



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Plan 2014-15

Interim Report

Interim Report on the Annual Plan of the Auditor General and the Wales Audit Office for the year ending 31 March 2015

The Annual Plan was jointly prepared by the Auditor General and the Wales Audit Office under section 25(1) of the Public Audit (Wales) Act 2013. It was laid before the National Assembly for Wales under section 26 of the Public Audit (Wales) Act 2013 on 31 March 2014. Paragraph 3 (3) of the schedule to the act requires that, 'at least once during each financial year the Auditor General and the Chair of the Wales Audit Office must also jointly prepare a report on the exercise of the functions of the Auditor General and the Wales Audit Office (an 'interim report')'.

Paragraph 3 (4) of the schedule states that: 'An interim report must include (amongst other things) an assessment of the extent to which:

- (a) the exercise of the functions of the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for the year under section 25; and
- (b) progress has been made to achieve the priorities set out in the plan.'

This interim report covers the period from 1 April 2014 to 30 September 2014 and has been prepared jointly by the Auditor General and the Chair of the Wales Audit Office in accordance with the requirements of the Public Audit (Wales) Act 2013.

Huw Vaughan Thomas
Auditor General for Wales

Isobel Garner
Chair of Wales Audit Office

Issued

71

financial audit opinions on the accounts of health, central and local government bodies

Published

8

national performance audit reports

Ran

6

Good Practice shared-learning events

Delivered

25

annual improvement reports

Certified

28

improvement plans in local government

Achieved

64%

reduction in payroll costs by outsourcing

Over

90 per cent of respondents to our stakeholder survey considered the Wales Audit Office to be both an independent and authoritative commentator on the financial position of public bodies

Upgraded

Our internet connection to manage ever-higher demands for data transfer

Implemented

New HR system to automate our processes and save on staff time

2

of our audit trainees obtained international prizes for their exam performance

Board fully constituted with the election of two employee members

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Message from the Auditor General/Chief Executive



My role as Auditor General is to report on whether:

- public resources are used economically, efficiently and effectively;
- public money is properly accounted for; and
- public services in Wales are improving.

As public bodies respond to unprecedented financial pressures and the demand for, and expectations of, public services continue to increase, this is more important than ever.

I have continued to benefit from the commitment and professionalism of staff within the Wales Audit Office in delivering to plan work that is consistent with my Code of Audit Practice and meets the highest quality standards.

This has been a challenging but productive year for the Wales Audit Office. We have issued timely audit opinions in central government, NHS and local government. We have also delivered a wide range of reports covering topics including Public Funding of the Cywain Centre in Bala, and Governance Arrangements in the Betsi Cadwaladr University Health Board. We have supported this work by delivering a series of shared-learning events to help identify and share good practice across Wales.

Internally we have restructured the senior management team and introduced two new roles of sector leads for Local Government and Criminal Justice, and for Health and Central Government, to improve the way we focus on, and improve engagement with, Welsh public bodies at a time of significant change in the Welsh public sector. We have also made good progress in improving culture and leadership within the Wales Audit Office, and in shaping and developing our workforce for the challenges ahead.

I am also delighted to report that our new governance arrangements are working well, and I am grateful for the constructive challenge, advice and support of the new Wales Audit Office Board.

Huw Vaughan Thomas
Auditor General for Wales

Message from the Chair of the Wales Audit Office Board



This transitional year has been one of considerable internal change. The Wales Audit Office became a corporate body on 1 April 2014, and was fully constituted in May 2014 following the election of two employee members. The Board's members are drawn from a diverse range of backgrounds, with a wide range of skills and experience. Our working mechanisms and relationships are developing well, so that we are able to advise and monitor the Auditor General, and provide resources for his work.

We are keen that the Wales Audit Office should increasingly help public bodies in Wales succeed and deliver the best results for the people that they serve. We were delighted with the results of a recent stakeholder survey which

highlighted the quality and positive impact of our work. Over 90 per cent of respondents consider the Wales Audit Office to be both an independent and authoritative commentator on the financial position of public bodies, and we are committed to building on this success.

We have also been working hard to ensure that we are an accountable, well-run and efficient organisation. We have delivered a range of improvements to our systems and processes, including implementing a new HR system and outsourcing our payroll and internal audit functions. These changes have led to service improvements at reduced cost. We are also in the process of developing a new Business Plan for 2015-2018 which will set out our strategic aims and objectives and provide a firm foundation for streamlined and effective delivery over the next three years.

This has already proved to be a challenging but rewarding year, and the Board and the entire organisation are committed to delivering the remainder of our work programme to equally high standards over the second half of the year.

Isobel Garner
Chair of Wales Audit Office

Executive Summary

This Interim Report on the Annual Plan of the Auditor General and the Wales Audit Office for the year ending 31 March 2015 has been prepared in accordance with the requirements of the Public Audit (Wales) Act 2013. It sets out the progress we have made in the six-month period to 30 September 2014 in delivering the commitments set out in the Annual Plan.

We have made significant progress towards achieving the priorities set out in the Plan, with all planned work either delivered, or progressing as set out in the Plan. This includes:

- The delivery of 71 financial audit opinions on the accounts of:
 - 10 health bodies;
 - 21 central government bodies; and
 - 40 local government bodies.
- The delivery of:
 - eight national reports and value-for-money studies;
 - 28 certificates on improvement plans in local government;
 - 25 annual improvement reports; and
 - six Good Practice shared-learning events.

We have also outsourced our payroll service, implemented new HR systems to automate our processes and save on staff time and have invested in new technology to improve efficiency in the use of our premises and other assets.

Whilst there has been no need to deviate significantly from the agreed plan, we have undertaken additional work during the period. This includes:

- A growing need to spend significant amounts of staff time in responding to correspondence received from members of the public and their elected representatives who are raising concerns about the use of public money by Welsh public bodies. Some correspondence has led to full value-for-money investigations being undertaken and has resulted in the issue of public reports. Other work is ongoing and will be reported later in the year.
- A review of the provision of our Internal Audit function which has led to its outsourcing which has yielded cost savings of over £50,000 per annum and improved quality and effectiveness.

Work of the Auditor General (and his appointed auditors)

Helping public bodies in Wales to succeed

- 1 The Annual Plan for 2014-15 describes the work that the Auditor General (and his appointed auditors) planned to undertake in 2014-15 and highlights their main priorities for the year. This work is designed to meet the Auditor General's strategic aims and objectives which include providing timely assurance on the governance and stewardship of public money and assets, offering useful insight and identifying ways in which public services may be improved, all of which support the aim of helping public bodies in Wales to succeed.
- 2 The Annual Plan contains sections on:
 - Overview of work programme
 - Financial audit
 - Performance audit
 - Cross-cutting work
- 3 This interim report provides a summary of progress made in delivering the planned work for each of these areas in the period from 1 April 2014 to 30 September 2014, and includes additional information relating to correspondence, other unplanned work and commissioned work.
- 4 The interim report demonstrates that:
 - a 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
 - b significant progress has been made to achieve the priorities set out in the plan, with all planned work either delivered, or progressing as planned.

Overview of our audit approach

Quality of our work

- 5 The overall quality of our work is of paramount importance to us and in April 2014, the Auditor General published a new Code of Audit Practice which sets out the principles that underpin the work that is undertaken on his behalf.
- 6 We have successfully completed the first year of a three-year contract with the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales (ICAEW) designed to apply external rigour to our quality review processes and we have responded following their review of our quality arrangements and a sample of our audit files.
- 7 We continue to work with other UK public audit institutions to carry out reciprocal peer reviews to ensure that our quality arrangements continuously improve.

Impact of our work

- 8 Understanding how our stakeholders regard us, and evaluating the impact we have on them, is important if we are to be effective and continually improve. With this in mind, we regularly survey a wide range of our stakeholders and ask them about our standing and the impact of the work we do. We ran our latest survey in May and June this year, and many of the views expressed in the survey indicate a positive and, in some cases, improving position since the last survey in 2012:
 - 74 per cent of those who responded were very confident in our audit work and no responders had no confidence;
 - 75 per cent of those who responded rated our value for money as good or excellent; and
 - 90 per cent of those who responded considered us to be an authoritative commentator on the financial position of public bodies, all or most of the time.
- 9 We have seen positive and improved ratings for the helpfulness or value of our work to identify and share good practice, and on the audit of accounts. However, our stakeholders have identified the need for development in some areas, and we are examining ways to improve the profile of our work with other external review bodies such as Estyn, the Care and Social Services Inspectorate Wales (CSSIW) and Healthcare Inspectorate Wales (HIW), as well as the Commissioners, as described in [paragraphs 10](#) and [11](#).

Working with other external review bodies

- 10 The Auditor General works in collaboration with other external review bodies to support the delivery of co-ordinated, high-quality audit, inspection and regulation across Welsh public services, and is an active participant in the 'Inspection Wales' initiative which promotes collaboration between Wales Audit Office, Estyn, Healthcare Inspectorate Wales (HIW) and the Care and Social Services Inspectorate Wales (CSSIW). These four parties have jointly funded a programme manager who provides dedicated capacity to take forward the objectives and priority activities of the Inspection Wales initiative. The current programme manager is on secondment from the Wales Audit Office.
- 11 Examples of our work undertaken with other external review bodies in this year include:
 - a follow-up review of governance arrangements at Betsi Cadwaladr University Health Board which was undertaken and reported jointly in July 2014 with HIW;
 - an ongoing value-for-money study on Regional Education Consortia which is being delivered in collaboration with Estyn; and
 - a local government study on Independence of Older People which is being planned and delivered in collaboration with CSSIW and the Older People's Commissioner for Wales.

Financial audit

12 The work undertaken by our Financial Audit Practice includes:

- audit of accounts;
- grants certification; and
- examinations carried out in response to information received from members of the public, challenge work and objections raised by local government electors.

Audit of accounts

13 The main focus of the Auditor General's and appointed auditors' financial audit work is on auditing the annual accounts of public bodies in Wales and providing assurance to the public over the stewardship of public money. In the period since April 2014, we have delivered:

- Ten financial audit opinions on the accounts of health bodies by 30 June (in accordance with the plan). Three opinions were qualified due to breaches of authorised resource limits by local health boards, and the Auditor General also issued substantive reports (but without qualifying his opinion) on the accounts of three other health boards.
- Twenty-one financial audit opinions on central government bodies in accordance with the plan. The opinion on the summarised account of the local health boards was qualified and a substantive report issued arising from the qualifications on the underlying individual health board accounts.
- One local government opinion on the probation trust by 30 June, and 39 opinions on the accounts of principal local government bodies by 30 September. A further two opinions were due to be delivered by 30 September, but one has been delayed pending the resolution of a formal objection received on the Council's accounts and the signing of the audit opinion for another Council was delayed by a week due to a post balance sheet event that arose on the morning of 30 September.

Grants certification

- 14 Grants are a key source of funding in Wales and in 2014-15 we expect to certify 32 local government grant schemes worth over £3 billion. Detailed certification arrangements have already been made for 22 of the 32 schemes and negotiations with scheme funders are underway for the remaining 10 so that auditors will be able to begin their work by, or shortly following, 30 September which is the date by which authorities should have completed their claims in readiness for certification. Around 650 individual claims are expected across the 32 different schemes, and auditors are planning to complete this work by February 2015.
- 15 We are working with the Department for Work and Pensions (DWP) regarding the run-out of the housing benefit system and the complete introduction of Universal Credit. The DWP is expecting full introduction of Universal Credit to be achieved by 2017 and, as it should be fully administered by the DWP, local authorities would no longer have a role in supporting claimants with their housing costs. This would lead to the cessation of our benefits certification work at local authorities and the loss of this workload and associated income will be recognised in our medium-term financial and workforce plans.
- 16 The Welsh European Funding Office (WEFO) has amended its arrangements for the audit of the forthcoming 2014-2020 EU Structural Funds programme and there will no longer be a requirement for reporting accountants (including the Wales Audit Office) to certify claims in this framework. All checks and controls for the 2014-2020 programme will instead be undertaken by WEFO itself. We are continuing to audit residual claims from the 2007-2013 programme but, as the current projects come to an end, our work in this area will eventually cease. This is estimated to reduce our annual income by £550,000 and this has already been factored into our medium-term financial plan.

Responsive work in local government

- 17 Legislation provides electors with the right to raise questions and objections with the Auditor General and the appointed auditors in relation to the accounts. There are also general rights to raise concerns about the way in which public money is being used by local government bodies. This can lead to extensive correspondence and examination of local authority records, and may result in a public report being issued. We continue to respond to correspondence received from members of the public relating to these specific legal powers, but none has resulted in a public report being issued in the period since April 2014. Our work in response to other correspondence is detailed in [paragraphs 26 to 28](#).

Performance audit

- 18 Our performance audit work is designed to support public service improvement in Wales, and broadly falls into three business streams:
- a rolling programme of value-for-money studies undertaken in support of the scrutiny work of the National Assembly's Public Accounts Committee (PAC);
 - NHS health boards and trusts: comprising an annual programme of all-Wales studies of NHS bodies and some local bespoke performance audit projects; and
 - local government (including national parks and the fire and rescue services): comprising an annual programme of improvement assessment work under the 2009 Local Government Measure alongside a programme of studies of local government bodies.

National performance work (including value-for-money studies)

- 19 The Annual Plan for 2014-15 summarises the substantial body of national performance audit work within the Auditor General's ongoing work programmes, which can cover the three streams of performance audit activity described above. In the six months since 1 April 2014, eight reports have been published:
- Public funding of the Cywain Centre, Bala
 - European Union structural funding, 2007-2013
 - Young people not in education, employment or training (NEETs) – value for money study report
 - Young people not in education, employment or training – findings from a review of councils in Wales
 - Scrutiny in Local Government
 - National Fraud Initiative 2012-13
 - Governance Arrangements in Betsi Cadwaladr University Health Board
 - Glastir (agri-environment grants scheme)

- 20 We plan to deliver at least six further reports in the period October 2014 to March 2015, which together with the work already reported, will help to meet the Auditor General's commitment to deliver between 10 and 12 products a year for consideration by the PAC. Two of these reports have already been published in October on:
- Financial management and governance in local councils 2012-13
 - NHS Wales: overview of financial and service performance 2013-14
- 21 Other outputs scheduled for delivery by the end of the year include a report on NHS waiting times, a report on the local government national study Environmental Health (Delivering with Less), and a number of reports resulting from correspondence and unplanned work as outlined in [paragraphs 27](#) and [28](#).

NHS performance

- 22 During the period, we have completed local performance audit work at NHS bodies on clinical coding, and our local work on District Nursing is nearing completion. The design and development of the 2014 Structured Assessment has been completed and auditors have been trained in preparation for delivery of this work later in 2014-15. The element of that work on financial management has been completed and used to inform the Auditor General's national report in October on NHS Wales: Overview of Financial and Service Performance 2013-14. The development of the Medicines Management study has been completed and is moving into the data collection phase, with a target completion date of May 2015. Information is currently being collected from NHS bodies for our short diagnostic review of Information and Communications Technology (ICT) capacity and infrastructure which is scheduled for completion before the end of the financial year.
- 23 Initial planning has been completed for a review of the management of outpatient follow-up appointments and this work is due to be undertaken in the autumn of 2014 with a target completion date around the end of the financial year. Research has been completed to identify suitable topics for good practice reviews to be undertaken between October and December 2014 with outputs expected in early 2015.

Local government

- 24 All of the 28 certificates of improvement plans were issued as planned by the end of July 2014. All 28 annual improvement reports for 2013-14 were issued by the end of the period covered by this interim report. Progress is being made in delivering the 2014-15 programme of improvement assessment work. All of the corporate assessments from 2013-14 have been published and, of the six planned for 2014-15, fieldwork has been completed at three and the others are in the planning stages.
- 25 Reports on the studies of Local Government Scrutiny and NEETs have been published and presented to PAC (see paragraph 19) and good progress has been made on studies of Environmental Health (which is one of the Delivering with Less series of studies), Welfare Reform and Safeguarding with reports due to be published in the next few months. Work is also now underway on studies of the financial position of local authorities, which is due to be published before the end of the financial year; of local government services that support independent living; and of leisure services (Delivering with Less). The review of annual governance statements is complete and local feedback has been provided to audited bodies.

Correspondence and unplanned work

- 26 In addition to the planned programmes set out above for financial and performance audit work, we are seeing an increasing volume of issues and concerns being raised with the Auditor General, with requests for an audit investigation into such matters. This growing demand upon, and expectation of, the audit function is not unique to Wales and has been experienced by the audit offices in all other parts of the UK. We note that the National Audit Office has established an Investigations Team to provide the dedicated capacity necessary to handle this increasing area of work.
- 27 Much of this work arises from the steady stream of correspondence from members of the public and their elected representatives raising concerns about the use of public money by Welsh public bodies, which is in addition to the work arising from questions and objections relating to the accounts as set out in paragraph 17. Every correspondent can expect their concerns to be considered carefully by the staff of the Wales Audit Office and to receive a substantive reply. Such correspondence may lead to full value-for-money investigations, such as the recent report on the Cywain Centre in Bala, and current work on both the Regeneration Investment Fund for Wales (RIFW) and the Welsh Life Sciences Investment Fund (WLSIF).
- 28 The PAC of the National Assembly has also increasingly looked to the Auditor General to investigate matters of interest and concern to that Committee. For example, in response to such requests, the Auditor General prepared two memoranda which the Committee has drawn upon in launching their own inquiries during 2014, on senior management pay across the Welsh public sector and on the Intra-Wales Cardiff to Anglesey Air Service. Work is currently underway, in response to a formal PAC recommendation, to examine the potential impact of aspects of private practice on NHS provision. That work is due for completion before the end of the financial year. We are also currently preparing for the PAC a memorandum on NHS governance, which we expect to publish in November 2014.

Commissioned Work

- 29 The Auditor General also receives requests to carry out specifically commissioned work that he can agree to undertake if it falls within his powers to do so. During the period to 30 September, he has carried out a number of items of commissioned work including:
- the audit of the accounts of the Government of Anguilla;
 - a review of governance arrangements at the Office of National Statistics;
 - the audit of the accounts at Gower College;
 - the audit of European claims at the University of Glamorgan;
 - the audit of a number of local government charity bodies; and
 - a review for the Assembly Commission on its audit committee.
- 30 The audit fees received in respect of commissioned work help to supplement the annual income of the Wales Audit Office.

Cross-cutting work

- 31 Our audit work may report on cross-cutting work, such as the recent memorandum on senior pay across the Welsh public sector, and our reports on young people not in education, employment or training (NEETs), and on the National Fraud Initiative (NFI) (the scope and impact of which are set out below). However, our good practice work plays a vital role in promoting shared learning across teams, organisations and sectors, as well as from outside Wales.

Good Practice Exchange

- 32 The Auditor General's approach to good practice involves the identification and sharing of knowledge of good practice through a number of means including the Good Practice Exchange (GPX). Good progress has been made in delivering the GPX work programme for 2014-15, with six of the 12 planned shared learning events delivered by the end of September. These include seminars on asset management involving IT, Fleet, Energy, Buildings, Land and Facilities Management all of which were well attended. We have delivered the 'Reshaping Services' seminars at the request of the Welsh Government alongside a number of partner organisations and are working with other partners to develop future events.
- 33 We have received good feedback on the value of our Good Practice work. In the first six months of 2014-15 we received positive feedback from 94 per cent of the delegates who attended the seminars and 70 'pledges to action' from attendees who have committed to implement a good practice initiative that will help to secure service improvements or achieve better value for money in public services. We have also seen an increase in the extent of GPX social media activity including Twitter reach, blog views and visits to the GPX section of the Wales Audit Office's website. We are continuing to incorporate the identification of good practice into our mainstream audit activities.
- 34 We are developing closer links with the other UK audit and inspection bodies including the National Audit Office, Audit Scotland, and the Northern Ireland Audit Office. We have also established links with auditing bodies around the world including Australia and the Government of Nova Scotia in Canada, who will be participating in two shared learning seminars.

National Fraud Initiative

- 35 The National Fraud Initiative (NFI) is a collaborative UK-wide exercise undertaken every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Our report on the 2012-13 NFI exercise was published in June 2014 and has been presented to PAC.
- 36 Since its commencement in 1996, NFI exercises have resulted in the identification of more than £26 million of fraud and overpayments in Wales, and £1.17 billion across the UK. Savings impact across public finances rather than necessarily at the body that has paid to participate in the exercise. The PAC has made clear its desire for greater public sector participation, and we are currently proposing that our recurring costs for NFI be funded by the Welsh Consolidated Fund rather than through fees charged to audited bodies so as to remove any disincentive to participation.

The Wales Audit Office's work programme

Being an accountable, well-run and efficient organisation

- 37 The main objective of the Wales Audit Office is to be 'an accountable, well-run and efficient organisation' but it also has a number of statutory responsibilities including:
- providing resources to the Auditor General (including the provision of the staff and assets necessary for him to undertake his audit functions);
 - monitoring the exercise of the Auditor General's functions;
 - charging of fees and the preparation and annual review of the Wales Audit Office Fee Scheme; and
 - providing advice to the Auditor General regarding the exercise of his functions.

Embedding our new governance arrangements

- 38 A key priority in the period since April 2014 has been to embed the new governance arrangements and to ensure that we achieve our objective of being an accountable, well-run and efficient organisation. The Board was fully constituted in May 2014 following the appointment of one Auditor General nominated and two staff elected members. The Board is committed to reviewing and evaluating the development of the Wales Audit Office's unique governance arrangements and the experiences of Board members.

Staff numbers and skill mix

- 39 The Wales Audit Office established a Business Support Committee (BSC) in July 2014 to enable properly co-ordinated financial planning, workforce planning and risk management arrangements. Its work will inform the Board's review of our workforce needs, both current and future.
- 40 The work of the BSC is being co-ordinated with the implementation of our new contracting strategy for which the invitations to tender were issued in September 2014 with new framework contracts due to be in place for the 2015-16 audit year. The strategy is expected to result in an increase in audit work undertaken by Wales Audit Office staff which will be more cost effective, and will allow for more flexibility in resourcing our performance audit work.

- 41 The Wales Audit Office continues to invest in the learning and personal development of our staff to ensure that they have the skills and expertise necessary to undertake authoritative and credible work across the Welsh public sector and beyond. In the period April to September 2014, the Wales Audit Office has delivered a range of in-house training, and has invested £104,482 on learning and development (L&D) activities, of which £31,245 has been spent on professional studies. Further spending of £160,000 is planned by 31 March 2015, and the effectiveness of this investment in meeting current and future needs is subject to ongoing review and assessment.
- 42 In addition, we have a graduate training programme. We currently take on six graduate trainees each year. These trainees spend at least four years with us studying for a professional accountancy qualification. During this year, two of our Institute of Chartered Accountants in England and Wales (ICAEW) trainees obtained international prizes for their examination performance. We are exploring ways of increasing our intake of graduate trainees and using this to support wider improvements in public sector financial management and accounting across Wales.

Improving our systems and processes

- 43 As part of our ongoing drive to be a well-run and efficient organisation, we continue to streamline our systems and processes where possible. In the Human Resources (HR) and Finance teams, the focus has been on simplifying and automating processes to free up staff time to work on value adding rather than transactional activities. A new outsourced payroll service was introduced in March 2014 which has resulted in cost savings of 64 per cent (£25,000) per annum. The new HR system introduced in April 2014 has automated processes for leave, sickness monitoring and maintaining employee personal details. The e-recruitment and learning and development modules will go live in the autumn of 2014. A new electronic expenses system will be introduced in October to replace current paper claims and manual processing.
- 44 We reviewed the provision of our Internal Audit Service and outsourced it to BDO in June 2014, which will deliver savings of £50,000 per annum. All work delivered will continue to comply in full with the Public Service Internal Audit Standards (PSIAS) and the new arrangement will strengthen independence, provide for greater capacity, including the ability to draw on resources and specialist expertise at the correct time, and provide greater assurance on the Wales Audit Office's control framework.

- 45 We have continued to refine our financial management information and reporting processes and the Board approved a new three-year business plan and supporting dashboard report in July 2014, which will be piloted in the latter part of 2014 in preparation for the formal launch on 1 April 2015.
- 46 The Board has approved the procurement of a new system to plan, manage, record and store our audit work that will also rationalise and simplify our IT systems as it will also replace our current time-recording and resource-management systems.

Creating further efficiency in the use of our estate and other assets

- 47 During 2014-15, we have continued to invest in our estate to make more efficient use of space and ensure better use of technology. We have implemented a new meeting room booking system to make better use of the overall resources available at our main office sites in Wales. We are currently reviewing options for the location of our North Wales premises to inform a cost/benefit analysis later in 2014. We have reviewed our business continuity and disaster recovery plans at all Wales Audit Office premises to ensure that we are equipped to deal with issues if they occur and have carried out refresher training on the higher-risk areas.
- 48 We completed our investment in additional videoconferencing equipment in May 2014 and the upgrade of our internet link. We replaced the existing servers in our virtual infrastructure in July 2014 and will replace the oldest elements of our main data storage facilities by March 2015.
- 49 During 2014-15, we aim to improve our environmental performance in readiness for applying for Level 5 (the highest level) Green Dragon accreditation. We have made good progress in waste reduction and have invested in new efficient multi-function scanning devices to reduce energy usage. We are developing our reporting arrangements to ensure accurate accounting for indirect emissions. The investment in additional videoconferencing equipment is intended to reduce the need for car journeys and we aim to reduce the numbers of business miles travelled in 2014-15.

Reviewing our fleet car scheme and travel and subsistence arrangements

- 50 The review of our fleet car and travel and subsistence schemes by our external auditors was concluded in September 2014, and the Board will be considering its recommendations in the second half of the year.

Work to be conducted jointly by the Wales Audit Office and Auditor General

- 51 The Public Audit (Wales) Act 2013 places the following joint obligations on the Auditor General and the Wales Audit Office:
- preparation of an annual Estimate of income and expenditure;
 - preparation of annual and interim reports; and
 - preparation of an annual plan.
- 52 The Estimate for 2015-16 is due to be submitted to the committee in October 2014 in compliance with the requirement for it to be laid before the National Assembly at least five months before the start of the financial year to which it relates.
- 53 The Annual Plan for 2014-15 was laid before the National Assembly on 31 March 2014, and considered by the Finance Committee in May 2014. This interim report has been prepared in accordance with the statutory requirements.
- 54 The Annual Report and Accounts for 2013-14 were published in July 2014 with an unqualified audit opinion on the annual accounts.
- 55 Therefore, all of the joint obligations placed on the Auditor General and the Chair of the Wales Audit Office will have been met for this year in accordance with the statutory requirements.

Financial performance

- 56 The Estimate for 2014-15 allows for total revenue expenditure of £23.515 million and fee income (accruing resources) of £17.639 million. The Welsh Consolidated Fund is providing £5.876 million revenue funding and £0.98 million capital funding.
- 57 There is inherent complexity in our fee income arrangements as we balance income projections with the requirements in the 2013 Public Audit (Wales) Act to charge no more than the cost of a function. Fee income for the first half of the year was within two per cent of expectations and we currently anticipate the year-end position to be within the approved Estimate. We will continue to monitor this closely and consider whether a revision later in the year may be appropriate if projections indicate the Estimate for accruing resources may be exceeded (that is, if actual fee income is likely to exceed what we estimated).
- 58 Expenditure for the first half of the year was within six per cent of expectations. Predominantly, the underspend was due to difficulties experienced in recruiting to auditor vacancies coupled with the timing of expenditure on audit contractors.
- 59 In July, the Finance Committee was updated in relation to a potential request for Supplementary Budget later in the year in order to deliver an essential replacement for our audit IT systems. The Board has since approved the project which will secure continuity of the business-critical Financial Audit System, coupled with improving resource management and providing a more cost-effective time recording solution. We will fund the project costs (in 2014-15, £216,000 capital; £46,000 revenue) from savings in expenditure elsewhere in the budget. We will not need to seek additional funding via Supplementary Budget, as originally indicated, but will instead seek a technical adjustment to reflect capital expenditure in place of revenue.

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