

# Strategy for the Auditor General for Wales and the Wales Audit Office 2013-2016

April 2013



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU



We have consulted with a broad range of stakeholders in the preparation of this document, including the people of Wales and their representatives, Welsh public bodies and their representatives, and our staff.

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## Introduction



My vision as Auditor General for Wales, is that the people of Wales are clear about how wisely public money is being spent on their behalf: and that the Wales Audit Office is recognised as a well-governed and effective organisation that offers helpful insights and encouragement to public bodies on how they can improve services.

Our strategy builds on the feedback we received from a wide range of stakeholders, on what would enable the Wales Audit Office to play its full part in supporting well-managed and accountable public services that deliver the best possible value for money for the people of Wales. Based on our analysis of the environment in which Welsh public services are operating, we consulted on six main strategic priorities for our approach to public audit for the next three years (2013-2016). They were that we would:

- Undertake our audit work with an austerity emphasis
- Enhance our work on benchmarking and performance comparison, sharing of audit knowledge and exchange of good practice
- Provide further assurance on the effectiveness of governance arrangements and other issues of public interest
- Report more comprehensively on sustainable development, including on equality and use of the Welsh language

- Work more closely with other external review bodies and improve the way we run our business through a period of transition
- Increase awareness of and engagement with our work, including through more effective use of information technology

We have modified some elements of the Strategy in light of the very helpful comments we received and these changes have brought into sharper focus some key issues, such as the role of partnerships in delivery. We have also developed a suite of success measures against which we, and others, can evaluate our progress in achieving the Strategy. We will be commissioning external support to evaluate this progress and the impact that we make for citizens.

We face changes to our governance arrangements as a result of pending legislation, and the Shadow Board, which has been trialling those arrangements, has helped sharpen our understanding of the objectives we need to set for the next three years.

As a result of the process we have adopted, I am confident that both our diagnosis and our proposed approach are fit for purpose and will help the Wales Audit Office to support improvement in difficult times.

Huw Vaughan Thomas

*Auditor General for Wales*

# Strategy summary

## Our aim

The people of Wales know whether public money is being managed wisely, and public bodies in Wales understand how to improve outcomes.

## Our objectives

Provide timely assurance on the governance and stewardship of public money and assets.

Offer useful insight on the extent to which resources are used well in meeting people's needs.

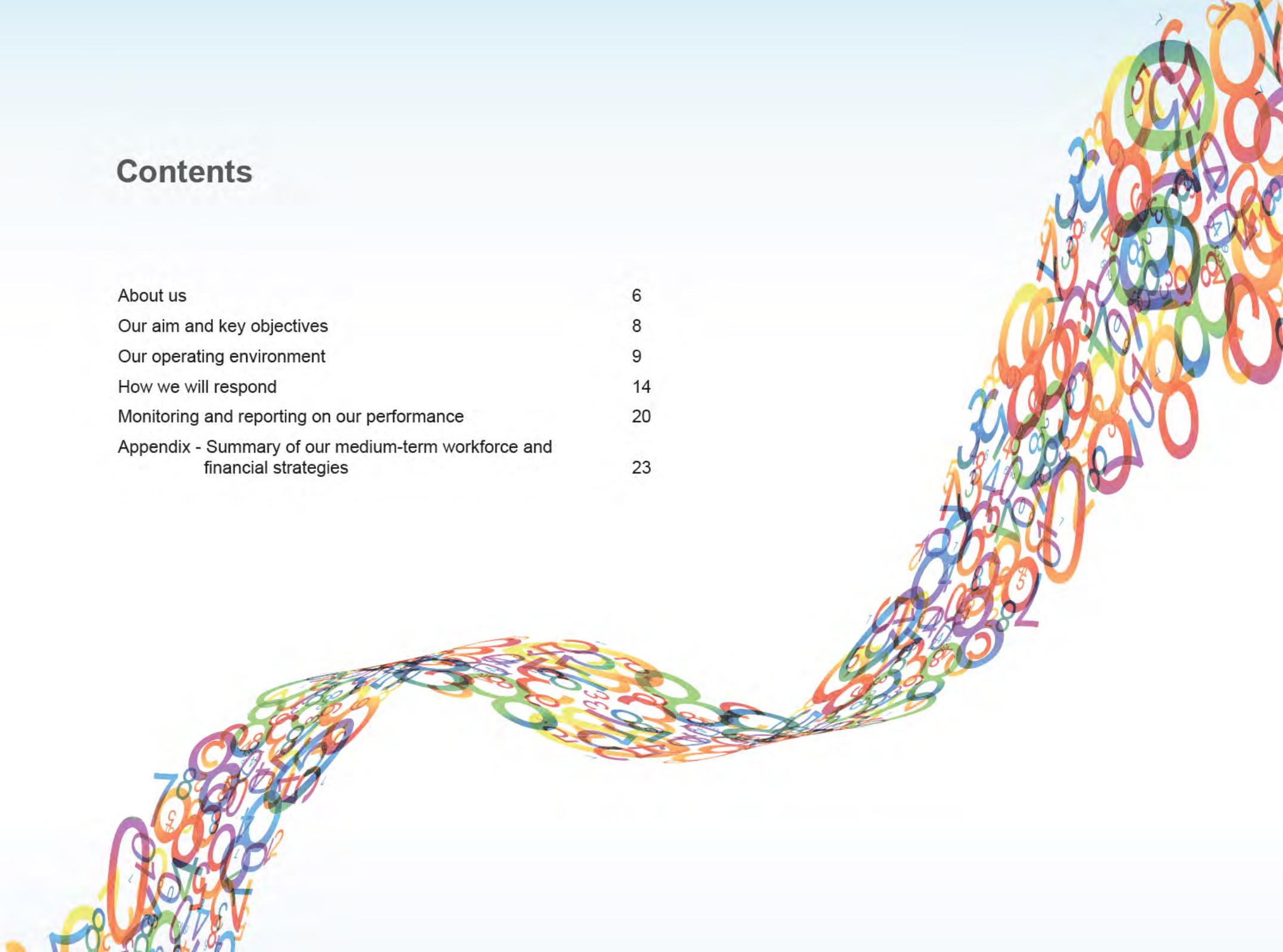
Clearly identify and promote ways by which the provision of public services may be improved.

Be an accountable, well-run and efficient organisation that provides a stimulating and rewarding environment in which to work.

Key environmental factors	Actions we will take in response
We are in a period of financial constraint	Undertake our audit work with an austerity emphasis
Welsh policy continues to diverge through incremental devolution	Enhance our work on benchmarking and performance comparison, sharing of audit knowledge and exchange of good practice
Interest in the effectiveness of governance arrangements is growing and reporting requirements now have a wider scope	Provide further assurance on the effectiveness of governance arrangements and other issues of public interest
New public sector cross-cutting duties and standards have been and are continuing to be introduced in Wales	Report more comprehensively on sustainable development, on equality and on the use of the Welsh language
The external review landscape continues to evolve	Work more closely with other external review bodies and improve the way we run our business through a period of transition
We live in an increasingly networked society	Increase awareness of and engagement with our work, including through more effective use of information technology

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# About us

- 1 In a democracy, governments are accountable to the public and their elected representatives. To facilitate this accountability, the public and their representatives must be adequately informed about the activities of the government and its use of public funds; they need information which is impartial, accurate, comprehensive and clear. Independent audit of the activities of government is therefore an essential component of democratic accountability.
- 2 Audit adds value to society by providing assurance, stimulating better decisions and better outcomes, and helping to provide public service transparency and accountability. Legitimate government is based on public trust and external auditors are the guardians of this trust.
- 3 However, audit cannot act as a substitute for governments' and other public service providers' own responsibilities. It is for service providers to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 4 The Auditor General and the auditors he appoints in local government are the statutory external auditors of most of the Welsh public sector<sup>1</sup>. They are responsible for the annual audit of the majority of public money spent in Wales, including the £15 billion of funds that are voted on annually by the National Assembly<sup>2</sup>. Elements of this funding are passed by the Welsh Government to the NHS in Wales (over £5 billion) and to local government (over £4 billion).
- 5 Currently, the Auditor General and his staff together form the Wales Audit Office, which was established in April 2005. The Auditor General is the Accounting Officer for the Wales Audit Office and is personally responsible for its overall organisation, management and staffing as well as its procedures in relation to financial and other matters.
- 6 Each year the Auditor General and the auditors he appoints in local government deliver an extensive but proportionate programme of external audit work. The overall programme includes audits of accounts, value for money examinations and studies, local government assessments, certification of grant claims, and facilitation of the National Fraud Initiative<sup>3</sup>. The staff of the Wales Audit Office deliver approximately two thirds of the annual audit work. The Auditor General contracts out the remainder<sup>4</sup> to private sector accountancy firms and contracts in specialist skills and services to support delivery.
- 7 Good practice is identified from across the full breadth of audit work and is disseminated through the Good Practice Exchange (a web-based resource, freely available to anyone) and other media including via shared learning seminars.

<sup>1</sup> The Public Audit (Wales) Act 2004, the Government of Wales Acts 1998 and 2006 and other legislation currently provide the statutory basis for the Auditor General and the auditors he appoints in local government to fulfil their purpose across the Welsh public sector. In 2012 the Welsh Government introduced before the National Assembly the Public Audit (Wales) Bill. One feature of the Bill as currently drafted is to make provision for the Auditor General to be the statutory auditor of local government bodies.

<sup>2</sup> Resources requested and accrued income for Welsh Ministers and Direct Funded Bodies totalled £14.8 billion in the Annual Budget Motion 2013-14; National Assembly, November 2012.

<sup>3</sup> A summary of the main operational activities of the Auditor General and the auditors he appoints in local government, alongside associated sources of funding, is provided in Appendix 1 of the Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2014, as submitted to the National Assembly's Public Accounts Committee.

<sup>4</sup> Including the audits of over 700 community and town councils which are subject to a 'limited assurance' audit regime.

8 For the year ended 31 March 2012, the annual expenditure of the Auditor General on external audit work and related activities was £23.7 million. While still a significant sum of public money, this represents less than one fifth of one penny for every pound of the £15 billion of funds that are voted on annually by the National Assembly. The costs of our work are substantially outweighed by its benefits, including where it leads to financial savings for public bodies and wider impacts that help public services to be delivered more effectively.

9 The Auditor General and his staff aim to abide by the *Seven Principles of Public Life*, as defined by the Committee for Standards in Public Life, in all their work. Namely: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

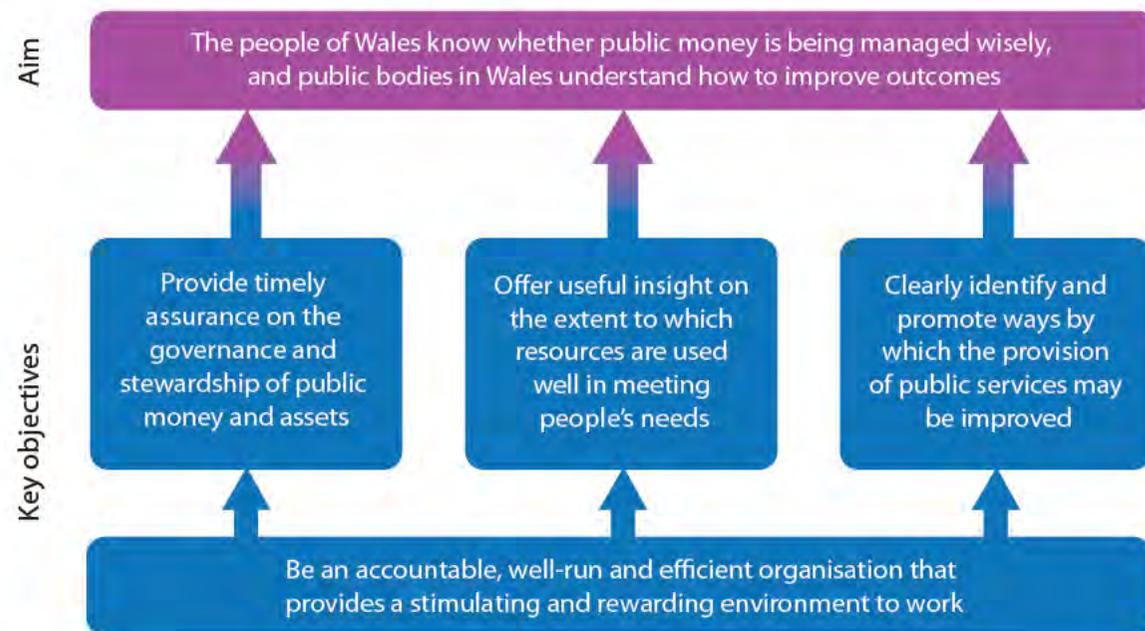
10 The Wales Audit Office core values are:

- Independence and objectivity – constructive and impartial challenge is central to our work
- Excellence – we are professional in everything that we do and strive to lead by example
- Delivery and impact – we are passionate about public service improvement and take pride in the quality and timeliness of our work
- Agility – we are responsive to the people who use, deliver and govern public services
- Mutual respect and teamwork - we have an inclusive team ethic and treat everyone with respect, fairness and courtesy

## Our aim and key objectives

- 11 Our overall aim and four key objectives for the period 2013 to 2016 are summarised in [Exhibit 1](#).
- 12 Our aim is focused on empowering the people of Wales and supporting public bodies in Wales through effective transfer of knowledge. It is expressed as an outcome to which we are a key contributor due to our wholly independent status, professional expertise, and extensive rights of access to information through our statutory audit powers and functions.
- 13 Our first three underlying objectives focus on effectively achieving the threefold purpose of audit – providing assurance, offering insight and promoting improvement. Our fourth objective underpins the first three; in order to deliver a high class audit service, the Wales Audit Office must be a well-run organisation which delivers value for money (see Appendix for a summary of our medium-term workforce and financial strategies).

**Exhibit 1 – Our aim and four key objectives**



# Our operating environment

- 14 In this section we describe the key factors that influence what we will do to achieve our aim and objectives over the period of this strategy 2013 to 2016.

## We are in a period of financial constraint

- 15 The UK Government intends to cut spending on public services and welfare across the lifetime of the current Parliament. Devolved public funding in Wales will continue to fall in real terms over the period of this strategy, with particularly large reductions in capital funding. In response, the Welsh Government has cut funding for every department in real terms, and has prioritised spending on public-facing services.
- 16 Financial constraint by national governments has inevitable consequences for local services. Councils face significantly reduced funding and the NHS in Wales faces the toughest funding settlement in the UK alongside rising cost pressures. Commentators agree that the impact of these spending decisions will be felt for some years to come and certainly beyond the tenure of the current legislatures in Cardiff and Westminster.

- 17 In consequence, public services in Wales must be ambitious in finding new ways of delivering services, so that they can sustain and protect outcomes for lower cost. Transformation through innovation, sharing and acting on good practice, and improving efficiency is the sustainable solution in the long term. But it is unlikely that widespread transformation will happen quickly enough to enable public services to bridge the funding gaps that they face in the short term. It is likely that some form of cuts to jobs and service levels will be required. The challenge is to get those decisions right, to manage the expectations of the public and to mitigate the impact on service users.
- 18 Alongside the intended spending cuts on welfare, the Welfare Reform Act introduces a wide range of reforms that will impact significantly on the people of Wales at a time of economic hardship. These include the introduction of 'universal credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. Wales has a higher dependence on welfare benefits than the UK as a whole, and the average cash loss as a percentage of income per household is estimated to be greater in Wales than the UK as a whole<sup>5</sup>.

## Welsh policy continues to diverge through incremental devolution

- 19 Since devolution, successive Welsh administrations have continued to diverge from Westminster in a number of significant policy areas. In particular, their approach to the use of internal markets has focused on the development of collaboration and shared learning arrangements rather than using league tables or comparative data in a way that overtly stimulates competition between public sector bodies.
- 20 Policy divergence is also influenced by the specific issues faced by Wales, particularly when placed in an international context<sup>6</sup>. These include:
- Wales having a relatively high proportion of older people;
  - GDP per head in Wales being relatively low;
  - in a UK context Wales being relatively sparsely populated;
  - Wales having a higher proportion of 25-64 year olds with low or no qualifications than both the OECD average and the UK; and

<sup>5</sup> Source: Analysing the impact of the UK Government's welfare reforms in Wales – Stage 1 analysis, Welsh Government, February 2012

<sup>6</sup> For further information see: *Wales: Some International Comparisons*, Welsh Government, October 2010

- around three in five adults and a third of children being classified as overweight or obese and only around 3 in 10 adults reporting being physically active on five or more days in the week<sup>7</sup>.
- 21 With the Welsh Government's new law-making and capital borrowing<sup>8</sup> powers, policy divergence may well become more marked during the period of this strategy. Partnership working has become the everyday currency of the public service in Wales. To provide clarity around how public services should collaborate, the Minister for Local Government and Communities has set out a geographical footprint for regional collaborative activity common across public services, aligning local councils' regional boundaries with other public services such as health and police<sup>9</sup>.
- 22 A range of shared and innovative service models are currently being explored and this agenda has the potential to radically change delivery patterns across a range of functions. The third sector is increasingly emphasised as a partner in service design and delivery, able to add value and provide a diverse range of support.
- 23 Wales uses specific grant funding more heavily than other parts of the UK, with a relatively high number of schemes. The Welsh Government and other statutory funders use grants as a major lever for achieving policy objectives, enabling local government and the voluntary sector in particular to provide specific services to Welsh people. However, our work has shown that many grant schemes are poorly managed, lessons are rarely learned and funders frequently fail to tackle recipients' poor performance<sup>10</sup>.
- Interest in the effectiveness of governance arrangements is growing and reporting requirements now have a wider scope**
- 24 Public bodies' members and officers are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. Good governance, accountability and transparency are a cornerstone of the Welsh Government's approach to improving public services.
- 25 As part of its current Programme of Government, the Welsh Government has committed to establishing an independent commission to review the governance and delivery arrangements of public services in Wales. The review team will make recommendations on the most effective delivery of those public services, and the Welsh Government will set out a model of improved public service delivery in Wales, following consideration of the recommendations of the review<sup>11</sup>.
- 26 We have recently published reports in the public interest on a number of issues, often in relation to failures in the governance arrangements of public bodies. In addition, analyses of local partnerships undertaken by Local Service Boards confirm that weaknesses exist in relation to governance, and that much of the partnership landscape in Wales is only very partially responsive to corporate governance processes<sup>12</sup>.
- 27 Most public bodies must now report on their governance arrangements in a published annual Governance Statement. The Statement should give the reader a clear understanding of the dynamics of the organisation, and its control structure, recording the stewardship of the organisation, and providing a sense of

7 Source: *Welsh Health Survey 2011*, Welsh Government, 2012

8 Agreed in principle – see *Funding reform: joint statement of progress*, HM Government and Welsh Government, October 2012

9 Source: *Comparison of the Regional Collaborative Areas*, Welsh Government, March 2012

10 Source: *Grants Management in Wales*, Wales Audit Office, November 2011

11 Source: *Programme for Government Annual Report*, Welsh Government, May 2012

12 Source: *Shared Purpose – Shared Delivery*, Welsh Government consultation, January 2012

the organisation's vulnerabilities and resilience to challenges. Governance Statements have replaced the previously required Statements of Internal Control, having a wider scope and embracing the whole way that public bodies are managed and run. Perhaps the most notable change is the requirement for provision of further assurance and evidence relating to joint working arrangements and partnerships; an issue of particular relevance in Wales.

- 28 However, the approach still relies to a large extent on self-certification by public bodies that they maintain their governance arrangements at a level consistent with good practice. The external auditor reviews the Governance Statement for consistency with the audited financial statements and may report on any inconsistency with the findings of their audit or their knowledge of the business.

## **New public sector 'cross-cutting' duties and standards have been and are continuing to be introduced in Wales**

- 29 The Welsh Government has set out its intention to legislate to make sustainable development the central organising principle of the Welsh Government and public bodies in Wales. In December 2012, it consulted on proposals for a Sustainable Development Bill, including the introduction of a duty that:
- applies to higher-level decisions adopted by organisations delivering public services;
  - ensures that those decisions are informed by sustainable development factors; and
  - requires organisations to report on how they have complied with the duty.

- 30 The consultation also outlined proposals to confer, on the Auditor General, a statutory role in examining sustainable development<sup>13</sup>.
- 31 The proposed sustainable development duty follows on from the statutory public sector equality duties recently introduced by the Equality Act 2010 and related legislation specific to Wales<sup>14</sup>. In April 2012, in accordance with the new legal framework, we published a Strategic Equality Plan which sets out the key things we intend to do through our audit work and as an employer in order to help eliminate discrimination, promote equality of opportunity and foster good relations.
- 32 In addition, the Welsh Language (Wales) Measure 2011 received Royal Assent on 9 February 2011. This Measure gives the Welsh language official status in Wales and makes provision for the setting of standards for public bodies relating to the promotion and facilitation of the use of the Welsh language. A consultation exercise led by the Welsh Language Commissioner has recently been carried out in advance of the formal introduction of standards<sup>15</sup>.

<sup>13</sup> For further information see: *A Sustainable Wales - Better Choices for a Better Future*, Welsh Government, December 2012

<sup>14</sup> Under the Act the Welsh Ministers have also set Specific Public Sector Equalities.

<sup>15</sup> For further information see: *Standards and the Welsh language: What are your views?* Welsh Language Commissioner, May 2012

## The external review landscape continues to evolve

33 The Welsh Government introduced the Public Audit (Wales) Bill to the National Assembly on 9 July 2012. The Bill contains a number of important implications for the way in which the Wales Audit Office is structured and for our future work plans. The intention behind the Bill is to 'strengthen the governance and accountability arrangements of the Wales Audit Office without restricting the Auditor General's crucial independence to examine whatever subjects he chooses'. Key features currently include:

- establishing the Wales Audit Office as a body corporate with a board;
- transferring all staff to the employment of the Wales Audit Office; and
- setting out the relationship between the Wales Audit Office and the Auditor General.

The legislation is expected to come fully into effect in April 2014, with 2013-14 being a transitional year.

- 34 More broadly, there have been a number of other changes to the external review landscape both in Wales (for example, the establishment of a Welsh Language Commissioner and the Natural Resources Body for Wales), and across the UK, including fundamental changes to the local public audit regime in England.
- 35 In addition, notwithstanding the essential requirement for auditor independence, there is an increasing commitment to and UK-wide demand for greater joined-up working between external review bodies – for making best use of combined resources and sharing information more effectively to support robust and timely assessments of public service provision<sup>16</sup>.
- 36 In Wales this expectation was captured in the Welsh Government's *Policy Statement on Audit Inspection and Regulation of Public Services in Wales* in September 2009, and reiterated in the related annual progress report in March 2011. The current Programme of Government includes a commitment to review the system of external review in Wales. The outline scope for the review is under development and will encompass the framework for audit, inspection and regulation.

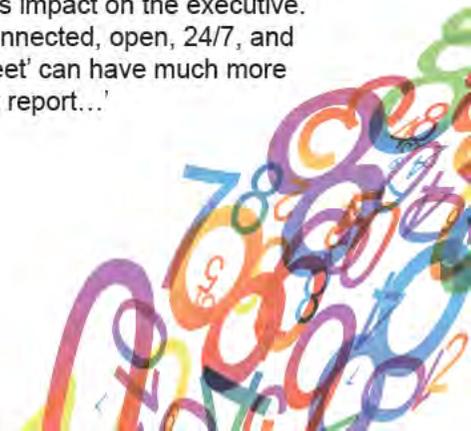
## We live in an increasingly networked society

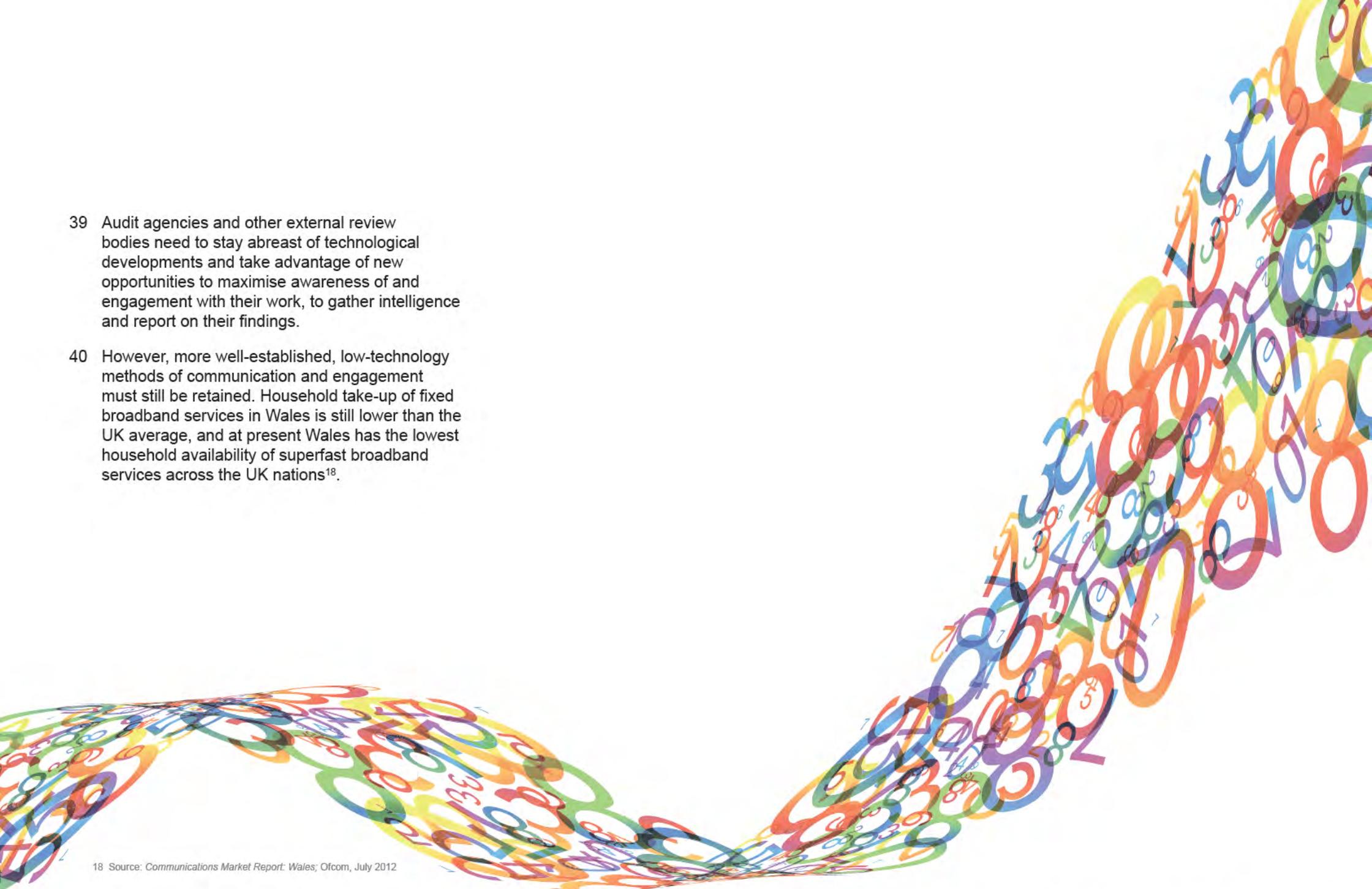
- 37 Digital technology offers new opportunities for people to interact with and influence all levels of government. It also offers new models for public service delivery and new ways of public engagement. With the rapid development of technology, the public expects to interact with public bodies as easily as internet banking or online shopping. The Welsh Government has stated that it regards engagement through digital technologies as integral to the future agenda of the public sector in Wales.
- 38 An increasingly networked society doesn't just have implications for the public bodies that we audit. It also impacts quite profoundly on audit agencies. Dr Rudi Turksema, of the Netherlands Court of Audit has commented:<sup>17</sup>

'Twenty five years ago, the accountant or auditor was seen as an authority. Whenever we published an audit report – after several months of meticulous and rigorous scrutinising – it could make a serious impact on the executive. Nowadays, in the connected, open, 24/7, and online society, a 'tweet' can have much more impact than an audit report...'

<sup>16</sup> For example, as outlined in the *Report of the Independent Review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland*, September 2007.

<sup>17</sup> Rudi Turksema 'We have to change to stay the same' article in *The future of public audit*, SOLACE Foundation Imprint, April 2012.



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- 39 Audit agencies and other external review bodies need to stay abreast of technological developments and take advantage of new opportunities to maximise awareness of and engagement with their work, to gather intelligence and report on their findings.
- 40 However, more well-established, low-technology methods of communication and engagement must still be retained. Household take-up of fixed broadband services in Wales is still lower than the UK average, and at present Wales has the lowest household availability of superfast broadband services across the UK nations<sup>18</sup>.

<sup>18</sup> Source: *Communications Market Report: Wales*; Ofcom, July 2012

## How we will respond

- 41 This section outlines the actions we will take over the course of this strategy period in order to respond to our operating environment and achieve our aim and objectives.

### Undertake our audit work with an austerity emphasis

- 42 Public audit includes examinations of economy, efficiency and effectiveness (collectively termed value for money) in the use of public resources. In times of financial constraint and austerity like these, the emphasis of our audit work must necessarily be adjusted. Increased emphasis should be placed on how well public bodies are able to maintain or improve service delivery while facing significant cuts to funding – see [Exhibit 2](#).

### Exhibit 2 – Aspects of our audit work and emphasis in times of financial austerity

Aspect of value for money work	Concerned with:	Emphasis in times of austerity:
Economy	The cost of resources acquired or used	Delivering the same or better results for a lot less resource
Efficiency	The output of services and the resources used to produce them	
Effectiveness	The intended and actual results of projects and programmes	

43 For the period of this strategy our audit work will focus on maximising the contribution we make to helping public bodies cope with, and succeed despite, the impact of funding reductions. We consider this the most important element of our response to our operating environment, alongside our own commitment to seeking to do more with less and working harder as well as smarter. Key aspects of our work will include:

- commentating on the scale of the challenge ahead and explaining the difficult choices that need to be made;
- identifying the common risks faced by public bodies in Wales and assessing how well they have taken account of those risks and are responding to the impact of funding changes;
- considering the strength of financial management arrangements and assessing the deliverability of savings plans;
- undertaking comparisons of how public bodies, including those in other countries, are dealing with austerity;

- providing strong audit coverage in areas where we can identify and quantify potential savings and efficiencies;
- maintaining a focus on outcomes for service users;
- assessing and commenting on how effectively public bodies are working with partners to improve and extend services;
- recommending practical actions that are consistent with sustainable development to assist service transformation;
- retaining flexibility in our audit programme in order that we can respond swiftly and effectively to issues brought to our attention; and
- considering the financial implications of policy decisions, and examining projects faster and at an earlier stage of delivery so we can look ahead and identify the key issues and challenges that need to be managed.

## **Enhance our work on benchmarking and performance comparison, sharing of audit knowledge and exchange of good practice**

- 44 External review bodies, and the bodies they review, need to be able to effectively assess whether changes to the ways in which services are designed and delivered, for example, through collaborative arrangements, offer better value for public money while at the same time maintaining or improving service quality.
- 45 A critical aspect of external review of collaborative arrangements is benchmarking: comparing business processes and seeking robust performance comparison on outcomes, including from outside the UK where appropriate. Another is the facilitation of exchange of learning and good practice. Our stakeholder surveys conducted in April and May 2012 produced clear messages about the value placed on the work we do to promote the sharing of learning from our audits. Eighty per cent of respondents told us that they thought this work was either helpful or very helpful.

46 Over the next three years, as Welsh policy and service delivery models continue to diverge both at a local and national level, we will undertake benchmarking including performance comparison of outcomes more routinely as part of our audit work, while acknowledging the economic, social and cultural differences that exist across Wales.

47 We will also progressively and substantially increase the extent to which we stimulate and facilitate the sharing of audit knowledge and good practice. To this end we will:

- include a greater number of examples of good practice in our audit reports, from local, national and international sources, including from the private and third sectors as appropriate;
- provide shared learning events and workshops more routinely as outputs from our audit work, and proactively scan for forthcoming events by other organisations to which we could make a significant contribution;
- add substantially to the content of our Good Practice Exchange, including in particular new topic areas relevant to dealing with austerity and collaborative service delivery, with case studies identified through our audit work and from broader research;

- make further links with organisations, providers and networks who are active in the field of knowledge transfer and service improvement, to ensure a joined-up approach and to avoid the potential for duplication;
- proactively offer commentary and insight from our audit work to public sector policy working groups; and
- continue to develop robust and constructive relationships with audit committees and management teams across the Welsh public sector and with professional and representative bodies.

### **Provide further assurance on the effectiveness of governance arrangements and other issues of public interest**

48 In alignment with increased public interest in the effectiveness of governance arrangements and the broader scope for reporting requirements, we intend to revise our audit framework over the period of this strategy, with a view to providing further assurance on the effectiveness of governance arrangements and on other issues of public interest.

49 In particular we will focus on further developing and maximising the collective value of the following aspects of our work, whilst ensuring that the approach taken at each audited body is proportionate and individually tailored:

- reviewing governance statements for consistency with the audited financial statements and other information of which we are aware;
- promoting and sharing knowledge on effective financial and risk management;
- reporting on matters that might not be material to the audit opinion but which are of public interest, such as the efficiency and effectiveness of governance arrangements and the proper conduct of public business; and
- satisfying ourselves that an audited body has made proper arrangements for securing value for money in its use of resources, including through placing reliance on the results of other work we have carried out<sup>19</sup> and the work of other external review bodies.

<sup>19</sup> This work may include value for money examinations and studies, certification of claims and returns, data matching exercises and, for local government bodies, work carried out under the Local Government (Wales) Measure 2009.

50 In providing further assurance on the effectiveness of governance arrangements, we will make particular reference to the *Good Governance Standard for Public Services*<sup>20</sup>, which sets out six core principles of good governance for public service organisations:

- focusing on the organisation's purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

### **Report more comprehensively on sustainable development, on equality and on the use of the Welsh language**

51 During the period of this strategy we will seek to address sustainable development, equalities and Welsh language considerations more comprehensively in our audit reporting. We will work closely with other parties, including Welsh Government officials, on developing a reporting framework that is proportionate and places reliance on the work of other external review bodies, where appropriate. Once finalised, we will request validation of the framework by the Commissioner for Sustainable Futures, the Equality and Human Rights Commissioner, and the Welsh Language Commissioner.

52 Similarly, during the period of this strategy, we as a public sector body will deliver and demonstrate compliance with duties and standards on sustainable development, including on equality and use of the Welsh language, through the way we run our business.

53 If the approach to sustainable development currently proposed by the Welsh Government is pursued, then the auditor of a body subject to the sustainable development duty will in future:

- undertake a review of whether the duty has been applied in higher-level decisions, in particular in the setting of a long-term strategy, annual plan and budget, and key policies;
- provide a report on the review (a compliance report) alongside the certificate or report on the accounts (all such compliance reports will be provided to the new sustainable development body for information); and
- consider whether the review raises concerns about the body's compliance with the duty that merit further examination.

54 From time to time we will also undertake cross-cutting studies of sustainable development issues identified through our work at individual bodies, using examination and study powers.

<sup>20</sup> Developed by the Independent Commission on Good Governance in Public Services, with support from the Joseph Rowntree Foundation, CIPFA and the Office for Public Management Ltd.

55 Our equality objectives in terms of our audit work include seeking and taking account of the views of people who represent the interests of protected groups in deciding what value for money work we will undertake, the coverage of that work and in devising fieldwork for such projects.

56 Our equality objectives in terms of how we run our business include removing any significant gender or other pay differences within Wales Audit Office pay bands.

### **Work more closely with other external review bodies and improve the way we run our business through a period of transition**

57 While maintaining the need for auditor independence, and recognising differences in constitution, statutory remit and strategic objectives, we will work more closely with other external review bodies during 2013 to 2016 to ensure we make best use of our combined resources and maximise our collective impact. In particular, we will:

- build upon the existing co-operation between the UK national audit agencies and standard setting bodies, and with international audit bodies, to enhance the effectiveness of public audit;
- broaden access to external sources of expertise, experience and specialist skills<sup>21</sup>;
- play a key role in ensuring that audit, inspection and regulation work in Wales is effectively co-ordinated and is delivering the intended benefits; and
- work with the main inspection and regulatory bodies in Wales to further develop arrangements for sharing knowledge and information, and for promoting improvement in the provision of public services.

58 In January 2011, Care and Social Services Inspectorate Wales, Estyn (Her Majesty's Inspectorate for Education and Training in Wales), Healthcare Inspectorate Wales and the Wales Audit Office signed a strategic agreement with key objectives for better collaborative working (we have also recently signed a bilateral Memorandum of Understanding with Healthcare Inspectorate Wales). Over the period of this strategy we will work with our peers to achieve and further develop those objectives.

59 We will also work to continually improve the way we run our business and ensure the transition to new governance arrangements for the Wales Audit Office is as seamless as possible, with limited impact on our audit work. This will be achieved through careful planning and a full appreciation of the legislative requirements both in terms of organisational structures and resources.

### **Increase awareness of and engagement with our work, including through more effective use of information technology**

60 For the period of this strategy we will actively seek to increase awareness of and engagement with our work to maximise its impact. Specific areas of focus will be:

- informing the design of our work programme and methodologies;
- capturing the views, experiences and concerns of service users and service providers;
- communicating the results of our work; and
- exchanging audit knowledge and good practice.

<sup>21</sup> For further information see: *Contracting Strategy and the Audit of Town and Community Councils*, Wales Audit Office, February 2012

61 To this end we will seek to make more effective use of information technology, including web-based applications and social media where appropriate, while maintaining use of a wide range of other forms of communication, including face-to-face exchange of information. We will continue to make efforts to express ourselves in language both the general public and public bodies can understand, and to ensure the media understand and report on our work.

## Monitoring and reporting on our performance

- 62 For the period of this strategy we will enhance our performance monitoring and reporting framework to increase its alignment with our strategic aim and key objectives, and to further assist understanding of how we are performing. In particular, we will place greater emphasis on evaluating our 'direction of travel', alongside comparison with appropriate benchmarks.
- 63 During 2013-2016 we will pay particular attention to tracking and reporting on:
- The quantity, quality, timeliness and impact of our work
  - The quantity of potential savings and efficiencies identified through our work
  - Our engagement with the public and their representatives and our use of technology to improve access to us and our work
  - Sustainability including savings, efficiencies and our impact on the environment
  - What public bodies in Wales and other stakeholders tell us about our work
  - What our staff tell us about how we are running our business
- 64 We will use a combination of methods to report and reflect on our performance. This includes regular reporting on key performance measures (see [Exhibit 3](#)) and targets<sup>22</sup> to our management team and Shadow Board, and internal audit reports to our Audit and Risk Management Committee and other governance committees. In our annual report, we will provide a self-assessment of our progress in delivering the strategy and evaluate our impact against these measures and targets. During the second year of the strategy period we will commission an external body to independently assess the impact of our work, and to provide independent evaluation of our success in achieving our aim and objectives.
- 65 We will report on our performance externally through our annual report and accounts, and by providing evidence at meetings of the National Assembly's Public Accounts Committee.

<sup>22</sup> To be published annually in our Operational Plans

### Exhibit 3 – Our key performance measures

How we will respond to our operating environment and achieve our aim and objectives	Associated key performance measures
Undertake our audit work with an austerity emphasis	<ul style="list-style-type: none"> <li>a The value of potential savings identified through our work</li> <li>b The number of recommendations we make which relate directly to protecting and improving services to the public</li> <li>c The proportion of our stakeholders who consider us to be an independent, authoritative commentator on the financial position</li> </ul>
Enhance our work on benchmarking and performance comparison, sharing of audit knowledge and exchange of good practice	<ul style="list-style-type: none"> <li>d The number/proportion of our outputs/reports that include benchmarking or comparison analyses (a) within Wales and (b) wider than Wales</li> <li>e The proportion of our stakeholders who consider the beneficial impact of our good practice and shared learning activities to be increasing</li> <li>f The proportion of our audited bodies who consider the beneficial impact of our work to help them learn from each other (through benchmarking and performance comparison) to be increasing</li> </ul>
Provide further assurance on the effectiveness of governance arrangements and other issues of public interest	<ul style="list-style-type: none"> <li>g The proportion of our stakeholders who consider the beneficial impact of our work to help improve the governance of public bodies to be increasing</li> <li>h The proportion of our recommendations for improving governance that are implemented by public bodies</li> </ul>
Report more comprehensively on sustainable development, on equality and on the use of the Welsh language	<ul style="list-style-type: none"> <li>i In the first year of this strategy: our progress in designing our assessment approach in relation to the duties of public bodies under new sustainable development and equalities legislation In the second year: our progress in rolling out this approach to all Welsh public bodies In the third year: our progress in evaluating the impact of our approach and refining as necessary</li> <li>j The extent to which we work with the Welsh Government and the Welsh Language Commissioner to consider the assessment implications of possible new legislation in relation to Welsh language standards</li> </ul>

How we will respond to our operating environment and achieve our aim and objectives	Associated key performance measures
Work more closely with other external review bodies	<ul style="list-style-type: none"> <li>k The proportion of our stakeholders who feel that we are working more effectively with other external review bodies</li> <li>l The extent to which our outputs were developed in collaboration with other external review bodies</li> </ul>
Improve the way we run our business through a period of transition	<ul style="list-style-type: none"> <li>m Satisfaction levels evidenced in the views of staff, non-executives, the Auditor General, the Public Accounts Committee and other stakeholders</li> <li>n The proportion of accepted internal and external audit recommendations implemented</li> <li>o Performance against our dashboard of internal efficiency measures</li> </ul>
Increase awareness of and engagement with our work, including through more effective use of information technology	<ul style="list-style-type: none"> <li>p Levels of coverage and interaction demonstrated by media monitoring statistics, website hits, and followers through social media</li> <li>q Levels of public involvement in the design of our programmes of work and individual audits</li> </ul>

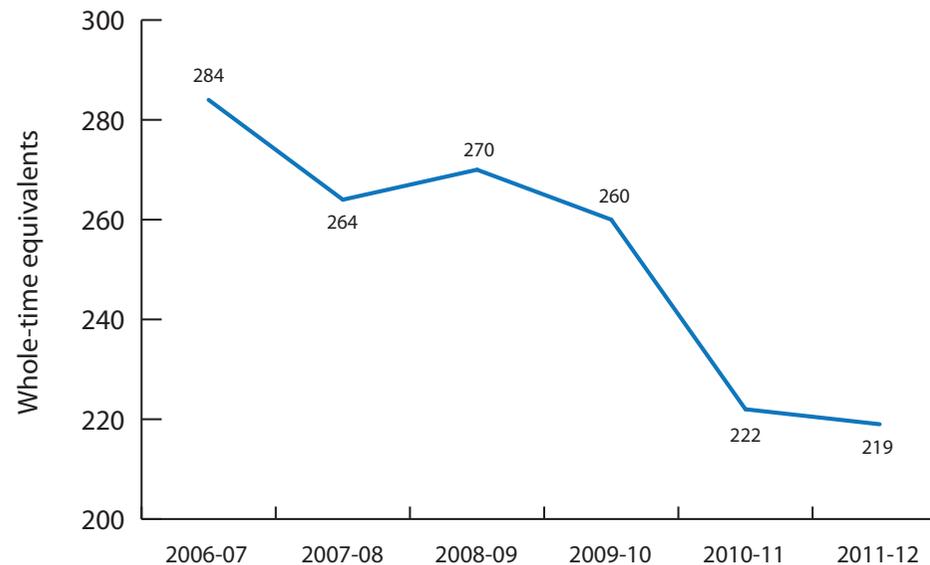
# Appendix – Summary of our medium-term workforce and financial strategies

## Workforce strategy

- 1 The Wales Audit Office undertakes a wide range of audit and other activities. It is vital that we can plan with sufficient certainty to meet the current and future workload demands across the whole of the organisation, but also retain the flexibility required to be able to respond to changes that may arise within the public sector in Wales.
- 2 Our strategic approach to workforce planning recognises the need to retain and enhance the skills and capacity of our existing workforce (see [Exhibit 4](#) for current numbers) so that we are equipped to continue delivering a professional, value for money service for the people of Wales.
- 3 The key priorities of our workforce strategy that will underpin our workforce planning processes for the period 2013 to 2016 are as follows:
  - Align the workforce with anticipated future demand requirements, including through making full use of talent and productive time, strengthening our progression and succession planning arrangements, and developing our arrangements for utilising specialist skills from outside the Wales Audit Office
  - Build visionary, ambitious and effective leadership capacity

- Provide further opportunities for staff to enhance their skills, knowledge and experience, including through establishing a secondment programme to support business objectives
- Encourage sustainability and a better work-life balance including by using technology to reduce travel requirements

**Exhibit 4 – Numbers of Wales Audit Office whole-time equivalent staff over the six-year period 2006-07 to 2011-12**



## Financial strategy

4 We are required to make proper arrangements for securing value for money in our use of resources. We must ensure that there is a high standard of financial management in the Wales Audit Office, and that financial systems and procedures promote the efficient, effective and economic conduct of business and safeguard financial propriety and regularity. In common with many public bodies, the largest area of Wales Audit Office expenditure is staff salaries and associated costs.

5 Whilst we have succeeded in reducing our expenditure significantly over the last few years (see Exhibit 5), there is continuing pressure to maintain and even increase the amount of audit work we do for lower cost. Our annual Governance Statement for 2011-12 also highlighted the need for further development and improvement of our financial management and management accounts.

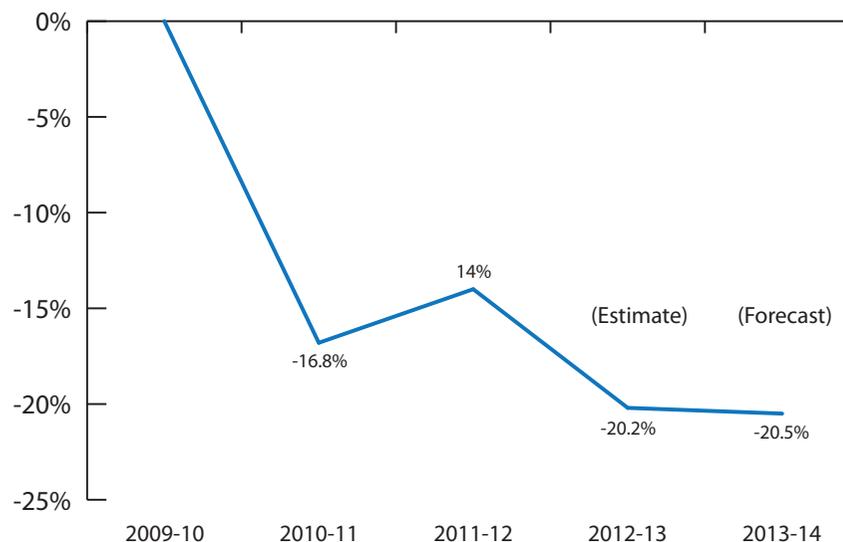
6 For the period 2013 to 2016, the key objectives of our financial strategy, which underpin our financial planning for the medium term, are to:

- achieve sustainable financial balance;
- improve financial planning;
- enhance financial reporting; and

- strengthen compliance with regulations, including by implementing more effective monitoring and controls to ensure compliance with European Union tendering limits.

7 Our financial strategy will be revisited annually in alignment with preparation of our annual estimate<sup>23</sup>. From 2013 onwards, we will also undertake annual evaluations of our financial management arrangements against the National Audit Office's Financial Management Maturity Model.

**Exhibit 5 – Cumulative real terms reduction in Wales Audit Office total annual revenue expenditure between 2009-10 and 2013-14**



<sup>23</sup> An estimate of the income and expenses of the Wales Audit Office must be prepared for each financial year and laid before the National Assembly at least five months before the beginning of the financial year to which it relates.