balance at 31 March 2019</b>	<b>(1,901)</b>

**The notes that follow on pages 103 to 120 form part of these financial statements**

## Notes to the Financial Statements

These financial statements have been prepared in accordance with the 2018-19 Financial Reporting Manual (FReM), issued by the relevant authorities.

### Basis of preparation

The accounting policies contained in the FReM apply EU-adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Financial statements are prepared under the historical cost convention. Figures are presented in pounds sterling, which is the functional currency of the Wales Audit Office and are rounded to the nearest £1,000.

The financial statements are prepared on a going concern basis as set out below:

The Wales Audit Office works to annual funding arrangements by statute. Although voted funding has only been approved for nine months after the date of signing these statements, an Estimate for the following financial year will be presented to the Finance Committee of the National Assembly in the autumn of the current year and there is no reason to believe that funding will not be approved for that financial year.

The Wales Audit Office was not liable for corporation tax in 2018-19.

### Critical accounting estimates and areas of judgement

<p><b>Revenue recognition</b> is based on time charged to projects adjusted where applicable to reflect the stage of completion of work done. An assessment is undertaken at the year-end to consider the reasonableness of income recognised taking into account the cost of completing audit projects. As required by IFRS 15 (Revenue from contracts with customers) the Wales Audit Office has determined that performance obligations for each audit engagement are satisfied over time rather than at a point in time. This is consistent with the treatment in previous years and has had no material effect on the recognition of income in these or prior year financial statements. This accounting policy directly impacts the valuation of audit fee income (<a href="#">Note 1</a>) work in progress (<a href="#">Note 6</a>) and deferred income (<a href="#">Note 10</a>) in these financial statements but there has been no requirement to restate prior year balances as a result of the implementation of this new accounting standard.</p>	<p><b>Provisions</b> are made where, in the opinion of the Accounting Officer, it is more likely than not that a financial liability exists which cannot be accurately estimated at present.</p> <p>See <a href="#">Note 11</a> for more information.</p>
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## Note 1 (a): Wales Audit Office operating segments

The Wales Audit Office reports income and expenditure on its two main audit functions for which fees are charged, and for activities which are funded from the WCF.

### 2018-19

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees <sup>53</sup>	(11,265)	(3,530)		(14,795)
Other income			(17)	(17)
Total	(11,265)	(3,530)	(17)	(14,812)
Expenditure	11,681	3,114	6,590	21,385
	<b>416</b>	<b>(416)</b>	<b>6,573<sup>54</sup></b>	<b>6,573</b>

### 2017-18

	Financial audit	Performance audit	Activities funded by WCF	Total
	£'000	£'000	£'000	£'000
Audit fees	(10,687)	(3,419)		(14,106)
Grant		(5)		(5)
Other income			(11)	(11)
Total income	(10,687)	(3,424)	(11)	(14,122)
Expenditure	10,851	3,260	6,858	20,969
	<b>164</b>	<b>(164)</b>	<b>6,847</b>	<b>6,847</b>

<sup>53</sup> See note 1(b)

<sup>54</sup> See Reconciliation to Statement of Resource Out-turn



## Reconciliation to Statement of Resource Out-turn

	2018-19	2017-18
	£'000	£'000
Activities funded by WCF per Note 1	6,573	6,847
Income in excess of Estimate	168	
Net revenue resources	6,741	6,847

## Note 1 (b): Analysis of audit fee income

	2018-19			2017-18		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(6,085)	(2,191)	(8,276)	(5,598)	(2,265)	(7,863)
Local Government Grant Certification	(1,233)		(1,233)	(1,351)		(1,351)
NHS	(1,871)	(1,337)	(3,208)	(1,900)	(1,154)	(3,054)
Central Government Audit	(2,076)	(2)	(2,078)	(1,838)		(1,838)
	(11,265)	(3,530)	(14,795)	(10,687)	(3,419)	(14,106)

Fees charged for audit work are set in accordance with a [Fee Scheme](#) agreed by the Finance Committee of the National Assembly.

Gross fee income and other operating income are recognised on the value of chargeable work exclusive of VAT. This value is assessed by reference to time charges and stage completion of projects.

Operating income, whether derived from government grant or fees generated from audited bodies, is credited to the year of account in which the work is done. Invoices raised in advance of the work being done are classed as deferred income (see Note 10). Work done in advance of income received is classed as work in progress (see Note 6).

Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.

## Note 2: Other operating income

	2018-19	2017-18
	£'000	£'000
Other operating income <sup>55</sup>	(17)	(11)
	(17)	(11)

## Note 3: Other operating costs

	2018-19	2017-18
	£'000	£'000
Accommodation		
Rent lease costs	448	454
Other accommodation costs	459	411
Supplies and services <sup>56</sup>	1,650	1,806
Recruitment	39	70
Depreciation and amortisation	284	226
Professional fees		
Internal audit services	44	43
External audit fees	45	38
Other professional fees	38	47
Staff travel and subsistence	546	495
Staff learning and development	259	292
	3,812	3,882

No non-audit services were provided by our external auditors in 2018-19. (2017-18: None)

<sup>55</sup> Includes charges for training provided, personal use of mobile phones and recharges for refreshments.

<sup>56</sup> Includes irrecoverable VAT. All other totals in this note are net of VAT.

## Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
2018-19	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 31 March 2018	1,302	519	157	1,978
Additions	37	111	12	160
Disposals	(3)	(19)		(22)
At 31 March 2019	1,336	611	169	2,116
<b>Depreciation</b>				
At 31 March 2018	990	271	124	1,385
Provided in period	62	107	12	181
Disposals	(3)	(19)		(22)
At 31 March 2019	1,049	359	136	1,544
<b>Net book value</b>				
At 31 March 2019	287	252	33	572
At 31 March 2018	312	248	33	593
<b>Asset financing</b>				
Owned	287	252	33	572

	Furniture and fittings	Information technology	Office equipment	Total
2017-18	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 31 March 2017	1,329	377	160	1,866
Additions		152		152
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	1,302	519	157	1,978
<b>Depreciation</b>				
At 31 March 2017	949	214	113	1,276
Provided in period	68	67	14	149
Disposals	(27)	(10)	(3)	(40)
At 31 March 2018	990	271	124	1,385
<b>Net book value</b>				
At 31 March 2018	312	248	33	593
At 31 March 2017	380	163	47	590
<b>Asset financing</b>				
Owned	312	248	33	593

Expenditure of over £5,000 on computer equipment and software, office refurbishments and other equipment is capitalised. Subsequent expenditure on assets which meet these criteria is further capitalised. Expenditure on items not meeting these criteria is treated as revenue expenditure in the year.

Depreciation is provided on all capital assets from the date the asset commences its useful life. This is calculated to write off the cost, less estimated residual value, in equal annual instalments for each asset as follows:

Furniture and fittings (including IT infrastructure)	Ten years (or shorter of asset life or length of lease for fittings in leased buildings)
Computer equipment	Three years
Office equipment	Five years

In the opinion of the Accounting Officer, there is no material difference between the net book value of assets at current values and at their depreciated cost. An annual assessment of impairment is carried out to confirm that this remains the case.

## Note 5: Intangible assets<sup>57</sup>

	<b>Total</b>
<b>2018-19</b>	<b>£'000</b>
<b>Cost</b>	
At 31 March 2018	663
Additions	50
Disposals	(171)
At 31 March 2019	542
<b>Amortisation</b>	
At 31 March 2018	430
Provided in period	103
Disposals	(171)
At 31 March 2019	362
<b>Net book value</b>	
At 31 March 2019	180
At 31 March 2018	233
<b>Asset financing</b>	
Owned	180

<sup>57</sup> Mainly computer software.

	<b>Total</b>
<b>2017-18</b>	<b>£'000</b>
<b>Cost</b>	
At 31 March 2017	503
Additions	161
Disposals	(1)
At 31 March 2018	663
<b>Amortisation</b>	
At 31 March 2017	354
Provided in period	77
Disposals	(1)
At 31 March 2018	430
<b>Net book value</b>	
At 31 March 2018	233
At 31 March 2017	149
<b>Asset financing</b>	
Owned	233

Intangible assets are stated at amortised historic cost. The assets are amortised on a straight-line basis over the shorter of the term of the licence or five years. Amortisation is calculated from the date that the asset commences its useful life.

In the opinion of the Accounting Officer, there is no material difference between the net book value of assets at current values and at their depreciated cost. An annual assessment of impairment is carried out to confirm that this remains the case.

## Note 6: Trade receivables and work in progress

	31 March 2019	31 March 2018
	£'000	£'000
Trade receivables		
Central government	342	222
Local government	481	276
NHS	314	236
External to government	59	4
Work in progress		
Central government	862	535
Local government	356	152
NHS	22	7
	<u>2,436</u>	<u>1,432</u>

### Trade receivables

Receivables are valued at fair value on initial recognition. A provision for impairment of trade receivables would be established if there was evidence that the Wales Audit Office would not be able to recover all amounts due in accordance with contracts

There are no material amounts falling due after one year included in the above figures.

A provision for bad and doubtful debts has not been required in 2018-19 (2017-18: not required).

### Work in progress

Work in progress relates to work completed in advance of the invoice being issued. This is stated at full cost less provision for foreseeable losses and amounts billed on account.

## Note 7: Other receivables

	31 March 2019	31 March 2018
	£'000	£'000
Prepayments and accrued income <sup>58</sup>	603	543
Loans to employees <sup>59</sup>		13
	<u>603</u>	<u>556</u>

There are no amounts falling due after one year included in the above figures.

<sup>58</sup> Mainly advance payments for rent and other property related costs.

<sup>59</sup> Cycle loans which were replaced with a salary sacrifice scheme at the end of 2018-19.



## Note 8: Cash and cash equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	3,017	2,789
Net change in cash and cash equivalents	(1,241)	228
Balance at 31 March	1,776	3,017

	31 March 2019	31 March 2018
	£'000	£'000
Current account (Government Banking Service)	1,776	3,017
	1,776	3,017

Cash and cash equivalents include all funds held in accounts to which the Wales Audit Office has instant access.

Cash balances at year-end are shown as being due to the Welsh Consolidated Fund.

## Note 9: Trade payables and other current liabilities

	31 March 2019	31 March 2018
	£'000	£'000
Trade payables (due within one year)	26	40
VAT	108	77
Taxation and social security costs	362	357
Accrual for holiday entitlement not yet taken <sup>60</sup>	484	474
Other accruals <sup>61</sup>	1,137	797
	<u>2,117</u>	<u>1,745</u>

The Wales Audit Office aims to pay 90% of undisputed supplier invoices within ten working days of receipt. In 2018-19, 84% were paid within ten days, and 97% were paid within 30 days.

## Note 10: Deferred income

	31 March 2019	31 March 2018
	£'000	£'000
Deferred income	2,336	2,556
	<u>2,336</u>	<u>2,556</u>

Fee income recognised in our accounts is assessed by reference to time charged and a review of work completed. Much of our income is invoiced on an instalment basis through the year. Deferred income represents income that has been billed but not yet recognised.

<sup>60</sup> Based on individual holiday anniversaries.

<sup>61</sup> Includes £291,000 in respect of invoices received post year-end and £267,000 in respect of pension contributions for March 2019 paid in April 2019.

## Note 11: Provisions for liabilities and charges

	Dilapidations <sup>62</sup>	Early retirement and severance <sup>63</sup>	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2018	647	629	1	143	1,420
Provided in-year	3	422		109	534
Utilised in-year		(543)	(1)	(143)	(687)
Released in-year	(28)				(28)
As at 31 March 2019	622	508	–	109	1,239

### Analysis of expected timing

	Dilapidations	Early retirement and severance	Car scheme buy-out	Firms' Income	Totals
	£'000	£'000	£'000	£'000	£'000
Not later than one year		508		109	617
Later than one year and not later than five years	578				578
Later than five years	44				44
	622	508		109	1,239

Provisions are measured at the best estimate of the amounts required to settle a probable obligation at the reporting date.

When the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of this discount is recognised within the relevant expense.

62 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2018)10 for balances of zero to five years of 0.76% and for balances of five to ten years of 1.14% to calculate this balance.

63 The Wales Audit Office uses HM Treasury's discount rate as set out in PES(2018)10 of 0.29% to calculate this balance.

## **Dilapidations**

The dilapidations provision represents an estimate of the costs the Wales Audit Office may incur in making good its leased properties at the end of the leases.

This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets.

Dilapidations liabilities relating to the cost of restoring alterations made to leased buildings are accounted for by means of a provision set aside in the year that the cost was identified.

## **Early retirement and severance**

The early retirement and severance provision represents the future liability of the Wales Audit Office in respect of members of staff who have left under redundancy, early retirement and severance schemes. The bulk of this provision is in respect of staff who will leave the Wales Audit Office in 2019 under terms agreed in 2018-19.

## **Contractor Firms**

The provision in respect of contractor firms at 1 April 2018 represented a refund of fees due to two audited bodies, as a result of over-invoicing in prior periods by a contractor Firm; these refunds were made during 2018-19.

A further provision has been made in 2018-19 to reflect a contractual dispute with the firm involved.

## Note 12: Operating leases

### Aggregate minimum lease payments – operational offices

	31 March 2019		31 March 2018	
	£'000	Number of properties	£'000	Number of properties
Within one year	465	3	443	3
Between two and five years	1,381	3	1,735	3
Over five years	52	1	79	1
	1,898		2,257	

The Wales Audit Office has leases for three operational offices at Cardiff, Swansea and Abergele. These leases are subject to periodic rent reviews.

IFRS16 issued in January 2016, but not effective until 1 January 2019, requires that all leases with a lease term of more than 12 months be recognised as assets and liabilities in the financial statements. This standard is expected to be adopted in the FReM from 1 January 2020; if it had been adopted for 2018-19 there would have been an increase to both assets and liabilities of £1.957 million. The Wales Audit Office has performed an assessment of the impact on net expenditure for the year and has deemed there is no material impact.

### Aggregate minimum lease payments –car leases which cannot be cancelled

	31 March 2019	31 March 2018
	£'000	£'000
Within one year	–	10
	–	10

The Wales Audit Office no longer has car leases which cannot be cancelled.

### **Note 13: Capital commitments**

There were capital commitments of £8,370 in respect of building works at Cathedral Road which had not been completed by the year-end. (31 March 2018: £28,000).

### **Note 14: Losses and special payments**

During 2018-19, there were two disclosable losses:

- a refund for VAT charged in error to an audited body: £8,804; and
- a payment to a contractor firm for some costs incurred which will not be recovered from audited bodies for operational reasons: £14,500.

### **Note 15: Derivatives and financial instruments**

IFRS 7 (Financial Instruments Disclosures) requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Owing to the nature of the Wales Audit Office's activities and the way in which the operations are financed, the office is not exposed to a significant level of financial risk.

Although the Wales Audit Office can borrow funds for short-term financing purposes, the office has not been required to do so in this financial year.

The Wales Audit Office can also invest surplus funds. As cash balances are held in the Government Banking Service, this has not been done during the year.

## **Liquidity risk**

Given the nature of our business, our tolerance of risk in areas of financial management is low.

In light of this risk appetite, and the backing of the WCF, the Wales Audit Office is not exposed to significant liquidity risks.

## **Interest rate risk**

The Wales Audit Office's financial assets and liabilities are not exposed to interest rate risk.

## **Foreign currency risk**

The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases of foreign currency are made in connection with foreign travel and other associated costs such as hotels. Also, any fees generated from foreign work or secondments are converted when received. Any exchange differences are recorded in the Statement of Comprehensive Net Expenditure for the year.

## **Credit risk**

The Wales Audit Office's clients are mainly the Welsh Government, its sponsored and related public bodies, NHS Wales and local government bodies in Wales. The Wales Audit Office charges fees under legislation in accordance with an approved Fee Scheme and is therefore not exposed to any material credit risks.

## **Fair values**

There is no material difference between the book values and fair values of the Wales Audit Office's financial assets and liabilities as at 31 March 2019 (31 March 2018: nil).

### Note 16: Related party transactions

The Wales Audit Office is a body corporate established under statute and has had material transactions with the WCF and with bodies audited by the Auditor General as disclosed in the Remuneration Report.

Isobel Everett (Non-Executive Chair of the Wales Audit Office Board) is married to the Chief Executive of a local council which is audited by the Auditor General. This is disclosed for transparency, although it does not meet the definition of a related party transaction.

During the year, no other members of the Board, nor key members of staff nor their related parties had undertaken any material transactions with either the Auditor General or the Wales Audit Office. Information about key management personnel is included in the Remuneration Report (page 71).

### Note 17: VAT

The Wales Audit Office is only able to recover a small proportion of VAT on its gross expenditure being the proportion of non-statutory fee income as compared to total income for the year.



## Glossary of terms

<b>Accruals basis</b>	The effects of transactions and other events are recognised when they occur (and not as cash or its equivalent, is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.
<b>Amortisation</b>	The apportionment of the cost of an intangible fixed asset over its useful life.
<b>Assets</b>	Something that the organisation owns or uses eg, equipment or software rights.
<b>Capital expenditure</b>	Spending on non-current (fixed) assets.
<b>Current assets</b>	An asset that is expected to be converted to cash within the next 12 months.
<b>Current liability</b>	A liability that is expected to be settled within the next 12 months.
<b>Deferred income</b>	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
<b>Depreciation</b>	The apportionment of the cost of a tangible fixed asset over its useful life.
<b>Estimate</b>	For the Wales Audit Office the annual Estimate of Income and Expenses approved in plenary by the Budget Motion. The National Assembly Finance Committee provides a report to support this. Also referred to as the approved budget.
<b>Fixed assets</b>	An asset that is held by an organisation for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the reporting entity's activities. Examples are equipment, vehicles, land and buildings.
<b>Going concern basis</b>	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
<b>Intangible fixed asset</b>	An asset, such as a right, that has no physical substance.
<b>Leasing</b>	Acquiring the use of an asset through a rental agreement.
<b>Prepayments</b>	An amount paid for in advance such as insurance premiums or rent in advance. Initially recognised as an asset, then transferred to expense in the period when the benefit is enjoyed.
<b>Provision</b>	Liability of uncertain timing or amount.
<b>Remuneration</b>	The pay, or other compensation, provided for an employee's services.
<b>Taxpayers' equity</b>	The net assets of the organisation.

<b>Trade payables</b>	Amounts due for payment to suppliers of goods and services
<b>Trade receivables</b>	Amounts due from clients.
<b>Tangible fixed asset</b>	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an intangible fixed asset.
<b>Welsh Consolidated Fund</b>	The fund used by the National Assembly to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, National Assembly Commission and Public Service Ombudsman for Wales.
<b>Work in progress</b>	Work done and recognised as income in the accounts which has yet to be invoiced to clients.

Full definitions are available in the Financial Reporting Manual (FReM).

# APPENDICES



# APPENDIX 1 – PROGRAMMES OF WORK DELIVERED IN 2018-19

## Local audit work

The Auditor General carried out local work at most public bodies in Wales in 2018-19. The programme included audits of accounts, local performance audit work and well-being of future generations work.

Table listing the public bodies audited by the Auditor General and showing the types of local work carried out at those bodies

Public body	Audits of accounts	Local performance audit work <sup>64</sup>	Well-being of future generations work
National Assembly for Wales	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ <sup>65</sup>
The Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and a Special Health Authority	✓	✓	✓ <sup>66</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	✓		
Several smaller local government bodies including joint committees, internal drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ <sup>67</sup>		

<sup>64</sup> 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.

<sup>65</sup> Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

<sup>66</sup> Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

<sup>67</sup> On a limited assurance basis.

## National value-for-money examinations and studies

This programme of work includes value-for-money examinations, the preparation of summary reports of the findings from audit work across multiple NHS, central government and/or local government bodies, and examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General.

The outputs from much of this programme support the work of the National Assembly's Public Accounts Committee and potentially other Assembly committees. The programme of work retains a degree of flexibility to respond to changing circumstances, priorities and risks.



## Work completed

- ✓ A picture of primary care in Wales
- ✓ Speak my language: Overcoming language and communication barriers in public services
- ✓ Reflecting on year one – How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015?
- ✓ Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities
- ✓ The Welsh Government's relationship with Pinewood
- ✓ Primary Care Out of Hours Services
- ✓ Guide to Welsh Public Finances
- ✓ Timber Sales Contracts awarded by Natural Resources Wales (memorandum)
- ✓ Managing the impact of Brexit on EU Structural Funds
- ✓ Waste Management (procurement of residual and food waste treatment infrastructure)
- ✓ Management of follow up outpatients' appointments across Wales
- ✓ Radiology Services in Wales
- ✓ Local Government Services to rural communities and Provision of Local Government Services to Rural Communities: Community Asset Transfer
- ✓ Waste management (municipal recycling)
- ✓ Managing the impact of Brexit on the Rural Development Programme in Wales
- ✓ Welsh Government financial support for business
- ✓ The maturity of Local Government in use of data
- ✓ Financial Management and Governance in Town and Community Councils
- ✓ Fiscal devolution in Wales (follow-up report for consideration by the Finance Committee)
- ✓ Town and Community Councils; internal audit arrangements
- ✓ The Welsh Government's youth discounted bus fare scheme – My Travel Pass
- ✓ Expenditure on agency staff by NHS Wales
- ✓ Discussion paper: six themes to help make scrutiny 'Fit for the Future'
- ✓ Preparations in Wales for a 'no deal' Brexit
- ✓ Review of arrangements that supported the Cardiff Capital Region City Deal's First Investment Decision
- ✓ Waste management (waste prevention)



## Work in progress

- Tackling violence against women, domestic abuse and sexual violence
- Planning Services: Improving the well-being of Wales
- The Integrated Care Fund
- NHS Clinical coding
- Orthopaedic Services
- Improving the well-being of young people
- A465 (Section 2) road improvement
- First point of contact assessments
- Counter-fraud arrangements in the Welsh public sector
- The refurbishment of Ysbyty Glan Clwyd
- NHS waiting times
- Welsh Community Care Information System (WCCIS)
- Public Service Boards; collaborative arrangements for managing local health resources



## Good practice work

### Topics delivered

#### Seminars

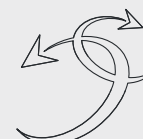
- Supporting people in their communities: Reducing unnecessary hospital admissions
- Young people influencing decisions about what matters to them
- Mutual Benefits: Building a co-operation between Wales and the Basque Country
- Building resilient communities
- Inspiring public services to deliver independence and well-being through digital ambition

#### Webinars

- Let's talk cyber security
- Preparations in Wales for a 'no deal' Brexit
- Can the Social Economy save us?
- Why using data effectively enables better decision making
- Working in partnership: Holding up the mirror
- Sustainable procurement
- Moving from outputs to outcomes
- Adverse childhood experiences: Small steps, big change

#### Guides and checklists

- Grants management mini-guides
- What's the hold up? Discharging patients in Wales



## The Auditor General's report on disclosures of information

The Auditor General is a 'prescribed person' for making whistleblowing disclosures about the proper conduct of public business and fraud, value for money, and corruption in relation to the provision of public services. The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 require the Auditor General to publish a report for each financial year setting out:

- a the number of disclosures made to the Auditor General in that year that he believes to be qualifying disclosures<sup>68</sup>;
- b the number of qualifying disclosures where the Auditor General has decided to take action;
- c a summary of the types of action that the Auditor General has taken; and
- d a summary of how the information disclosed has affected the Auditor General's ability to perform his functions.

The Auditor General's main functions are summarised in our [Annual Plan](#) for each year and are described in more detail in our Guide to [Welsh public audit legislation](#).

In 2018-19, 23 individuals wrote to or telephoned the Auditor General or the Wales Audit Office indicating that they wished to make a whistleblowing disclosure. However, in only 15 cases did the Auditor General have a reasonable basis to believe that the disclosure qualified and was within the matters in respect of which he is prescribed. This was because individuals either did not give details of their employment situation, or it was clear that they were not employees or other qualifying workers.



Of the 15 apparently qualifying disclosures, in 11 cases the relevant audit team reviewed the matters raised, but they were not found to amount to substantive matters on which the Auditor General would need to report or take other action. In the other four cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending. One or more of these cases may result in a published report.



Generally, where the Auditor General has received information that has been relevant to his functions, this has helped to inform his work, and in four cases, the information has enabled the Auditor General to identify issues meriting significant examination.



<sup>68</sup> Disclosures that meet the criteria set out in section 43B of the Employment Rights Act 1996 and which engage the protection from detriment provided by that Act.







# APPENDIX 2 — COMMENTARY ON PROGRESS MADE TOWARDS ACHIEVING OUR PRIORITIES

Priority	Commentary
<p data-bbox="135 461 515 618">Integrate the Auditor General’s duties under the Well-being of Future Generations (Wales) Act 2015 into the delivery of our audit work programmes.</p> 	<p data-bbox="566 461 1460 584">In May 2018, we published <a href="#">Reflecting on year one</a>, our assessment of how public bodies in Wales have responded to the requirements placed on them by the Act. The report was particularly designed to support organisations during this early transition phase.</p> <p data-bbox="566 604 1460 696">In partnership with the Future Generations Commissioner’s Office, we also held a well-attended <a href="#">stakeholder conference</a> to share and discuss the findings from the report.</p> <p data-bbox="566 716 1460 965">Relevant audit work was subsequently integrated into our health and local government work plans for 2018 and 2019, and into our studies programme, to meet the Auditor General’s duties under the Act. This work is on track to be completed in autumn 2019, with over half of the work having been completed at the time of publication. Our reports on the steps individual bodies are taking to meet their well-being objectives are available via the <a href="#">publications section</a> of our website. We intend to publish a national report summarising the key findings of this work in 2020.</p>
<p data-bbox="135 999 515 1122">Examine the integrated delivery of public services in Wales from the perspective of people who use the services.</p> 	<p data-bbox="566 999 1460 1090">We place emphasis on the importance of understanding the perspectives of service users when considering the effectiveness of service delivery arrangements.</p> <p data-bbox="566 1111 1460 1202">During the reporting period we completed a review of <a href="#">Local Government services to rural communities</a>, which included carrying out telephone and face-to-face surveys with over 1,500 people living in rural Wales.</p> <p data-bbox="566 1223 1460 1314">In addition, as part of our current <a href="#">Social services and well-being study</a>, we interviewed carers to understand the level of care and support they receive and how well their needs are being addressed.</p> <p data-bbox="566 1335 1460 1449">Our review of Planning services also included a public survey (which we launched at the Royal Welsh Show) to gather views on how well local planning authorities are supporting the long-term well-being of their communities.</p> <p data-bbox="566 1469 1460 1718">In July 2018, we published a summary of our local audit findings on <a href="#">Primary Care Out-of-Hours Services</a>. Our work included a survey of patients that had recently contacted out-of-hours services. To further understand how it feels to be a patient using these services, the study team also undertook a ‘mystery shopping’ exercise to assess the effectiveness of information on GP phone lines and websites. The findings from both the patient survey and mystery shopping exercise helped shape our recommendations at both the local and national levels.</p>

Priority	Commentary
<p>Strengthen engagement with our work among Assembly committees and identify ways to further enhance our work on supporting effective scrutiny and accountability.</p> 	<p>In addition to our usual extensive engagement with the Public Accounts Committee, we briefed other National Assembly committees on a wide range of specific issues during 2018-19, including:</p> <ul style="list-style-type: none"> <li>• our June 2018 report on the <a href="#">Welsh Government's support for Pinewood</a>, which was used by the Assembly's Culture, Welsh Language and Communications Committee to support their inquiry into Film and TV production in Wales. Our study team briefed Committee members on our findings, and then supported two oral evidence sessions with Welsh Ministers;</li> <li>• our latest report on <a href="#">Fiscal devolution to Wales</a>, was considered by the Assembly's Finance Committee; and</li> <li>• our February 2019 report on <a href="#">Brexit 'no deal' preparedness</a>, was used by the Assembly's External Affairs and Additional Legislation Committee to support their ongoing scrutiny of the Welsh Government's preparations for Brexit.</li> </ul> <p>In July 2018, we also published a '<a href="#">Guide to Welsh Public Finances</a>', to support those involved in scrutinising public services, including Assembly Members and local government elected politicians.</p>
<p>Enhance the collective impact of external audit, inspection and review in Wales by making better shared use of intelligence and resources.</p> 	<p>During 2018-19, we have continued to meet with our <a href="#">Inspection Wales</a> partners to share information and intelligence, identify common themes across our respective work programmes and avoid duplication of our work.</p> <p>As part of a pilot exercise, Care Inspectorate Wales (CIW), Estyn and the Wales Audit Office jointly presented our findings on risk and assurance at two councils. This more joined-up approach received positive feedback from the councils involved, and the Inspection Wales Programme Board has agreed to roll such joint risk and assurance workshops out to all councils, with effect from spring 2020.</p> <p>In partnership with the Children's Commissioner for Wales, we also ran two collaborative events in March 2019 highlighting the key challenges facing young people in Wales today. The events focused on how we can best involve young people in the design and delivery of public services and provided the opportunity for young people to share their experiences directly with decision makers, service providers, inspectors and auditors.</p>

Priority	Commentary
<p>Engage with other audit agencies in the UK and internationally, to share and inform best practice and intelligence.</p> 	<p>As a member of the UK's Public Audit Forum, the Auditor General and members of our staff engage regularly with our counterparts at the National Audit Office (NAO), Audit Scotland and the Northern Ireland Audit Office (NIAO). Over the last year, we shared and exchanged information on a wide range of topics of mutual interest, including in relation to Brexit, fiscal devolution and information governance.</p> <p>An area of particular focus for our collaboration work this year was the use of data analytics in audit work. In November 2018, working jointly with Audit Scotland and the NIAO, we launched a £1.25 million GovTech Challenge for private companies to compete to create bespoke data analytics software.</p> <p>During the year, we continued to build and maintain links with overseas audit offices, including through our membership of <a href="#">EURORAI</a>, and in September 2018 hosted a study visit from the Auditor General of Malta. In November 2018, we also took part in the inaugural <a href="#">EUROSAI</a> Investigations Seminar, hosted by the NAO and attended by representatives from 15 audit offices across Europe. Our presentation on our investigative studies work was very well received and it was interesting to note that, following on from their 2017 study visit to the Wales Audit Office, the Netherlands Court of Audit had since established their own investigative studies audit team.</p>
<p>Enhance the readability and accessibility of our audit products to maximise their reach and impact.</p> 	<p>In early 2018, we established an internal task-and-finish project to explore ways through which we can transform the way we communicate and increase engagement with our work. In July 2018, the project group made a range of recommendations to management, including for improving the readability of our reports, and gaining a better understanding of the different needs of our audiences.</p> <p>Since then, we have been exploring ways through which these recommendations can best be implemented. Two important changes we have made are to ensure there is earlier engagement between our communications team and the audit team on each audit project, and to place greater reliance on audience feedback in our ongoing website development.</p> <p>Throughout the year, our Good Practice Team have continued to make greater use of webinars and podcasts to maximise the reach of their work, including a series on <a href="#">behavioural change</a>.</p>

Priority	Commentary
<p>Utilise emerging technologies to improve how we source, acquire and analyse data and how we present and visualise our findings.</p> 	<p>We secured additional funding through our <a href="#">Estimate for 2018-19</a> to progress data analytics projects across various areas of the business. This extra funding has enabled us to be more innovative in the way we source, acquire and analyse data and how we present and visualise our findings</p> <p>In January 2019, for the first time we published an <a href="#">online interactive data tool</a> to accompany our report on <a href="#">Expenditure on Agency Staff by NHS Wales</a>. The tool enables users to make graphical comparisons between expenditure on agency staff by different local health boards and NHS trusts since 2010. Also, as part of our work looking at preparations for Brexit, we created a tool for audit teams that automatically compiles data for ongoing work, making it easier for them to manage and visualise their evidence.</p> <p>We have recently established a longer-term digital strategy for the organisation which sets out an ambitious vision for how we want to exploit technology in future. We are progressing with technological solutions to strengthen our infrastructure, ensure security and make it easier for us to deploy data analytical tools across our areas of business.</p>
<p>Adopt new ways of working to provide an efficient and fit-for-the-future audit service as our operating environment changes.</p> 	<p>We continue to explore new and more innovative ways of undertaking and presenting the findings of our audit work. This has included piloting the approach we will take to deliver the Auditor General's duties under the Well-being of Future Generations (Wales) Act and making greater use of 'facts only reporting' such as our report on the <a href="#">Welsh Government's relationship with Pinewood</a>.</p> <p>During the year, we also launched a task-and-finish project looking at challenging some of our more traditional ways of working. Areas of investigation include striking the right balance between the flexible working needs of individual staff and the demands of the overall business; considering whether our current premises are configured in the most effective way and exploring what kind of offices we are likely to need in the future. This project will report to the Board in the summer of 2019.</p>

Priority	Commentary
<p>Deliver a people strategy that responds to the results of our staff survey, helps us to achieve our equality objectives and enables our staff to excel in their work.</p> 	<p>We launched our <a href="#">People Strategy</a> in April 2018, setting out our four priorities for the period 2018 to 2021 to help ensure that the Wales Audit Office is a great place to work.</p> <p>The priorities in the Strategy were informed by the areas of improvement highlighted in our 2017 staff survey (as reported in our <a href="#">Annual Report and Accounts for 2017-18</a>) and the analysis of employment information published in our <a href="#">2017-18 Equality Report</a>.</p> <p>A number of the projects underpinning our People Strategy are also aligned with and will serve to assist us in achieving the equality objectives laid out in our new <a href="#">Strategic Equality Plan</a>.</p> <p>Over the reporting period we have commenced and carried out work on several projects that will contribute to delivering the overall Strategy. The content of the People Strategy and associated delivery plan are currently subject to review and further refinement, particularly to take account of the outcomes of our 2018 staff survey and the findings of an internal audit review of our workforce strategy.</p>
<p>Improve our management of knowledge and data, including through effectively responding to the introduction of the General Data Protection Regulation.</p> 	<p>By May 2018, we had completed our programme to ensure compliance with the General Data Protection Regulation (GDPR). This included developing staff guidance, providing comprehensive training of all staff, and publishing a <a href="#">Privacy Notice</a> on our website outlining what to expect when the Wales Audit Office collects personal information and explaining how we protect the privacy of individuals.</p> <p>In May 2018, we also wrote to all audited bodies about fair processing and the secure transfer of information. In the letter we outlined that the Auditor General's access rights are not affected by GDPR and requested that fair processing notices issued by those bodies to employees, contractors and service users include reference to the collecting and sharing of data with the Auditor General in connection with his audit work.</p> <p>An internal audit review undertaken in December 2018 provided substantial assurance on the arrangements we had put in place, and we continue to undertake further work to reduce the amount of information we hold unnecessarily and to ensure information held is fully documented.</p>

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