



Annual Report and Accounts 2021-22

The Annual Report for the year ended 31 March 2022 has been jointly prepared, and is laid before the Senedd, 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 HM Treasury.

The Annual Report demonstrates that, during 2021-22:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been broadly consistent with the [Annual Plan](#) prepared for the year under section 25 of the Public Audit (Wales) Act 2013, but with some changes made to planned work in response to the COVID-19 pandemic; and
- the priorities set out in the Plan for 2021-22 have been substantively achieved.

The Accounts for the year ended 31 March 2022 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 HM Treasury.

The report on compliance by the Auditor General for Wales and the Wales Audit Office with the Biodiversity and Resilience of Ecosystems Duty covers the period 1 April 2019 to 31 March 2022. It has been jointly prepared under section 6(7) of the Environment (Wales) Act 2016 and with regard to Reporting Guidance published by the Welsh Ministers.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Report, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

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.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

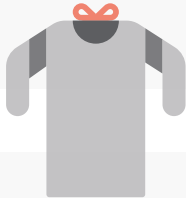
This document is also available in Welsh.

Snapshot of the year

April

Published a report looking at the procurement and supply of personal protective equipment (PPE) to health and social care in Wales during the COVID-19 pandemic

Outlined that financial pressures have led to councils reducing spending and cutting discretionary services, and that the pandemic has highlighted the importance of local government in protecting people and communities



July

Showed that the North Wales Economic Ambition Board has clear and established governance arrangements, and identified several external factors that may affect the success of the Growth Deal

Ahead of publication of our full report and data tool, shared the key themes raised in over 2,400 responses received from businesses and members of the public to our survey on the sustainability of town centres



May

Reported that governance at the Welsh Health Specialised Services Committee has improved, but decision making is likely to become more challenging as a result of COVID-19

Held a live webinar for prospective applicants for the new All Wales Public Sector Finance Apprenticeship Programme; a partnership aimed at developing finance leadership skills across Wales



August

Reported that the Welsh Government's day-to-day management of student finances is effective but, given the increasing costs involved, emphasised there is a need for more scrutiny

Issued a podcast, as part of our work on COVID learning, where we discussed the role of leaders during a crisis



June

Concluded that Wales had made excellent progress in vaccinating its population against COVID-19 but a clear plan was needed for the challenges which lay ahead

Updated our interactive tool that allows users to look at trends in NHS finances for the whole of Wales and at individual health bodies, and this year detailed the key areas of spending across the NHS in its pandemic response



September

Described the key trends in public finances since 2010 and the main challenges and opportunities facing future service delivery; the overarching report was underpinned by a suite of sector-specific summaries

Completed our 2020-21 accounts audit work at most local government, NHS, and central government bodies, despite the ongoing challenges of working remotely



October

Published several public interest reports highlighting inadequacies in governance, financial management and internal control arrangements at town and community councils

Reported on how [NHS bodies have supported staff wellbeing during the pandemic](#), with emphasis on the arrangements put in place to safeguard staff at higher risk from COVID-19



January

Identified deficiencies in governance, oversight and decision-making at [Pembrokeshire County Council](#) and [Blaenau Gwent County Borough Council](#), pointing to lessons that other public bodies could learn from

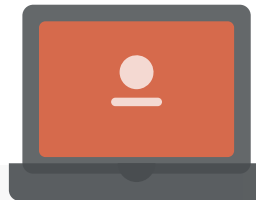
Outlined that [‘blue light’ emergency service collaboration is slowly growing but requires a step change in activity](#) to maximise impact and make best use of resources



November

Concluded that [the Welsh Government’s Warm Homes Programme needs to be greener, clearer, and more tightly managed](#)

Issued a call for evidence as part of a [baseline review of what public bodies in Wales are doing to reduce their carbon emissions](#) and meet the 2030 targets set by the Welsh Government



February

Blogged about our new [data tool that can be used to compare and contrast the financial position of local government bodies](#), and about how [Wales’ schools face the alarming challenge of the lowest birth-rate in 100 years](#)

Reflected on and [raised awareness of the actions that public bodies have taken since we reported on cyber resilience arrangements in Wales](#)

December

Highlighted that [arrangements for commissioning older people’s care-home placements are not resolving long-standing issues](#), and challenged the Welsh Government to consider whether its proposed policy reforms go far enough

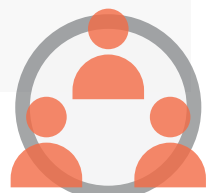
Hosted the [Finance Skills Development Group’s fifth annual Finance for the Future conference](#), during which influential speakers from across the public sector explored the theme of public services in a time of crisis



March

Launched a [consultation inviting views on possible areas of focus for future audit work](#) to inform the Auditor General’s work programme for 2022-23 and beyond

Reported about our [progress on encouraging beneficial changes in terms of equality through our audit work](#), and that our overall gender and ethnicity pay gaps have narrowed



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Performance Report

A review of our work in 2021-22, including an analysis of our delivery and performance, and our position at the end of the year.

Adrian Crompton

Auditor General for Wales and Accounting Officer

9th June 2022

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Performance overview

We are pleased to present our Annual Report and Accounts for 2021-22

Statement from the Auditor General

Alongside our financial and accountability statements, this Annual Report and Accounts provides a summary of the progress we made on delivering the audit work programmes set out in our Annual Plan for 2021-22.

The COVID-19 pandemic continued to cause interruptions to our on-site audit work throughout most of the year, but we were able to successfully manage the position successfully by adopting flexible working arrangements across teams and extending some of our planned completion deadlines. We continued to work and engage remotely with the public bodies that we audit, primarily using technology and video communication platforms.

Our audit of accounts work is vital in providing the Senedd, audited bodies and the wider public with an ongoing independent assessment of financial management and resilience across the public sector. We are pleased to report that we delivered our full programme of work in 2021-22 to a high-quality standard.

Our national studies programme has always retained a degree of flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern. With the continuation of the COVID-19 pandemic,

we continued to exercise that flexibility over the reporting period. Overall, we delivered 19 national report outputs in 2021-22, several of which had a COVID-related primary focus.

During the year, we again shaped our local performance audit work to concentrate on issues of the most relevance to the current and evolving situation, and our programme of good practice shared learning events focused on topics relevant across public services. We also continued to expand our use of different and novel methods of communicating our findings, including through data tools, interactive reports, infographics, and blogs.

Our success in continuing to deliver timely and good quality audits reflects a great collective effort by our staff and public body colleagues to embrace new ways of working and flexibility. A selection of case studies has been included in this Report to give more insight on some of our work and the contribution that it has made. I am indebted to all Audit Wales staff for their professionalism, hard work and commitment to public service throughout the last 12 months.



Adrian Crompton

Auditor General for Wales

Statement from the Chair

Over the last 12 months, we continued to closely monitor the evolving COVID-19 situation and operate in accordance with guidance issued by the Welsh Government. Our offices reopened from early April 2021 to a limited number of individuals who were prioritised after taking account of safety and wellbeing considerations. Since then, we have gradually increased the numbers of staff that may attend our offices, but many staff continue to carry out most of their work remotely from home.

Our priorities in terms of running the business continued to include adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we do the right thing by our people, keeping them safe and monitoring their wellbeing. The Board, its Committees and the Executive Leadership Team operated effectively over the reporting period mostly using online meeting platforms.

A priority for 2021-22 was to conclude a review of our T&S scheme. An internal audit that took place in 2018 highlighted that the current scheme was no longer offering value for money. This sensitive issue was drawn to a conclusion in January 2022 following extensive consultation on alternative proposals developed by a staff task and finish group. We are grateful to our Trade Union colleagues for working with management through formal negotiations in late 2021. All staff have now signed up to the new arrangements.

We have also been considering how best to utilise our estate. The impact of COVID has demonstrated that we can work in very different ways and during 2021-22 we took the opportunity to take stock and consider our needs. The options emerging will be considered in the early part of 2022-23.

In December 2021, we received the results of our annual People Survey. With the backdrop of the review of our T&S scheme plus the challenges of extended remote working, we were not surprised to see that employee satisfaction had dropped since the previous survey in 2020. Whilst many in the organisation felt that Audit Wales had managed the impact of COVID well, there are clearly areas of organisational life that require our attention. As a result, we agreed to focus on six improvement outcomes to shape actions throughout the organisation:

- a We have the right people, doing the right things with the right skills
- b People are clear about our direction of travel and their role in achieving our ambitions
- c Our leaders create the conditions for people to thrive and to be engaged with our overall purpose
- d Our people have the best possible development and ways of working to deliver high quality audits and grow in their roles
- e Employee interactions maximise individual and team performance at each stage of the employee life cycle
- f We respond to feedback and have a culture of continuous improvement

In 2021-22, the ELT and the Board agreed to develop a five-year strategy for Audit Wales, to provide a longer-term focus for our work than the Annual Plans we are statutorily required to produce. Following an extensive period of staff and external stakeholder engagement, the Board endorsed the direction of travel in March 2022. Underpinned by more detailed business plans, the strategy will knit together and guide our work for the next few years, with a particular focus on quality and impact.



Lindsay Foyster

Chair, Wales Audit Office

Who we are and what we do

Who we are

- 1 The Auditor General for Wales (the Auditor General) is the statutory external auditor of most of the Welsh public sector.
- 2 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 Senedd. Significant elements of this funding are passed by the Welsh Government to the NHS and local government.
- 3 The Wales Audit Office employs around 280 professional staff and uses other resources to enable the Auditor General to carry out his functions. Our [Publication Scheme](#) includes a diagram showing our organisational structure. The Corporate Governance Report section of this Report provides information on our governance framework and on memberships of our Board and Executive Leadership Team.

What we do

<p>Assure</p> 	<p>Explain</p> 	<p>Inspire</p> 
<p>the people of Wales that public money is well managed</p>	<p>how public money is being used to meet people's needs</p>	<p>and empower the Welsh public sector to improve</p>

- 4 Independent audit of the activities of government and public spending is an essential component of democratic accountability. The public and their representatives need information which is impartial, timely, accurate, comprehensive, and clear.
- 5 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.
- 6 Together, as Audit Wales, we audit around £21 billion of income and expenditure, which is over a quarter of Welsh GDP.

Our core work

Audit delivery



Undertaking audit work at over **800** public bodies



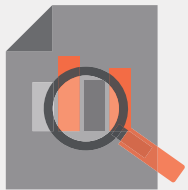
Delivering a programme of **value for money** examinations and studies



Certifying grant schemes worth approaching **£1.5 billion**



Approving around **£1.5 billion** of payments out of the Welsh Consolidated Fund every month



Supporting effective scrutiny including the work of the Senedd Committees



Sharing the **good practice** we see across Wales's public services



Facilitating the **detection of fraud and error** through the National Fraud Initiative

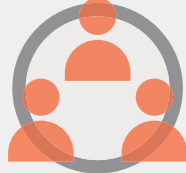


Participating with **observer status** on a range of key policy working groups

Running the business



Setting the overall budget of **£23.7 million** and charging fees for audit work



Employing around **280 staff** and managing a diverse range of physical and information assets



Providing **strong leadership** and embedding our values and behaviours



Monitoring the exercise of the Auditor General's functions and providing him with advice

- 7 Our planned programmes of work retain a degree of flexibility to respond to changing circumstances and priorities, and new issues of public or parliamentary concern.

Key issues and risks that we face

- 8 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 priority actions for the next 12 months; and
 - e how we measure and report on our performance.



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



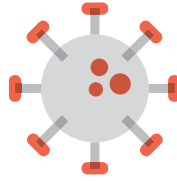
Be a model organisation for the public sector in Wales and beyond

- 9 As first set out in our [2019-20 Annual Plan](#), we have identified four broad ambitions for our business. Collectively, they describe the path we are taking towards reaching our full potential as a driver of change and improvement at the heart of public services and democratic accountability.
- 10 More recently, we have identified three building blocks where we believe we need to prioritise action if we are to achieve these ambitions. These building blocks will form the focus of our efforts for the next five years, alongside the delivery of our core statutory responsibilities.
- 11 As set out in our current [Annual Plan](#), we consider the following to be the key opportunities and challenges that will influence the way we fulfil our longer-term ambitions and deliver our programmes of work over the next few years. Towards the end of 2021-22, we used these themes as the framework for a [Consultation which invited views to inform our future audit work programme](#).



A changing world

- Climate change: achieving a fair and just transition
- Equalities: responding to demands for a fairer and more equal society
- Constitution: managing the opportunities and risks of new relationships within the UK



The ongoing pandemic

- Direct costs of response
- Economic hit knocks-on to public finances
- Legacy costs of long-term impacts



Transforming service delivery

- Systems and culture to support new approaches to service delivery
- Purposeful collaboration
- Long-term planning and prevention
- Harnessing technology where appropriate
- Using data to learn across the whole system

- 12 Our planned work broadly divides into two sections – audit delivery and running the business. For each section, our [Annual Plan for 2021-22](#) identified areas of focus to support us in the delivery of our ambitions. Progress in each of these focus areas has involved a wide range of staff from across the organisation and has been closely monitored by our Executive Leadership Team and Board. The Performance Analysis section of this Report summarises that progress.
- 13 The Governance Statement section of this Report provides an account of our risk management in 2021-22 and describes the key risks and uncertainties that engaged the time of the Board and the Executive Leadership Team. Further information on how those risks changed and were mitigated can be accessed via our published [Board minutes](#).

Performance summary and indicators

- 14 During 2021-22, the exercise of our functions was broadly consistent with the [Annual Plan](#) prepared for the year, but with some changes made to planned work in response to the COVID-19 pandemic.
- 15 In our [Interim Report](#), we had already provided a mid-year update on progress made over the period 1 April to 30 September 2021 towards delivering our planned programmes of work and associated areas of focus, and on achieving our key performance indicator targets.
- 16 The Performance Analysis section of this Report provides the full-year position in terms of:
 - a commentary on the delivery of our main work programmes in 2021-22;
 - b detail on the progress we made towards achieving the areas of focus set out in our Plan for 2021-22;
 - c case study examples of our work and its impact; and
 - d some high-level narrative on how we used our resources in 2021-22, which serves as our Sustainability Report.
- 17 Our Annual Plan for 2021-22 included a framework of key performance indicators (KPIs) and associated targets. Overall, in 2021-22 we achieved or were close to achieving our targets for 13 of the 18 indicators. Our performance against the remaining five indicators will be a focus for our improvement work in 2022-23.

End of year position on achieving our 2021-22 KPI targets

Audit delivery KPIs

No	Indicator	Description	Target	Performance
1	Statutory deadlines	Proportion of audit products delivered by the required statutory deadline.	100%	98%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	93%
3	Quality	Proportion of reviewed audits that are delivered in accordance with <u>Financial Reporting Council (FRC) quality standards</u> .	100% of sample assessed as satisfactory or above, and 90% as good or above	100% and 75%
4	Credibility	Proportion of stakeholders ¹ that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%	95%
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%	96%
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	91%
7	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2019-2022	£35.6 million

● Achieved or close to achieving our target
 ● Improvement required
 ● Significant improvement required

1 We conducted a survey of audit bodies in March 2021 seeking their views on the value and impact of our work. 22 public bodies engaged with and responded to our survey. Our performance against indicators 4 to 6 is taken from the results of this survey.

No	Indicator	Description	Target	Performance
8	Good practice events	Proportion of attendees of our seminars and webinars who rated the events useful or very useful.	At least 90%	98% ²
9	Website visits	Number of visits to our website where at least one action is performed, eg download a report, click on a video.	25,000 each year	46,800
10	Social media	Number of social media engagements, ie, interactions with our posts such as a like, a comment, or a retweet/share.	1,300 each year	3,800
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year	61 ³

● Achieved or close to achieving our target








● Improvement required


● Significant improvement required

2 No face-to-face shared learning seminars were delivered in 2021-22 due to COVID restrictions. Instead, we delivered a programme of webinars and other on-line events during the year.


3 This figure does not include attendance at groups as part of our routine business nor for example, where we have attended several events in relation to one topic, which we have counted just once.

Running the business KPIs

No	Indicator	Description	Target	Performance	
12	Employee engagement	Percent positive annual staff survey engagement index score, aligned with that for the Civil Service People Survey (CSPS).	At least the top 10% score for the latest CSPS	64%	
13	Employee experience	Percent positive annual staff survey thematic employee experience scores ⁴ .	At least the top 25% scores for the latest CSPS	0 out of 10 theme scores in top 25%	
14	Sickness absence	Average working days lost per member of staff per annum.	Less than six days	5.8 days	
15	Financial balance	Level of variance in gross income and expenditure from that set out in our Estimate for the current year.	Within 2% of budget	1.7%	
16	Cost savings and efficiencies	Value of cost savings and efficiencies identified throughout the business.	£1.3 million in 2020-21	£1.7 million	
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions from sources that we own or control, from consumption of electricity, and that are produced indirectly through our activities.	300 tonnes in 2020-21	500 tonnes	
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	83%	

 Achieved or close to achieving our target

 Improvement required

 Significant improvement required

4 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; my manager; my work; my team; inclusion and fair treatment; learning and development; resources and workload; and pay and benefits.

Performance analysis

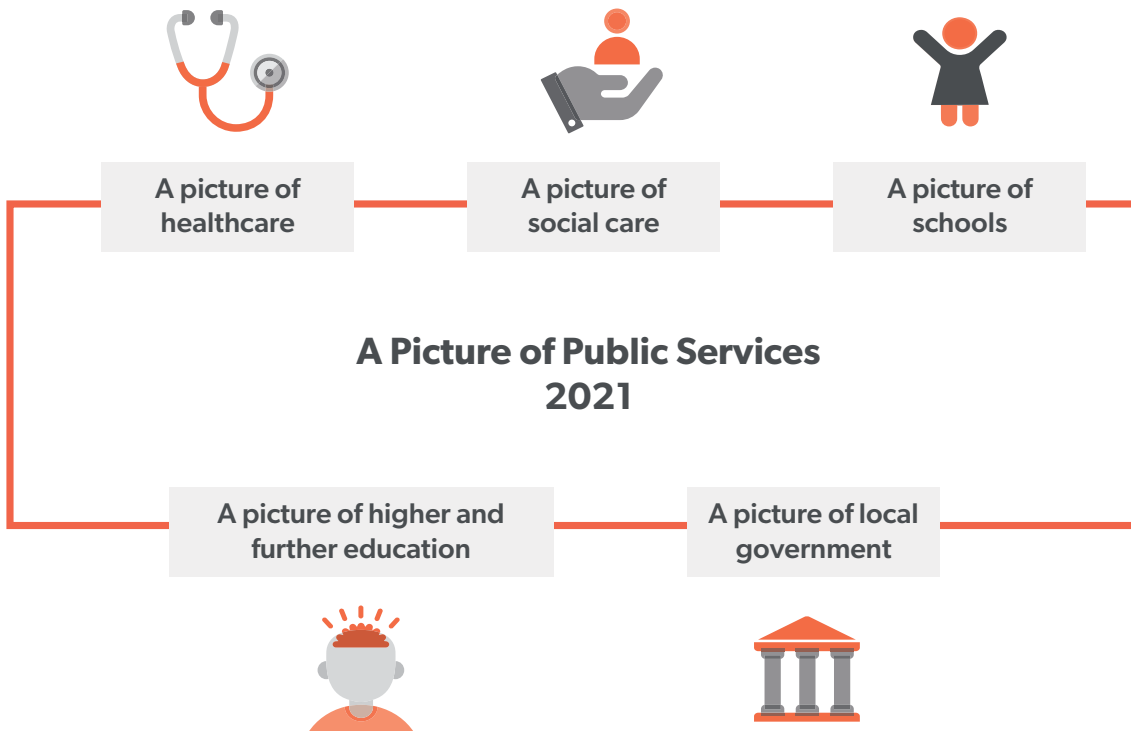
Commentary on the delivery of our work programmes

Local audit work

- 18 The COVID-19 pandemic continued to cause interruptions to our on-site audit work throughout most of the year, but we were able to manage the position by adopting flexible working arrangements across teams as well as extending some of our planned completion deadlines. We continued to work and engage remotely with the public bodies that we audit, primarily using technology and video communication platforms.
- 19 Our audit of accounts work is vital in providing the Senedd, audited bodies and the wider public with an ongoing independent assessment of financial management and resilience across the public sector. We are pleased to report that we delivered our full programme of work in 2021-22.
- 20 All our audits of NHS bodies' accounts were completed, and subsequent opinions provided by the Auditor General by 15 June 2021. Most of our audits of local and central government accounts were completed by the end of September 2021.
- 21 Delivering this work was not without its challenges. Our success in continuing to deliver timely and good quality audits again reflects a great collective effort by both our staff and public body officers to embrace new ways of working and remain flexible and responsive to an evolving situation.
- 22 We also completed our grant certification work and the auditing of around £90 million of European funds used to support farmers and agriculture across Wales by the end of January 2022.
- 23 During the year, we again shaped our local performance audit work to concentrate on issues of the most relevance to the current and evolving situation. This included the continued response to the pandemic and associated service recovery, Local Government and Elections (Wales) Act 2021, financial position, corporate and quality governance arrangements, workforce planning and staff wellbeing, use of buildings and carbon reduction plans.
- 24 A comprehensive list of the public bodies that we audit, and the types of audit work carried out at those bodies, is provided in **Appendix 1**.

National value for money examinations and studies

- 25 Our national work programme has always retained a degree of flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern. With the continuation of the COVID-19 pandemic, we continued to exercise that flexibility over the reporting period.
- 26 We published several reports with a COVID-related primary focus. These included:
 - a Procuring and supplying PPE for the COVID-19 pandemic
 - b Rollout of the COVID-19 vaccination programme in Wales
 - c Financial Sustainability of Local Government – COVID Impact, Recovery and Future Challenges
 - d Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic
- 27 Towards the end of 2021, we also published a series of Picture of Public Services 2021 outputs which summarise key trends in public finances and set out our independent perspective on some of the key issues for future service delivery, including the impact of the pandemic.



- 28 Overall, we delivered 19 national report outputs in 2021-22. **Appendix 2** provides an up-to-date list of work completed or commenced as part of our national programme.

Supporting effective scrutiny and accountability

- 29 Our work continued to play a key role in supporting the work of the new Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources and the discharge of public functions in Wales. During 2021-22, the outputs from our work supported ten formal meetings of the Committee.
- 30 Similarly, we continued to attend the Audit and other Scrutiny Committee meetings of most public bodies using video communication platforms to provide regular briefings and report on our audit work.
- 31 In **Appendix 3**, we provide more detail on how we supported the PAPAC evidence sessions, other committees and more generally on our support of effective scrutiny and accountability. **Appendix 3** also includes the Auditor General's report on disclosures of information.

Good practice work

- 32 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 experiences is shared. Increasingly we are bringing the views and experiences of service users and global experts to these conversations.
- 33 Over the course of the year, our programme of shared learning events focused on topics that are common across public services. We shared examples of innovation, new approaches and points of interest via a regular stream of tweets, [blogs](#), podcasts, fortnightly digests, and periodic online webinars.
- 34 Topics covered included:
 - a Town centre regeneration
 - b Equality impact assessments
 - c Misinformation
 - d Coming out of COVID
 - e The role of communities during the pandemic
 - f Crisis governance
 - g Direct payments provision
 - h Organisational resilience
- 35 All the material shared in 2021-22 can be accessed via the [Good Practice](#) section of our website.

Audit quality

- 36 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 how 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.
- 37 In 2021-22, we continued to invest in developing our audit methodologies and quality management arrangements. This work has included:
- a applying new auditing standards⁵ to our performance audit work – these internationally recognised standards require us to revise our audit approach, supported by a completely new online audit manual, which will integrate with our new cloud-based IT platform for audit work;
 - b implementing new auditing standards⁶ to support our accounts audit work in an exciting partnership project with the Northern Ireland Audit Office – these new standards place a greater focus on audit risk, and our approach will be supported using data analytic tools and a new bespoke cloud-based IT system;
 - c introducing new FRC quality standards, which will lead to the implementation of a new proactive system of quality management from December 2022; and
 - d strengthening our quality regime by piloting the use of external reviews of performance audits by the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW), alongside extending the programme of work QAD undertakes on our accounts audit work.
- 38 Taken together, these developments support our vision of improving the quality of our work while harnessing the potential of new technologies to help us do that. The introduction of the new standards will be augmented by a supporting programme of learning and development that will stretch throughout 2022-23.
- 39 We are disappointed to report that while our quality reviews in 2021-22 found that 100% of audit products were at least satisfactory, only 75% were assessed as good or above (being below our target of 90%). We are, however, satisfied that the findings of the reviews did not suggest that any of our opinions or conclusions were incorrect.
- 40 We set ourselves challenging targets for the quality of our work, which, as set out in the following table, we are largely successful in achieving.

5 Issued by the International Organisation of Supreme Audit Institutions (INTOSAI)

6 Issued by the Financial Reporting Council (FRC)

Annual Report Year	Percentage of reviews assessed as satisfactory or above	Percentage of reviews assessed as good or above
Target	100%	90%
2021-22	100%	75%
2020-21	100%	100%
2019-20	100%	87%

- 41 But we cannot stand still. Our stakeholders have a right to expect our audit quality to be of a good standard, while at the same time expectations on audit quality continue to rise. As a result, we have introduced a new root cause analysis process designed to identify barriers to audit quality and to support a culture of learning and continuous improvement across Audit Wales.
- 42 More Information about our audit quality arrangements can be found on the [Openness and Transparency](#) page of our website.

Running the business

- 43 Over the last 12 months, we continued to closely monitor the evolving COVID-19 situation and operate in accordance with guidance issued by the Welsh Government.
- 44 Our offices reopened from early April 2021 to a limited number of individuals who were prioritised after taking account of safety and wellbeing considerations. Since then, we have gradually increased the numbers of staff that may attend our offices, but many staff continue to carry out the majority of their work remotely from home.
- 45 The Board, its Committees and the Executive Leadership Team operated effectively over the reporting period using online meeting platforms.
- 46 Our priorities in terms of running the business continued to include adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we do the right thing by our people, keeping them safe and monitoring their wellbeing. Throughout the reporting period, our maxim continued to be 'self, family, work ... in that order'.
- 47 Central to our continued response to the pandemic has been the use of technologies that allow us to connect, work and collaborate remotely and flexibly among our teams and with the public bodies that we audit. Another critical element has been the increased use of a wide variety of media and mechanisms to engage with our employees.
- 48 Approximately two-thirds of our funding comes from fees charged to audited bodies in accordance with a [Scheme of fees](#) approved by the Senedd. Most of the remainder comprises approved financing from the Welsh Consolidated Fund, our use of which is subject to scrutiny from the Board at regular intervals during the year. The key priorities for our upcoming use of resources in 2022-23 were laid out in an [Estimate](#) and [Supporting Information](#), which was considered and approved by the Senedd Finance Committee in November 2021.
- 49 Information on how a range of risks have affected the organisation over the course of the year and how they may impact on our future plans can be found in the Governance Report section of this Report and in our published [Board minutes](#).

Areas of focus

50 In response to our operating environment and to help us in achieving our ambitions, for 2021-22 we identified nine areas of focus for our audit delivery and six areas of focus for our running of the business. This section summarises our progress.

Audit delivery

Area of focus	What has been delivered
<p>Deliver a programme of relevant and timely audit work that recognises and is sympathetic to the pressures faced by public bodies in their ongoing response to, and recovery from, the coronavirus pandemic.</p>	<p>Over the course of the year, we have continued to monitor, recognise and be sympathetic to the pressures faced by audited bodies. Taking these pressures into account, alongside ongoing constraints to our own capacity arising from the impact of the pandemic, we made several adjustments to our work programme.</p> <p>However, the overall scope and breadth of the programme remained broadly on track, and we have led the way among UK audit agencies in delivering timely accounts audits. We achieved this through adopting flexible working arrangements across our teams alongside extending some planned completion deadlines to ensure we were able to deliver successfully.</p> <p>We continued to give coverage to issues relevant to the impact of, and recovery from, the pandemic. Outputs from this work included the following reports:</p> <ul style="list-style-type: none"> • <u>Procuring and Supplying PPE for the COVID-19 Pandemic</u> • <u>Rollout of the vaccination programme in Wales</u> • <u>Picture of Public Services 2021 which summarises key trends in public finances, including the response to COVID-19</u> • <u>Taking Care of the Carers? looking at how NHS bodies supported staff wellbeing during the pandemic</u> • <u>An NHS Finance Data Tool showing NHS spending trends due to the pandemic and their current financial position</u> • <u>A new 'Springing Forward' project as part of our local government audit programme.</u>

Area of focus

What has been delivered

Place particular emphasis on the importance of sound financial management and good governance across the public sector, in light of the increased risks associated with public expenditure during the pandemic.

For the audits of accounts, we focused on risk areas arising from the pandemic, such as:

- potential breakdown in audited body quality monitoring arrangements and the impact of remote working;
- appropriate accounting for the increased funding streams and expenditure to deal with the COVID-19 pandemic;
- appropriate accounting for field hospitals;
- potential year-end valuation uncertainty of property, plant and equipment;
- estimation of accrued annual leave and bad debt provisions;
- verification of existence of property, plant and equipment and inventory; and
- focus on fraud, error and regularity risk particularly with increased expenditure.

We also provided updated analysis on COVID-19 expenditure and related risks in our year-end [NHS Finances Data Tool](#); our [NHS summarised accounts infographics](#), [Local Councils infographics](#) and [Welsh Government annual accounts](#).

In September 2021, we published a national summary report on the [Financial Sustainability of Local Government – COVID impact, recovery and future challenges](#), and a new supporting [data tool](#).

In addition, to follow up our [Picture of Public Services 2021](#) report, during October we published a series of sector specific summaries which included consideration of the response to the pandemic in different sectors; these are:

- [A picture of healthcare](#);
- [A picture of local government](#);
- [A picture of social care](#);
- [A picture of schools](#); and
- [A picture of higher and further education](#).

Our NHS Structured Assessment work at NHS bodies also maintained a focus on good governance and sound financial management in the context of the sector's ongoing response to the pandemic.

Area of focus**What has been delivered**

Develop a streamlined approach for examining how public bodies have acted in accordance with the sustainable development principle when setting their wellbeing objectives and when taking steps to meet those objectives.

In September 2020, the Auditor General ran a [consultation inviting views on how we should deliver our sustainable development examinations in the second reporting period \(2020-2025\)](#). In July 2021, we subsequently wrote to the relevant Welsh Government sponsored bodies with further detail on how we would carry out our examinations.

Over the course of the year, we have put arrangements in place to ensure we successfully embed the sustainable development principle as part of our wider work programmes. This includes providing auditor guidance and a programme of training and development for staff. Audit teams have begun delivering in this way, with examples of work where the sustainable development principle is fully embedded. We are ensuring that we monitor how do this so that we can continue to learn and improve.

In addition, we have begun to deliver a programme of examinations focused on the extent to which public bodies have acted in accordance with the sustainable development principle when setting their well-being objectives. This work will be undertaken across the reporting period (2020-2025), as public bodies set new well-being objectives.

We continue to work closely with the Future Generations Commissioner for Wales and her team, who provide advice and support, including delivering training to our staff. A representative from Audit Wales is also an observer on the Commissioner's current [Section 20 Review](#) Steering Group.

Area of focus

What has been delivered

Ensure that the development of our audit approach keeps pace with changes in best professional practice, fully exploits advances in technology and delivers high quality audits that meet the needs of our stakeholders.

Over the course of the year, we have restructured and recruited to our Audit Development and Guidance (AD&G) team. This team ensures we respond effectively to developments in auditing and accounting quality standards including through detailed and ongoing horizon scanning and analysis.

The AD&G team checks that our internal guidance, methodologies and learning and development evolve to keep pace with important changes in the audit profession and, through membership of professional forums and bodies, that we influence, where we can, the development of accounting standards and practice. One example is the recent establishment of several new panels to support Chartered Institute of Public Finance and Accountancy (CIPFA) policy and technical work, as described in more detail in the case studies section of this Report.

We view these panels and other forums such as the [Public Audit Forum](#) and [Financial Reporting Advisory Board](#) as opportunities to influence accounting standards and the [Government Financial Reporting Manual](#).

Where we consider our ability to influence justifies the resource input, we also respond to government consultations. An important example over the last year has been the Department for Business, Energy & Industrial Strategy White Paper – [Restoring trust in audit and corporate governance](#), when we submitted an Audit Wales response as well as a joint response from the UK Auditors General. We continue to liaise with CIPFA and the Institute of Chartered Accountants in England and Wales (ICAEW) regarding developments in this area.

Area of focus**What has been delivered**

Refine all aspects of the way we collect, analyse and present data, including through sourcing larger quantities on a more regular basis, greater use of automation, and improved methods of visualisation and storytelling.

During our audit of accounts work, we trialled a new electronic accounts platform and, for the first time, used a data analytics application on NHS audits. We also put in place a suite of data tools to support the work of our audit teams, including applications that enabled us to link to external data sources, to alleviate onerous tasks, automate some standard practices and to provide quick visual insights.

In a related development, we put in place a data storage solution to securely hold large scale external data and we are also working on a project to assess the feasibility of building an internal data warehouse for greater automation and improved visualisation of our internal management information and data.

Through continuing to implement projects such as these, we place data at the centre of our audit of accounts work and maximise the use of technology alongside our approach to developing audit quality.

Area of focus

What has been delivered

Improve how we communicate our audit work to achieve greater impact, including through expanding the range and reach of the channels we use, and the skills with which we equip our staff.

Over the reporting period we have continued to expand our use of different and novel methods of communicating our findings, including through data tools, interactive reports, infographics, and blogs.

The data tools published over the course of the year can be accessed via a [dedicated section of our website](#), and have included:

- [Local government financial sustainability](#)
- [Joint working between emergency services](#)

The blogs issued over the course of the year can be accessed via a [dedicated section of our website](#), and included:

- [How we'll support Wales in rising to the climate change challenge](#)
- [Student money worries: key facts and figures](#)

One report which maximised its impact by using a variety of communication channels was The Regenerating Town Centres in Wales report – [the report](#), [blog](#) and [press coverage](#) was supported by a [data tool](#) and [self-evaluation tool](#) and received a lot of media attention, including the author appearing on a Radio Wales phone-in show. We also held a related webinar which attracted an audience of over 90 people from across the third and public sectors.

Internally, we carried out a review of our end-to-end publishing process, to identify where the biggest impact changes can be made, especially from the perspective of the end users of our products. By streamlining and improving the process, we aim to free up resources to develop new and more innovative ways of communicating our audit work.

The Executive Leadership Team has also started to receive a monthly report on the range and extent of external communication channels to identify learning and where impact could be increased.

Area of focus**What has been delivered**

Proactively engage with the Senedd following the May elections and refresh our relationship with members of the new Public Accounts and Public Administration Committee (PAPAC) and other committees to raise awareness of, and seek their views on, our work programmes.

Following the Senedd elections in May 2021, the Auditor General and Audit Wales staff maintained regular contact with the newly constituted PAPAC clerking team to discuss our work programme. The Auditor General wrote to all the Chairs of the new Committees to highlight the work of Audit Wales, our remit, and specific topics in our work programme of potential interest.

Our reports have informed the work programmes of committees other than PAPAC, one example being our report on [The Welsh Government's Warm Homes Programme](#), which was considered by the Equality and Social Justice Committee as part of their scrutiny work programme. We have engaged the clerks of the Health and Social Care Committee on areas of mutual interest and as part of that shared our NHS waiting times data tool to support their inquiry into waiting list backlogs.

We have recently sought views and input from the Senedd on our audit work programme for 2022-23 and the development of our medium-term strategy.

Area of focus

What has been delivered

Build on lessons from our COVID Learning Project to enhance the way that we share good practice, mainstreaming new approaches to capture learning on an ongoing basis and strengthen support for audit delivery.

We have taken the learning from the innovative sharing of good practice during the early stages of the pandemic to develop a new approach and our Good Practice Exchange has continued to share learning as organisations across the Welsh public sector and beyond respond to and recover from the pandemic.

This has included use of podcast, including – [COVID-19 and Behaviour Change](#); considering how the pandemic has required governments and the wider public sector to change their behaviour in both significant and small ways. And [Covid Perspectives](#) – a series of recorded conversations with Welsh public sector leaders on how their organisations have responded and adapted to the uncertainty and change since the initial pandemic emergency.

Over the last year a steering group was established to improve working with colleagues from across the organisation to identify and maximise opportunities to share learning throughout the development of the audit project or study, not just at the end when the final report has been produced. An example of this has been an online event – [Your Town, Your Future](#) – on the research leading up to our [Town Centre Regeneration report](#) and the follow-up event – [Part 2 – Your Town Your Future](#), after its publication.

The resources, including slides and presentations from our online events can all be accessed after the event from our website; this includes:

- [The role of communities during the COVID-19 pandemic](#)
- [Crisis Governance](#)
- [Dynamic strategy – the impact of COVID-19 and the response of Fire and Rescue Authorities](#)
- [The impact of COVID-19 on the workforce](#)
- [Communication and engagement](#)

Area of focus**What has been delivered**

Develop a more diverse and effective range of mechanisms for capturing the views of our stakeholders on the value and impact of our work.

In July 2021, Beaufort Research presented their recommendations to the Wales Audit Office Board on our future approach to gathering stakeholder feedback and how we could better gauge the impact of our work. On the back of these recommendations, we have developed a programme of varied quantitative and qualitative data gathering approaches with a wide cross section of stakeholders. The rich data gathered will provide more robust measures on achievements of our ambitions, as well as allowing more in-depth exploration of stakeholders' views and the awareness and impact of our audit work.

The intention is to run this programme of engagement over the time span of our newly launched five-year strategy and the findings will help us measure delivery of the strategic building blocks identified in the strategy, which we believe we need to prioritise if we are to achieve our ambitions.

Running the business

Area of focus	What has been delivered
<p>Prioritise ongoing support of the health and wellbeing of Audit Wales staff as we move from a 'response' to a 'recovery' approach with regards to the COVID-19 pandemic.</p>	<p>The health and wellbeing of our staff have continued to be a key priority over the last 12 months. This culminated in July 2022 with the Board endorsing our new Wellbeing Strategy which consists of three strands – 'Work Well, Live Well and Mean Well' – each underpinned by a suite of goals. Since then, work has been ongoing on clarifying the actions required and timelines to achieve each goal and developing these into a delivery plan.</p> <p>A group of Wellbeing Champions from across all parts of the organisation have attended team and cluster meetings to gather feedback from staff on what wellbeing should look like at Audit Wales. This group have actively supported the goals of the strategy using our intranet to promote wellbeing initiatives, podcasts, blogs, and activities to enable staff to easily relate to the strategy. A new dedicated Hub page is being launched which will include a calendar of planned wellbeing activities and initiatives for staff.</p>
<p>Undertake a review of the equality objectives set out in our Strategic Equality Plan to ensure they remain fit for purpose and fully align with our overall organisational ambitions.</p>	<p>We have taken account of the progress made against the equality objectives set out in our Strategic Equality Plan for the period 2018 to 2022; and developed a revised suite of objectives which we believe should underpin our work for the period 2022 to 2026.</p> <p>In February 2022 we published a consultation on these proposals; the outcomes of this consultation exercise will be reflected in the final objectives which will be published in our Strategic Equality Plan 2022-2026 later this year.</p>

Area of focus	What has been delivered
<p>Realise the benefits of a strengthened senior leadership by developing enhanced working relationships between the Board and the newly constituted Executive Leadership Team.</p>	<p>The reconstituted Executive Leadership Team (ELT) has been in place for just over a year. At the beginning of 2021-22, membership included four Employee Members. This arrangement ended in May 2021 and was succeeded by a newly formed Staff Panel. This change has ensured ELT has clear responsibility and accountability for strategic executive decisions whilst retaining the valuable input and perspective that staff members can provide.</p> <p>The ELT members have been invited to attend all Board meetings during the year, which has supported the development of closer working between the ELT and the Board and has played a key role in shaping and developing the new medium-term strategy for the organisation.</p> <p>There has also been an independent review of Board effectiveness carried out by Saxon Bampfyfde, and an internal audit review of corporate governance, which included the relationship between the Board and the ELT. The recommendations from these reports have been developed into an action plan which the Board has agreed and will monitor progress against throughout 2022.</p>
<p>Finalise our work on developing proposals for meeting our future accommodation needs, to enable a Board decision in 2022-23.</p>	<p>In June 2021 the Wales Audit Office Board considered how best to manage uncertainties and consider further options as our ways of working evolve post pandemic, including the possible extension of our lease at our Cardiff office for another year to March 2024.</p> <p>We continue to monitor the property market, to be involved in wider public sector discussions around the use of the public estate and to investigate further opportunities to pilot new ways of working including activity settings and hubs.</p>

Area of focus

What has been delivered

Embed the sustainable development principle to a greater extent in all our decision-making processes, including when:

- undertaking a review of our staff travel and subsistence arrangements;
- experimenting with and evaluating new, more efficient, and smarter ways of working; and
- determining our route map for moving towards net zero greenhouse gas emissions.

The Wales Audit Office Board has made a commitment to embed the sustainable development principle in the way it makes decisions, and to help achieve this, the manager of our sustainable development examinations programme has developed a checklist and prompts for the Board, its Committees and the Executive Leadership Team to use when setting objectives and making decisions.

To embed its understanding the Board carried out a workshop exercise in March 2022 and has undertaken to use the prompts in key decisions it makes during 2022-23.

Our review of the travel and subsistence policy involved a staff task and finish group which considered the sustainable development principle as part of their proposals. After approval by the Board and ELT, the agreed package of proposals was consulted on extensively through a series of staff and trade union engagement events.

One recommendation from the task and finish group was the development of a Travel Plan to reduce the impact of both business travel and commuting mileage as part of our commitment towards net zero greenhouse gas emissions. We are working closely with other audit bodies to share information and experiences around moving towards net zero emissions, including exploring the possibility of shared offsetting as well as work on emissions baselining. Against the background of the COP26 summit in Glasgow, we published a [blog](#) describing some of what Audit Wales is doing to scrutinise and inspire improvement in climate change action. The Auditor General wrote to around 50 public bodies to initiate a baseline review of the actions they are taking to reduce carbon emissions and meet the 2030 targets set by the Welsh Government.

Area of focus**What has been delivered**

Modernise the way we work, including through making better use of digital technology to enable us to be more agile and adaptable in an evolving environment.

Since the start of the COVID pandemic our use of technologies has been central to how we have been able to connect, work and collaborate remotely and flexibly, both internally and with the public bodies we audit. For example, we have increased remote access to audited bodies' financial systems to carry out our audit work and completed cyber security improvements on our website.

Another development in modernising the way we work has been the establishment of a dedicated Research and Development function. This team ensures we are alert to developments in public audit and the wider audit profession and identifies how our audit programme and ways of working can adapt to increase impact and influence. Part of this involves making better use of technology to ensure we maximise the wealth of information and knowledge that we hold and create through our work to develop new products ensuring our work programme is focused in the areas that add the most value.

Work is also progressing on the development of a new time and resourcing system which will provide more robust management information on resourcing and enable us to resource audit projects in the most effective and agile way.

Case study examples of our work

51 In this section, we provide case study examples of the work we delivered during 2021-22 and the impact that work has had. Our case study examples are grouped together by their alignment with our overall ambitions.



Fully exploiting our unique perspective, expertise and depth of insight

Case study 1: A Picture of Public Services 2021

In September 2021, we published [A Picture of Public Services 2021](#). This was our fourth 'A Picture of Public Services' report since 2010. In the report, we draw on a range of evidence, including analysis and insight from across our performance and financial audit work, to provide an overview of the key trends in public spending and delivery, and the key issues for public services in Wales in the coming years.

The report shows that many parts of Wales's public services were already under pressure before the COVID-19 pandemic hit and covers key aspects of Welsh public services' response to the COVID-19 pandemic, including the extra £5.1 billion funding allocated during 2020-21.

While our separate reviews of key elements of the pandemic response – the supply and procurement of PPE, the Test, Trace and Protect programme and the roll-out of vaccinations – were broadly positive, we set out in the report that there are still lessons to learn, and that the findings from our specific reviews are not necessarily indicative of the broader response to COVID-19.

The overarching Picture of Public Services 2021 report was accompanied by a series of sector-specific reports which provide a more detailed overview of trends in funding, spending, and service delivery.



Case study 2: Care Home Commissioning for Older People

Care home commissioning costs Welsh public services several hundreds of millions of pounds each year and affects many thousands of people. In December 2021, we published our report [Commissioning of care-home placements for older people in North Wales](#) which called on North Wales councils and Betsi Cadwaladr University Health Board to address various issues to help drive improvement.

This project built on previous audit work on social services budgetary pressures in [Conwy](#) and [Denbighshire](#) councils and work on Continuing Healthcare arrangements at [Betsi Cadwaladr University Health Board](#).

We brought together a multidisciplinary audit team which conducted a range of interviews and workshops across North Wales. While we identified that partners are working hard both individually and collectively to provide care home placements for vulnerable service users, complex national processes are making this work more difficult. In particular, a significant focus on cost can cause division amongst partners and impact adversely on service users and their families.

Among other things, we recommended that the regional partners develop a regional strategy and delivery plan to drive positive change and better partnership working, especially in relation to complex and more specialist care.

Having identified issues of wider national significance from our regional work, we wanted to ensure these messages were not lost. We therefore published a sister report, [Care Home Commissioning for Older People with recommendations for the Welsh Government](#). We challenged the Welsh Government to reflect on what the findings from our work mean for its Rebalancing Care and Support policy proposals and whether these reforms will go far enough to tackle the root causes of the issues we identified and secure better outcomes for people across Wales. The Senedd Public Accounts and Public Administration Committee is now considering our key findings as part of its own inquiry.





Strengthening our position as an authoritative, trusted and independent voice

Case studies 3 and 4: Public interest reports

In January 2022, we published ‘public interest reports’ in respect of two Welsh councils, through which we highlighted to the public significant concerns regarding governance arrangements, and aimed to ensure that these matters were properly considered and addressed as a matter of priority.

While the reports relate to two specific councils, they contain messages which have relevance to public bodies across Wales on the importance of establishing robust governance arrangements.

Pembrokeshire County Council

This report related to a payment made to Pembrokeshire County Council’s former Chief Executive shortly before his employment ended in November 2020. We examined the circumstances that led to the Council arriving at its decision to make the payment.

We found that the Council had failed to address and resolve relationship difficulties between members and officers, and there was a lack of clarity on their respective roles and responsibilities. Some officers had failed to properly discharge their professional duties, external legal advice had been disregarded, and internal policies and procedures were not observed. In respect of decision-making, we found that the process was poor and lacked transparency, reasons for decisions were not documented, legal requirements were not complied with, and members of the Council were not given the opportunity to review and scrutinise the payment proposal.

The Auditor General made eight recommendations in his Public Interest Report designed to strengthen the Council’s governance arrangements going forward. The Council held a meeting open to the public on 1 February 2022 at which the findings of the report were accepted and Council members agreed with the Auditor General’s recommendations. The Council has now prepared an action plan to implement the recommendations.

Blaenau Gwent County Borough Council

This report related to deficiencies in Blaenau Gwent County Borough Council's governance and oversight arrangements for a Council wholly-owned waste disposal company. The audit commenced in 2017, after concerns were expressed by a whistle-blower regarding the relationship between the Council and Silent Valley Waste Services Limited (Silent Valley). The audit was protracted due to the complexity of some of the matters involved, the volume of historic documentation required to be examined and analysed, and the need to obtain external legal advice on several points of law. It was also necessary to put the audit on hold for 14 months while the Police carried out its own investigation.

We found that the Council had failed to put in place robust and effective arrangements in respect of its relationship with Silent Valley for many years. This resulted in:

- Deficiencies relating to the appointment, pay and pension arrangements for Council officers appointed to Silent Valley's Board
- Non-compliance with procurement regulations
- The Council not having robust arrangements in place to ensure that termination payments made to Silent Valley directors were lawful and that the recruitment process for the appointment of Silent Valley's General Manager was competitive and robust

Prior to publication of the Public Interest Report, the Council took firm action to address the deficiencies identified. The Auditor General therefore made only one recommendation; that the Council commission a review to seek assurance that its governance and oversight arrangements in respect of other companies in which it has an interest are adequate and effective, and that the deficiencies identified in this report were not more widespread.

The Council held a meeting open to the public on 7 February 2022 at which the Council accepted the findings of the report and agreed to implement the recommendation.





Increasing our visibility, influence and relevance

Case study 5: Participating in a seminar for trustees on governance and equalities issues

In November 2021, we hosted a good practice webinar entitled 'How Boards understand Equality' as part of [2021 Trustees' Week](#). The audience for the event was mainly trustees and staff of third sector organisations.

We were invited to talk about the work that Audit Wales was undertaking as part of a study looking at Equality Impact Assessment (EIA) in public bodies.

We explained that EIA is an evidence-based process to test the impact of a decision or action on different groups of people. It helps decision-makers understand the results of a decision and avoid unintended consequences or discrimination. Undertaking a comprehensive EIA also helps public bodies show that they have considered the impact of their decisions on people with protected characteristics and avoid legal challenges.

We shared some of our early learning on what public sector organisations are doing and the difficulties they experience, much of which was relevant to the work of the voluntary sector. We also invited participants to tell us their views and experiences of EIA by taking part in our [Call for evidence](#) for the study, that ran from October 2021 – April 2022.

The webinar's expert panel then discussed a range of issues including:

- How can decisions be made closer to the communities affected?
- How can all our communities contribute their ideas, knowledge, and experience?
- How can Trustees become more diverse?
- How do Boards understand equality and their role?

The information gathered from the event has added to our evidence base for the study, on which we are due to report later in 2022.

Case study 6: Sharing our audit learning

As set out earlier in this report, one of our key performance indicators (number 11) is focused on the number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.

Consequently, we keep track of instances where, beyond our 'business as usual' engagement with audited bodies and other stakeholders, we share our audit learning by feeding into other events, working groups, consultations and scrutiny. During 2021-22, there were 62 such examples, which included:

- a contributing our professional expertise as participants in several new forums established by the Chartered Institute for Public Finance and Accountancy (CIPFA), which consider specific financial management and governance issues as well as broader themes around the finance workforce, public policy and reform, and sustainability.
- b presenting on town centre regeneration at a Planning Aid Wales conference in June 2021; our findings, reported formally in September 2021, have informed the work of the Welsh Government's Ministerial Town Centre Action Group, and we also shared the learning from this work at an event on regeneration for elected members in local government.
- c in December 2021, the Auditor General giving the keynote speech (starts at 7 minutes 58 seconds) at ICAEW's inaugural public sector conference – The Road to Net Zero – a virtual event that attracted close to 250 delegates across the UK. He spoke about the profound challenges posed by the climate emergency and highlighted the baseline review we are undertaking of how public bodies are responding to 2030 decarbonisation targets. This baseline will inform our future work programme on the impact of climate change.
- d responding to Welsh Government consultations on topics including social care, social partnership and public procurement, local authority power to trade, town and community councils, race equality, homelessness, corporate joint committees, local authority publicity, and violence against women, domestic abuse and sexual violence. We also responded to UK government consultations on trust in audit and data protection.

Appendix 3 of this report provides details of other relevant activity through our input to various Senedd committees.





Being a model organisation for the public sector in Wales and beyond

Case study 7: Adapting our audit of accounts work

The accounts audits completed during this year (those for the 2020-21 financial year) formed the second round of audits completed against the backdrop of the COVID-19 pandemic. Over the last 12 months, we built on what we had learned about working and auditing remotely during the 2019-20 audit round. We agreed revised targets for our local government and NHS audit work with the Welsh Government and performed very strongly in terms of completing audits on time against target deadlines.

Sector	Audit completion target date	Proportion of audits completed on target
NHS	11 June 2021	100%
Local Government (including police, fire, and national park authorities)	30 November 2021	97%

We do not have a single deadline for our central government audits, but our performance again was also very strong for these bodies with all audits completed against targets⁷.

Overall, it was an encouraging picture, but not one that was without challenge. We continued to apply our maxim of ‘self, family, work – in that order’ as we sought to prioritise the health and welfare of both our own staff and the staff of the bodies we audited. It should not be underestimated how difficult it was for so many to move to home working with a loss of in-person peer support. We are currently undertaking a safe and supported ‘return to office’ pilot for our early 2021-22 audits to explore hybrid working options that better enable the support and coaching which were inhibited under a full home working model.

We are also proud that the quality of delivery of our audit work was maintained despite the pressures of the pandemic. Of the files reviewed, 75% were assessed as ‘generally acceptable’ and 25% as ‘improvement required’. None of the quality review findings impact on the appropriateness of the audit opinions given. Further information about our audit quality arrangements is available in our Audit Quality Report available on the [Openness and transparency](#) section of our website.

⁷ Where applicable, this internal target takes account of statutory deadlines and administrative targets and may also reflect the need for additional time to complete the audit where deficiencies are identified in the accounts.

Case study 8: Developing a five-year strategic plan

In May 2021, the Executive Leadership Team (ELT) agreed that the development of a more detailed medium-term strategy for Audit Wales would provide greater clarity on our aims and direction of travel, and enhance connectivity among staff with our four overarching corporate ambitions.

ELT initially assessed the progress that had already been made towards the achievement of the four ambitions. This exercise helped us to both identify and celebrate the successes of recent years, but also served to identify some important gaps, outstanding priorities and further opportunities to enhance our approach and impact. Following this initial assessment, further work was undertaken jointly with the Board to reach a consensus of what the ideal future Audit Wales might look and feel like and what we would like our external stakeholders to be saying about us in 2027.

At the heart of the approach were Audit Wales's core values with a particular focus on collaboration, innovation, future focus, and integrity. In December 2021 all staff were then engaged in the development of the emerging strategy, including a 'roadmap' of priorities for the next five years. Due to the ongoing impact of the pandemic, this exercise was undertaken primarily through online forums, with our Employee Elected Board members and ELT staff panel representatives heavily involved throughout the process.

Overall, there was widespread support for and buy-in to the proposed direction of travel, and a wealth of ideas and insight which has helped shape the detail of the roadmap which in turn was sense checked with a range of external stakeholders.

The strategy development identified three building blocks and associated areas of focus:

- a strategic, dynamic, and high-quality audit programme
- a targeted and impactful approach to communications and influencing; and
- a culture and operating model that enables us to thrive now and in the future.



Our use of resources

- 52 We are fully committed to embedding the principle of sustainable development⁸ in the way we run our business, and in the way we resource our audit work. In this section we provide some high-level commentary on how we managed our use of resources during 2021-22.
- 53 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.
- 54 In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2021-22 contributed to one or more of the 17 [United Nations Sustainable Development Goals](#).



8 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'.

Financial management and efficiencies

- 55 Financial management at Audit Wales in 2021-22 continued to be of paramount importance as we dealt with the continued impact of COVID-19 on our audited bodies and our own staff.
- 56 Whilst we made significant savings of over £1.2 million on staff costs in the year, this reduction in staff capacity impacted our ability to draw down fee income which was over £1.5 million less than had been allowed for in our Estimate.
- 57 Our total expenditure for the year was almost £2.3 million less than allowed for in the Estimate for the year and £1.2 million (5.7%) less than we spent in 2020-21 (before allowing for the one-off costs associated with the removal of the travel allowance from staff – thus reducing the costs of travel in future years).
- 58 Much of this reduction in expenditure is related to staff vacancies and the fact that our staff were still unable to travel to audited bodies during the year and events were unable to go ahead as planned.
- 59 The net impact of reduced fee income and reduced expenditure means that we are reporting an overall underspend of £772,000 against the approved resource Estimate for the year. Of this, £394,000 is in respect of unused Supplementary Estimate funding made available for the travel allowance costs.
- 60 We invested £212,000 of capital funding in the following areas:
- £31,000 in the development of new audit management systems and audit quality tools for our financial and performance audit work
 - £70,000 in new IT equipment to allow our staff to work as efficiently as possible both remotely and in the office
 - £53,000 in enhanced payroll provision
 - £37,000 in essential upgrade works for our offices including air quality and lighting improvements
 - £21,000 in new office activity settings as we trial new ways of using our office space

Staff engagement and the employee experience

- 61 During the year we used a variety of media and mechanisms to engage with our employees, providing them with essential updates on the evolving situation, information on how they could access resources and support, and gathering feedback on their experiences to help identify any areas of concern.
- 62 These included:
- a Regular messages to all staff from the Auditor General
 - b Hosting all-staff briefings and question and answer sessions via video communication platforms
 - c Undertaking periodic 'pulse' surveys
 - d Posting regular blogs from members of the Board and Executive Leadership Team (ELT)
 - e Providing regular information cascades to line managers
- 63 Each year, all staff are required to complete an annual independence return, through which they agree to abide by the requirements of our Code of Conduct, Code of Audit Practice and Information Security Policy. As part of this process, attention is drawn to a range of relevant documents, including our Money Laundering Guidance and Counter Fraud Strategy.
- 64 In October 2021, we again ran an all-staff survey to keep our finger on the pulse of the employee experience and identify where we need to improve. For the fifth year running, we based our survey on the core questionnaire 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. 84% of staff completed the survey.
- 65 At a thematic level, our survey results in 2021 had declined from the previous year and were generally below the CSPS average, most notably in the following areas:
- a Leadership and managing change
 - b Organisational objectives and purpose
 - c Learning and development

- 66 While most staff remained interested in their work and felt trusted to carry out their job effectively, their emotional commitment to the organisation and its success has dropped in the last year, resulting in a lowering of our overall engagement index score from 70% to 64%. A significant number of individual employee experience statement scores across the survey worsened to a similar extent in 2021.
- 67 The notable exceptions were staff views in the thematic area of 'inclusion and fair treatment' and on the organisation's response to the pandemic, which remained positive. Scores against general health and wellbeing indicators also remained relatively stable.
- 68 At its January 2022 meeting, the Board received presentations outlining the survey results and management's proposed response. The ELT confirmed that it would be seeking a deeper insight into three areas where the survey results reflected staff perceptions that Audit Wales was underperforming.
- 69 The research would include interviews to explore staff experiences so that the ELT can better understand what actions are needed at organisational, directorate and team levels. The Board confirmed that it was assured that management recognised and understood the issues raised through the survey, including recurrent themes and had planned an appropriate forward approach, taking account of key opportunities and challenges.
- 70 Our full survey results can be accessed on an interactive data tool which is available via our website. We will be repeating the survey in October 2022.

Health and well-being

- 71 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.
- 72 Our wellbeing policy is supplemented by guidance to support our commitments and ensure any staff health and wellbeing issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their wellbeing, including through an annual programme of events and through offering a health screening service.
- 73 In addition, an employee assistance programme is available via either a 24-hour telephone service or through an online facility, which provides staff with professional advice and emotional support on a range of matters.
- 74 At an organisational level, in our staff survey we include four questions used by the Office for National Statistics as part of their Measuring National Well-being programme. We also calculate the Proxy Stress Index⁹ and PERMA index¹⁰ using questions in the CSPA questionnaire which have been shown as important elements of wellbeing. In October 2021, responses from our staff were typically similar to the CSPA median benchmark.
- 75 One notable exception was the proportion of staff reporting high levels of anxiety, which has gradually increased over the five years we have run the survey.
- 76 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 5.8 days per employee were lost to sickness absence during the reporting year ending 31 March 2022 (compared to 3.7 days per employee for the previous year).

3 GOOD HEALTH AND WELL-BEING



9 Which aligns to the Health and Safety Executive stress management tool.

10 Which measures the extent to which employees are 'flourishing' in the workplace -further information can be found in the [Civil Service People Survey Technical Guide](#)

Equality and human rights

- 77 The Auditor General is in a strong position to identify opportunities for helping to eliminate discrimination and promote equality of opportunity in the delivery of public services. In reporting on public bodies, and in making recommendations, he is able to encourage beneficial changes in terms of equality.
- 78 As the employer of staff at Audit Wales, the Wales Audit Office is 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. We fully support the rights of people to be treated with dignity and respect.
- 79 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.
- 80 While neither the Auditor General nor the Wales Audit Office are bound by the Socio-economic Duty, we nonetheless seek to act in the spirit of the Duty. We are mindful of the need to reduce the inequalities of outcome that result from socio-economic disadvantage in our strategic decisions, both in relation to the way we run our business, and in the planning and delivery of our programme of audit work.
- 81 Our Strategic Equality Plan for 2018-2022 outlines our continued commitment to equality and our related objectives. Our Equality Report on progress made towards delivering our equality objectives in 2020-21 is available on our website and is accompanied by an Interactive data tool presenting our workforce diversity and pay gaps data. Our report for 2021-22 will be published later in 2022.

- 82 Towards the end of 2021, we developed initial proposals for what our equality objectives should be for 2022-2026, after reviewing the effectiveness of steps taken and progress made towards meeting our previous objectives. These new proposals were designed to build on progress to date and stretch our approach.
- 83 We then ran a public consultation on our proposals from 31 January 2022 to 4 March 2022. The [Consultation was published on our website](#) and promoted through social media and was circulated directly to a number of stakeholders representing individuals with protected characteristics. All responses to the consultation are being considered as we finalise the content of our new Strategic Equality Plan, which will be published later in 2022.

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

- 84 We take pride in providing a bilingual audit service. Our public documents are available in both Welsh and English, we have a fully bilingual website, and throughout 2021-22 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. Our Welsh Language Strategy outlines the steps we wish to take to strengthen our audit service through recruitment, learning and development, and understanding the language needs of our audited bodies.
- 85 We are committed to implementing and maintaining the Welsh Language Standards, which we see as a baseline level of a bilingual service, not a target. Our [Compliance Notices](#) can be found on our website, alongside our latest annual [Welsh Language Report](#).

Community and charity work

- 86 We recognise the benefits that community and charity work by staff can bring to the wider community and applaud our 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.
- 87 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.
- 88 Over the course of the year and in their own time, our staff held several fundraising and donation events.

Environmental stewardship

- 89 In 2021-22, we maintained our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management. We also continued our planning work for how we will contribute to achieving Wales's longer-term net zero carbon goals.
- 90 As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset¹¹ all our carbon dioxide equivalent emissions (tCO₂e), including those resulting from our business travel, by supporting tree planting and deforestation prevention initiatives.
- 91 Key areas of work over the last 12 months have included:
- a further reducing the amount of waste we produce, while increasing the proportion of our waste that is reused or recycled. Particular efforts have been made to ensure that our waste suppliers support our initiatives and minimise the amount of our waste going to landfill.
 - b continuing to reduce the amount of finite resources consumed, including paper, water, and energy use. Although our reductions in 2021-22 have been heavily influenced by the impacts of the pandemic and associated lockdowns where offices are utilised far less, we nonetheless made step change improvements by upgrading to more efficient LED lighting at our largest office.

11 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 and funding an equivalent carbon dioxide saving elsewhere.

- c piloting new desk arrangements and activity settings within our office spaces, as part of trials to enable hybrid working. As part of this work, we have repurposed existing furniture, used recycled paint, and donated furniture that was beyond its useful life to the Ministry of Furniture to be upcycled to produce lockers and benches for local schools.
 - d producing a guidance document (including a good practice checklist) to help us better perform the Biodiversity and Resilience of Ecosystems Duty when contracting for goods and services.
 - e reducing our intake of single use plastic packaging, and for many of our deliveries, opting out of packaging altogether.
 - f offering a cycle-to-work scheme to promote active travel, supporting a lease scheme for take-up of Electric Vehicles (EV), and improving EV charging point access at our offices.
 - g participating in 'net zero' networking groups and developing an action plan and systems for emissions reporting to support new reporting requirements in Wales.
- 92 This year, we have published a [new interactive data tool](#) which allows the reader to explore how we have performed over the last few years against our environmental sustainability measures. The tool has been prepared in alignment with the latest HM Treasury [guidance for public bodies on sustainability reporting](#).
- 93 However, at the time of preparing this report, the Welsh Government has yet to finalise the required reporting methodologies to support its [guidance on net zero carbon reporting](#). Consequently, for the time being, the figures we have reported in our data tool have been calculated using our previous methodology, which does not, for example, take account of the significant impacts of homeworking. The Welsh Government has indicated that it will finalise the related guidance for public bodies in Wales over the next few months, so it is our intention to publish our updated figures for 2021-22 in our Interim Report in October 2022.

94 In addition, we are committed to seeking to maintain and enhance biodiversity so far as is consistent with our functions. In December 2019, we published our first report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty, which covered the period 1 April 2016 to 31 March 2019. The report also set out six specific objectives to help us better perform the Duty in the future. Work towards achieving these objectives has continued throughout the last three years and our second report on compliance with the Duty, covering the period 1 April 2019 to 31 March 2022, is included as **Appendix 4** to this Report.

13 CLIMATE ACTION



15 LIFE ON LAND





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, reading "Adrian Crompton".

Adrian Crompton
Auditor General for Wales and Accounting Officer

9th June 2022

02

Corporate governance report

Directors' report

Our Board



Adam Marshall
Elected employee member



Adrian Crompton
Auditor General for Wales



Alison Gerrard
Non-executive member



Anne Beegan
Elected employee member



David Francis
Non-executive member



Elinor Gwynn
Non-executive member



Ian Rees
Non-executive member



Kevin Thomas
Appointed employee member



Lindsay Foyster
Non-executive Chair of the Board

Our Executive Leadership Team



Adrian Crompton

Auditor General
for Wales



Anne-Louise Clark

Executive Director
of Communications
and Change



Ann-Marie Harkin

Executive Director
of Audit Services



Kevin Thomas

Executive Director of
Corporate Services

- 95 The exhibits in this section show the composition of the Board and Executive Leadership Team (ELT) as of 1 June 2022. For the full list of individuals that have been members of the Board, its committees, or ELT over the course of the year, please see the Attendance table in the Governance Statement.
- 96 Registers of interests for individual members of the Board and ELT can be accessed via the 'Read More' links on the [Who's who page of our website](#).

Auditor of the Wales Audit Office

- 97 RSM UK Audit LLP have been appointed as the external auditor of the Wales Audit Office by the Senedd Finance Committee since 1 March 2015, most recently for a period of 48 months commencing 1 November 2018.
- 98 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 Senedd.
- 99 Details of the cost of external audit services are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

- 100 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 Senedd.
- 101 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 the Government Functional Standard: Finance and Managing Welsh Public Money.
- 102 Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.
- 103 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
 - d Prepare the accounts on a going concern basis
- 104 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.

105 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

106 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. The systems and framework in this statement have been in place for the year under review and up to the date of approval of the annual report and accounts.

107 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

- 108 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.
- 109 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. The Board meets formally at least six times a year.
- 110 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 disclosures from whistle-blowers outside the normal line management chain; and overseeing the election of employee members to the Board.
- 111 The relationship between the Wales Audit Office and the Auditor General is governed by a Code of Practice which is approved by the Senedd and reviewed periodically.
- 112 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
 - b The Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member

Finance Committee of the Senedd

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.



Executive Leadership Team

Directs and oversees implementation of the strategic objectives and programmes of work described in the Audit Wales Annual Plan.
 Acts as a change management programme board, setting the programme's direction and providing resources for its implementation.



- 113 The elected employee Board members are not members of the Executive Leadership Team 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.
- 114 I chair an Executive Leadership Team to direct, oversee and monitor the implementation of the ambitions and priorities set out in our Annual Plan. It meets at least once a month and comprises the Chief Executive and three Executive Directors. At the beginning of 2021-22, membership of the Executive Leadership Team also included four Employee Members who attended meetings on a rotational basis. Following a change to the terms of reference, those arrangements ended on 19 May 2021 and, during the remainder of 2021-22, members of a newly formed Staff Panel attended the meetings, again on a rotational basis¹².
- 115 The Board and its committees 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.
- 116 Further information on membership of the Board and Executive Leadership Team can be found in the Directors' Report.

¹² From 20 May 2021 onwards, membership of the Executive Leadership Team was confined to the Auditor General and the three Executive Directors, with the staff panel bringing an employee perspective to better inform deliberations. The staff panel have arrangements in place to share any relevant information and intelligence, enabling them to contribute effectively to the Executive Leadership Team's discussions.

Attendance at Board and Committee meetings 2020-21

Table showing the number of Board and committee meetings held in 2021-22, and the number of meetings attended by members of the Board and its committees, and by members of the Executive Leadership Team (ELT) who are not Board members.

	Board ¹³	ARAC	RHRC	ELT
Number of meetings held	8	5	4	27
Members of the Board and its committees				
Adam Marshall ¹⁴	7	1	2	
Adrian Crompton ¹⁵	8	4	4	27
Alison Gerrard, Chair of the Remuneration and HR Committee (RHRC)	7		3	
Amanda Hughes ¹⁶	1		1	
Andrew Clark, Independent Member of ARAC ¹⁷	1	4		
Anne Beegan ¹⁸	8	5	1	
David Francis, Senior Independent Director ¹⁹	8	5	1	
Dianne Thomas ²⁰		1		
Elinor Gwynn	8		4	
Ian Rees, Chair of the Audit and Risk Assurance Committee (ARAC) ²¹	7	5	1	

13 On 3 September 2021, the Board also held a workshop to review the strategic risks facing Audit Wales, taking account of internal and external factors influencing its operating environment.

14 Adam Marshall was appointed as an elected employee member of the Board on 20 July 2021. He attended one ARAC meeting as an observer.

15 Adrian Crompton attended ARAC and RHRC meetings in his capacity as Chief Executive and Accounting Officer.

16 Amanda Hughes resigned from her position of elected employee member of the Board on 17 June 2021.

17 Andrew Clark was appointed as Independent Member of ARAC on 01 July 2021. He attended one Board meeting as an observer.

18 Anne Beegan attended one RHRC meeting as an observer in her capacity as an elected employee member of the Board.

19 David Francis attended one RHRC meeting as an observer in his capacity as a non-executive member of the Board.

20 Dianne Thomas's term of office as Independent Member of ARAC ended on 30 June 2021.

21 Ian Rees attended one RHRC meeting as an observer in his capacity as a non-executive member of the Board.

	Board¹³	ARAC	RHRC	ELT
Number of meetings held	8	5	4	27
Kevin Thomas ²²	7	5	3	24
Lindsay Foyster, Chair of the Board	8		4	
Members of the Executive Leadership Team who are not Board members²³				
Anne-Louise Clark	8	4	1	25
Ann-Marie Harkin	7	3	2	25
Clare James, Employee Member				2
Emma Woodcock, Employee Member				3
Harrie Clemens, Employee Member				2
Matthew Edwards, Employee Member				3

²² Kevin Thomas attended ARAC meetings in his capacity as Director of Finance.

²³ The Executive Directors attended meetings of the ARAC and RHRC as appropriate to give briefings, participate in discussions or to take their advice. They have a standing invitation to attend Board meetings.

Account of corporate governance

- 117 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
 - c External audit reports
- 118 The level of assurance sought and provided is proportionate to the associated levels of assessed risk.
- 119 The Board is satisfied with the quality of the information it receives, although there is scope to improve both its focus and timeliness. Non-executive Board members and Executive Directors meet regularly to ensure that the work of the Board, its Committees and the Executive Leadership Team are aligned.
- 120 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 Executive Leadership Team, which are reviewed annually.
- 121 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. We publish the Registers on our website²⁴.
- 122 The Chair of the Wales Audit Office Board and the chairs of its committees have a right of access, and can report any matters of concern, directly to the Chair of the [Senedd Finance Committee](#).
- 123 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.

24 Registers of interests for individual members of our Board and Executive Leadership Team can be accessed via the 'Read More' links on the [Who's who page of our website](#).

- 124 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 do 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
 - 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

- 125 In 2020-21, the Board commissioned an independent evaluation of its effectiveness in line with good practice and to meet a commitment made to the Senedd. The Board considered the results in September 2021. The review concluded that the Board was operating effectively, with areas of strength which had enabled it to steer the organisation through a uniquely challenging period. The report recognised the Board's commitment to continuous improvement and made recommendations for ongoing development to improve:
- a Its effectiveness as a team
 - b Engagement with stakeholders, both internal and external
 - c Board processes
- 126 The Board developed an action plan to address the key areas identified for improvement and agreed to conduct a self-assessment of its effectiveness later in 2022.
- 127 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.

- 128 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 August 2021. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle, with that appraisal completed in October 2021.
- 129 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 those identified through the performance appraisal process.

Report of the Audit and Risk Assurance Committee

- 130 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2022, summarising its conclusions from the work it had undertaken during 2021-22.
- 131 The Committee provided assurance that:
- a the risk assessment and risk management arrangements appear to be robust and operating effectively within a clear policy framework;
 - b financial reporting is consistent with the requirements of the Government's Financial Reporting Manual and reports are prepared in accordance with appropriate accounting policies;
 - c its strategic reviews of the risk register suggest that the internal control framework is operating effectively;
 - d the broader governance arrangements for identifying and reporting wrongdoing such as fraud and money laundering are robust and in line with good practice;
 - e counter-fraud arrangements are robust and the integration of fraud risks within the risk and assurance framework has been completed;
 - f practical cyber security arrangements are robust but further assurance has been provided through obtaining external certification with Cyber Essentials; and
 - g the internal and external auditors provide constructive challenge and positive contributions at Committee meetings.
- 132 The Committee appreciated the support it has received from management and from the internal and external auditors during the year and will continue to monitor any outstanding actions and track progress through its tracker.

- 133 On the strength of its work during the year, the Committee made the following recommendations to the Board and the Accounting Officer.
- a that the Committee monitor the delivery of the internal audit programme to ensure that it meets the agreed service levels, recognises the unique nature of our business, and provides an appropriate breadth and depth of assurance; and
 - b that the Committee monitor the application and operation of the updated strategic risk and assurance framework, and associated guidance and dashboard, to ensure that it provides a robust and fit for purpose control framework that reflects the operation and ambitions of Audit Wales.

Report of the Remuneration and HR Committee

- 134 In 2021-22, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. These included:
- a considering and recommending a pay strategy in a climate of increasing inflation and staff survey responses which showed a decrease in satisfaction with the Wales Audit Office pay and benefits package;
 - b considering final proposals for a revised travel and subsistence scheme which met the value for money parameters set by the Board;
 - c monitoring capacity constraints in the HR team which had impacted on the delivery of its work, in particular activities within the workforce strategy delivery plan; and
 - d conducting a review of learning and development arrangements to explore the reasons for low scores in the 2019 and 2020 staff surveys and whether the Audit Wales approach to learning and development remains fit for purpose.
- 135 The Committee appreciated that management had:
- a openly engaged with the Committee and actively sought the Committee's scrutiny and challenge; and
 - b had responded positively to the Committee's feedback and suggestions.
- 136 Overall, the Committee is broadly satisfied that the Wales Audit Office's 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.

- 137 However, the Committee considers that there is more to do to ensure that the benefits of these arrangements are fully realised, including:
- a monitoring the development and delivery of the workforce strategy and ensuring its alignment to the five-year strategy and its outcomes;
 - b monitoring the implementation and impact of the wellbeing strategy and delivery plan across the business to ensure a strong and secure workforce is in place to deliver the Auditor General's work programme;
 - c monitoring and benchmarking remuneration and developing a robust and attractive suite of staff benefits to attract and retain talented staff; and
 - d considering plans for line manager development to ensure staff are consistently well managed through strengthened leadership capabilities.
- 138 The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern.

Internal auditor's report

- 139 Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP were appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21. That contract was subsequently extended for a further year for 2021-22.
- 140 The Head of Internal Audit prepared an internal audit strategy and plan for 2021-22 which was endorsed by the Audit and Risk Assurance Committee at its meeting on 8 June 2021. During 2021-22, six internal audit reports were issued by PricewaterhouseCoopers LLP.
- 141 The Head of Internal Audit maintained a tracker to follow up on audit recommendations and agreed actions during the year.

Levels of assurance provided in internal audit report opinions

Table listing the internal audit reviews carried out in 2021-22 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
Financial control: payroll and fixed assets	Low risk	Audit Wales' payroll and fixed asset processes are currently operating effectively, and we found no issues when testing payroll journals, capital expenditure, fixed asset reconciliations, fixed asset additions and disposals, and testing completed over the monitoring of expenditure.
Resource management	Low risk	<p>Resource management is heavily dependent on two individuals, their experience and knowledge, leading to key person dependency within the organisation. If either were unavailable, this could result in a slowdown or disruption of the business process furthermore having an effect on engagement output and Audit Wales' reputation.</p> <p>In addition, Audit Wales does not yet have a process to monitor actual performance by phase in each audit engagement to determine whether the original resource forecasts remain valid on a real time basis, although there is a Board-backed initiative to introduce monitoring which will do this.</p>
Cyber security	High risk	<p>The assessment consisted of two phases: a laptop assessment and a build review. The laptop assessment phase carried out 90 different tests, drawing on the Centre for Internet Security Windows 10 benchmark and the National Cyber Security Centre (NCSC) best practices: we note that if Audit Wales were to comply with all NCSC guidelines, it would exceed the standard required for Cyber Essentials Plus certification.</p> <p>Our review identified one high, three medium and three low risk findings, which are not unusual in the context of other organisations we have undertaken similar reviews for.</p>

Internal audit review	Report classification	Internal audit observations
Change management	Medium risk	<p>Audit Wales has successfully started to implement a Change Management team to enable the organisation to draw on a level of expertise on change projects. The Executive Leadership Team are implementing a long-term strategic plan that relies on a robust and integrated Change Management team, and a 'Change-enabled' organisation, in order to be successful. This is being hindered by some cultural challenges and resistance to change that is inhibiting the ability of the Change Management team to operate effectively.</p>
Procurement	Low risk	<p>We undertook interviews and testing in a number of areas, covering the key controls within the procurement process. Detailed templates are available relating to stages of the procurement process, from business case through to tender report.</p> <p>We found that the market engagement activities carried out prior to a procurement exercise commencing are sporadic and limited to only large projects. There is no defined methodology for what should be undertaken as part of this pre-engagement. The key documents setting out the main procurement requirements could also be enhanced to provide more or clearer information regarding the use of frameworks.</p>
Corporate governance	Low risk	<p>At an overall level, this review did not identify any significant or high-risk findings. The areas of corporate governance we reviewed appeared to be appropriately designed, functioned adequately, and had good rigour around areas of good practice.</p> <p>We note that practice in some instances is more thorough than we would expect for an organisation the size of Audit Wales. However, given Audit Wales's role and profile in the Welsh public sector as an exemplar for other public sector bodies to follow, this may not be inappropriate.</p>

142 In his annual statement of assurance for 2021-22, 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/or 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/or effectiveness of the framework of governance, risk management and control.’

Risk appetite and management

143 In running our business, we are committed to applying the best practice principles and guidance set out in [Managing Welsh Public Money](#) and the [UK Government’s Orange Book](#) for the identification, evaluation, and cost-effective control of risks.

144 Risk appetite is the amount of risk that we are prepared to take in the effective pursuit of achieving our purpose and ambitions. Through establishing our risk appetite, we can ensure that the resource applied to mitigating risks is proportionate.

145 Given the nature of our business, our appetite for risk taking in areas such as audit independence and quality, ethical standards and propriety, information governance and cybersecurity, legality, business continuity, staff health and wellbeing, and our own financial stewardship, is relatively low.

146 In other areas, such as seeking to increase our relevance, influence and impact, and the professional development of our workforce, we are prepared to accept more risk to take advantage of opportunities to pursue our ambitions.

147 A high-level summary of our risk appetite is provided in the exhibit below, which provides the reference point against which we benchmark risk management and mitigation activity within the organisation.

Risk appetite categories	Risk appetite ratings			
Our appetite for taking actions or decisions (possibly in the pursuit of other benefits) that may impact on:	Averse Avoidance of risk is a key objective. We are only willing to accept very limited risk.	Cautious Preference for safe options that have a low degree of residual risk. These options may only offer limited reward potential.	Open Willing to consider all potential options and choose one which balances residual risk with a desired level of reward.	Hungry Eager to be innovative and choose options offering high rewards despite greater inherent risk.
	Audit independence and quality	✓		
Ethical standards and propriety	✓			
Information governance and cybersecurity	✓			
Legal compliance	✓			
Business continuity		✓		
Staff health and wellbeing		✓		
Financial stewardship and value for money		✓		
Workforce planning and development			✓	
Relevance, influence, and impact				✓

Risk management and control framework

- 148 The Board has oversight of risk management at Audit Wales 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.
- 149 The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:
- a Risk strategy, including the Audit Wales approach to setting risk appetite
 - b The overall risk assessment processes that inform executive decision making
 - c Management's responsiveness to risk assessment
- 150 The Executive Leadership Team is responsible for maintaining sound risk management and internal control policies and systems, and for day-to-day management of strategic risks that relate to the functions of the Auditor General and/or the Wales Audit Office. For each of the principal risks faced by the organisation, the Executive Leadership Team assesses the levels of residual risk that we are prepared to tolerate.
- 151 The Accounting Officer advises the Board and its committees on the system of internal control and is supported in doing so by the Executive Leadership Team.

Risk assessment

- 152 At each of its meetings in 2021-22, the Board considered a summary of the key strategic risks faced by the organisation, alongside a more detailed interactive strategic risk register report which:
- a provided an assessment of inherent levels of risk and assigned risk tolerances;
 - b described the key controls that had been put in place to mitigate risk likelihood and impact, alongside associated sources of assurance;
 - c provided an assessment of residual levels of risk and the levels of assurance;
 - 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.

- 153 Several key strategic risks fluctuated during the year and particularly engaged the time of the Board and Executive Leadership Team. These included risks associated with:
- a the development of a five-year strategic plan for achieving our ambitions;
 - b managing workload pressures and supporting staff resilience and wellbeing through the course of the pandemic;
 - c establishing a robust learning and development offering and more effective succession planning;
 - d cybersecurity, our IT infrastructure and ensuring business continuity; and
 - e finalising an alternative travel and subsistence scheme that is fit for purpose for 'new normal' ways of working and represents good value for money.
- 154 I am satisfied that these risks have been monitored and managed effectively during the year.
- 155 In 2021-22, the Audit and Risk Assurance Committee continued to take a role in scrutinising the strategic and operational risk registers, including through testing individual risks, controls and sources of assurance, to determine whether, in the round, the risk management arrangements were robust. The Committee was content that its detailed reviews demonstrated that the Wales Audit Office's risk management arrangements appeared to be operating effectively.
- 156 Several risks were successfully managed and removed from the strategic risk register during 2021-22. The risks were either closed completely or reframed and de-escalated to the operational risk register for ongoing management by the relevant risk lead.

157 We also face several newly identified and ongoing risks going forward into 2022-23, which have been reflected in our strategic risk register. These include risks associated with:

- a learning from our remote working experiences, improving how we work as an efficient and connected Audit Wales, and maximising the opportunities for future ways of working;
- b ensuring our quality management arrangements comply with new quality management standards and our audit work remains in line with best professional practice;
- c ensuring that public audit arrangements in Wales are properly considered in any changes proposed for the wider UK audit profession; and
- d our ability to recruit and retain the required audit staff with the necessary skills at all grades, taking account of local, national, and international market shortages.

158 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.

Our strategic risk profile

159 A summary of our strategic risk profile as of 1 June 2022 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

- 160 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.
- 161 In my role as Chief Executive, I am accountable to the Board for the Wales Audit Office's information governance, as well as being a data controller myself as Auditor General. I have delegated both functions to the Executive Director of Corporate Services.
- 162 To help ensure that we meet data protection requirements and other responsibilities for safeguarding information, the Wales Audit Office has an Information Governance Policy and an Information Security Policy. These policies set out staff responsibilities, processing requirements, monitoring and reporting arrangements, and information on how staff can obtain further support and guidance.
- 163 The Senior Information Risk Owner's annual report for 2021-22 concluded that our overall information governance arrangements are effective. However, there are some weaknesses in understanding roles and responsibilities which could undermine that position. In particular, the role of the Information Asset Owner is an area of widespread lack of knowledge, and responsibility for data protection impact assessment needs to be more widely appreciated and understood. In June 2022, the Board endorsed a series of recommendations to address these weaknesses.

Data protection

- 164 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 – the UK General Data Protection Regulation (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 addressing compliance issues identified by the Data Protection Officer's monitoring programme; and
 - d carrying out data protection impact assessments on new forms and ways of processing data, including, for example, new approaches to accessing information for financial audit in line with developing accounting standards.

165 We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. All incidents in the year have been minor, and we have not needed to make any reports of high-risk breaches to the Information Commissioner's Office. We encourage staff to report as soon as they become aware of a breach, and we continue to work to maintain and improve our internal processes and strengthen our technical security to address potential weaknesses.

Openness and transparency

166 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, such as Board minutes, routinely available to the public.

167 In the 2021-22 financial year, we received 48 requests for information, including four requests by individuals exercising their right of subject access under data protection law. We met the statutory 20-working-day deadline for 39 requests that engaged the Freedom of Information Act. Two requests were delayed beyond the statutory timeframe because of staff absence and a delay internally in recognising correspondence as a freedom of information request. We did not respond to three requests as they fell within the vexatious exemption. We responded to three of the four subject access requests within one month. In the remaining case, our response was delayed by the volume and complexity of the material concerned, coupled with resourcing constraints.

168 While we understand that one requester has complained to the Information Commissioner's Office, we were not subject to any reviews by the Information Commissioner in 2021-22 in respect of our handling of requests.

Whistleblowing (internal)

- 169 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.
- 170 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.
- 171 In 2021-22 we received three disclosures of issues of concern, and these are at various stages of investigation.
- 172 To assess the effectiveness of our whistleblowing arrangements, we consider staff confidence in the arrangements, and what we have learned from previous disclosures.
- 173 For the fifth year running, we asked staff in our October 2021 staff survey (to which 84% 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 my organisation's whistleblowing arrangements it would be investigated properly.' 78% of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 13% responding 'neither agree nor disagree' (in the October 2019 survey, the equivalent figures were 79% and 14% 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.
- 174 Despite the pandemic requiring staff to work remotely for most of 2021-22, we continued to prioritise awareness raising for our whistleblowing arrangements within our new starter training programmes.

Remuneration and staff report

Remuneration report

Auditor General for Wales

175 The Auditor General's remuneration is determined by the Senedd 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 Auditor General is also the Chief Executive and Accounting Officer of the Wales Audit Office.

176 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.

Salary and pension costs of the Auditor General

	2021-22		2020-21	
	Gross salary £	Employer pension contributions £	Gross salary £	Employer pension contributions £
Adrian Crompton	150,000	45,450	150,000	45,450

Wales Audit Office Board

- 177 The Wales Audit Office Board comprises five non-executive members appointed by the Senedd, two elected employee members, the Auditor General for Wales and his nominated employee member, currently the Executive Director of Corporate Services.
- 178 The remuneration of the non-executive members of the Wales Audit Office Board is non-pensionable and is determined by the Senedd. 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.
- 179 The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot. 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.
- 180 The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

The information on pages 86 to 95 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 ²⁵		Single total figure of remuneration	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	£	£	£	£	£	£
Board Members at 31 March 2022						
Lindsay Foyster ²⁶ (Chair)	25,000	18,212	–	–	25,000	18,212
David Francis	12,500	12,500	–	–	12,500	12,500
Alison Gerrard	12,500	12,500		33	12,500	12,533
Elinor Gwynn ²⁷	12,500	6,250	–	–	12,500	6,250
Ian Rees ²⁸	12,500	5,712	59	–	12,559	5,712
Anne Beegan ²⁹	4,167	4,167	–	–	4,167	4,167
Adam Marshall ²⁸	2,912	–	–	–	2,912	–
Previous members of the Board						
Isobel Everett ³⁰ (Former Chair)	–	13,575	–	–	–	13,575
Bill Richardson ³¹	–	6,250	–	–	–	6,250
Amanda Hughes ³²	891	4,167	–	–	891	4,167
Total	82,970	83,333	59	33	83,029	83,366

25 Board and non-executive committee members can claim for travel and expenses for Audit Wales related business. The personal tax liability of these expenses is settled by the Wales Audit Office.

26 Lindsay Foyster was appointed as Chair of the Wales Audit Office on 17 October 2020. Her remuneration as a Board member (£6,787) was paid by the Wales Audit Office. Her remuneration as Chair (£11,425) was met from WCF directly.

27 Elinor Gwynn was appointed to the Board on 1 October 2020.

28 Ian Rees was appointed to the Board on 17 October 2020.

29 Anne Beegan and Adam Marshall are employee Board members. Allowances disclosed above relate solely to Board-member duties. Adam Marshall was elected as an employee Board Member in July 2021 following the departure of Amanda Hughes.

30 Isobel Everett's term of office as Chair came to an end on 16 October 2020.

31 Bill Richardson resigned from the Board on 30 September 2020.

32 Amanda Hughes was an employee Board member until she left Audit Wales in June 2021. Allowances disclosed above relate solely to Board-member duties.

Non-executive committee members

181 The Wales Audit Office Board 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	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	£	£	£	£	£	£
Dianne Thomas ³³	1,250	5,000	–	–	1,250	5,000
Andrew Clark ³⁴	3,750	–	–	–	3,750	–
Total	5,000	5,000	–	–	5,000	5,000

Wales Audit Office staff

182 The Wales Audit Office pay policy and details of pay ranges for all staff are available on our [website](#).

183 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).

184 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.

33 Dianne Thomas resigned as an independent ARAC member in June 2021.

34 Andrew Clark was appointed as an independent ARAC member on 1 July 2021.

- 185 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 until they reach the top of their pay band.
- 186 During 2021-22, no payments were made to previous members of staff whose remuneration would have been disclosable. (2020-21: Nil).

Single total figure of remuneration for senior managers

- 187 Details of the remuneration and pension interests of Director members of the Executive Leadership Team are provided in the following table. Employee members attend meetings of the Executive Leadership Team on a rotational basis, receive no additional remuneration for these duties and membership of the Executive Leadership Team does not form a substantive part of their role, and hence their salaries are not disclosed here.

Year to 31 March 2022

	Salary³⁵	Pension Benefit³⁶	Total single figure of remuneration
	Bands of £5,000	To nearest £100	Bands of £5,000
Kevin Thomas	120-125	21	140-145
Ann-Marie Harkin	100-105	93	195-200
Anne-Louise Clark	95-100	39	135-140

35 Salary includes monthly tax-free homeworking allowance of £26 paid to all employees.

36 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Year to 31 March 2021				
	Salary³⁷	Taxable Expenses³⁸	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Current members of Executive Leadership Team				
Kevin Thomas	120-125	1,400	53	175-180
Ann-Marie Harkin ³⁹	95-100	–	56	150-155
Anne-Louise Clark ⁴⁰	10-15	–	5	15-20
Previous members of Executive Leadership Team				
Anthony Barrett ⁴¹	60-65	–	27	85-90
Mike Usher ⁴²	50-55	–	28	80-85
Steve O'Donoghue ⁴³	85-90	–	81	170-175

188 Information on the expenses of Executive Leadership Team members is published on our [website](#).

37 Includes gross salary and travel allowance in 2020-21.

38 Being the tax-inclusive value of payments for travel to a main place of work (2020-21 only).

39 Ann-Marie Harkin was appointed as Executive Director of Audit Services on 1 March 2021. Prior to that date she was a Director member of ELT.

40 Anne-Louise Clark joined Audit Wales on 15 February 2021 (full-year equivalent salary in the range 95-100).

41 Anthony Barrett left Audit Wales in September 2020 (full-year equivalent salary in the range 120-125). In addition to the salary disclosed above, he received a voluntary exit compensation payment of £178,449.

42 Mike Usher left Audit Wales in September 2020 (full-year equivalent salary in the range 105-110). In addition to the salary disclosed above, he received a voluntary exit compensation payment of £140,000.

43 Steve O'Donoghue left Audit Wales in February 2020 (full-year equivalent salary in the range 100-105).

Pension entitlements for members of the Executive Leadership Team

189 Like all staff, members of the Executive Leadership Team have access to the Principal Civil Service Pension Scheme. Details of this scheme can be found at www.civilservicepensionscheme.org.uk.

190 Pension entitlements for members of the Executive Leadership Team are detailed below.

	Accrued pension at pension age as at 31 March 2022	Real increase in pension at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Kevin Thomas	70-75	0-2.5	1,220	1,151	3
Ann-Marie Harkin	40-45 plus lump sum of 105-110	2.5-5 plus lump sum of 5-7.5	922	791	80
Anne-Louise Clark	0-5	0-2.5	37	4	26

Cash Equivalent Transfer Value (CETV)

191 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.

192 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

193 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.

Fair pay disclosure

194 We are required to disclose the relationship between the highest paid Director in Audit Wales and the average remuneration of our workforce⁴⁴.

195 Total remuneration includes salary, travel allowance and home working allowance. It does not include employer pension contributions, severance payments or the CETV of pensions.

	2021-22	2020-21	% change
Mid point of highest paid director's total remuneration (£'000)	£113,631	£112,831	0.7%
Average total remuneration based on full-time equivalent staff	£47,938	£47,701	0.5%

196 The following table sets out the relationship between the remuneration of the highest paid director and the median, 25th and 75th percentile remuneration of our workforce

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021-22	4.10	2.62	2.00
2020-21	4.16	2.67	2.05

197 The reduction in pay ratios from 2020-21 to 2021-22 reflects a change to the remuneration of the highest paid director following a management restructure in February 2021.

198 In 2021-22, no employees received remuneration more than the highest paid director (2020-21: none).

199 For transparency, the Auditor General's total remuneration of £150,000 (excluding pension contributions) represented 3.18 times the median total remuneration for Audit Wales (2020-21: £150,000 ratio: 3.24).

44 New requirement for 2021-22 per FreM 6.5.19.

Off payroll engagements

200 We had no contracts during 2021-22 which met the HM Treasury definition of off-payroll engagements (2020-21: none) ⁴⁵.

Redundancies, early retirements and severances

201 Voluntary-severance arrangements are operated in accordance with the Civil Service Compensation Scheme and workforce planning requirements.

202 Applications for voluntary exit are considered using a business case template which scores anticipated payback, future workforce requirements and any potential business continuity risks. Business cases are considered and shaped by the Executive Directors before decision by the Executive Leadership Team. Applications from senior directors, and any applications proposed for approval with a cost of £95,000 or above, are subject to further scrutiny by the Remuneration and HR Committee and final approval by the Board.

203 The cost of the scheme in 2021-22 was £NIL (2020-21: £430,012).

204 During 2021-22, no employees (2020-21: eight) agreed approved exit packages as detailed below.

205 There were no compulsory redundancies in 2021-22 (2020-21: none).

Number of exit packages by cost band

	2021-22	2020-21
Less than £25,000	–	2
£25,001-£50,000	–	2
£50,001-£100,000	–	4
£100,001-£150,000	–	–
£150,001-£200,000	–	–
Total	–	8

45 Not subject to audit.

Staff report

Senior leadership

206 The following table details the number of senior staff by pay band at 31 March 2022.

	31 March 2022	31 March 2021
Band A (£98,664-£122,275)	3	3
Band C (£75,418-£93,890)	7	6
Total	10	9

Staff numbers

207 The average number of staff employed during the year reduced by three reflecting an increase in the number of vacancies in the year.

	2021-22	2020-21
Average number of full-time equivalent, UK-based, permanent staff employed during the year	200	200
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	59	63
Audit and inspection contractors (average number of full-time equivalents in year)	4	3
Total	263	266

Staff and associated costs

	2021-22	2020-21
	£'000	£'000
Staff salaries	11,833	11,866
Seconded-in staff	–	–
Short-term contract staff	132	111
Non-executive committee remuneration	63	63
Social security costs	1,306	1,354
Pension costs (PCSPS)	3,223	3,130
Pension costs (stakeholder pensions)	32	40
	16,589	16,564
Travel allowance	1,735 ⁴⁶	642
Subscriptions ⁴⁷	59	66
	18,383	17,272
Audit and inspection contractors	59	185
	18,442	17,457
Redundancy, early retirement, and severance costs ⁴⁸	(20)	124
Less monies received in respect of outward secondments	–	(31)
	18,422	17,550

46 Includes £1.086 million upfront payment to remove entitlement to Travel Allowance from April 2022.

47 Fees for the membership of professional bodies (£42,000), life cover (£17,000) and health screening (£NIL).

48 Includes in-year payments and partial release of provision created in 2020-21 (see Note 11).

Bought-in services⁴⁹

	2021-22	2020-21
	£'000	£'000
Payments to private accountancy firms	(4) ⁵⁰	573
Research and other consultancy costs	161	242
	157	815

208 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2020-21, they also included additional bi-annual costs associated with the National Fraud Initiative⁵¹.

209 Consultancy costs for 2021-22 include⁵²:

- £41,000 in respect of payments to the Cabinet Office for costs associated with the National Fraud Initiative
- £56,000 for audit quality assurance

210 In 2019-20 and 2020-21 our external auditors completed a value for money review on our travel scheme. No expenditure was incurred in 2021-22. (2020-21: £11,000⁵³)

The following information on pages 95 to 100 in the Remuneration and Staff Report is not subject to audit

Staff policies, equality and diversity

211 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.

212 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.

49 Exclusive of VAT.

50 Reversal of prior-year accrual.

51 Not subject to audit.

52 Not subject to audit.

53 Full cost of £35,000 between 2019-20 and 2020-21.

- 213 Our [Strategic Equality Plan](#) outlines our continued commitment to equality and our related objectives. Our annual [Equality Report for 2020-21](#) provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2021-22 will be published later in 2022 and this will include details of the gender pay gap for the year.
- 214 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.

Staff composition (number of persons employed at 31 March 2022)

	Male	Female	Prefer not to say	Total
Senior leadership	7	3	–	10
Other employees	116	144	8	268
Total	123	147	8	278

Sickness absence

	2021-22 Days	2020-21 ⁵⁴ Days
Average working days lost per member of staff	5.8	5.6
• Due to short-term absence	2.5	2.1
• Due to long-term absence (periods \geq 21 days)	3.3	3.5

- 215 Staff sickness levels in 2021-22 increased slightly from 2020-21 to just within our target of six days. In particular we saw a rise in COVID-related absences (including the impact of long COVID) from 0.45 days per member of staff in 2020-21 to 1.36 days per member of staff in 2021-22.

54 Restated due to issues with data reporting in 2020-21.

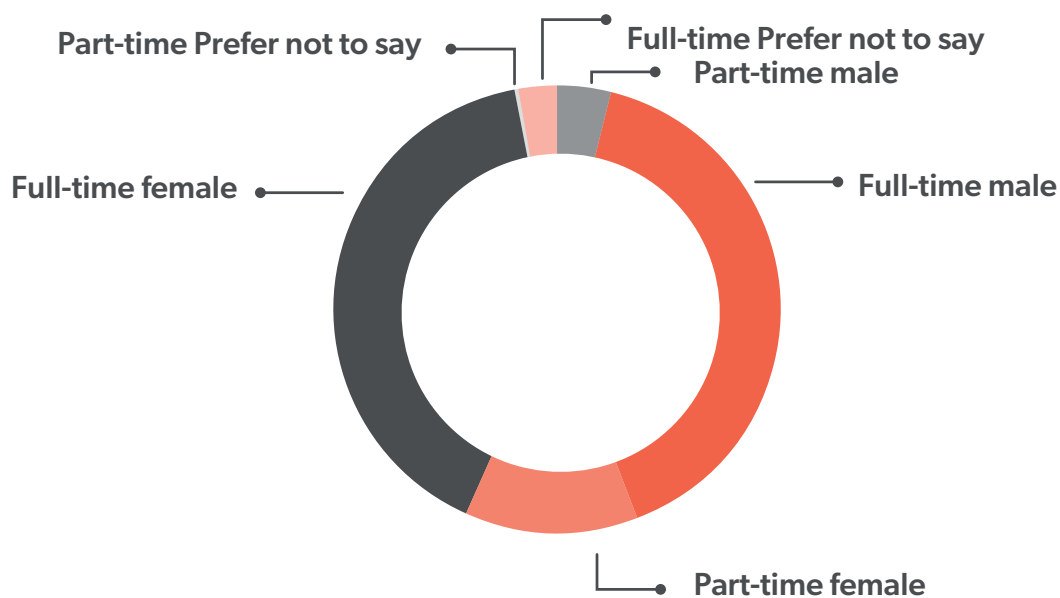
- 216 To help our employees manage their health, we have in place Health Screening⁵⁵, annual flu vaccinations, an Employee Assistance Programme, Mental Health Champions, and a programme of wellbeing events.
- 217 During the last two years, acknowledging the impact of the pandemic on staff wellbeing, we put in place additional wellbeing support and stressed a mantra of 'self, family, work', in that order, for all staff.

55 Health screening paused in 2020-21 and 2021-22 due to the impact of the COVID pandemic.

Our workforce

	2021-22 %	2020-21 %
Working patterns		
Part-time employees as a percentage of the total by gender	16.9	17.1
• For men	8.9	9.0
• For women	23.8	24.0
• For those who prefer not to say	12.5	–
Employment contract type		
Percentage of staff on permanent contracts	77.2	76.0
Turnover		
Annual staff turnover rate percentage	10.09	9.23

The following graph shows the relevant proportions of part-time and full-time employees by gender across the whole workforce.



- 218 The proportion of part-time employees has remained broadly the same as for 2020-21.
- 219 The percentage of staff on permanent employment contracts increased slightly in 2021-22. The proportion of staff with non-permanent contracts is mainly made up of graduate trainees and apprentices on fixed-term training contracts and our seasonal audit staff.
- 220 Our annual staff turnover rate in 2021-22 has increased to over 10%. Much of our turnover is in respect of graduate trainees and apprentices employed on fixed-term contracts coming to an end and being replaced with new starters along with voluntary exits agreed in 2020-21.

Trade Union Facility Time

- 221 The Wales Audit Office policy on Trade Union time, commits to paid time for trade union duties equivalent to 0.6 days per full-time equivalent employee⁵⁶.
- 222 For 2021-22, this equated to an allocation of 158 days for trade union activities. In 2021-22, actual time spent was the equivalent of 203 days. This additional time was in respect of work done by the Trade Unions to respond to a consultation on the removal of Travel Allowance for our audit staff.

56 Based on average 263 FTE employees.

223 Data on time and costs in 2021-22 as required by the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#) is provided below.

Relevant union officials

Number of employees who were relevant union officials during 2021-22	Full-time equivalent employee number
4	3.5

Percentage of time spent on facility time

Percentage of time	Number of employees
1-50%	4

Percentage of pay bill spent on facility time

Cost of facility time	£76,368
Total pay bill	£16.589 million
Percentage of total pay bill spent on facility time	0.46%

Resource out-turn and auditor's report

Summary of resource out-turn 2021-22

The information on pages 101 to 106 is subject to audit.

224 This statement provides a comparison of the Estimate⁵⁷ for 2021-22, as voted by the Senedd, with actual income and expenditure for the year.

Summary of resource out-turn 2021-22

Note	2021-22 Estimate			2021-22 Out-turn			2020-21 Out-turn		
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net out-turn compared to Estimate	Net Total	
	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
SORO1 and 2	Revenue	23,739	14,461	9,278	21,448	12,942	8,506	(772)	7,633
SORO1	Capital	350	—	350	212		212	(138)	229
	Total Resources	24,089	14,461	9,628	21,660	12,942	8,718	(910)	7,862
SORO3	Net cash requirement	8,368	—	8,368	8,292		8,292	(76)	7,173

57 Including Supplementary Estimate 2021-22.

- 225 Arising from the operations of the Wales Audit Office for the financial year 2021-22:
- the net total out-turn on revenue resources was £772,000 less than the approved net resources of £9,278,000;
 - the out-turn on capital spending was £138,000 less than the approved capital budget of £350,000; and
 - the balance of cash held by the Wales Audit Office (£76,000) is shown as being due to the Welsh Consolidated Fund (WCF) and will be returned via an administrative adjustment in 2022-23.
- 226 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on page 50.
- 227 Audit fee income is governed by the [Fee Scheme](#) approved by the Senedd. A breakdown of this income is included in Note 1 to the Financial Statements.

Notes to the summary of resource out-turn

Note SORO1: analysis of net resource out-turn 2021-22

2020-21 Out-turn £'000		2021-22 Estimate ⁵⁸ £'000	2021-22 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
Expenses					
16,317	Staff costs	17,303	16,201	(1,102)	Includes savings from higher-than-expected staff vacancies
296	Contractor staff	311	191	(120)	
642	Travel allowance ⁵⁹	746	649	(97)	Includes savings from staff vacancies
	Travel allowance upfront payment	1,480	1,086	(394)	Lower-than-allowed-for take-up of upfront payment.
23	Travel and subsistence	257	33	(224)	Estimate anticipated some return to travel, but this was restricted due to COVID.
862	Accommodation	964	852	(112)	Savings due to office closure and lower than planned repairs and maintenance.
684	Private-sector firms	–			
461	Irrecoverable VAT	500	413	(87)	Linked to reduced spending on non-staff costs
575	ICT	602	493	(109)	Savings on software costs
295	Audit Wales Governance	295	295	–	
279	External training	278	245	(33)	
138	Legal and professional fees	222	204	(18)	
70	Translation of documents	120	87	(33)	Consequence of shorter, more data-driven reporting

58 Supplementary Estimate 2021-22.

59 Includes agreed up-front payment for 2021-22.

2020-21 Out-turn		2021-22 Estimate ⁵⁸	2021-22 Out-turn	Variance	Reason for significant variances against the Estimate
£'000		£'000	£'000	£'000	
953	Other supplies and services	661	699	38	
21,595	Total Expenses	23,739	21,448	(2,291)	
	Income				
(13,009)	Audit fees	(13,671)	(11,884)	1,787	Reduction in fee income associated with staff vacancies in-year.
(913)	Grant certification fees	(790)	(1,052)	(262)	Reflects additional work required on a number of grant claims.
(40)	Other income	–	(6)	(6)	
(13,962)	Total income	(14,461)	(12,942)	1,519	
7,633	Net revenue resources	9,278	8,506	(772)	
229	Capital resources	350	212	(138)	

Note SORO 2 – Supplementary Estimate 2021-22

The Senedd approved a Supplementary Estimate of £1.48 million for 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance. This was agreed following staff consultation in response to a value for money review of our Travel Scheme carried out in 2019 by our external auditors.

Staff were able to choose between an upfront payment or continued receipt of Travel Allowance until March 2024. The Supplementary Estimate made provision for all staff to receive this upfront payment with no contribution from any Audit Wales underspend. In the event, 67% of eligible staff opted for an upfront payment at a cost of £1.086 million and Audit Wales met £378,000 of the cost from underspends on other budget areas. The balance will be repaid to WCF by means of a Supplementary Estimate in 2022-23 and an adjustment to our Estimate for 2023-24 as set out below.

	£'000
Supplementary Estimate 2021-22	1,480
Upfront payments	(1,086)
Underspends on other Audit Wales budgets	378
WCF underspend 2021-22	772
Reduction in resource requests 2022-23 and 2023-24	708
Total	1,480

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

	Estimate	2021-22 Out-turn	Variance	2020-21 Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	9,278	8,506	(772)	7,633
Capital resources	350	212	(138)	229
Adjustments				
Non-cash items (depreciation and loss on disposal of asset)	(280)	(217)	63	(283)
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress	500	1,767	17	(866)
• (Increase)/reduction in payables and deferred income		(1,250)		(3)
• Reduction/(increase) in provisions	(1,480)	(726)	754	463
Total net cash requirement	8,368	8,292	(76)	7,173

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

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

230 Any special payments and disclosable losses in 2021-22 are disclosed in **Note 14** to the Financial Statements.

Independent auditors' report to the Senedd

Opinion of financial statements

- 231 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2022 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 including significant accounting policies. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.
- 232 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the Public Audit (Wales) Act 2013.
- 233 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 2022 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 the financial statements

- 234 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.
- 235 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

- 236 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.
- 237 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.
- 238 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

- 239 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

- 240 In auditing the financial statements, we have concluded that 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 appropriate.
- 241 Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Wales Audit Office to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.
- 242 Our responsibilities and the responsibilities of the Wales Audit Office and the Auditor General for Wales with respect to going concern are described in the relevant sections of this report.

Other information

- 243 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 contained within the performance report and the accountability report. 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.
- 244 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.
- 245 We have nothing to report in this regard.

Opinion on other matters

246 In our opinion:

- the Summary of Resource Out-turn 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

247 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on page 52, 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 Wales Audit Office and the Auditor General for Wales determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

248 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 Senedd intends to dissolve the Wales Audit Office without continuation of its operations.

249 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

250 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

251 Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

252 In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

253 However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

254 In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the role of the Wales Audit Office, including the legal and regulatory framework that the Wales Audit Office operates in and how the Wales Audit Office is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

- 255 As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are the HM Treasury directions issued under the Public Audit (Wales) Act 2013 encompassing the Government Financial Reporting Manual (FReM 21/22) which applies UK- adopted International Accounting Standards. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.
- 256 The most significant laws and regulations that have an indirect impact on the financial statements are the Public Audit (Wales) Act 2013 and General Data Protection Regulations and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the Wales Audit Office is in compliance with these law and regulations, inspected committee minutes and reviewed financial statement disclosures for any potential breaches.
- 257 The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were the most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business, assessing and challenging the estimates made by management in terms of their assessment and determination of the percentage completion of contractual work and the adequacy of provisions for unrecoverable amounts, which includes reviewing whether events occurring up to the date of the auditor's report support the year-end recognition criteria and testing the accuracy and reliability of data upon which management has relied.
- 258 A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities for regularity opinion on the financial statements

259 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

260 This report is made solely to Senedd Cymru 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 Senedd 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 Wales Audit Office or the Senedd for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
14 June 2022
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.

03

Statement of comprehensive net expenditure for the year ended 31 March 2022

		2021-22	2020-21
	Note	£'000	£'000
Expenditure			
Staff and associated costs	Staff report ⁶⁰	18,422	17,550
Bought-in services	Staff report	157	815
Other operating costs	3	2,869	3,230
		21,448	21,595
Income			
Audit fee income	1	(12,936)	(13,922)
Other operating income	2	(6)	(40)
		(12,942)	(13,962)
Total comprehensive net expenditure for the year		8,506	7,633

The notes that follow on pages 120 to 137 form part of these financial statements

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

60 Staff costs note on page 86 of the Remuneration and Staff Report.

Statement of financial position at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Property, plant and equipment	4	352	390
Intangible assets	5	268	235
		620	625
Current assets			
Trade receivables and work in progress	6	4,070	2,375
Other receivables	7	580	508
Cash and cash equivalents	8	76	1,270
		4,726	4,153
Total assets		5,346	4,778
Current liabilities			
Trade and other payables	9	(2,019)	(2,051)
Deferred income	10	(3,635)	(2,353)
Provisions	11	(1,026)	(367)
WCF	SORO	(76)	(1,270)
Total current liabilities		(6,756)	(6,041)
Total assets less current liabilities		(1,410)	(1,263)
Non-current liabilities			
Provisions	11	(713)	(646)
Total non-current liabilities		(713)	(646)
Total assets less liabilities		(2,123)	(1,909)
Taxpayers' equity			
General fund		(2,123)	(1,909)
Total taxpayers' equity		(2,123)	(1,909)

The notes that follow on pages 120 to 137 form part of these financial statements

The financial statements on pages 115 to 137 were approved by the Wales Audit Office Board and authorised for issue on 9 June 2022 and are signed on its behalf by:

A handwritten signature in black ink, reading "Adrian Crompton". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Adrian Crompton
Auditor General for Wales and Accounting Officer

9 June 2022

Statement of cash flows for the year ended 31 March 2022

		31 March 2022	31 March 2021
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(8,506)	(7,633)
Adjustments for non-cash transactions:		217	283
depreciation, amortisation and loss on disposal of assets	3		
(Decrease)/increase in provisions	11	726	(463)
Changes in working capital			
(Decrease)/increase in trade receivables, work in progress and other receivables	6,7	(1,767)	699
Increase/(decrease) in trade and other payables	9	(32)	8
Increase /(decrease) in deferred income	10	1,282	162
Net cash outflow from operating activities		(8,080)	(6,944)
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(128)	(96)
Purchases of intangible assets	5	(84)	(133)
Net cash outflow from investing activities		(212)	(229)
Cash flows from financing activities			
WCF		8,368	8,443
WCF repaid		(1,270)	(1,604)
Net financing		7,098	6,839
Movements in cash and cash equivalents		(1,194)	(334)

The notes that follow on pages 120 to 137 form part of these financial statements

Statement of changes in taxpayers' equity for the year ended 31 March 2022

	£'000
Balance at 31 March 2020	(1,449)
Changes in taxpayers' equity 2020-21	
Total comprehensive net expenditure	(7,633)
WCF finance	8,443
	(639)
Due to WCF	(1,270)
Balance at 31 March 2021	(1,909)
Changes in taxpayers' equity 2021-22	
Total comprehensive net expenditure	(8,506)
WCF finance	8,368
	(2,047)
Due to WCF	(76)
Balance at 31 March 2022	(2,123)

The notes that follow on pages 120 to 137 form part of these financial statements

Notes to the financial statements

262 These financial statements have been prepared in accordance with the 2021-22 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

263 The accounting policies contained in the FReM apply UK-adopted International Accounting Standards as adapted or interpreted for the public sector context.

264 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.

265 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. The Public Audit (Wales) Act 2013 requires that the Wales Audit Office must provide resources for the exercise of the Auditor General's functions as required by the Auditor General. These resources will be made available by the Senedd (voted funding).
- the legislation further states that the Senedd must consider the Wales Audit Office's Estimate annually and must take into account any representations that the Wales Audit office makes if it wants to change this Estimate.
- any unplanned changes to income and expenditure in a financial year will be addressed by means of a Supplementary Estimate which must be considered by the Senedd.
- 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 Senedd in the autumn of the current year. It is, therefore, expected that the Wales Audit Office will have sufficient funds to continue in operation for the foreseeable future.

266 The Wales Audit Office received no income which would have been liable for corporation tax in 2021-22.

Critical accounting estimates and areas of judgement

Revenue recognition 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.

Income is recognised progressively as the performance obligations associated with audit engagements are satisfied over time.

This accounting policy directly impacts the valuation of audit fee income (**Note 1**) work in progress (**Note 6**) and deferred income (**Note 10**) in these financial statements.

Provisions 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.

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 along with the estimated cost of restoring alterations made to leased properties.

The provision for travel allowance represents, in the main, payments agreed in 2021-22 which will be paid in 2022-23. It includes a small estimated amount to provide for contractual changes post April 2022.

See **Note 11** for more information.

New accounting standards

267 The Wales Audit Office discloses accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements.

268 There is one standard not yet effective that will impact on the Wales Audit Office's accounts, which is IFRS 16 Leases. This standard requires all significant leases to be recognised in the Statement of Financial Position to increase the visibility of lease commitments and better reflect economic reality. Adoption of this standard by the FRoM is delayed until 2022-23. The anticipated impact for the Wales Audit Office is disclosed in Note 12 – Leases.

Note 1 (a): operating segments

- 269 The Wales Audit Office reports costs and income across its three operating segments based on direct expenditure with no overhead apportionment. The resulting net cost is funded directly from the Welsh Consolidated Fund (WCF).
- 270 From 2021-22, we are reporting income and expenditure in line with the management structure of Audit Services, Corporate Services and Communications and Change that came into place in February 2021 and as reported to the Executive Leadership Team.
- 271 Audit Services includes the direct costs associated with the former Financial Audit and Performance Audit divisions along with direct support functions such as Audit Development and Guidance.
- 272 Corporate Services includes our Business Services, Law and Ethics, HR, Finance, and ICT teams. It also includes the costs of office accommodation and ICT provision.
- 273 Communications and Change includes the Communications and GPX, Planning and Reporting, and Change teams.
- 274 Segmental reporting has been re-stated for 2020-21 to reflect this change.

2021-22

	Audit Services £'000	Corporate Costs £'000	Communications and Change £'000	Total £'000
Audit fees ⁶¹	(12,936)			(12,936)
Other income		(6)		(6)
Total income	(12,936)	(6)		(12,942)
Staff costs	15,002	2,134	1,286	18,422
Non-staff costs	493	2,252	281	3,026
Total Expenditure	15,495	4,386	1,567	21,448
Net Expenditure	2,559	4,380	1,567	8,506

61 See note 1(b)

2020-21 (Restated⁶²)

	Audit Services	Corporate Costs	Communications and Change	Total
	£'000	£'000	£'000	£'000
Audit fees	(13,922)	–	–	(13,922)
Other income	(38)	(2)	–	(40)
Total income	(13,960)	(2)	–	(13,962)
Staff costs	14,713	1,652	1,185	17,550
Non-staff costs	1,277	2,518	250	4,045
Total Expenditure	15,990	4,170	1,435	21,595
Net Expenditure	2,030	4,168	1,435	7,633

Note 1 (b): Analysis of audit fee income

	2021-22			2020-21		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(4,791)	(2,328)	(7,119)	(5,410)	(2,367)	(7,777)
Local Government Grant Certification	(1,052)		(1,052)	(913)	–	(913)
NHS Audit	(1,921)	(1,147)	(3,068)	(1,888)	(1,396)	(3,284)
Central Government Audit	(1,697)		(1,697)	(1,948)	–	(1,948)
	(9,461)	(3,475)	(12,936)	(10,159)	(3,763)	(13,922)

62 To reflect the change in management structure effective February 2021.

- 275 Fees charged for audit work are set in accordance with a Fee Scheme agreed by the Finance Committee of the Senedd.
- 276 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.
- 277 Operating income 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**).
- 278 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.
- 279 The Wales Audit Office has applied the requirements of IFRS 15 to income earned from fee-paying audits and other services.
- 280 The Wales Audit Office has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in Letter of Engagement. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion: they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.
- 281 The Wales Audit Office has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the performance of the engagement does not create an asset with an alternative use to the Wales Audit Office and the Wales Audit Office has an enforceable right to payment for performance completed to date. The majority of audits are on an annual cycle. The fee (which is based on estimated costs) and invoicing schedule is agreed between the individual assignment teams and the client. The Wales Audit Office is entitled to recover costs in respect of work completed to date at any stage of the audit.
- 282 Revenue is recognised in relation to percentage completion against budgeted costs. Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because the nature of work is that the costs of staff time represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

Note 2: Other operating income

	2021-22	2020-21
	£'000	£'000
Other operating income ⁶³	(6)	(40)
	(6)	(40)

Note 3: Other operating costs

	2021-22	2020-21
	£'000	£'000
Accommodation		
• Rent lease costs	473	457
• Other accommodation costs	379	405
Supplies and services ⁶⁴	1,351	1,539
Recruitment	21	103
Depreciation and amortisation	217	283 ⁶⁵
Professional fees		
• Internal audit services	61	42
• External audit services	46	45
• Other professional fees	43	54
Staff travel and subsistence	33	23
Staff learning and development	245	279
	2,869	3,230

63 Includes rebates and recharges for training costs and CJRS (furlough) income for seasonal contract staff (2020-21 only).

64 Includes irrecoverable VAT. All other totals in this note are net of VAT.

65 Includes £5,000 loss on disposal of assets (2020-21 only).

Note 4: Property, plant and equipment

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2021-22				
Cost				
At 1 April 2021	1,345	756	160	2,261
Additions	50	70	8	128
Disposals	(31)	(45)	(37)	(113)
At 31 March 2022	1,364	781	131	2,276
Depreciation				
At 1 April 2021	1,158	606	107	1,871
Charged in period	74	69	22	165
Disposals	(30)	(45)	(37)	(112)
At 31 March 2022	1,202	630	92	1,924
Net book value				
At 31 March 2022	162	151	39	352
At 1 April 2021	187	150	53	390
Asset financing				
Owned	162	151	39	352

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2020-21				
Cost				
At 1 April 2020	1,339	674	160	2,173
Additions	14	82	–	96
Disposals	(8)	–	–	(8)
At 31 March 2021	1,345	756	160	2,261
Depreciation				
At 1 April 2020	1,096	477	83	1,656
Charged in period	70	129	24	223
Disposals	(8)	–	–	(8)
At 31 March 2021	1,158	606	107	1,871
Net book value				
At 31 March 2021	187	150	53	390
At 1 April 2020	243	197	77	517
Asset financing				
Owned	187	150	53	390

283 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.

284 PPE is stated at historical cost less accumulated depreciation and impairment and is exclusive of VAT.

285 Depreciation is provided on all capital assets from the date the asset commences its useful life. This is calculated to write off the cost in equal annual instalments over its economic life for each asset as follows:

Furniture, fittings, and 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

- 286 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.
- 287 PPE assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Note 5: Intangible assets⁶⁶

	£'000
2021-22	
Cost	
At 1 April 2021	687
Additions	84
Disposals	(15)
At 31 March 2022	756
Amortisation	
At 1 April 2021	451
Charged in period	52
Disposals	(15)
At 31 March 2022	488
Net book value	
At 31 March 2022	268
At 1 April 2021	235
Asset financing	
Owned	268

66 Mainly computer software.

	£'000
2020-21	
Cost	
At 1 April 2020	572
Additions	133
Disposals	(19)
At 31 March 2021	<u>686</u>
Amortisation	
At 1 April 2020	410
Charged in period	55
Disposals	(14)
At 31 March 2021	<u>451</u>
Net book value	
At 31 March 2021	235
At 1 April 2020	<u>162</u>
Asset financing	
Owned	<u>235</u>

- 288 Intangible assets are stated at amortised historic cost exclusive of VAT. 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.
- 289 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.
- 290 Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Note 6: Trade receivables and work in progress

	31 March 2022	31 March 2021
	£'000	£'000
Trade receivables		
• Central Government	465	66
• Local Government	1,105	514
• NHS	1,233	308
• External to government	116	7
Work in progress		
• Central Government	455	813
• Local Government	652	577
• NHS	44	90
	4,070	2,375

Trade receivables

291 Receivables are valued at fair value on initial recognition and subsequently measure at amortised cost using the effective interest method, less any allowance for expected credit losses. For 2021-22 the figures are net of expected credit losses of £33,000 (2020-21: Nil).

292 The Wales Audit Office's clients are virtually all government departments or other public bodies which are funded in the main by Parliament – a reliable funding source with no history of defaults on audit fees. The Wales Audit Office is therefore not exposed to significant credit risks.

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

Work in progress

294 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 2022	31 March 2021
	£'000	£'000
Prepayments and accrued income ⁶⁷	570	504
Loans to employees ⁶⁸	10	4
	580	508

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

Note 8: Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Balance at 1 April	1,270	1,604
Net change in cash and cash equivalents	(1,194)	(334)
Balance at 31 March	76	1,270

	31 March 2022	31 March 2021
	£'000	£'000
Current account (Government Banking Service)	76	1,270
	76	1,270

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

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

67 Mainly advance payments for rent and other property-related costs.

68 Cycle to work scheme.

Note 9: Trade payables and other current liabilities

	31 March 2022	31 March 2021
	£'000	£'000
Trade payables (due within one year)	206	9
VAT	136	205
Taxation and social security costs	356	345
Accrual for holiday entitlement not yet taken ⁶⁹	585	666
Other accruals ⁷⁰	736	826
	2,019	2,051

298 These amounts represent liabilities for goods and services provided prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured.

299 We aim to pay 90% of undisputed supplier invoices within ten working days of receipt. In 2020-21, 76% were paid within ten days, and 90% were paid within 30 days. This reduced performance was a result of remote working which meant that there was a delay in posted invoices being received.

Note 10: Deferred income

	31 March 2022	31 March 2021
	£'000	£'000
Deferred income	3,635	2,353
	3,635	2,353

300 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.

69 Based on individual holiday anniversaries.

70 Includes £391,000 in respect of invoices paid post year-end, and £345,000 in respect of pension contributions for March 2022 paid in April 2022.

Note 11: Provisions for liabilities and charges

	Dilapidations⁷¹	Early retirement and severance	Travel Allowance	Total
	£'000	£'000	£'000	£'000
As at 31 March 2021	646	367	–	1,013
Provided in-year	7		1,086	1,093
Utilised in-year	–	(346)	–	(346)
Released in-year	–	(21)	–	(21)
As at 31 March 2022	653	0	1,086	1,739

Analysis of expected timing

	Dilapidations	Early retirement and severance	Travel Allowance	Total
	£'000	£'000	£'000	£'000
Not later than one year	–	–	1,026	1,026
Later than one year and not later than five years	653	–	60	713
	653	–	1,086	1,739

301 Provisions are measured at the best estimate of the amounts required to settle a present (legal or constructive) obligation as a result of a past event.

302 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.

⁷¹ We use HM Treasury's discount rate as set out in PES(2021)10 for balances of zero to five years of 0.47% to calculate this balance.

Dilapidations

- 303 The dilapidations provision represents an estimate of the costs we may incur in making good its leased properties at the end of the leases.
- 304 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.
- 305 In addition, an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets is set aside to allow for general wear and tear on leased properties.

Early retirement and severance

- 306 The early retirement and severance provision represented the future liability in respect of members of staff who are contractually committed to leave under redundancy, early retirement and severance schemes. The provision at the end of 2020-21 has either been utilised or released during 2021-22. No provision is required for 2021-22.

Travel allowance

- 307 The Senedd approved a Supplementary Estimate of £1.48 million for 2021-22 to fund an up-front payment to eligible staff as compensation for the removal of their contractual entitlement to Travel Allowance. This was agreed following staff consultation in response to a Value for money review of our Travel Scheme carried out in 2019 by our external auditors.
- 308 Staff were able to choose between an upfront payment or continued receipt of Travel Allowance until March 2024. The Supplementary Estimate made provision for all staff to receive this upfront payment with no contribution from any Audit Wales underspend. In the event, 67% of eligible staff opted for an upfront payment at a cost of £1.086 million.
- 309 Payments representing the bulk of this provision will be made to staff in April 2022. The balance of the provision (£88,000) is held pending changes to staff terms of employment.

Note 12: Operating leases

Aggregate minimum lease payments – operational offices

	31 March 2022		31 March 2021	
	£'000	Number of properties	£'000	Number of properties
Within one year	428	3	464	3
Between two and five years	89	1	503	3
Over five years			–	–
	517		967	

310 Leases are recognised as an expense on a straight line over the period of the lease.

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

312 Lease end dates for the three properties are as follows:

- Cardiff 25 March 2023
- Penllegaer 18 April 2023
- Abergele 21 March 2026 (Break clause at September 2023)

313 HMT have confirmed that IFRS16 issued in January 2016, became effective on 1 January 2022. This will require that all leases with a lease term of more than 12 months be recognised as assets and liabilities in the financial statements. Had this been effective in 2020-21, it would have required an adjustment for Right of Use assets⁷² and lease liabilities of £0.96 million.

72 Our leased offices.

Note 13: Capital commitments

314 There were outstanding capital commitments at 31 March 2022 of £5,580: (31 March 2021: £3,520).

Note 14: Losses and special payments

315 There were no reportable losses or special payments made in 2021-22: (2020-21: Nil).

Note 15: Derivatives and financial instruments

316 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 and no derivatives are held.

317 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.

318 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

319 Given the nature of our business and the funding of the bodies that we charge fees to, our tolerance of risk in areas of financial management is low.

320 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

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

Foreign currency risk

322 The Wales Audit Office's exposure to foreign currency risk is negligible as only very small forward purchases in connection with foreign travel such as hotels are made. 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

323 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

324 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 2022 (31 March 2021: nil).

Note 16: Related party transactions

325 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.

326 During the year, no 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 86).

Note 17: VAT

327 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

Accruals basis	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.
Amortisation	The apportionment of the cost of an intangible fixed asset over its useful life.
Assets	Something that the organisation owns or uses eg, equipment or software rights.
Capital expenditure	Spending on non-current (fixed) assets.
Current assets	An asset that is expected to be converted to cash within the next 12 months.
Current liability	A liability that is expected to be settled within the next 12 months.
Deferred income	Represents income that has been billed but not yet recognised in the Statement of Comprehensive Net Expenditure.
Depreciation	The apportionment of the cost of a tangible fixed asset over its useful life.
Estimate	The annual Estimate of Income and Expenses is approved in plenary by the Budget Motion. The Senedd Finance Committee provides a report to support this. Also referred to as the approved budget.
Fixed assets	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.
Going concern basis	Financial statements are prepared on this basis assuming that the organisation will continue operating into the foreseeable future.
Intangible fixed asset	An asset, such as a right, that has no physical substance.
Leasing	Acquiring the use of an asset through a rental agreement.
Prepayments	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.
Provision	Liability of uncertain timing or amount.

Remuneration	The pay, or other compensation, provided for an employee's services.
Taxpayers' equity	The net assets of the organisation.
Trade payables	Amounts due for payment to suppliers of goods and services.
Trade receivables	Amounts due from clients.
Tangible fixed asset	A fixed asset (also called a non-current asset) which has a physical existence. Used to differentiate it from an intangible fixed asset.
Welsh Consolidated Fund	The fund used by the Senedd to hold sums voted by Parliament which are then allocated via a Budget Motion to the Welsh Government, Auditor General for Wales, Senedd Commission and Public Service Ombudsman for Wales.
Work in progress	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

- 1 Local audit work
- 2 National value for money examinations and studies
- 3 Supporting effective scrutiny and accountability
- 4 Biodiversity and Resilience of Ecosystems Duty Report

1 Local audit work

The Auditor General carried out local work at most public bodies in Wales in 2021-22. The programme included audits of accounts, local performance audit work and well-being of future generations work.

Public body	Audit of accounts	Local performance audit work ⁷³	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁷⁴
Welsh Revenue Authority including the tax statement	✓		
4 Welsh Government companies	✓		
8 Commissioners, Inspectorates and Regulators	✓		
7 Local Health Boards	✓	✓	✓
3 NHS Trusts and 2 Special Health Authorities	✓	✓	✓ ⁷⁵
22 Councils (Unitary Authorities)	✓	✓	✓
4 Police and Crime Commissioners and Chief Constables	✓	✓	✓
3 Fire and Rescue Authorities	✓	✓	✓
3 National Park Authorities	✓	✓	✓
9 Pension funds	✓		
Corporate Joint Committees and City Deals	✓	✓	
Several smaller local government bodies including joint committees, drainage districts and harbour authorities	✓		
Over 730 Town and Community Councils	✓ ⁷⁶		

⁷³ 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.

⁷⁴ Only for listed bodies under the Well-being of future Generations (Wales) Act 2015.

⁷⁵ Only for listed bodies under the Well-being of Future Generations (Wales) Act 2015.

⁷⁶ On a limited assurance basis.

2 National value for money examinations and studies

This programme of work includes value for money examinations, local government studies, and the preparation of summary reports of the findings from local audit work across multiple NHS, central government and/or local government bodies.

It also includes examinations undertaken in response to issues of public concern identified through our audit work or raised with the Auditor General through correspondence. The outputs from much of this programme support the work of the Senedd Public Accounts and Public Administration Committee (PAPAC) and other Senedd committees.

During 2021-22, we kept our plans under regular review, taking account of the wider COVID situation and our audit priorities, the context of our own resourcing and the capacity of our audited bodies to engage with us.

Work completed or substantially completed in 2020-21

<u>Procuring and Supplying PPE for the COVID-19 Pandemic</u>	<u>At your discretion – Local Government Discretionary Services</u>
<u>Welsh Health Specialised Services Committee Governance Arrangements</u>	<u>NHS Wales Finances Data Tool – up to 31 March 2021</u>
<u>Rollout of the COVID-19 vaccination programme in Wales</u>	<u>Student finances</u>
<u>Regenerating Town Centres in Wales</u>	<u>Picture of Public Services⁷⁷</u>
<u>Financial Sustainability of Local Government – COVID Impact, Recovery and Future Challenges</u>	<u>Welsh Government’s Warm Homes Programme</u>
<u>Taking Care of the Carers? How NHS bodies supported staff wellbeing during the COVID-19 pandemic</u>	<u>Care Home Commissioning for Older People</u>
<u>Joint working between Emergency Services</u>	<u>Local government financial sustainability data tool</u>
<u>Direct payments for Adult Social Care</u>	

⁷⁷ This is a package of materials. The main report was published on 15 September 2021 and is followed by a series of five sector commentaries on [health](#), [social care](#), [local government](#), [schools](#), [higher and further education](#).

Work commenced in 2021-22 and in progress

Unscheduled Care – Whole System Review ⁷⁸	The new Curriculum for Wales
Tackling the planned care backlog in Wales (report and data tool)	Welsh Community Care Information System (update for the Public Accounts and Public Administration Committee)
NHS Wales finances data tool – up to 31 March 2022	COVID-19 response and recovery – third sector support (briefing for the Public Accounts and Public Administration Committee)
Climate change and decarbonisation	Welsh Government setting of well-being objectives
Welsh Government workforce	Welsh Government accounts commentary
General Equality Duty – Equality Impact Assessments	NHS quality governance
Orthopaedic services	Flood risk management
Cyber resilience	National Fraud Initiative (summary report)
Broadband infrastructure/digital inclusion	Complex needs and poverty – the challenge for local government
Building social resilience and self-reliance	Social enterprises
COVID-19 response and recovery – business support	Affordable housing

⁷⁸ In April 2022, we published an initial commentary in the form of an extended blog and supporting data tool but with further work on this topic ongoing through 2022-23.

3 Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts and Public Administration Committee (PAPAC) and other Senedd Committees

Our work in 2021-22 continued to play a key role in supporting the work of the Public Accounts and Public Administration Committee (PAPAC) in its consideration of the use of resources and the discharge of public functions in Wales.

During the reporting period, the outputs from our work supported

During the reporting period, the outputs from our work supported 10 meetings of the Committee.

We also supported the Committee's evidence sessions and/or reporting on various topics, drawing where relevant on previous audit work.

Our work has also informed the work of other Senedd committees whose wider remit includes scrutinising the expenditure and policies of the Welsh Government, holding Ministers to account, and examining proposed legislation.

During 2021-22, we responded to five consultations launched by Senedd policy scrutiny committees, to support consideration of their future work programme priorities. Our November 2021 report on the Welsh Government's Warm Homes Programme also provided a starting point for an inquiry by the Senedd Equality and Social Justice Committee on fuel poverty and the Warm Homes Programme. We discussed our work with the Committee in February 2022.

Supporting the work of the audit and scrutiny committees of public bodies

Throughout the last year, we attended most meetings of the audit and scrutiny committees of the principal bodies that we audit, mainly via video communication platforms.

We continued to provide briefings and reports on our audit work together with advice and support to strengthen governance effectiveness.

Supporting the public and their local representatives

We regularly receive correspondence from the public, their local and national elected representatives and others that raise potential concerns about the stewardship of public money and assets.

During 2021-22, we received 79 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 27 individuals contacted us between 1 April 2021 and 31 March 2022 indicating that they wished to make a whistleblowing disclosure.

Where audit teams needed to do further investigative work in response to any concerns raised through correspondence or whistleblowing disclosures, this work typically took a little longer than would normally be expected in 2021-22 due to the need to work remotely. If we were not able to provide a final reply to the correspondent/discloser within 30 working days, we endeavoured to provide an interim response including an estimate of the timescale for providing a full reply.

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 disclosures⁷⁹.
- 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.
- 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 2021-22, 27 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 14 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 14 apparently qualifying disclosures, in seven 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 three of the other seven cases, after initial consideration by audit staff, significant further review work has been undertaken or is pending. In one of the other four cases, audit staff are awaiting feedback from their initial enquiries before determining whether there are substantive matters on which the Auditor General would need to report or take other action.

Generally, where the Auditor General has received information that has been relevant to his functions, this has helped to inform his work, and in at least three cases, this information has led to the identification of issues meriting significant examination.

⁷⁹ 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.

4 Biodiversity and Resilience of Ecosystems Duty Report

The Auditor General's main functions involve examining and reporting on the stewardship of public money by Welsh public bodies. When undertaking this work, we consider how well public bodies are run and the effectiveness of their services. In reporting on public bodies, and in making recommendations, the Auditor General is therefore able to encourage beneficial changes in terms of maintaining and enhancing biodiversity in Wales and promoting the resilience of ecosystems.

The Wales Audit Office does not own or manage land and therefore has a smaller opportunity to carry out activities for biodiversity than organisations that do own or manage land. However, the Board fully recognises the need to support biodiversity and ecosystem resilience, including through:

- a Reducing and offsetting our greenhouse gas emissions.
- b Reducing the total distance we travel on business and choosing more sustainable travel options.
- c Minimising our consumption of paper and water.
- d Minimising our production of waste and maximising the proportion of our waste that is recycled.
- e Raising awareness among staff of biodiversity and sustainability issues.
- f Embedding the principle of sustainable development in the way we run our business, and maximising our contribution to achieving the seven Welsh well-being goals, including that of 'A resilient Wales'⁸⁰.

This Appendix constitutes our second report on compliance with the Environment (Wales) Act 2016 Biodiversity and Resilience of Ecosystems Duty and covers the period 1 April 2019 to 31 March 2022.

⁸⁰ Described in the Well-being of Future Generations (Wales) Act 2015 as 'A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example, climate change)'.

Over the period 2019-20 to 2021-22, we took a broad range of steps that helped us perform the Biodiversity and Resilience of Ecosystems Duty. These included:

- Delivering several audit examinations and studies which included considerations and recommendations relevant to maintaining and enhancing biodiversity.
- Maintaining our accreditation at Level 5 (the highest level) of the Green Dragon Environmental Standard, demonstrating our ongoing commitment to effective environmental management.
- Reducing our business travel, total greenhouse gas emissions, production of waste and consumption of paper and water, and undertaking carbon offsetting to compensate for our emissions by funding equivalent carbon dioxide saving projects elsewhere.
- Supporting an environmental champions staff group which promotes the sustainability principle and raises awareness of biodiversity initiatives.

In December 2019, we published a Plan consisting of six specific objectives to help us better perform the Biodiversity and Resilience of Ecosystems Duty. In the remainder of this appendix, we report on the effectiveness of steps taken and progress made towards meeting these objectives.

Over the next few months, in light of this Report, we will review our objectives and revise as appropriate, with sight of the [Nature Recovery Action Plan](#), which sets out national priorities for reversing the loss of biodiversity in Wales.

Biodiversity Objective

What has been delivered

We will have regard to The State of Natural Resources Report, and will engage with people and organisations with an interest in maintaining and enhancing biodiversity in Wales when considering:

- what programmes of value for money examinations and studies we will undertake; and
- the approach to be adopted in value for money examinations and studies that have a primary focus relevant to the Biodiversity and Resilience of Ecosystems Duty.

During the first half of 2021-22, we began a 'baseline review' as part of our commitment to a longer-term programme of audit work on climate change. We have been looking at how public bodies are taking action to reduce carbon emissions and meet the 2030 decarbonisation targets.

We engaged with the Office of the Future Generations Commissioner and representatives of the UK Climate Change Committee as we developed our work. Natural Resources Wales (NRW) is one of the bodies that we have gathered evidence from. We will publish a report on this work shortly and held a webinar in May 2022 to discuss our emerging headline messages.

Drawing in part on the baseline review, we will also be reviewing the carbon reduction plans of each of the 22 Welsh unitary authorities as part of our local performance audit programme. We have already undertaken more detailed local audit work in this area at the three fire and rescue authorities – [Mid and West Wales](#), [South Wales](#) and North Wales. In addition, we have recently discussed with the Welsh Government, NRW, WLGA, and the Chair of Wales's Flood and Coastal Erosion Committee, our plans for an overview report on flood risk management in Wales, for publication in autumn 2022.

During 2021-22, we completed local audit work looking at sustainable tourism in each of the three National Park Authorities in Wales – Snowdonia, Pembrokeshire Coast, and Brecon Beacons – and surveyed tourism businesses as part of our work. And we reported on the progress [Denbighshire County Council](#) was making in delivering its environmental ambitions. In September 2022, we also produced a report and data tool on [Regenerating Town Centres in Wales](#), which has informed ongoing policy development through the Welsh Government's Town Centre Action Group.

In March 2022, we launched a [formal consultation](#) to inform the development of our work programme for 2022-23 and beyond. We included as part of the consultation distribution various organisations with an interest in maintaining and enhancing biodiversity. Our consultation identified 'A changing world', including the climate and nature emergency, as one of the themes that we will be using to help shape our work programme and set out a number of potential related areas for future work.

Biodiversity Objective

What has been delivered

We will:

- include, in the next revision of the Auditor General's Code of Audit Practice and related guidance, prescription on how auditors should perform the Biodiversity and Resilience of Ecosystems Duty; and
- update our audit 'project initiation' document template so that it explicitly requires value for money examination and study teams to identify where a particular audit might support the Auditor General in discharging the Duty.

The Auditor General's Code of Audit Practice has not been substantively revised since we developed our Biodiversity and Resilience of Ecosystems Plan in 2019. It is, however, being reviewed during early 2022-23 and prescription on how auditors should perform the Biodiversity and Resilience of Ecosystems Duty will be developed as part that review.

Our audit 'project initiation document' for our larger value for money examinations and studies encourages audit teams to consider how such work might help discharge the Auditor General's duties under the Well-being of Future Generations (Wales) Act 2015, including potentially in the context of the goal of 'A Resilient Wales'. As noted below under the next Objective, we have also updated our audit guidance and provided additional training to staff to help embed WFG Act considerations in our work. However, our planning templates and supporting guidance are currently subject to a more fundamental review as part of a refresh of processes and procedures for our performance audit work as we formally adopt standards published by the International Organization of Supreme Audit Institutions (INTOSAI). Consideration of how auditors should perform the Biodiversity and Resilience of Ecosystems Duty will be reflected on as part that review which will be completed in early 2022-23, with training for relevant audit staff to follow.

Biodiversity Objective

In carrying out the Auditor General's examinations under the Well-being of Future Generations Act (Wales) 2015, we will consider whether public bodies are acting in accordance with the sustainable development principle so that they can contribute to the national well-being goals, including 'A resilient Wales'

What has been delivered

During the period April 2019 to May 2020, we completed a series of examinations across the public bodies covered by the Act, leading up to and informing our overall statutory report in May 2020, ['So, what's different? Findings from the Auditor General's Sustainable Development Principal Examinations'](#).

Our local audit examinations at individual bodies over that period included reports looking at issues of particular relevance to 'A resilient Wales'. These included:

- [Protect and enhance the natural environment – Flintshire County Council](#)
- [Strategic regeneration programmes – Neath Port Talbot Council](#)
- [Six Key Regeneration Projects – Pembrokeshire County Council](#)
- [Design of co-produced 'Area Statements' – Natural Resources Wales](#)
- [Household waste collection – Denbighshire County Council](#)
- [Improving access to and the quality of open spaces – Blaenau Gwent County Borough Council](#)
- [Develop and Launch a New Transport and Clean Air Vision for the City – Cardiff Council](#)
- [Regeneration in regeneration in Barry and Barry Island – Vale of Glamorgan Council](#)

For the reporting period, 2020-2025, we are looking to embed our sustainable development examination work within our broader programme of value for money audit work. We developed fresh audit guidance to support this ambition during 2021, supported by the rollout of a programme of training for relevant staff.

Biodiversity Objective

What has been delivered

We will extend the scope of our arrangements for assessing the likely impact of Wales Audit Office policies and practices (revised or new) to include biodiversity and resilience of ecosystems considerations where appropriate. Relevant upcoming projects include:

- the implementation of smarter and more flexible working arrangements;
- our strategy for estate rationalisation; and
- the recommendations of an external audit review of our travel scheme.

As set out in our published [Equality Report for 2019-20](#), during that year we incorporated screening questions and further analysis where relevant into our impact assessment arrangements to ensure due coverage is given to sustainable development and biodiversity and resilience of ecosystems considerations.

Over the reporting period, particular projects where biodiversity and resilience ecosystems impacts were given significant consideration in our planning and decision making processes included:

- our move towards smarter and more flexible working arrangements, including hybrid ways of working;
- our 'future workplaces' estate rationalisation project, where as part of a thorough review of office locations, environmental considerations and biodiversity were key scored criteria in helping develop an approach to identify suitable future office accommodation; and
- the review of our travel and subsistence scheme, where recommendations included allowing everyone access to a fleet scheme through which staff could purchase hybrid and electric cars, and putting in place a revised travel plan to reduce the impact of both business travel and commuting mileage, as part of our commitment towards net zero greenhouse gas emissions.

Biodiversity Objective

What has been delivered

When procuring services, we will:

- include requirements relevant to performance of the Biodiversity and Resilience of Ecosystems Duty in our tender award criteria; and
- comply with the Biodiversity and Resilience of Ecosystems Duty when stipulating the performance standards to be included in the contract.

We will continue to support the work of our environmental champions staff group on raising awareness across the organisation about how each role can impact and influence biodiversity

Over the reporting period, we developed a guidance document and good practice checklist which is now used when procuring goods and services that potentially have a biodiversity and resilience of ecosystems impact.

This guidance forms part of our broader approach to sustainable procurement where we give due regard to sustainability through the different stages of the procurement cycle.

One of the main themes of our new Procurement Strategy and associated action plan is responsible and sustainable procurement. Over the next five years, we aim to ensure that:

- procurement activity is sustainable and responsible, and that staff who participate in the procurement process have been appropriately trained;
- procurement measurably contributes to carbon reduction and our net zero aims;
- our Procurement activities follow a procurement hierarchy that prioritises avoidance, reuse, refurbishment, and recycling before purchasing new; and
- we demonstrate meaningful action and compliance with the Biodiversity and Resilience of Ecosystems Duty and other sustainability legislation.

Throughout the reporting period we have continued to raise awareness among staff on the importance of maintaining and enhancing biodiversity, but there is more to be done. We have recently established a net zero working group that will build resilience of ecosystems considerations into our action plans.

We have an active internal social media group entitled 'Blue Planet and Beyond' which has 78 staff members and acts as a forum for sharing ideas for reuse/recycling and other environmental matters, and posting regular news articles for awareness raising along with tips and information to support biodiversity.



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