



Annual Report and Accounts 2020-21

This Annual Report for the year ended 31 March 2021 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 the Treasury.

The Annual Report demonstrates that, during 2020-21:

- 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 significant changes made to planned work in response to the COVID-19 pandemic; and
- the priorities set out in the Plan for 2020-21 have been substantively achieved.

The Accounts for the year ended 31 March 2021 have been prepared by the Auditor General for Wales, as the Accounting Officer for the Wales Audit Office, in accordance with Schedule 1 of the Public Audit (Wales) Act 2013 and in a form directed by the Treasury.

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.

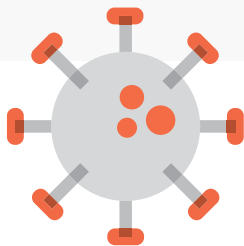
This document is also available in Welsh.

Snapshot of the year

April

Published [our Annual Plan for 2020-21](#), but confirmed our immediate priorities were fundamentally altered by the onset of the COVID-19 pandemic.

Signalled to the public bodies we audit that we would be adopting alternative delivery approaches and refocusing much of our work.



May

Set out the maxim (self, family, work... in that order) that would shape our approach to supporting the well-being of our staff through the crisis.

Reported that [public bodies can demonstrate that they are applying the sustainable development principle](#), but must improve how they apply the 'five ways of working' if they are going to affect genuine cultural change.



June



Determined that [the Welsh Government had awarded £53 million of rural development funds without ensuring the grants would deliver value for money](#).

Blogged about our [COVID-19 learning project and some emerging themes for re-introducing service delivery](#) – the first in a series of blogs about the pandemic response.

July

Outlined that the [public sector was spending up to £210 million reacting to, rather than preventing, rough sleeping](#).

Identified [seven key themes that all public bodies need to focus on in raising their game to tackle fraud more effectively](#).



August

Published a new [infographic which provides a straightforward, accessible summary of NHS accounts and the key aspects of the assurances provided through our audit work](#).

Invited applications for two new senior roles – an Executive Director of Audit Services and an Executive Director of Communications and Change.

September

Despite the significant challenges of working remotely, completed our audit work and provided opinions on most 2019-20 local and central government accounts.

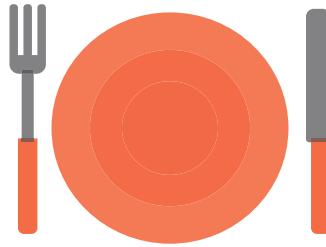
[Identified 10 opportunities for resetting and restarting the NHS planned care system](#).



October

Provided a summary of the adaptations we had made to our original planned work programmes in response to the COVID-19 situation.

Reported that the latest National Fraud Initiative exercise has uncovered £8 million of fraud and overpayments across public services in Wales.



November

Set out how councils had responded to the challenge of providing free school meals during lockdown.

Provided an update on preparations for the end of Brexit transition for the External Affairs & Additional Legislation Committee.



December

Shared with the Senedd Public Accounts Committee some facts and figures and early emerging findings from our review of procurement and supply of PPE during the COVID-19 pandemic.

Invited communities to share their views on the future of Welsh town centres and how well they are coping with the effects of the COVID-19 pandemic.

January

Concluded that NHS bodies have largely maintained good governance throughout the COVID crisis, with revised arrangements enabling them to govern in a lean, agile, and rigorous manner.

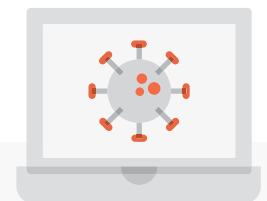
Completed our annual programme of grant certification work and the auditing of around £320 million of European funds used to support farmers and agriculture across Wales.



February

Announced our participation in an exciting new apprenticeship scheme – the All Wales Public Sector Finance Apprenticeship Programme.

Launched the Audit Wales monthly newsletter, through which we share all our latest news and research on how public money is being spent.



March

Held a week-long online learning event where we reflected on the past year and shared the findings from our COVID learning project.

Highlighted that the Test, Trace, Protect programme has successfully brought together different parts of the Welsh public sector to quickly build a system of testing and contact tracing mostly from scratch and at a fast pace.

Contents and readers' guide

Performance Report

A review of our work in 2020-21, including an analysis of our delivery and performance, and our position at the end of the year.

Performance overview

A summary of who we are, what we do, the key issues and risks we face, and how we have performed during the last year.

Statements from the Auditor General and Chair of the Board	9
Who we are and what we do	13
Key issues and risks that we face	16
Performance summary and indicators	18

Performance analysis

An assessment of the extent to which the ambitions and programmes of work set out in our 2020-21 Annual Plan have been achieved.

Commentary on the delivery of our work programmes	23
Areas of focus	28
Case study examples of our work	39
Our use of resources	48

Accountability Report

Key statements and reports that enable us to meet accountability requirements and demonstrate compliance with good corporate governance.

Corporate governance report

An explanation of the composition and organisation of our governance structures and how they support the achievement of our ambitions.

Directors' report	61
Statement of Accounting Officer's responsibilities	63
Governance statement	64

Remuneration and staff report

Our remuneration policy, details of the remuneration and pension interests of members of the Board, its committees and the Executive Leadership Team, our fair pay disclosure, and a report on our staffing.

Remuneration report	85
Staff report	95

Resource outturn and auditor's report

Our summary of resource outturn, an overview of trends in our long-term expenditure, and the independent auditor's report, including their opinion on the financial statements, regularity and on other matters.

Summary of resource outturn and associated notes	102
Independent auditor's report to the Senedd	107

Financial Statements

The financial statements for the Wales Audit Office, alongside supporting and explanatory notes.

Statement of Comprehensive Net Expenditure	115
Statement of Financial Position	116
Statement of Cash Flows	118
Statement of Changes in Taxpayers' Equity	119
Notes to the Financial Statements	120
Glossary of terms	139

Appendices

Some more detail on the programmes of work we delivered in 2020-21.

1	Local audit work	142
2	National value for money examinations and studies	143
3	Supporting effective scrutiny and accountability	146



Performance Report

A review of our work in 2020-21, 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

10 July 2021

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Performance overview

Statement from the Auditor General

Our Annual Plan set out the steps we were intending to take in 2020-21 towards achieving our organisational ambitions and strategic objectives. Shortly before publication, however, we were overtaken by the extraordinary circumstances of the COVID-19 outbreak. Like everyone, our immediate priorities were fundamentally altered as we focused on the wellbeing of our employees, maintaining business continuity, and supporting the wider public sector and community.

I swiftly signalled to the public bodies we audit that we would be adopting alternative delivery approaches and refocusing much of our work to ensure that it did not add to the pressures faced by public service providers. However, I was also acutely aware that Audit Wales had essential expertise to help the Welsh Government and wider public sector respond to some of the challenges that we faced.

Alongside our financial and accountability statements, this Annual Report & Accounts provides a summary of the adaptations we made to the original work programmes set out in our Annual Plan in response to the COVID-19 situation, and the progress we made in delivering those adapted plans.

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 2020-21.

Delivering this work was not without its challenges, not only in how and where we undertook the audits, but also in taking account of new considerations for financial statements arising from the pandemic. Our success in continuing to deliver timely and good quality audits reflects a great collective effort by both our staff and public body officers to embrace new ways of working and remain flexible to and considerate of the many issues arising.

Our national studies programme has always retained a degree of flexibility to respond to changing circumstances, priorities, and issues of public or parliamentary concern. Not surprisingly, we exercised that flexibility over the past year more than ever before.

Right from the outset, we worked closely with the Public Accounts Committee in the Senedd to support its own scrutiny work on aspects of the Welsh Government's COVID-19 response. We also engaged regularly with our counterparts in the other UK audit offices to share learning on our respective responses to the pandemic. We published some reports focused specifically on the COVID-19 response and the impact of the pandemic, and re-shaped much of our planned work to position it in this context. Overall, we successfully delivered 22 national report outputs in 2020-21; a figure consistent with the outturn reported for 2019-20.

At the local level, we significantly reshaped our governance and value for money audit plans at individual NHS and local government bodies to concentrate on issues of the most relevance to the evolving situation. This included developing a programme of COVID-learning work and amending the scope of our programmes to give greater coverage to issues such as recovery planning.

A selection of case studies has been included in this Report to give more insight on some of the projects that we have been involved with and the contribution that work has made. I am indebted to all Audit Wales staff for their professionalism, hard work and commitment to public service through these challenging times.



Adrian Crompton

Auditor General for Wales

Statement from the Chair

Our staff worked incredibly hard in 2020-21 in a radically different and challenging environment.

Our main priorities in running the business were adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we did the right thing by our people, keeping them safe and supporting their well-being. Throughout the period, our maxim was, and continues to be, 'self, family, work ... in that order'.

As an employer, we continued to closely monitor the fast-moving situation and operate in accordance with guidance issued by the Welsh Government. Throughout the course of 2020-21, each of our offices remained shut and all our staff carried out their work remotely from home.

Central to our pandemic response 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 we audit. Our ongoing IT investment strategy, including for new hybrid laptops that allow our staff to work efficiently and effectively from home, enabled a relatively seamless transition to remote working.

Another critical element of our response was the increased use of a wide variety of mechanisms to engage with our staff, providing them with reassurance, essential updates on the evolving situation, and information on how they can access resources and support. We also gathered regular feedback on their experiences to help identify any areas of concern.

Our approach throughout has been to prioritise staff well-being and to accept that, inevitably, the pandemic has had an impact on our overall capacity as colleagues managed caring responsibilities, shielding and other direct impacts of the virus. Despite these challenges, we performed incredibly well, and I am extremely pleased with and proud of our achievements.

Strategic risks and business continuity plans were well managed, and we achieved many of the ambitious targets we had set for our key performance indicators. I pay tribute to our staff for all their hard work and commitment throughout the year. In this Report we celebrate our achievements, of which there are many, but identify some important areas where we need to reflect and make further improvements.

Looking forward we will continue to prioritise the 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. In shaping our new way of working for the future, we will build on the adaptations outlined in this Report, to capture and keep some of the positive changes we have seen during the pandemic.



Lindsay Foyster

Chair, Wales Audit Office

Who we are and what we do

- 1 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.
- 2 The Auditor General for Wales (the Auditor General) is the statutory external auditor of most of the Welsh public sector.
- 3 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.
- 4 The Wales Audit Office employs around 270 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 Directors' Report section of this Report provides information on memberships of our Board and Executive Leadership Team.

What we do

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

- 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

Core work			
 <p>Undertaking audit work at over 800 public bodies</p>	 <p>Delivering a programme of value for money examinations and studies</p>	 <p>Certifying grant schemes worth approaching £1.5 billion</p>	 <p>Approving around £1 billion of payments out of the Welsh Consolidated Fund every month</p>
 <p>Supporting effective scrutiny including the work of the Senedd Committees</p>	 <p>Sharing the good practice we see across Wales's public services</p>	 <p>Facilitating the detection of fraud and error through the National Fraud Initiative</p>	 <p>Participating with observer status on a range of key policy working groups</p>

-
- 7 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 areas of focus for the next 12 months; and
 - e how we measure and report on our performance.
 - 8 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

- 9 As first set out in [our 2019-20 Annual Plan](#), we have identified four broad ambitions and, for each ambition, three strategic objectives. 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.



Fully exploit our unique perspective, expertise and depth of insight

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



Strengthen our position as an authoritative, trusted and independent voice

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



Increase our visibility, influence and relevance

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



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

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

- 10 Our current Annual Plan describes six main factors that we consider will have the greatest influence over the way we deliver our work and achieve our ambitions over the next few years:
 - a Impacts of the COVID-19 pandemic.
 - b Implications of Brexit.
 - c Climate emergency.
 - d Embedding the sustainable development principle.
 - e Socio-economic challenges.
 - f An increasingly networked society.
- 11 Our planned work broadly divides into two sections – audit delivery and running the business. For each section, our Annual Plan for 2020-21 identified areas of focus to support us in the delivery of our ambitions and strategic objectives. Progress in each of these focus areas was led by our Executive Leadership Team and closely monitored by our Board. The Performance Analysis section of this Report summarises that progress.
- 12 The Governance Statement section of this Report provides an account of our risk management in 2020-21 and describes the main risks and uncertainties we face.

Performance summary and indicators

- 13 During 2020-21, the exercise of our functions was broadly consistent with the Annual Plan prepared for the year, but with some significant changes made to planned work in response to the COVID-19 pandemic.
- 14 Our Interim Report provided a summary of the adaptations we made to the original work programmes set out in our Plan, in response to the COVID-19 situation.
- 15 In summary:
 - a At the start of the March 2020 lockdown, we stopped on-site work at audited bodies and closed our own offices.
 - b Through to the end of 2020-21, all staff worked predominantly from home, provided with the necessary IT and with support around home office equipment.
 - c This constituted an enormous change in our operational model as we engaged with our audited bodies and delivered our work remotely.
 - d From the start of the year, we worked at pace with our audited bodies to establish new ways of working to deliver our range of audit work, for example, by obtaining remote access to financial systems or developing electronic file sharing arrangements. Though generally this proved to be more time consuming, we have delivered our statutory audit of accounts duties and established practice from which we will benefit in future.
 - e We reshaped our value for money study programmes, nationally and locally, to recognise and support the public sector's response to the pandemic. This meant deferring or scaling back work of lower priority and seeking to avoid detrimental impact on front line COVID-19 response, while still meeting our statutory duties.
 - f We also delivered a COVID Learning Project, using our network of contacts across public services, to capture examples of novel and innovative good practice, playing those back in close to real time.
 - g Staff well-being has been our priority throughout, centred around an approach of 'self, family, work ... in that order'. We quickly developed communication channels to ensure colleagues remain connected, conducted regular pulse surveys to ensure colleagues have a voice, and switched our learning and development provision to online delivery. We also put in place a wide range of other support arrangements, including for colleagues unable to work to their usual capacity for whatever reason.

- 16 The Performance Analysis section of this Report provides:
 - a Commentary on the delivery of our main work programmes in 2020-21.
 - b Detail on the progress we made towards achieving the areas of focus set out in our Plan for 2020-21.
 - c Case study examples of our work and its impact.
 - d Some high-level narrative on how we used our resources in 2020-21, which serves as our Sustainability Report.
- 17 Our Annual Plan for 2020-21 included a framework of key performance indicators (KPIs) and associated targets. Overall, in 2020-21 we achieved or were close to achieving our targets for 15 of the 18 indicators. Our performance against the remaining three indicators will be a focus for our improvement work in 2021-22.

End of year position on achieving our 2020-21 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% ¹
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable ² for ensuring timely and impactful reporting.	90%	92%
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 ³	100% and 100%
4	Credibility	Proportion of stakeholders ⁴ that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%	96%
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%	89%

● Achieved or close to achieving our target

● Improvement required

● Significant improvement required

1 Factors outside of our control led to work on two principal audits continuing beyond the required statutory deadline.

2 Adjusted for the significant changes made to planned work in response to the COVID-19 pandemic.

3 Where 'good' is equivalent to FRC audit quality category 2A, and 'satisfactory' equivalent to category 2B.

4 We conducted a survey of Members of the Senedd in March 2021 seeking their views on the value and impact of our work. 19 Members 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
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	84%
7	Savings identified	Value of potential savings identified through our work.	At least £30 million during 2018-2021	£42.2 million
8	Good practice events	Proportion of attendees of our seminars and webinars who rated the events useful or very useful.	At least 90%	100% ⁵
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	28,462 ⁶
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	4,890
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	60 ⁷








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




5 All face-to-face shared learning seminars listed in our original 2020-21 Annual Plan were cancelled to accord with COVID restrictions. Instead, we delivered a revised programme of webinars and other on-line events during the year; 100% of attendees who responded stated they found the events useful or very useful.

6 During quarter 3 we experienced a technical error with the system which collects this data resulting in not all visits being captured. Consequently, the actual figure for the year is likely to be higher than that stated.

7 This represents at least 60 instances, 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	70%	
13	Employee experience	Percent positive annual staff survey thematic employee experience scores ⁸ .	At least the top 25% scores for the latest CSPS	2 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	6.1 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	£2.1 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.	290 tonnes in 2020-21	96.4 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%	86%	

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

8 The key CSPS employee experience themes are: organisational objectives and purpose; leadership and managing change; organisational culture; 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 Following the inevitable interruptions to our work programmes in the early stages of the COVID-19 pandemic, on-site audit work remained suspended throughout 2020-21. But we continued to work and engage remotely with the public bodies that we audit, primarily through the use of 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 2020-21, albeit to a longer timescale.
- 20 All our audits of 2019-20 NHS bodies' accounts were completed and subsequent opinions provided by the Auditor General by 2 July. Most of our audits of 2019-20 local and central government accounts were completed by the end of September 2020. The remainder were completed by the end of October, when the next (2020-21) audit of accounts cycle began.
- 21 Delivering this work was not without its challenges, not only in how and where we undertook the audits, but also in taking account of new considerations for financial statements arising from the pandemic. Our success in continuing to deliver timely and good quality audits reflects a great collective effort by both our staff and public body officers to embrace new ways of working and remain flexible to and considerate of the many issues arising.
- 22 We also completed our grant certification work and the auditing of around £320 million of European funds used to support farmers and agriculture across Wales by the end of January 2021.

- 23 In 2020-21, we significantly reshaped our governance and value for money audit plans at individual NHS and local government audited bodies to concentrate on issues of the most relevance to the evolving situation.
- 24 This included developing a programme of COVID-learning work and amending the scope of our programmes to give greater coverage to issues such as recovery planning. We also brought into our local programmes work on Test, Trace and Protect.
- 25 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

- 26 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 ramifications of the COVID-19 outbreak a late addition to that list, we exercised that flexibility over the past year more than ever before.
- 27 Since the start of the national lockdown in March 2020, we worked closely with the Public Accounts Committee in the Senedd to support its own scrutiny work on aspects of the Welsh Government's COVID-19 response. We also engaged regularly with our counterparts in the other UK audit offices to share learning on our respective responses to the pandemic.
- 28 We published some reports focused specifically on the COVID-19 response and the impact of the pandemic, and re-shaped much of our planned work to position it in this context. Examples are provided in the remainder of this section.
- 29 In tandem, as part of our response to the changing circumstances, we inevitably had to do some reprioritising. Some of the projects that we were originally planning to start in the second half of the financial year were put on hold, and we revisited those topics (which include follow-up reviews of broadband infrastructure, affordable housing, and coastal flood and

erosion risk management) as part of our 2021-22 planning.

- 30 We also scaled back some of our plans for more detailed work and stand-alone outputs to save time generally or reflect where it was not possible to complete planned fieldwork. This includes our work on Welsh Government workforce planning and general grants management, where we instead used our Welsh Government accounts commentary to provide some initial high-level analysis. For grants management, we are looking to re-scope this work as we consider relevant COVID-19 developments.
- 31 Overall, we delivered 22 national report outputs in 2020-21; a figure consistent with the target and outturn reported for 2019-20.
- 32 **Appendix 2** provides an up-to-date list of work completed or commenced in 2020-21, as part of our national programme.

Supporting effective scrutiny and accountability

- 33 During 2020-21, the outputs from our work supported 26 meetings of the Senedd Public Accounts Committee (held via a video communication platform).
- 34 Similarly, most public bodies in Wales were swift to adapt to the challenges of the situation and it became the norm for us to attend their Audit and other Scrutiny Committee meetings using video communication platforms to provide regular briefings and report on our audit work.
- 35 In **Appendix 3**, we provide more detail on how we supported the Public Accounts Committee 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

- 36 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 face-to-face. Increasingly, we are bringing the views and experiences of service users and global experts to these conversations.
- 37 Our most common mechanism for such conversations – hosting in-person shared learning seminars – was not viable in 2020-21 due to the lockdown and social-distancing measures. Instead, the focus of our good practice work switched to the delivery of a [COVID-learning project](#).
- 38 Over the course of the year, we shared examples of innovation, new approaches and points of interest via a regular stream of tweets, blogs, fortnightly digests and periodic online webinars. In March 2021, we brought all this together in a week-long learning event, to reflect on the previous 12 months and share further insights.

Audit quality

- 39 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.
- 40 [Our Transparency Statement provides](#) more detail on how we are meeting high standards in the way we work and in the quality of our work. We carry out annual programmes of quality reviews on a sample of accounts audits and performance audit projects to ensure that they meet required standards. This year, our quality monitoring showed that 100% of the sampled 2019-20 accounts audits and 100% of the performance audit projects reviewed in 2020 met the required quality standards.

Running the business

- 41 We continued to closely monitor the fastmoving COVID-19 situation and operate in accordance with Welsh Government guidance. Except for some very limited re-opening in September 2020, each of our offices remained shut in response to national and local lockdown restrictions. All our staff worked remotely from home.
- 42 Our main running the business priorities were adapting and minimising disruption to our audit work and the operation of our corporate service functions, while ensuring we did the right thing by our people, keeping them safe and monitoring their well-being. Throughout the period, our maxim has been, and continues to be, 'self, family, work ... in that order'.
- 43 Since March 2020, the Board, its Committees, and the Executive Leadership Team continued to operate effectively using online meeting platforms.
- 44 Central to our pandemic response 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 we audit. Our ongoing IT investment strategy, which in 2019-20 included £63,000 on new hybrid laptops that allow our staff to work efficiently and effectively from home, enabled a relatively seamless transition to remote working.
- 45 Another critical element of our response was the increased use of a wide variety of mechanisms to engage with our staff, providing them with reassurance, essential updates on the evolving situation, and information on how they can access resources and support. We also gathered regular feedback on their experiences to help identify any areas of concern.
- 46 Our staff worked incredibly hard in 2020-21 in a radically different and challenging environment. Our approach throughout has been to prioritise staff well-being and to accept that, inevitably, the pandemic has had an impact on our overall capacity as colleagues managed caring responsibilities, shielding and other direct impacts of the virus. This impacted to varying degrees across audit teams and corporate services.

Areas of focus

47 In response to our operating environment and to help us in delivering our strategic objectives, for 2020-21 we identified 11 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>Improve how we source, acquire, and analyse data, including through automating simple and repetitive tasks so that we can focus our time on areas of higher risk that require greater attention.</p>	<p>2020-21 was the final year of a three-year data analytics strategy and work programme. Data analytics is now a key part of our broader digital transformation programme.</p> <p>Key developments have included:</p> <ul style="list-style-type: none"> • establishing a permanent data analytics team. • working on a suite of tools and applications to embed data analytics in our audit of accounts work, including through automatically collecting live information on the progression of an audit. • accelerating work on remote access to ledgers and key financial systems of NHS and local government bodies, to enable us to carry out audit of accounts work without the need to visit sites during the pandemic. • moving towards a common IT platform for all our audit work, to support more integrated working. • developing internal data tools to support knowledge sharing across audit teams and provide the data story for each local authority area. • quantifying the potential future savings and efficiencies from a data-enabled audit approach.

Area of focus

What has been delivered

Improve how we visualise and communicate our findings, including through publishing a broader range of interactive data tools and investing in further enhancing the engagement and influencing skills of our staff.

Our use of data tools and interactive reporting has continued to progress in 2020-21. Over the year, we published several interactive data tools which bring statistics and other information from our audit work together into single accessible resources.

Key outputs have included:

- an updated [NHS Wales finances data tool](#) showing each NHS body's mid-year financial position and additional spend due to the pandemic.
- a tool to support our report on the [Welsh Community Care Information System \(WCCIS\)](#), which provides additional detail on the status of the rollout of the system across health boards and local authorities in Wales at the time of reporting.
- a tool to support [our report on Rough sleeping in Wales](#), which was also supported by a series of blogs looking at the data footprints of someone sleeping rough and how public bodies need to make more intelligent use of that data.
- an updated public spending trends data tool to support some wider commentary in [a blog on using funding trends to understand the response to COVID-19](#).

Engage a wider range of audiences with the outcomes from our financial audit work, including through developing new outputs that explain, in more straightforward language, key information and trends from public bodies' accounts.

We have continued to increase our visibility and relevance over the last year by producing more modern and easily accessible products relating to our audit of accounts work. In addition to the financial data tools listed above, this includes more straightforward commentary and web-based infographics about:

- [the NHS in Wales's summarised accounts](#).
- [the Welsh Government annual accounts](#).
- [the accounts of individual Welsh councils](#).

Area of focus

What has been delivered

More closely examine arrangements for integrated and collaborative service delivery, including in relation to continuing healthcare arrangements, the provision of emergency services and the operation of Public Service Boards.

In our [Annual Plan](#), we identified several outputs that aligned with this commitment. While some timescales had to be adapted due to the pandemic, key outputs during 2020-21 have included:

- a summary of the outcomes of our examinations carried out under the Well-being of Future Generations (Wales) Act 2015, [So, what's different?](#)
- phase two of a review of partnership arrangements (through the Public Service Board lens) dealing with people sleeping rough in Wales – [Rough Sleeping in Wales – Everyone's problem; no one's responsibility](#).
- an examination of the [Welsh Community Care Information System \(WCCIS\)](#).
- work at [Denbighshire](#) and [Conwy](#) councils reviewing their pooled fund arrangements for care homes placements, which informed scoping work on a regional project looking at care home commissioning across North Wales.
- [a report on the Test, Trace, Protect programme in Wales](#), which showed how different parts of the Welsh public sector came together to quickly build a system of testing and contact tracing from scratch.
- our COVID Learning Project identified that many examples of integrated and collaborative working were brought about by the pandemic. One such example was the close working between the Association of Voluntary Organisations (Wrexham), and Wrexham County Borough Council on tackling the impact of the pandemic, [as described in our blog – Maintaining volunteering efforts during COVID-19](#).

Area of focus**What has been delivered**

Share the learning from our first round of sustainable development principle examinations and determine how we will further develop our audit approach in this area.

In May 2020, we published our first statutory report under the Well-being of Future Generations (Wales) Act 2015: So, what's different? In the report, we considered how public bodies across Wales have, to date, met their duties under the Act and what they need to do to improve.

The Future Generations Commissioner for Wales published a related report at the same time, and we had planned to jointly host a shared learning event in September for public sector leaders. Unfortunately, we decided to defer the event due to the second spike in COVID-19 cases across Wales, although we continued with our plans to share our findings with Members of the Senedd, their staff and Senedd Commission staff via a webinar. On 7 October 2020, we also jointly presented the findings of the reports to a gathering of senior Welsh Government officials.

In the second half of the year we ran a public consultation on the approach to be adopted for our sustainable development principle examinations over the next five years. Following consideration of responses to the consultation, our Annual Plan for 2021-22 includes an updated statement on our priorities in this area, which focus on the development of tools/training/guidance to support a more embedded approach, and the further development of our work examining the setting of well-being objectives.

Area of focus

What has been delivered

Place greater emphasis on the importance of sound financial management across the Welsh public finance regime, including through introducing strengthened arrangements for the audit of town and community councils.

Key outputs over the last year that relate to this focus area have included:

- an updated [NHS finances data tool](#) looking at trends in NHS finances.
- a report identifying that fraudulent activities have increased significantly during the pandemic, [‘Raising our Game’ Tackling Fraud in Wales](#).
- a report considering the [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic](#).
- a report, [Commercialisation in Local Government](#), that considered the culture, skills and systems Councils need to unlock the benefits and mitigate the risks of commercialisation.

We also introduced strengthened audit arrangements for community and town councils, based on a three-year cycle. In two out of the three years, the audit arrangements are broadly the same as those in place, up to and including 2019-20. In one year out of the three-year cycle, auditors will undertake a more detailed audit looking at individual transactions. In November 2020, a related [webinar was held to provide more detail to councils](#) on how the new arrangements will work in practice

In addition, our report on the most recently completed [National Fraud Initiative \(NFI\) exercise](#) was published in October 2020. We extended the scope of our NFI work in 2020 to enable local authorities in Wales to undertake eligibility checks on applications for COVID-19 support grants.

Area of focus

What has been delivered

Prepare an updated 'Picture of Public Services' report setting out the key challenges currently facing Welsh public services and how well they are placed to respond, to inform the work of the Senedd following the 2021 elections.

Our work on this project progressed during the year, but the timescales proved challenging in the circumstances, and the project was rescoped accordingly.

We are likely to publish the main report from this work later in 2021 but have considered a range of different outputs under the overall umbrella of this project.

These include an updated public spending trends data tool to support some wider commentary in [a blog on using funding trends to understand the response to COVID-19](#).

Other outputs from our local work in 2020-21 that relate to this focus area include our reports on:

- [NHS finances](#)
- [Commercialisation in Local Government](#)
- [Financial Sustainability of Local Government as a result of the COVID-19 pandemic](#)

Develop proposals for how we will respond through our audit work to the challenges presented by climate change, taking account of the objectives set out in our Biodiversity and Resilience of Ecosystems Plan.

We carried out some initial research and stakeholder engagement in this area and have considered the results of that work alongside our development of the approach to the Auditor General's sustainable development examinations.

We have included some specific project work around the public sector's climate change response in our 2021-22 work programme. More detailed planning is now underway. We have established an internal climate change reference group involving staff from across our audit teams to support the development of our approach.

Area of focus

What has been delivered

Through our Good Practice Exchange, extend the range of approaches used to facilitate the sharing of learning outside our core programme of seminars and webinars.

In 2020-21, the focus of our good practice work switched to the delivery of a [COVID-learning project](#), through which our staff gathered novel and other notable practice as it emerged and analysed it rapidly to draw out relevant points of learning. We worked closely with public services and alongside our audit teams right from the outset to ensure the programme remained relevant, timely and accessible. More information on this work can be found in the Case Studies section of this Report.

The development of this more flexible approach to our good practice programme will continue during 2021-22 and will be closely aligned to our programme of national value for money examinations and studies, with key themes emerging as the public sector moves into the recovery phase.

Develop a more diverse range of mechanisms for capturing the views of our stakeholders on the value and impact of our work, with an initial focus on seeking the views of Members of the Senedd.

In 2020-21, we commissioned Beaufort Research to undertake research among Members of the Senedd to understand their perceptions of Audit Wales and the value and impact of our work.

19 Members of the Senedd agreed to take part in the telephone survey, which was undertaken between 11 March and 8 April 2021.

Generally, our work was held in high regard by the Members of the Senedd that participated in the survey. Almost all felt:

- our role is vital in scrutinising how public money was spent and holding public bodies to account.
- our work has provided them with useful insight that they would not have acquired otherwise and has aided their work as Members of the Senedd.
- our work has led to improvements in the provision of public services.

The quality of, and level of detail in, our reports was widely commended, but some felt we could do more to highlight issues or areas of concern, and that it would be beneficial for us to prepare shorter summaries. Most of the Members also suggested improvements focused on raising Audit Wales' profile amongst the public so that they are more aware of our important role in auditing public bodies and scrutinising how public money is spent.

The feedback received will be used to inform our ongoing improvement work and the development of our communications strategy. We are also in the process of developing our broader approach for capturing stakeholder feedback in the future.

Area of focus

What has been delivered

Expand our audit quality management arrangements to provide further assurance that all our work is underpinned by robust evidence and rigorous analysis, and to ensure continued alignment with new international auditing standards.

In 2020, we established a new Audit Quality Committee to provide advice and support and ensure that:

- our arrangements for managing and monitoring audit quality are effective and in line with international quality standards.
- the work of the Auditor General is of an appropriate quality standard and meets the requirements set out in guidance and applicable professional standards.
- our audit quality continues to improve in line with best professional practice.

The Committee is comprised of senior staff with responsibilities for managing and monitoring the quality of our work, alongside an Independent Professional Member. That member was initially Pamela McCreedy, the former Chief Operating Officer of the Northern Ireland Audit Office (NIAO). She was succeeded in the role by Suzanne Walsh, the NIAO Director responsible for audit quality when Ms McCreedy left the NIAO to take up another senior position in the public sector.

Over the course of the year, the Committee has considered our programme for reviewing the quality of our audit work, alongside emerging plans for a new Audit Wales quality management. The outcomes of the review programme are summarised in the KPI section of this Report.

Later in 2021, we will be publishing a new public-facing Quality Report, which will contain a statement from the Chair of the Audit Quality Committee on the adequacy of our quality arrangements.

Running the business

Area of focus	What has been delivered
<p>Restructure our senior executive team to ensure better alignment with our overall ambitions and to strengthen the strategic leadership provided to staff.</p>	<p>In March 2020, we completed the restructure of our senior management team. Over the course of the year, we undertook recruitment exercises for the new roles of Executive Director of Audit Services, Executive Director of Communications and Change, and Executive Director of Corporate Services. Together with the Auditor General, the Executive Directors form a newly-constituted Executive Leadership Team.</p>
<p>Achieve a step change in how we plan for and manage major change projects, including through applying more rigorous and consistent change management practices.</p>	<p>Over the past twelve months, following the establishment of a dedicated central Change Programme Team to co-ordinate delivery and ensure a consistent approach, we have continued to take steps to improve the way all types of change projects are delivered in Audit Wales.</p> <p>This has included bringing together a prioritised portfolio of change projects, establishing a Change Programme Board to support and oversee delivery and provide resources for implementation, and building our change skills across Audit Wales.</p>
<p>Enhance our public profile by developing a more extrovert and distinctive corporate tone of voice and making ourselves more easily recognisable through adopting the umbrella identity 'Audit Wales'.</p>	<p>On 1 April 2020, we brought together the various strands of our work under the new, clearer umbrella identity of Audit Wales.</p> <p>Significant work has since been undertaken to modernise and refocus our audit reports and website content, including using visuals, data tools and interactive reporting. This has also included a more proactive use of blogs to get highlights and updates of our findings in the public domain in a timely and more accessible way.</p>

Area of focus	What has been delivered
<p>Strengthen our strategy for attracting, retaining, and developing a highly skilled and diverse workforce, with a particular focus on ensuring our processes for recruitment, talent management and successions planning are refreshed and fit-for-purpose.</p>	<p>Talent management and workforce planning is one of the key areas of focus for our updated Workforce Strategy, which was approved by the Executive Leadership Team and the Wales Audit Office Board in September 2020.</p> <p>The strategy is underpinned by a detailed Workforce Delivery Plan, progress against which will be monitored quarterly by our Executive Leadership Team and the Remuneration and HR Committee.</p>
<p>Provide ongoing support to the Senedd Finance Committee for its work on addressing the unnecessary complexity in our statutory fee charging and governance arrangements.</p>	<p>Last year, and at the beginning of this year, we provided extensive briefing to support the Finance Committee's development of a Bill to reform and simplify our statutory fee-charging and governance requirements.</p> <p>Unfortunately, the Bill would be very unlikely to pass without the support of the Welsh Government, and while the Minister had expressed her clear support for it in July 2019, the Welsh Government has subsequently reversed its position. The Committee therefore paused its work on the Bill until after the election in May 2021. We stand ready to further support the Committee once it has resumed its work on the Bill.</p>

Area of focus**What has been delivered**

Embed the sustainable development principle to a greater extent in our decision-making processes, including when undertaking a review of our staff travel and subsistence arrangements, developing proposals for meeting our future accommodation needs, and experimenting with new more efficient and smarter ways of working.

Whilst we are not one of the listed bodies for the purposes of the Well-being of Future Generations (Wales) Act 2015, we seek to apply the sustainable development principle in our operations. Work has progressed over the last twelve months on developing proposals for meeting our future accommodation needs and experimenting with new and more efficient and smarter ways of working. A review of our staff travel and subsistence arrangements is also now fully underway.

Our Board has identified three ways in which it will discharge its commitment to embedding the sustainable development principle to a greater extent in our decision-making, particularly in relation to the aforementioned projects.

- challenging the proposals, plans and strategies that come before it for decision.
- building the five ways of working into how it conducts its business.
- seeking assurances from management on the application of the five ways of working across the organisation.

Case study examples of our work

- 48 In this section, we provide case study examples of the work we delivered during 2020-21 and the impact that work has had. Our case study examples are grouped together by their alignment with our overall ambitions.



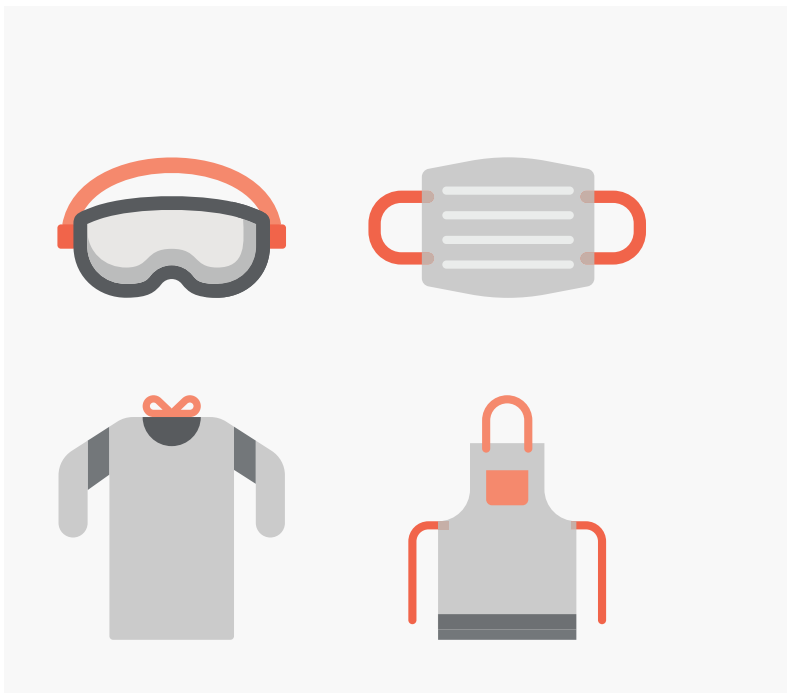
Fully exploiting our unique perspective, expertise and depth of insight

Case study 1: Rough sleeping in Wales - more than just a housing problem

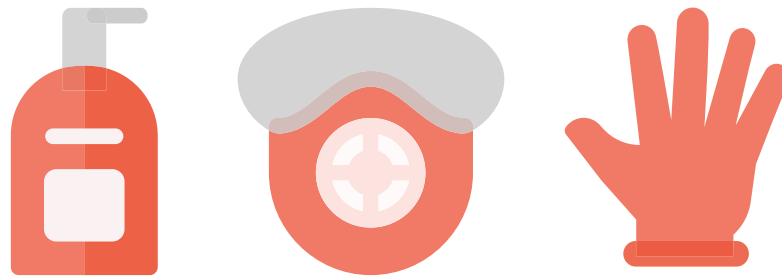
- 49 In July 2020, we published our report Rough Sleeping in Wales – Everyone’s Problem; No One’s Responsibility looking at how public bodies are working together to help people sleeping rough across Wales. As part of the review, we spoke to homeless people across Wales to try and find out more about their stories, often hearing upsetting accounts of how very young people had been let down by families and public services and put at risk.
- 50 Through detailed case study engagement work and comprehensive financial analysis, we identified the poor impact of current work on rough sleeping and how public bodies are wasting money – up to £210 million each year – by responding to, but not addressing, rough sleeping. In response, we created a self-assessment tool to assist public bodies in identifying their strengths and weaknesses in how they collectively tackle complex needs. We also published a data tool which helps explain the challenges facing people sleeping rough in Wales and the impact it has on them.
- 51 We highlight that preventing adverse childhood experiences, or at least reducing their impacts, will likely have a significant positive impact on rough sleeping. We also pointed out that the COVID-19 pandemic provides public bodies with a unique opportunity to fundamentally change how they work together to address rough sleeping. To do so, requires public bodies to not just focus on giving people a roof over their head. It needs all partners to change what they do and how they do it, which in turn will result in significant financial savings for public services and importantly, better outcomes for some of the most vulnerable people in our society.

Case study 2: Audit commentary on the response to COVID

- 52 The COVID-19 pandemic has required a crisis response on a scale unparalleled in recent times. New public services have had to be put in place at pace and existing services significantly expanded, both involving considerable amounts of public money. Over the course of 2020-21, we adapted our planned audit programme to provide timely, independent commentary on the effectiveness of this response.
- 53 In March 2021, we published an [overview of progress made to date on the Test, Trace, Protect programme \(TTP\)](#) at a local, regional and national level. We drew attention to the positive collaborative work to build a system of testing and contact tracing. We also identified that although the programme struggled to cope with early peaks in demand, it learnt and evolved quickly.
- 54 Another recent report on [Procuring and Supplying Personal Protective Equipment \(PPE\)](#) shows that NHS Shared Services, working with others, responded well in difficult circumstances to develop and maintain the national stocks for health and care workers and avoided some of the issues reported in England. Nonetheless, we cannot ignore the views expressed by some of those on the frontline about their experiences of shortages of PPE.



- 55 Both reviews identified opportunities for the public sector to improve its continued pandemic response. Our TTP report emphasised some of the learning for other programmes and future ways of working, and our PPE report made recommendations to support future pandemic planning. The messages from our work have been conveyed through the national groups and organisations leading on different aspects of the pandemic response and will be considered in due course by the Senedd Public Accounts Committee.
- 56 At the time of writing this report, we have just published [an initial overview of the vaccination rollout](#). Similar themes to the TTP programme have been identified, with opportunities to look beyond immediate priorities to consider learning for the wider immunisation programme across Wales.





Strengthening our position as an authoritative, trusted and independent voice

Case study 3: The importance of cyber resilience in the public sector

- 57 In January 2021, we produced a confidential report on 'Cyber resilience in the public sector'. Our report highlighted the critical importance of cyber resilience, given that digital technology is becoming fundamental to public service delivery.
- 58 In developing the audit, we worked with specialist external organisations including the UK Government's National Cyber Security Centre. This helped us ensure our work focused on the issues most important to public bodies in Wales, and to supplement the expertise within our own audit team.
- 59 Our work showed that cyberattacks are a common and growing threat to public bodies, and we identified scope to strengthen resilience through clearer responsibilities, better planning and increased awareness and skills.
- 60 We took the unusual step of deciding not to publish our report because of the risk of provoking further cyberattacks on Welsh public bodies. However, we shared our report securely and confidentially with public bodies, many of whom have considered it in private audit committee sessions. Our report has raised the profile of this important issue and appears to be driving improvement actions. We shared some useful information on good practice during a webinar – Cyber resilience is everybody's business (even Billy Idol!) which we ran in September 2020.

Case study 4: Detection of £8 million in fraud and overpayments

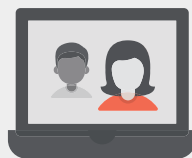
- 61 The National Fraud Initiative (NFI) exercise is undertaken every two years, matching data between organisations, systems and across national borders to help public bodies identify potential fraud or erroneous claims and transactions.
- 62 In our October 2020 report – [NFI in Wales 2018-20](#) – we reveal that a further £8 million of fraud and overpayments were identified in Wales through the latest NFI exercise, and that the cumulative outcomes since the NFI began in 1996 now total £42.9 million.
- 63 The 2018-20 NFI exercise found incorrectly awarded council tax discount totalling £4.6 million across Welsh councils. This is an average outcome of £1,003 for each case, and review of the NFI matches led to the cancellation of nearly 4,000 ineligible single person discount claims.
- 64 The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances. Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge. NFI 2018-20 resulted in the cancellation of 2,354 blue badges in Wales and identified overpayments of £1.4 million.
- 65 Through our recent NFI and counter fraud work, we also highlighted that the COVID-19 pandemic has significantly increased the risk of fraud as public bodies have needed to urgently process COVID-19 support payments, in very difficult circumstances.



Increasing our visibility, influence and relevance

Case study 5: Making sense of a crisis – capturing and sharing innovation and learning from the pandemic

- 66 Right at the start of the reporting year, it quickly became apparent that people and organisations across Welsh public services were developing novel and innovative ways of working in response to COVID-19. The crisis had forced us all to innovate and address some long-standing issues with urgency.
- 67 These unique conditions provided the opportunity for Audit Wales to try something new. Alongside our other audit work, we established a project to get alongside public services to capture information about their innovative approaches and share learning in real time. This approach was not without its challenges, but it offered enormous potential to support public sector improvement and make the most of both our own knowledge and independent perspective, and of the expertise and trusted networks we have built up across the public sector.
- 68 Over the year, we shared examples of innovation, new approaches and points of interest via a regular stream of tweets, [weekly blogs](#), fortnightly digests and periodic online webinars. Towards the end of the year, we brought all this together in a [week-long learning event](#), to reflect on the past 12 months and share further insights. A range of themes were explored during the week, both from the perspective of how public services have responded to COVID, and how the pandemic could change the way services are delivered in the future. These themes included governance arrangements, the role of communities, impacts on the workforce, and communication and engagement.



Case study 6: Maximising the impact of our financial audit work

- 69 A majority of our work involves auditing and providing opinions on the accounts of public bodies in Wales. Through our unparalleled access to large quantities of key financial data, we gain significant insights about issues facing the public sector.
- 70 We are committed to making more of this insight and knowledge, to ensure we maximise the impact of our work and add as much value as we can. In November 2020, for the first time, we published [a Commentary on the Welsh Government's Consolidated Accounts 2019-20](#). The commentary aims to engage a wider range of audiences with our work and draw out the key messages from the wealth of information contained in the accounts about finances, governance and administration.
- 71 Alongside the commentary, [we published an interactive infographic](#) with key information about where the Welsh Government's funding is sourced from, categories of spending, and associated assets and liabilities. Over the last year, we repeated this infographic approach for the accounts of NHS Wales and for each major council in Wales, making more of the information we have and reporting in a more engaging way.
- 72 Behind the scenes, our Data Analytics team has been working with audit colleagues to develop a much more data-enabled approach to our accounts audit work. Through this Analytics Assisted Audit project, we are developing mechanisms for analysing whole populations of data rather than just samples, providing additional insight while also securing some efficiencies in the way we operate.



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

Case study 7: Smarter working and our own response to COVID-19

- 73 The well-being of our employees has been at the forefront of our response to the COVID-19 pandemic. With the necessary switch to home working at the end of March 2020, there came the immediate need to provide all staff with increased flexibility to support their own well-being and that of their families and dependents. Early in 2020-21, we introduced a ‘smarter working’ policy, supported by associated toolkits, all aimed at giving staff more choice on how, when and where they work, within the context of overall business need.
- 74 Over the course of the year, we then ran regular pulse surveys to assess trends in how staff were feeling, monitor perceptions about workloads and the effectiveness of communications, and gauge colleagues’ views on returning to the office and the way they would like to work in the future. We also held periodic all-staff Zoom sessions led by the Auditor General, with other senior managers on the panel. Through these sessions, we communicated key messages in a timely way and provided opportunities for staff to engage with and ask questions to the Senior Leadership Team.
- 75 Early in the year, we also established a ‘Well-Being Action Group’ - a small group of representative staff who were tasked with developing targeted well-being initiatives in response to key themes raised through the staff voice. For example, many colleagues had reported that they missed the social contact with their colleagues and the camaraderie that accompanied working at the office. In response, the Action Group arranged some well-received ‘tea and natter’ sessions and, in the run up to Christmas, an ‘I’m an Auditor Get Me Outta Here’ set of fun weekly challenges.
- 76 Another important development was the setting up of a working parent and carer network, where members were encouraged to share their experiences on what has worked well for them in terms of balancing their home and work life.



It has been good to realise that we aren’t alone in the challenges that we face, and the support network is a great idea.



Case study 8: An expanded programme of apprenticeships

- 77 Through our graduate trainee programme, we currently employ 48 trainees studying for the ACA chartered accountant qualification. We have also recently focused our attention on providing alternative entry routes into the organisation, by establishing a range of apprenticeship opportunities. These programmes are consistent with our desire to ensure social inclusivity in our recruitment approach, as part of our higher-level ambition to be a model organisation. As of 31 March 2021, we now employ 16 apprentices across three distinct apprenticeship programmes, with individuals working in all geographical regions across Wales.
- 78 Apprenticeship options include a two-year programme of studying towards a Level 3 Business Administration award, and a three-year programme of study for a Data Science degree on day release from Cardiff Metropolitan University. Our largest intake programme is our Finance Apprenticeship, which supports study for a Level 4 qualification with the Association of Accounting Technicians (AAT).
- 79 During 2020-21, we have worked with a range of partners to extend this finance apprenticeship option beyond our own organisation. In collaboration with NHS Wales, local government, the Welsh Government and the police and fire service, we have launched an [All-Wales Public Sector Finance Apprenticeship Programme](#), which provides an attractive entry route into public finance across a range of public bodies for individuals who do not hold a degree.
- 80 It is our ambition that many of the apprentices we recruit onto the finance apprenticeship programme will subsequently go on to study for a professional accountancy qualification, helping to secure a talent pipeline of finance skills for Wales for the future.



Our use of resources

- 81 For several years, we have been working hard to embed the principle of sustainable development⁹ 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 have managed our use of resources in 2020-21.
- 82 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
- 83 In addition, we have indicated in this section (through use of the relevant icons) where our performance in 2019-20 contributed to one or more of the 17 United Nations Sustainable Development Goals¹⁰.



9 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'.

10 In alignment with HM Treasury Public sector annual reports: sustainability reporting guidance 2020-21.

Financial management and efficiencies

- 84 Financial management at Audit Wales in 2020-21 has been of paramount importance during 2020-21 as we dealt with the impact of the pandemic on our audited bodies and our own staff's ability to deliver audit work remotely to allow us to draw down the fee income required to meet our costs.
- 85 Our total expenditure for the year was almost £700,000 less than allowed for in the Estimate for the year and almost £740,000 (3%) less than we spent in 2019-20. Much of this reduction in expenditure is related to the fact that our staff were unable to travel to audited bodies during the year and some events were unable to go ahead as originally planned.
- 86 Our income was also less than allowed for in the Estimate by some £300,000 largely because of inefficiencies associated with remote working both within Audit Wales and our audited bodies.
- 87 The net impact of reduced fee income and reduced expenditure means that we are reporting an overall underspend of £360,000 against the approved resource Estimate for the year.
- 88 We are looking at how the changes to working practices made, of necessity, in 2020-21 will change how we work in the future and the opportunities to make savings on both travel and accommodation are foremost in our thinking.
- 89 We invested £229,000 of the £230,000 available capital funding in the following areas:
- £108,000 investment in the development of new audit management systems for both our financial and performance audit work;
 - £106,000 in new IT equipment, including laptops and monitors, to allow our staff to work as efficiently as possible from home; and
 - £15,000 in essential upgrade works for our offices.

Staff engagement and the employee experience

- 90 During the year we used a variety of media and mechanisms to engage with our employees, providing them with reassurance and 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.
- 91 These included:
- a weekly 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.
- 92 In October 2020, 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 fourth 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. 90% of staff completed the survey.
- 93 At a thematic level, our survey results in 2020 were mostly in line with those from the previous year and remained reasonably strong in comparison to the CSPS average. Staff generally feel a very strong attachment to the organisation, feel trusted, and feel they have the tools to get on with their job effectively. This positivity was reflected in our strong overall engagement index score of 70%. Staff views on the organisation's response to COVID-19 were also overwhelmingly positive.
- 94 At the more detailed level, responses were notably more positive this year for several important employee experience statements, including in relation to:
- a staff having clear work objectives and being motivated by their manager.
 - b senior managers being sufficiently visible and acting in a way consistent with the organisation's values.

- 95 However, some individual statement scores have notably declined in the last year in the following areas, which continue to inform our future planning priorities:
- a learning and development.
 - b change management.
 - c pay and benefits.
 - d performance management.
- 96 The [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 2021.

Health and well-being

- 97 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.
- 98 Our well-being policy is supplemented by guidance to support our commitments and ensure any staff health and well-being issues are proactively and sensitively identified and managed. We also actively promote and support staff emotional and physical health, and their well-being, including through an annual programme of events and through offering a health screening service.
- 99 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.
- 100 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 Index¹¹ and PERMA index¹² using questions in the CSPA questionnaire which have been shown as important elements of well-being.

3 GOOD HEALTH AND WELL-BEING



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

12 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](#).

- 101 One notable exception was the proportion of staff reporting high levels of anxiety, which has gradually increased over the three years we have run the survey. We will undertake further work to explore the reasons for this increase during 2020-21.
- 102 We also closely monitor rates of sickness absence and have in place a range of mechanisms for supporting successful return to work. An average of 6.1 days per employee were lost to sickness absence during the reporting year ending 31 March 2021 (compared to 5.8 days per employee for the previous year, and an average of 8.0 days for the public sector¹³).

Equality and human rights

- 103 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.
- 104 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.
- 105 Our Strategic Equality Plan outlines our continued commitment to equality and our related objectives. Our Annual Report on progress made towards delivering our equality objectives in 2019-20 is available on our website, and is accompanied by an interactive data tool presenting our workforce diversity and pay gaps data. Our report for 2020-21 will be published in summer 2021.

5 GENDER
EQUALITY



10 REDUCED
INEQUALITIES



Promoting use of the Welsh language

- 106 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 2020-21 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 2019-2022 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.
- 107 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

- 108 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.
- 109 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.
- 110 Over the course of the year and in their own time, our staff held several fundraising and donation events, including a Six Nations Championship scores and results predictor competition.

Environmental stewardship¹⁴



- 111 In 2020-21, 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 started planning for how we will contribute to achieving Wales's longer term net zero carbon goals.
- 112 As part of this commitment, to support the global reduction of greenhouse gas emissions, we offset¹⁵ all our carbon dioxide equivalent emissions (tCO₂e), including those resulting from our business travel, by supporting tree planting and deforestation prevention initiatives.
- 113 Since March 2020, virtually all Audit Wales staff have been working from home. Early in the year, we increased the capacity of our cloud systems (which provide laptop connections from home via a virtual private network) to accommodate the additional load. Alongside extensive use of videoconferencing, we worked with audited bodies to ensure secure remote access to the information systems necessary for audit. This meant most business could be done normally with greatly reduced travel.
- 114 In June 2020 we also published a Smarter Working Policy to help us embed new ways of working, focused on ensuring the well-being of staff, and providing managers with tools to support a remote workforce.

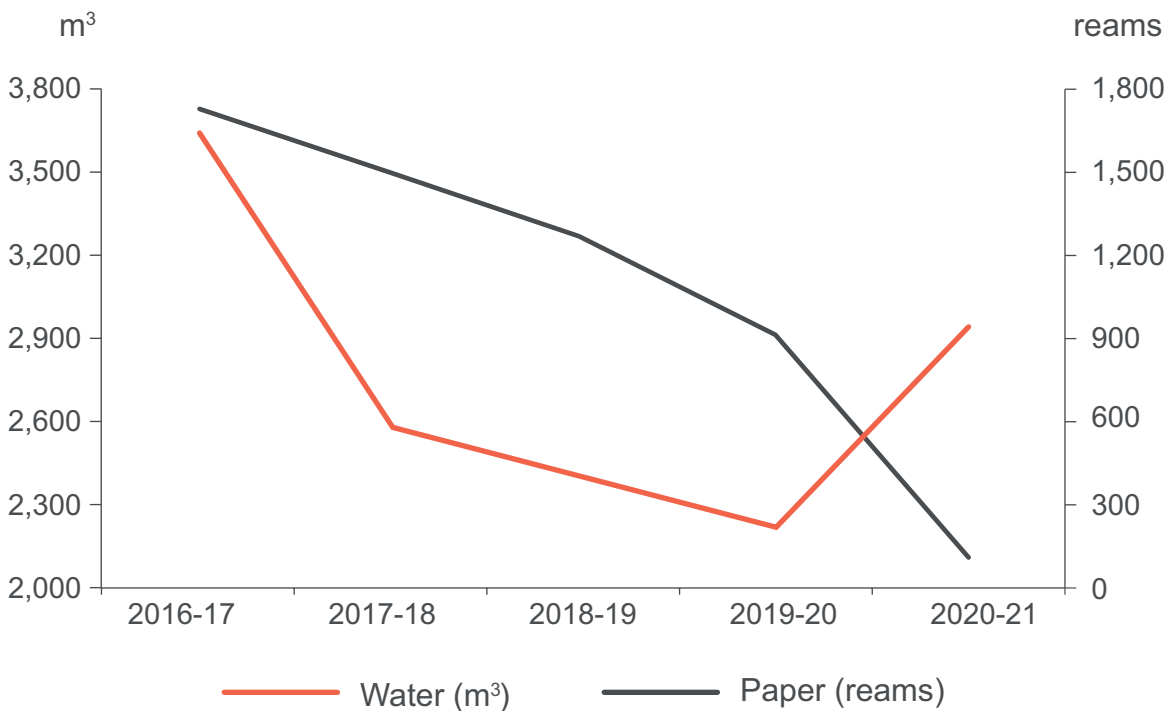
¹⁴ Prepared in accordance with HM Treasury [Public Sector Annual Reports Sustainability Reporting Guidance 2020 to 2021](#).

¹⁵ 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.

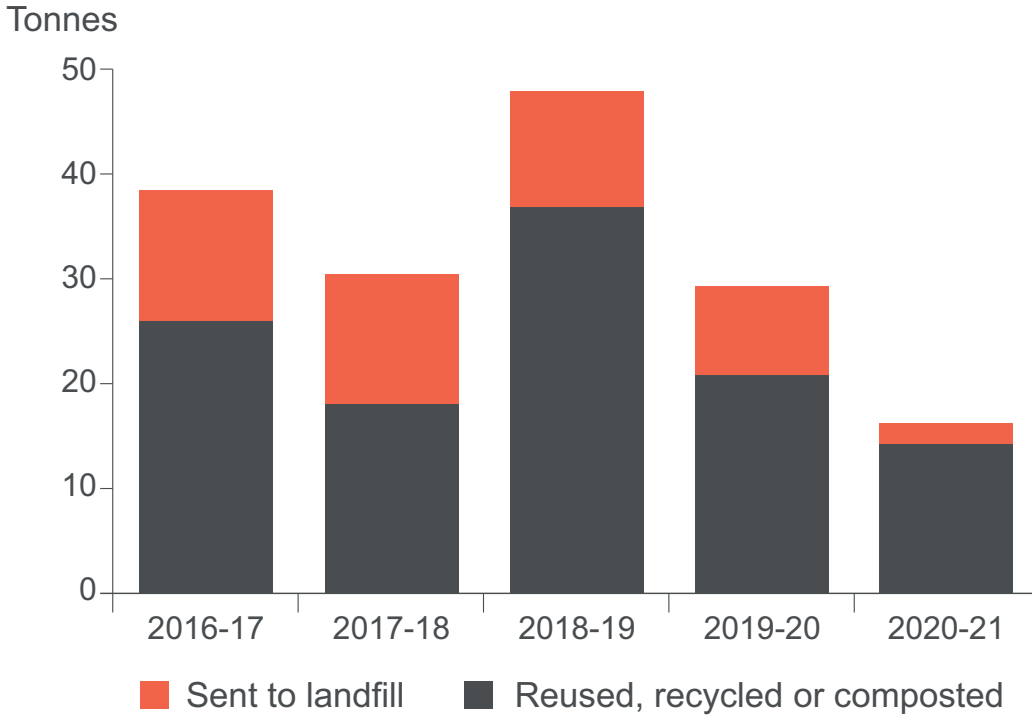
- 115 Most of our staff use laptops which combine tablet and mobile device functionality, reducing the need for the printing of meeting papers and enabling them to take notes onscreen. During 2020-21, we also purchased more software licenses to enable onscreen scanning and annotation of large documents, without having the need to print.
- 116 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 2020-21 and we will report on our progress in more detail in next year's Annual Report & Accounts, in accordance with the requirements of the Act.



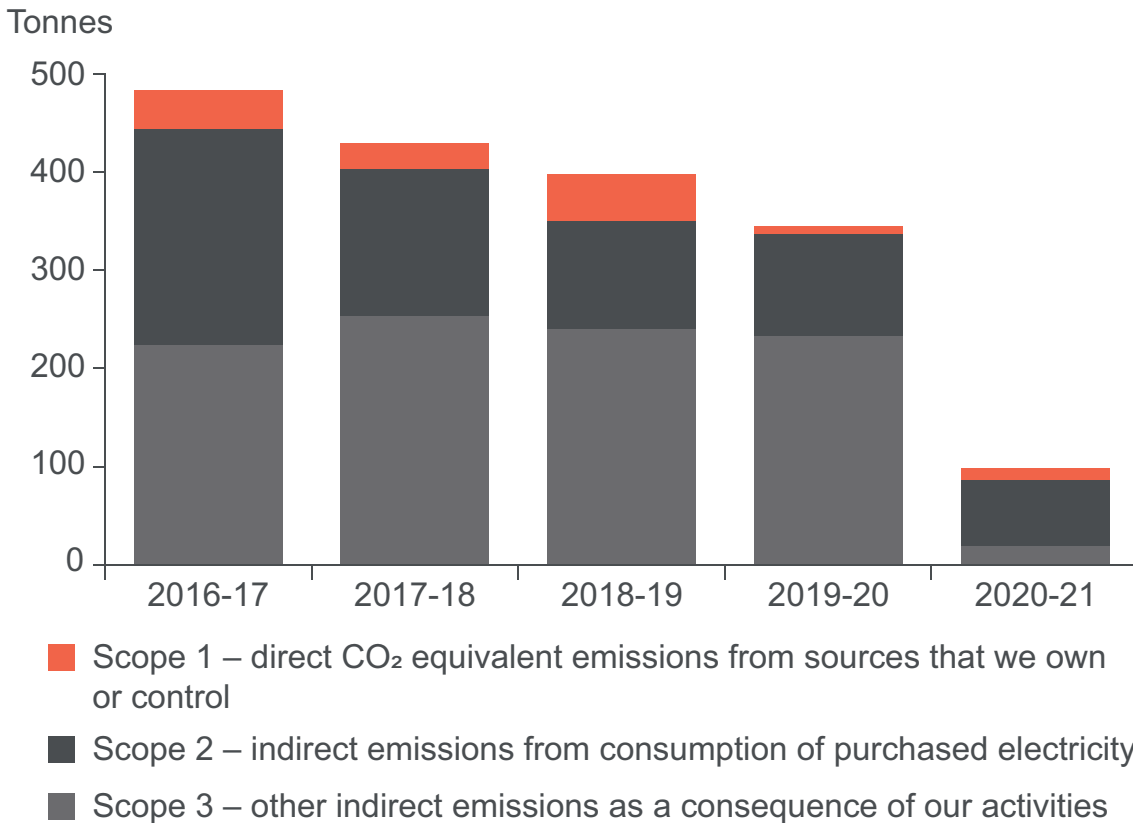
Finite resource consumption



Waste minimisation and management



Greenhouse gas emissions



Energy consumption

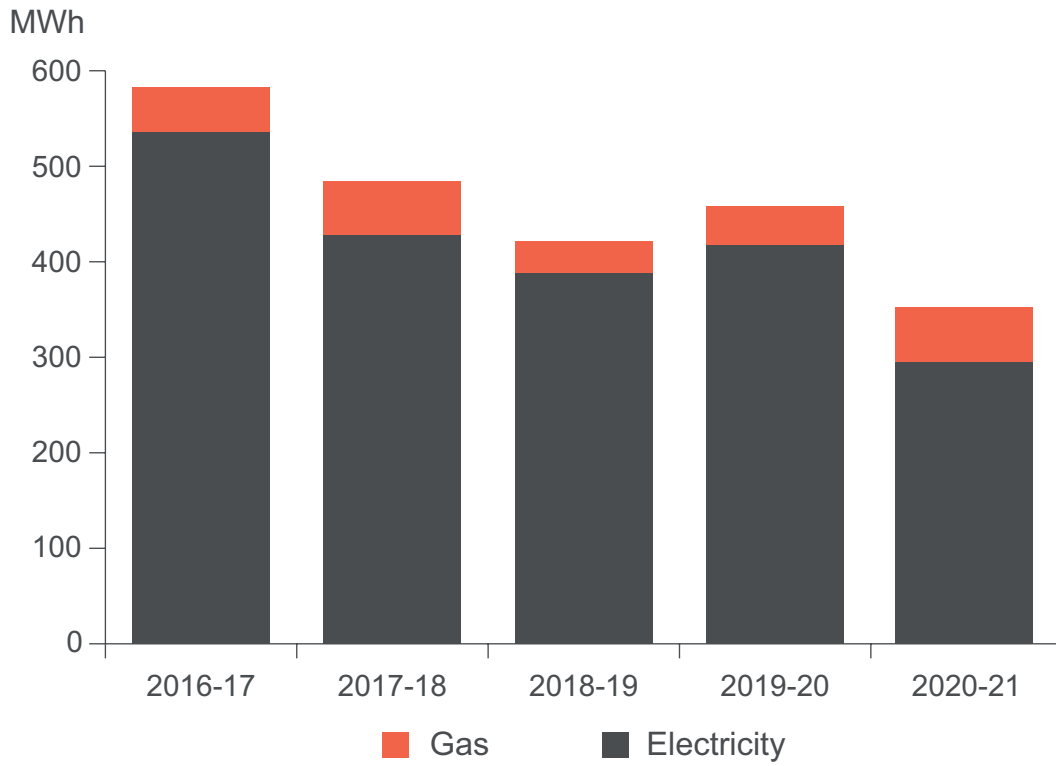


Table providing more detailed information on our environmental management, finite resource consumption and waste management over the last five years

	2016-17	2017-18	2018-19	2019-20	2020-21
Environmental management					
Level of Green Dragon accreditation	4	4	5	5	5
Finite resource consumption¹⁶					
Water consumption m ³ ¹⁷	3,650	2,586	2,398	2,225	2,622
Water consumption m ³ per FTE	13.9	10.0	9.1	8.3	9.9
Water supply costs £	6,219	3,564	4,389	4,890	5,163
Paper consumption in reams	1,725	1,496	1,263	910	110
Paper supply costs £	4,269	3,737	3,894	2,697	310
Waste minimisation and management¹⁸					
Total waste tonnes	38.7	33.2	47.9	29.5	16.2
Reused, recycled or composted	26.0	18.1	36.9	20.8	14.2
ICT waste recycled and reused (externally)	0.7	0.2	0.5	0.3	0.4
Furniture and equipment (externally)	2.6	0.0	3.8	5.4	8.7
Mixed recycling, paper, food waste, garden	22.6	17.9	32.6	15.3	5.1
Landfill	12.4	12.4	10.5	8.6	1.8
Hazardous	0.4	2.7	0.5	0.1	0.2
Reused, recycled, composted as % of total waste ¹⁹	67.0	54.5	76.9	70.9	87.5
Total disposal costs £	13,466	9,964	13,340	10,896	8,438

16 Good practice for water usage within an office is considered to be between 4 m³ and 6 m³ per Full Time Equivalent (FTE) per annum ([Greening Government Commitment targets](#)).

17 Billing periods are not aligned with the financial reporting period, so 2020-21 consumption figures are an estimate. In 2020 a leak occurred in one office during lockdown, when the building was unoccupied, and resolved during first regular maintenance visit

18 Calculated using appropriate WRAP conversion factors; hazardous waste includes ICT disposals.

19 Eighty-eight per cent for the [Welsh Government in 2018-19](#).

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

	2016-17	2017-18	2018-19	2019-20	2020-21
Greenhouse gas emissions²⁰					
Total emissions tonnes CO ₂ e	483.7	419.0	397.5	344.6	96.4
Attributable to business travel	233.2	242.1	229.0	221.7	9.5
By car	199.5	215.7	188.7	178.3	9.5
By rail and air	33.7	26.4	40.3	43.4	0.0
Attributable to energy consumption	227.8	160.7	116.1	112.0	79.0
Electricity	220.5	150.5	109.8	104.7	68.2
Gas ²¹	7.3	10.2	6.3	7.3	10.7
Attributable to other ²²	22.6	16.1	52.4	10.8	7.4
Total expenditure on business travel £000 ²³	1,232	1,204	1,205	1,148	665
Cost per FTE of business travel £	4,720	4,658	4,566	4,291	2.5
Total energy expenditure £	57,051	54,676	60,046	73,071	42,071
Efficiency of estate					
Cost per FTE ²⁴ £	3,072	3,317	3,378	3,368	3,216
Cost efficiency ²⁵ £ per m ²	287	306	318	321	305
Space efficiency ²⁶ m ² per FTE	10.7	10.8	10.6	10.5	10.5

20 Calculated in accordance with [DEFRA Environmental Reporting Guidelines](#)

21 In 2020 a gas boiler was faulty and repaired, found during a period of lockdown in winter when building unoccupied.

22 Attributable to energy transmission and distribution, waste disposal and water usage and treatment.

23 Includes costs of leased cars, transport allowances and travel and subsistence.

24 Compared to £3,428 for the Welsh Government as of 31 March 2019.

25 Including rent, rates and other costs.

26 Compared to 14.7 m² per FTE for the Welsh Government as of 31 March 2019. We include contractors in our FTE total, to ensure a like-for-like benchmarking comparison.



Accountability Report

Key statements and reports that enable us to meet accountability requirements and demonstrate compliance with good corporate governance.

Adrian Crompton
Auditor General for Wales and Accounting Officer
10 July 2021

02

Corporate governance report

Directors' report

Our Board



Adrian Crompton

Auditor General for Wales



Alison Gerrard

Non-executive member



Amanda Hughes

Elected employee 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

- 117 The exhibits in this section show the composition of the Board and Executive Leadership Team (ELT) as of 1 June 2021. For the full list of individuals that have been members of Board, its Committees, or ELT over the course of the year, please see the Attendance table in the Governance Statement.
- 118 Registers of interests for individual members of 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

- 119 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.
- 120 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.
- 121 Details of the cost of external audit services are disclosed in the Notes to the financial statements.

Statement of Accounting Officer's responsibilities

- 122 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.
- 123 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.
- 124 Additional responsibilities are described in the Memorandum for the Accounting Officer of the Wales Audit Office, issued by the Senedd.
- 125 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual, and in particular to:
- a observe the Accounts Direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b make judgements and estimates on a reasonable basis;
 - c state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
 - d prepare the accounts on a going concern basis.

- 126 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.
- 127 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

- 128 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.
- 129 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

- 130 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.
- 131 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.
- 132 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.
- 133 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.
- 134 The Board has established two committees which operate in an advisory capacity:
- a the Audit and Risk Assurance Committee comprises two non-executive Board members, an elected employee Board member and an independent external member; and
 - b the Remuneration and HR Committee comprises three non-executive members of the Board and an elected employee Board member.

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.



-
- 135 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.
- 136 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. During 2020-21, four Employee Members also attended the meetings on a rotational basis²⁷.
- 137 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.
- 138 Further information on membership of the Board and Executive Leadership Team can be found in the Directors' Report.

²⁷ The employee members had 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 2020-21, and the number of meetings attended by members of the Board and its committees, and by members of the Executive Leadership Team (ELT)²⁸ who are not Board members.

	Board	ARAC	RHRC	ELT
Number of meetings held	8	4	4	23
Members of the Board and its committees				
Adrian Crompton ²⁹	8	4	4	22
Alison Gerrard, Chair of the Remuneration and HR Committee (RHRC) ³⁰	8	2	3	
Amanda Hughes	8		4	
Anne Beegan	8	4		
Bill Richardson ³¹	3		1	
David Francis, Senior Independent Director ³²	8	2	1	
Dianne Thomas, Independent Member of ARAC		4		
Elinor Gwynn ³³	6		3	
Ian Rees, Chair of the Audit and Risk Assurance Committee (ARAC) ³⁴	6	2		
Isobel Everett ³⁵	5	2		

28 Over the course of 2020-21, we restructured our senior executive team with the aim of ensuring better alignment with our overall ambitions and strengthening the strategic leadership provided to staff.

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

30 Alison Gerrard transferred from being Chair of ARAC to Chair of RHRC on 15 October 2020

31 Bill Richardson resigned from his position of non-executive member of the Board (and Chair of RHRC) on 30 September 2020.

32 David Francis was appointed as the Senior Independent Director on 15 October 2020.

33 Elinor Gwynn was appointed as a non-executive member of the Board from 1 October 2020. Prior to her appointment, she attended two Board meetings as a Non-executive Member Elect.

34 Ian Rees was appointed as a non-executive member of the Board from 17 October 2020. On that date, he also took on the role of Chair of ARAC. Prior to his appointment, Ian attended three Board meetings as a Non-executive Member Elect.

35 Isobel Everett's second and final term of office as Chair of the Board ended on 16 October 2020.

	Board	ARAC	RHRC	ELT
Number of meetings held	8	4	4	23
Kevin Thomas ³⁶	6	4	3	21
Lindsay Foyster, Chair of the Board ³⁷	8		4	
Members of the Executive Leadership Team who are not Board members³⁸				
Anne-Louise Clark ³⁹	1	1	1	3
Ann-Marie Harkin ⁴⁰	2	1	1	20
Anthony Barrett ⁴¹	4	1		11
Clare James, Employee Member	1			8
Emma Woodcock, Employee Member				7
Harrie Clemens, Employee Member	1			7
Matthew Edwards, Employee Member				6
Mike Usher ⁴²	1			12
Steven O'Donoghue ⁴³	3	1	3	16

36 Kevin Thomas was appointed to the post of Executive Director of Corporate Services on 1 July 2020. He attended ARAC meetings in his capacity as Director of Finance.

37 Lindsay Foyster was appointed as Chair of the Board from 17 October 2020.

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

39 Anne-Louise Clark was appointed to the post of Executive Director of Communications and Change on 15 February 2021.

40 Ann-Marie Harkin was appointed to the post of Executive Director of Audit Services on 1 March 2021.

41 Anthony Barrett left Audit Wales under a voluntary exit agreement on 30 September 2020.

42 Mike Usher left Audit Wales under a voluntary exit agreement on 30 September 2020.

43 Steven O'Donoghue left Audit Wales on 7 February 2021.

Account of corporate governance

- 139 The Board receives assurance that its objectives are being met through:
- a internal management reports, performance reports and topical briefings;
 - b independent internal reports, including internal audit reports and the reports of the Audit and Risk Assurance Committee and the Remuneration and HR Committee; and
 - c external audit reports.
- 140 The level of assurance sought and provided is proportionate to the associated levels of assessed risk.
- 141 The Board is satisfied with the quality of the information it receives, although there is scope to improve both its breadth and timeliness and to ensure that the focus of the work of the Executive Leadership Team and the Board is more closely aligned; work is in hand to address these points.
- 142 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.
- 143 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 website⁴⁴.
- 144 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.
- 145 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.

44 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.

- 146 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; and
 - c the Board has not established a nominations committee, but the functions described in the Code are undertaken by the Board and the Remuneration and HR Committee.

Board performance and effectiveness review

- 147 The Board completed a self-assessment of its effectiveness and considered the results in March 2021. It measured itself as moderately to highly effective across most aspects of the assessment, but moderately ineffective for two of the Member experience statements included in the survey:
- a the Board has a good understanding of the performance of the organisation relative to other bodies where appropriate; and
 - b the Board has clearly defined relationships with stakeholders.
- 148 The Board agreed to develop an action plan in early 2021-22 to address the key areas identified for improvement, and to commission an independent review of its effectiveness later in 2021, the previous such review having been completed in 2016.
- 149 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.

- 150 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 May 2020 and, at the time of reporting, the latest round of appraisals is underway. The Senior Independent Director completes an appraisal of the Chair's performance on the same cycle.
- 151 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

- 152 The Audit and Risk Assurance Committee presented its annual report to the Board and Accounting Officer in June 2021, summarising its conclusions from the work it had undertaken during 2020-21.
- 153 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 assurance map 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, though management needs to complete the integration of fraud risks within the Wales Audit Office risk register.
 - f practical cyber security arrangements are robust but further assurance would be provided through obtaining external certification such as Cyber Essentials Plus.
 - g the internal and external auditors provide constructive challenge and positive contributions at Committee meetings.
- 154 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.

- 155 On the strength of its work during the year, the Committee made the following recommendations to the Board and the Accounting Officer.
- a the Committee should review the Assurance Framework and ensure that a revised and updated assurance map is developed which is more fully aligned to the strategic risk register, reflects the operation and ambitions of Audit Wales, and provides a robust and fit for purpose control framework.
 - b the Committee should develop a skills matrix to identify any gaps in the skills, knowledge, and experience on the Committee, particularly in specialist areas, to address any gaps identified through a suitable programme of training and development.

Report of the Remuneration and HR Committee

- 156 In 2020-21, the Committee scrutinised a broad range of issues across the full spectrum of its terms of reference. These included:
- a exploring the impact of COVID-19 on staff in terms of sickness absence and ensuring that the well-being support available to staff through the pandemic and extended period of homeworking was sufficient.
 - b developing the terms of reference for a travel and subsistence review task and finish group and actively reviewing and challenging its proposals.
 - c monitoring the capacity of the HR team both in providing transactional HR support and in its activities to support the Board's strategic ambitions captured in the Workforce Strategy.
- 157 The Committee appreciated the executive's support in considering and working through some complex issues that have a direct impact on the day-to-day activities of staff. 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.

- 158 However, the Committee considers that there is more to do to ensure that the benefits of these arrangements are fully realised, particularly through the delivery of the workforce strategy, and has made several related recommendations to the Board.
- 159 The Committee is satisfied that the self-assessment review of its effectiveness has revealed no areas of concern and there has been a smooth transition in Chairing and membership arrangements in 2020-21.

Internal auditor's report

- 160 Following a tender exercise conducted under the Crown Commercial Services Management Consultancy Framework, PricewaterhouseCoopers LLP have been appointed as the internal auditors of the Wales Audit Office for the three-year period 2018-19 to 2020-21.
- 161 The Head of Internal Audit prepared an internal audit strategy and plan for 2020-21 which was endorsed by the Audit and Risk Assurance Committee at its meeting on 26 February 2020. During 2020-21, five internal audit reports were issued by PricewaterhouseCoopers LLP.
- 162 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 2019-20 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
Covid-19 In-Flight Review	Advisory	<p>At an overall level there was a consistent view that Audit Wales had coped well during COVID-19. Our review has not identified significant gaps in crisis management and business continuity arrangements. We have outlined a number of enhancement opportunities and recommendations that Audit Wales should consider as it continues to respond to the pandemic. The recommendations are based around the following themes; Crisis Management, Scenario Planning, Navigation from Lockdown, Crisis Communications and Staff Wellbeing.</p>
Strategic Workforce Planning	Low risk	<p>Our review looked at Audit Wales Workforce Strategy and Delivery Plan. The review found that the Strategy contained the key elements which we would have anticipated to be included, however we identified two findings. The first highlighted the ambitious nature of the Strategy, and the challenging timescales Audit Wales had set itself to achieve the priorities set. The second identified that Audit Wales could specify its outcomes with greater precision.</p>
Staff Well-being	Medium risk	<p>Our review looked at the Well-being arrangements in place for Audit Wales and it was noted that emphasis on Well-being has escalated in priority since the onset of COVID. There are still challenges evident in balancing the demands of work and well-being. The main findings related to the absence of formal well-being policies and strategies to help govern Audit Wales' approach in this area.</p>

Internal audit review	Report classification	Internal audit observations
Financial Controls	Low risk	<p>Audit Wales has an informal approach to the Purchase to Pay (P2P) cycle, with a number of key controls being operated. In some instances, controls that we expected to be implemented (such as 3-way matching and system restrictions preventing invoices being over matched to purchase orders) were not in place. This is partially a reflection on system limitations at Audit Wales, but also on the size and nature of Audit Wales' P2P function: there are relatively low volumes of purchases taking place compared with other organisations.</p>
Assurance Mapping	Low risk	<p>This review assessed the assurance mapping arrangements at Audit Wales in the form of its Board Assurance Framework (BAF). The BAF identifies existing assurance sources and gaps against 'assurance areas' and is presented to A&RAC and the Board regularly. Our review noted a single medium-risk finding that the BAF would benefit from being refreshed, and a stronger cadence of annual review. Other findings identified that the BAF would benefit from greater alignment to strategic risk areas; a more robust approach to setting assurance requirements; and better standing guidance.</p>

163 In his annual statement of assurance for 2020-21, 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

- 164 We are committed to applying the best practice principles set out in the UK Government's Orange Book for the identification, evaluation and cost-effective control of risks.
- 165 Given the nature of our business, our tolerance of risk in areas of professional audit judgement, regularity, propriety and financial management is low. In other areas, such as in relation to the exchange of good practice and engaging more effectively with the public, we are prepared to accept more risk to take advantage of opportunities to pursue our ambitions.
- 166 The Board has adopted 12 assurance areas as a framework around which to structure an assurance map summarising existing controls and sources of assurance and highlighting any gaps relative to meeting the needs of the Board. For each assurance area, the Board has broadly defined its risk appetite using the classification recommended in the UK Government's Risk Appetite Guidance Note and periodically considers to what extent existing controls align with that appetite.

Assurance area	Risk appetite
Strategic direction	Open
Governance, leadership, and culture	Cautious
Operating model/approach to resource deployment	Open
External stakeholder relationships and reputation	Cautious
Workforce and people strategy	Open
Information strategy	Cautious
Stewardship of physical and ICT assets	Cautious
Effectiveness of business systems	Open
Safeguarding arrangements	Averse
Securing value for money in our use of resources	Cautious
Arrangements for monitoring the exercise of the Auditor General's functions	Cautious
Change delivery	Open

Risk management and control framework

- 167 The Board has overall responsibility for risk management and receives and considers a strategic risk register and a report which summarises any significant changes to the organisation's risk profile at each of its meetings.
- 168 The Board is supported by the Audit and Risk Assurance Committee, whose responsibilities include reviewing and advising the Board on:
- a its risk strategy, including the appropriateness of the Wales Audit Office's approach to setting its appetite for risk;
 - b the Wales Audit Office's overall risk assessment processes that inform executive decision making;
 - c the Wales Audit Office's capability to identify and manage risk;
 - d the remit of the risk management function; and
 - e management's responsiveness to risk assessment.
- 169 The Executive Leadership Team is responsible for approving and overseeing the implementation of our risk management policy and agreeing any resources needed to support this corporately, assessing and managing strategic risks, and reviewing the operational risk register every six months.
- 170 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.

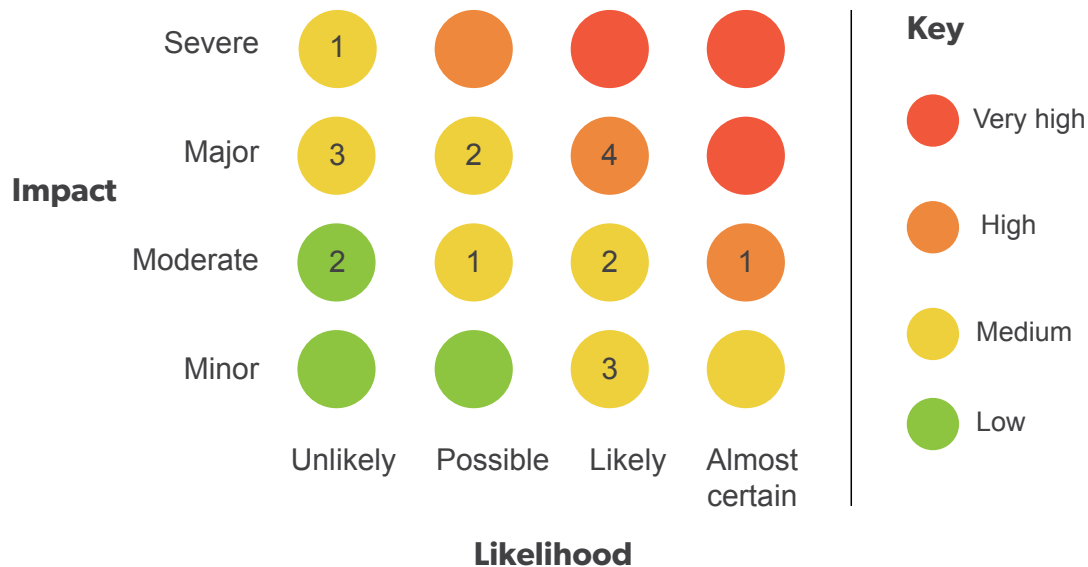
Risk assessment

- 171 At each of its meetings in 2020-21, 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 targets.
 - b described the key controls that had been put in place to mitigate risk likelihood and impact and achieve targets.
 - c provided an assessment of residual levels of risk.
 - d identified risk movements and highlighted changes that had been made to mitigating controls since the last Board meeting.
 - e summarised the content of the register through inherent and residual risk heat maps and profiles.
- 172 On 4 May 2020, the Board held a specially convened meeting focused on:
- a obtaining assurance on the effectiveness of management's response to the COVID-19 emergency.
 - b gaining a better understanding of the implications for delivery of the Annual Plan 2020-21 and the financial position.
 - c undertaking a review of the related additions to the strategic risk register.
- 173 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 business continuity being impacted by the spread of the COVID-19 virus through the UK population, including Wales Audit Office employees and their dependents.
 - b placing increased reliance on our IT and technical resilience, and how these impact on our ability to access information through using the Auditor General's statutory access rights.
 - c audit work not being delivered on time, within budget and to the required quality standards due to remote working and other changes in our operating environment.
 - d being unable to secure sufficient fee income, cash, and reduced expenditure to operate within our approved Estimate for 2020-21.
 - e the formal restructuring of the senior executive team having a negative impact on organisational delivery or having the potential to result in reputational damage.

- 174 I am satisfied that these risks, including those relevant to the COVID crisis, have been monitored and managed effectively during the year. In our Interim Report, which was published in October 2020, we provided a detailed public update on the changes we made to our Annual Plan in response to the rapidly evolving situation.
- 175 In 2020-21, the Audit and Risk Assurance Committee continued to take a role in scrutinising the assurance map and strategic and operational risk registers, including through testing individual risks and controls, 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.
- 176 Several risks were successfully managed and removed from the strategic risk register during 2020-21. The risks were either closed completely or de-escalated to the operational risk register for ongoing management by the relevant risk lead.
- 177 We also face several newly identified risks going forward into 2020-21, which have been reflected in our strategic risk register. These include risks associated with:
- a our discretionary audit programme focusing sufficiently on what matters most and will make the biggest difference to audited bodies in their future delivery of public services.
 - b the impacts of making necessary changes to the Wales Audit Office travel and expenses scheme.
 - c staff recruitment, retention and morale being impacted by the Chancellor's proposals for a public sector pay-pause.
 - d ensuring effective engagement is secured with the new Senedd Committees following the May 2021 elections.
- 178 I will continue to ensure that risks are generally well managed, that where there are weaknesses, appropriate actions are in place to tackle them, and that the Wales Audit Office's internal controls are regularly reviewed to ensure they remain effective.

The Wales Audit Office’s strategic risk profile

179 A summary of the Wales Audit Office’s strategic risk profile as of 10 June 2021 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

180 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.

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

Data protection

- 182 The protection of personal data is especially important, and during the year the organisation has continued to work to ensure compliance with data protection legislation including the UK General Data Protection Regulations (GDPR) and the Data Protection Act 2018. This work has included:
- a providing data protection training and guidance to staff across the organisation.
 - b ensuring that appropriate records are held about the personal information that is processed by the Wales Audit Office, the purposes of the processing, the legal basis for the processing, data retention and details of technical and organisational security measures.
 - c addressing compliance issues identified by the Data Protection Officer's monitoring programme.
 - d carrying out privacy impact assessments on new processes for collecting and analysing data, including, for example, new proposals for data matching work.
- 183 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.
- 184 We maintain records of information security incidents, such as unauthorised access to or accidental loss of information. All incidents in the year have been of a minor nature and we have not made any reports to the Information Commissioner's Office. We encourage staff to report as soon as they become aware of a breach and continue to work to improve our internal processes and strengthen our technical security to address potential weaknesses.

Openness and transparency

- 185 We are committed to openness and transparency in the way we operate as a business and have adopted the Information Commissioner's Model Publication Scheme. The Scheme commits us to making certain information routinely available to the public.
- 186 In the 2020-21 financial year, we received 35 requests for information, including 4 requests by individuals exercising their rights of subject access under data protection laws. We met the statutory 20-working-day deadline for the 31 requests made under the Freedom of Information Act and for 3 of the subject access requests. For the remaining request, the response was delayed due to the volume and complexity of the material concerned, coupled with resourcing constraints and the challenges of remote working⁴⁵.
- 187 We were not subject to any reviews by the Information Commissioner in 2020-21 in respect of our handling of requests.

Whistleblowing (internal)

- 188 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.
- 189 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.
- 190 In 2020-21, we had one case of disclosure of issues of concern, aspects of which appeared to meet the criteria of a protected disclosure. Our investigation of the case is not yet complete, so it is too early to comment on the results of this work.
- 191 To assess the effectiveness of our whistleblowing arrangements, we consider staff confidence in the arrangements, and what we have learned from previous disclosures.

45 We were delayed in responding to two Freedom of Information requests, and one subject access request, from the previous financial year for similar reasons.

- 192 For the fourth year running, we asked staff in our October 2020 staff survey (to which 90% 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.' Seventy-nine per cent of those that completed the survey answered 'strongly agree' or 'agree' to this question, with a further 14% responding 'neither agree nor disagree' (in the October 2019 survey, the equivalent figures were 78% and 17% respectively). While this result indicates continued extensive confidence in the arrangements, it suggests a continuing need for work to ensure that all staff are aware of and have confidence in those arrangements.
- 193 Despite staff working in isolation and remotely for most of 2020-21 due to the constraints imposed by the pandemic, we continued to prioritise awareness raising for our whistleblowing arrangements within our refresher and new starter training programmes.

Remuneration and staff report

Remuneration report

Auditor General for Wales

194 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.

195 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

	2020-21		2019-20	
	Gross salary £	Employer pension contributions £	Gross salary £	Employer pension contributions £
Adrian Crompton	150,000	45,450	147,570	44,714

Wales Audit Office Board

- 196 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.
- 197 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.
- 198 The two elected employee members were appointed by the non-executive members of the Board, following a staff ballot, in June 2018. 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.
- 199 The Auditor General and Director of Corporate Services receive no additional allowances for their Board-related duties.

The information on pages 87 to 97 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 ⁴⁶		Single total figure of remuneration	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£	£	£	£	£	£
Board Members at 31 March 2021						
Lindsay Foyster ⁴⁷ (Chair)	18,212	12,500	-	708	18,212	13,208
David Francis	12,500	12,534 ⁴⁸	-	350	12,500	12,884
Alison Gerrard	12,500	12,500	33	1,432	12,533	13,932
Elinor Gwynn ⁴⁹	6,250	-	-	-	6,250	-
Ian Rees ⁵⁰	5,712	-	-	-	5,712	-
Anne Beegan ⁵¹	4,167	4,167	-	-	4,167	4,167
Amanda Hughes ⁵⁰	4,167	4,167	-	-	4,167	4,167
Previous members of the Board						
Isobel Everett (Former Chair) ⁵²	13,575	25,000	-	5,067	13,575	30,067
Bill Richardson ⁵³	6,250	12,500	-	3,652	6,250	16,152
Total	83,333	83,368	33	11,209	83,366	94,577

46 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 Audit Wales.

47 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 Audit Wales. Her remuneration as Chair (£11,425) was met from WCF directly.

48 Including an adjustment in respect of 2018-19.

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

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

51 Anne Beegan and Amanda Hughes are employee Board members. Allowances disclosed above relate solely to Board-member duties.

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

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

Non-executive committee members

200 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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£	£	£	£	£	£
Dianne Thomas	5,000	5,000	-	700	5,000	5,700
Total	5,000	5,000	-	700	5,000	5,700

Wales Audit Office staff

201 The Wales Audit Office pay policy and details of pay ranges for all staff are available on our website.

202 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).

203 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.

204 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.

205 During 2020-21, no payments were made to previous members of staff whose remuneration would have been disclosable. (2019-20: Nil).

Single total figure of remuneration for senior managers

206 Details of the remuneration and pension interests of Director members of the Executive Leadership Team are provided in the following table. Employee members attend 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 2021			Total single figure of remuneration Bands of £5,000
	Salary ⁵⁴ Bands of £5,000	Taxable Expenses ⁵⁵ To nearest £100	Pension Benefit ⁵⁶ To nearest £1,000	
Current members of Executive Leadership Team				
Kevin Thomas	120-125	1,400	53	175-180
Ann-Marie Harkin ⁵⁷	95-100	-	56	150-155
Anne-Louise Clark ⁵⁸	10-15	-	5	15-20
Previous members of Executive Leadership Team				
Anthony Barrett ⁵⁹	60-65	-	27	85-90
Mike Usher ⁶⁰	50-55	-	28	80-85
Steve O'Donoghue ⁶¹	85-90	-	81	170-175

54 Includes gross salary and travel allowance. Travel allowance paid to Anthony Barrett (£1,675), Kevin Thomas (£837) and Ann-Marie Harkin (£3,071).

55 Being the tax-inclusive value of payments for travel to a main place of work

56 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.

57 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.

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

59 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.

60 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.

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

Year to 31 March 2020

	Salary	Taxable Expenses	Pension Benefit	Total single figure of remuneration
	Bands of £5,000	To nearest £100	To nearest £1,000	Bands of £5,000
Anthony Barrett	120-125	600	53	175-180
Kevin Thomas	120-125	14,800	54	190-195
Mike Usher	105-110	–	32	135-140
Steve O'Donoghue	95-100	–	66	160-165
Ann-Marie Harkin ⁶²	70-75	–	15	85-90
Jane Holownia (0.8FTE) ⁶³	20-25	–	53	75-80

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

62 Ann-Marie Harkin was appointed to ELT in July 2019 (full-year equivalent salary in the range 90-95). No additional remuneration was payable for her role on the Executive Leadership Team in 2019-20.

63 Jane Holownia left Audit Wales under a voluntary exit agreement at the end of June 2019 (full-year equivalent part-time salary in the range 95-100). In addition to the salary disclosed above she received a voluntary exit compensation payment of £161,333.

Pension entitlements for members of the Executive Leadership Team

208 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.

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

	Accrued pension at pension age as at 31 March 2021	Real increase in pension at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Kevin Thomas	65-70	2.5-5	1,151	1,079	32
Ann-Marie Harkin	35-40 plus a lump sum of 95-100	2.5-5 plus a lump sum of 0-2.5	796	726	42
Anne-Louise Clark	0-5	0-2.5	4	0	3
Anthony Barrett	55-60	0-.25	1,041	990	18
Mike Usher	50-55 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0-2.5	975	927	19
Steve O'Donoghue	50-55	2.5-5	817	754	54

Cash Equivalent Transfer Value (CETV)

- 210 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.
- 211 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

- 212 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

213 We are required to disclose the relationship between the highest paid Director in Audit Wales and the median remuneration of our workforce.

214 Total remuneration includes salary and travel allowance. In the case of the highest paid Director it also includes taxable expenses. It does not include employer pension contributions, severance payments or the CETV of pensions.

	2020-21	2019-20
Band of highest paid director's total remuneration (£'000)	120-125	135-140
Median total remuneration based on full-time equivalent staff	£46,780	£45,569
Range of total remuneration	£18,726 ⁶⁴ -£124,709	£16,381-£137,473
Remuneration ratio	2.67	3.02

215 In 2020-21, no employees received remuneration more than the highest paid director (2019-20: none).

216 For transparency, the Auditor General's total remuneration of £150,000 (excluding pension contributions) represented 3.21 times the median total remuneration for Audit Wales (2019-20: £147,570, ratio: 3.24).

Off payroll engagements

217 We had no contracts during 2020-21 which met the HM Treasury definition of off-payroll engagements (2019-20: none)⁶⁵.

64 Work placement.

65 Not subject to audit.

Redundancies, early retirements and severances

- 218 Voluntary-severance arrangements are operated in accordance with the Civil Service Compensation Scheme and workforce planning requirements.
- 219 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 Director Team 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 & HR Committee and final approval by the Board.
- 220 The cost of the scheme in 2020-21 was £430,012 (2019-20: £638,687). From 2019-20 this cost includes employers' national insurance contributions for payments over £30,000.
- 221 The agreed exits will deliver savings estimated at £125,000⁶⁶ annually (2019-20: £322,000). Payback will be achieved within twenty-two months after allowing for delayed recruitment to replacement roles.
- 222 During 2020-21, eight employees (2019-20: nine) agreed approved exit packages as detailed below.
- 223 One member of staff retired early on health grounds during the year (2019-20: none).
- 224 There were no compulsory redundancies in 2020-21 (2019-20: none).

Number of exit packages by cost band

	2020-21	2019-20
Less than £25,000	2	3
£25,001-£50,000	2	2
£50,001-£100,000	4	2
£100,001-£150,000	-	1
£150,001-£200,000	-	1
Total	8	9

66 Not subject to audit.

Staff report

Senior leadership

225 The following table details the number of senior staff by pay band at 31 March 2021.

	31 March 2021	31 March 2020
Band A (£98,664-£122,275)	3	2
Band B (£84,659-£109,291)	-	2
Band C (£75,418-£93,890)	6	7
Total	9	11

Staff numbers

226 The average number of Audit Wales staff employed during the year increased by three reflecting the partial transfer in of work previously carried out by contractor firms. From April 2021, all audit work will be carried out by Audit Wales staff.

	2020-21	2019-20
Average number of full-time equivalent, UK-based, permanent staff employed during the year	200	195
Average number of full-time equivalent, UK-based, staff on fixed-term contracts employed during the year	63	62
Audit and inspection contractors (average number of full-time equivalents in year)	3	6
Total	266	263

Staff and associated costs

	2020-21	2019-20
	£'000	£'000
Staff salaries	11,866	11,477
Seconded-in staff	-	74
Short-term contract staff	111	242
Non-executive committee remuneration	63	63
Social security costs	1,354	1,356
Pension costs (PCSPS)	3,130	3,097
Pension costs (stakeholder pensions)	40	49
	16,564	16,358
Travel allowance and leased cars	642	638
Subscriptions ⁶⁷	66	83
	17,272	17,079
Audit and inspection contractors	185	135
	17,457	17,214
Redundancy, early retirement and severance costs ⁶⁸	124	888
Less monies received in respect of outward secondments	(31)	(372)
	17,550	17,730

Bought-in services⁶⁹

	2020-21	2019-20
	£'000	£'000
Payments to private accountancy firms	573	679
Research and other consultancy costs	242	222
	815	901

67 Fees for the membership of professional bodies, eye tests and health screening.

68 Includes in year payments and partial release of provision created in 2019-20 (See Note 11).

69 Exclusive of VAT.

227 These costs relate to services that directly relate to audit, inspection, advice or research functions. In 2020-21, they also included bi-annual costs associated with the National Fraud Initiative.⁷⁰

228 Consultancy costs⁷¹ include:

- £158,000 in respect of payments to the Cabinet Office for costs associated with the National Fraud Initiative.
- £30,000 for audit quality assurance.

229 In 2019-20 and 2020-21 our external auditors carried out a value for money review on our travel scheme. Expenditure incurred on this in 2020-21 was £11,000 and is included within other consultancy costs. (2019-20: £24,000)

The following information on pages 97 to 101 in the Remuneration and Staff Report is not subject to audit

Staff policies, equality and diversity

230 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.

231 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.

232 Our Strategic Equality Plan outlines our continued commitment to equality and our related objectives. Our annual Equality Report for 2019-20 provides information on employment matters such as diversity issues and equal treatment in employment. Our report for 2020-21 will be published later in 2021 and this will include details of the gender pay gap for the year.

233 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.

70 Not subject to audit.

71 Not subject to audit.

Staff composition (number of persons employed at 31 March 2021)

	Male	Female	No data
Directors	7	2	9
Other employees	115	145	260
Total	122	147	269

Sickness absence

	2020-21 Days	2019-20 Days
Average working days lost per member of staff	6.1	5.8
• Due to short-term absence	4.2	3.9
• Due to long-term absence (periods \geq 21 days)	1.9	1.9

234 Staff sickness levels increased very slightly during 2020-21 to just above our target of six days – this despite the impact of the COVID pandemic. This overall sickness level is 1.9 days less than the Chartered Institute of Personnel and Development (CIPD) benchmark⁷².

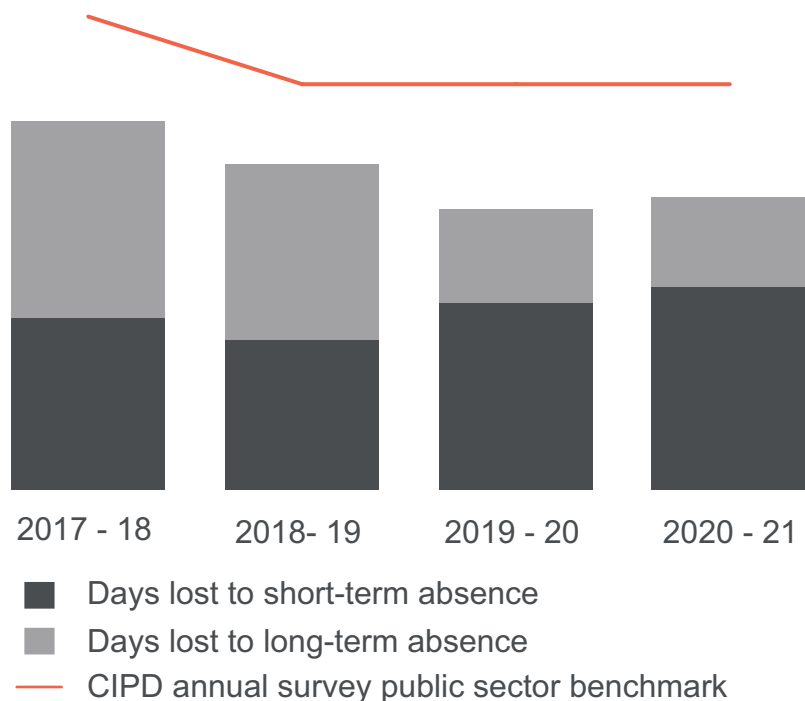
235 To help our employees manage their health, we have in place Health Screening⁷³, annual flu vaccinations, an Employee Assistance Programme, Mental Health Champions, and a programme of well-being awareness events.

236 During 2020-21, acknowledging the impact of the pandemic on staff well-being, we put in place additional well-being support and stressed a mantra of 'self, family, work' for all staff.

72 Mean of 8.0 days per employee per year for those public service organisations that responded to [the 2020 CIPD Health and Well-Being at Work Survey](#).

73 Health screening paused in 2020-21 due to the impact of the COVID pandemic.

Staff sickness absence 2016-17 to 2019-20

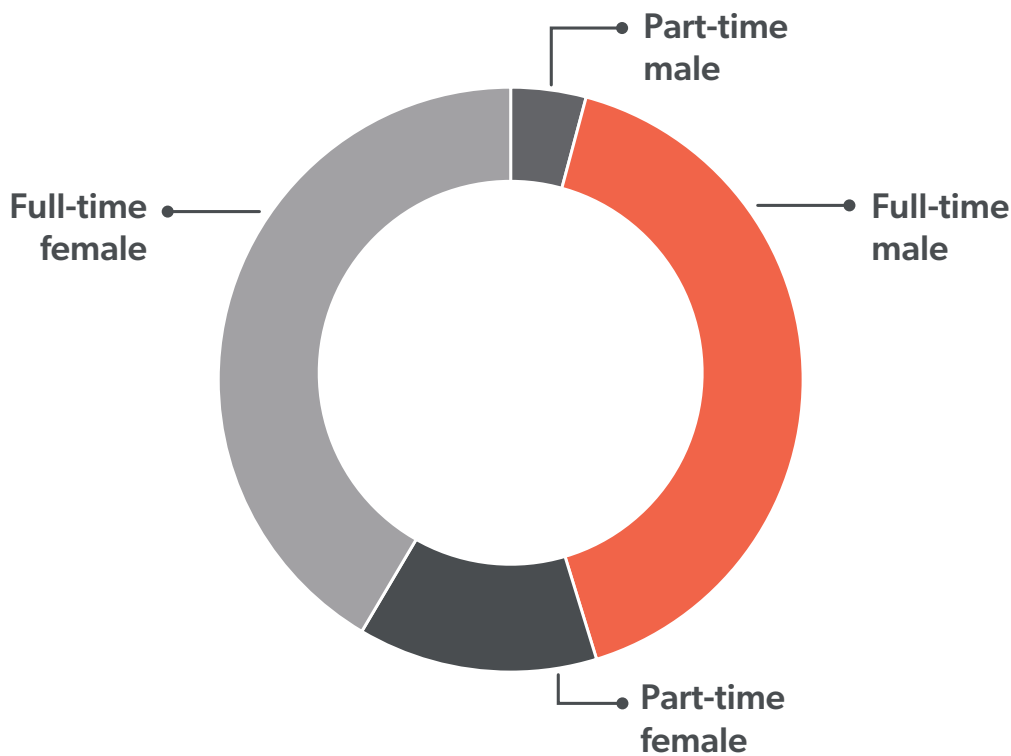


Our workforce

	2020-21	2019-20
	%	%
Working patterns		
Part-time employees as a percentage of the total	17.1	18.5
• For men	0.9	0.8 ⁷⁴
• For women	24.0	27.7
Employment contract type		
Percentage of staff on permanent contracts	76.0	75.9 ⁷⁵
Turnover		
Annual staff turnover rate percentage	9.23	14.3

74 Restated to correct error in 2019-20.

75 Restated to correct error in 2019-20.



- 237 The proportion of part-time employees has reduced by 1.4% as compared to 2019-20.
- 238 For men, the proportion of part time employees has increased very slightly; for women there is a reduction of 3.7%. The overall reduction can be explained in part by the added flexibility available to staff working from home; in particular, time savings associated with commuting and travel during the working day.
- 239 The percentage of staff on permanent employment contracts remains broadly the same and is mainly made up of graduate trainees and apprentices on fixed-term training contracts.
- 240 Our annual staff turnover rate in 2020-21 has reduced to 9.23%. 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.

Trade Union Facility Time

- 241 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 employee⁷⁶.
- 242 For 2020-21 this equated to an allocation of 160 days for trade union activities. In 2020-21 actual time spent was the equivalent of 139.4 days.
- 243 Data on time and costs in 2020-21 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 2020-21	Full-time equivalent employee number
4	4.0

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	£53,073
Total pay bill	£16.488m
Percentage of total pay bill spent on facility time	0.3%

76 Based on average 266 FTE employees.

Resource out-turn and auditor's report

Summary of resource out-turn 2020-21

The information on pages 102 to 106 is subject to audit.

244 This statement provides a comparison of the Estimate⁷⁷ for 2020-21, as voted by the Senedd, with actual income and expenditure for the year.

Summary of resource out-turn 2020-21

Note		2020-21 Estimate			2020-21 Out-turn			2019-20 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		
SORO1	Revenue	22,263	(14,270)	7,993	21,595	(13,962)	7,633	(360)	7,561
SORO1	Capital	230	—	230	229	-	229	(1)	188
SORO1	Total Resources	22,493	(14,270)	8,223	21,824	(13,962)	7,862	(361)	7,749
SORO 2	Net cash requirement	—	—	8,443	-	-	7,173	(1,270)	7,982

77 Supplementary Estimate 2020-21.

- 245 Arising from the operations of the Wales Audit Office for the financial year 2020-21:
- the net total out-turn on revenue resources was £360,000 less than the approved net resources of £7,993,000;
 - the out-turn on capital spend was £1,000 less than the approved capital budget of £230,000; and
 - the balance of cash held by the Wales Audit Office (£1,270,000) is shown as being due to the Welsh Consolidated Fund (WCF).
- 246 An explanation of cost efficiency at the Wales Audit Office is provided in the financial management summary on **page 49**.
- 247 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: reconciliation of net resource out-turn to net cash requirement

	Estimate	2020-21 Out-turn	Variance	2019-20 Out-turn
	£'000	£'000	£'000	£'000
Revenue resources	7,993	7,633	(360)	7,561
Capital resources	230	229	(1)	188
Adjustments				
Non-cash items (depreciation and loss on disposal of asset)	(280)	(283)	(3)	(261)
Movements in working capital other than cash:				
• Increase/(reduction) in receivables and work in progress	500	(866)	(906) ⁷⁸	543
• (Increase)/reduction in payables and deferred income		(3)		219
• Reduction/(increase) in provisions		463		(237)
Income in excess of estimate	–	-	-	(31)
Total net cash requirement	8,443	7,173	(1,270)	7,982

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

	2020-21 Out-turn	2019-20 Out-turn
	£'000	£'000
Total revenue resources	7,633	7,561
Income in excess of estimate	-	(31)
Total comprehensive net expenditure	7,633	7,530

78 Variance applies to net movements in working capital as compared to Estimate.

Note SORO3: analysis of net resource out-turn 2020-21

2019-20 Out-turn £'000		2020-21 Estimate £'000	2020-21 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
Expenses					
16,420	Staff costs	16,645	16,317	(328)	Includes release of provision set aside in 2019-20 for the potential costs of the senior team restructure.
377	Contractor staff	311	296	(15)	
1,083	Travel and subsistence	1,200	665	(535)	Costs relate to travel allowance only as most staff were unable to travel due to COVID pandemic.
938	Accommodation	940	862	(78)	Our offices were closed for most of the year in line with government guidance and hence savings made on utility costs.
810	Private-sector firms (incl VAT)	598	684	86	Additional costs incurred due to remote working.
530	Balance of irrecoverable VAT	500	461	(39)	Linked to reduced expenditure on non-staff costs.
408	ICT	546	575	29	Additional costs incurred due to remote working.
295	Governance Arrangements	300	295	(5)	
259	External training	289	279	(10)	
219	Legal and professional fees	180	138	(42)	Reduced demand for legal advice.
105	Translation of documents	145	70	(75)	Savings associated with changes to the way we report our work.
49	NFI data collection	130	158	28	Increased Cabinet Office charges.

2019-20 Out-turn £'000		2020-21 Estimate £'000	2020-21 Out-turn £'000	Variance £'000	Reason for significant variances against the Estimate
843	Other costs	955	795	(160)	Includes savings associated with changes to working practices associated with the COVID pandemic.
–	Savings target 2020-21	(476)	-	476	Savings identified across other budget heads.
22,336	Total Expenses	22,263	21,595	(668)	
	Income				
(13,556)	Audit fees	(13,400)	(13,009)	391	Impact of COVID pandemic on our ability to complete audit work although all statutory deadlines were met.
(1,240)	Grant certification fees	(870)	(913)	(43)	Work is demand led.
(10)	Other income	-	(40)	(40)	Includes furlough income for contractor staff
31	Income in excess of estimate	-	-	-	
(14,775)	Total income	(14,270)	(13,962)	308	
7,561	Net revenue resources	7,993	7,633	(360)	
188	Capital resources	230	229	(1)	

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

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

250 Any special payments and disclosable losses in 2020-21 are disclosed in **Note 14** to the Financial Statements.

Independent auditors' report to the Senedd

Opinion of financial statements

- 251 We certify that we have audited the financial statements of the Wales Audit Office for the year ended 31 March 2021 under Schedule 1 of the Public Audit (Wales) Act 2013. These financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and related notes. We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.
- 252 The financial reporting framework that has been applied in their preparation is HM Treasury directions issued under the 2013 Act.
- 253 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 2021 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

- 254 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.
- 255 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

- 256 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.
- 257 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.
- 258 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

- 259 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

- 260 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.
- 261 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 twelve months from when the financial statements are authorised for issue.
- 262 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

- 263 The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Wales Audit Office and the Auditor General for Wales are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
- 264 In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.
- 265 We have nothing to report in this regard.

Opinion on other matters

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

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

- 267 As explained more fully in the Statement of the Accounting Officer's responsibilities set out on **page 63**, the Wales Audit Office and the Auditor General for Wales are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- 268 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.
- 269 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

- 270 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.
- 271 A further description of our responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of our auditor's report.

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

- 272 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.
- 273 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.
- 274 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.
- 275 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.

- 276 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 20/21) which applies international financial reporting standards as adopted by the European Union (IFRSs). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.
- 277 The most significant laws and regulations that have an indirect impact on the financial statements is 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 laws and regulations, inspected committee minutes and reviewed financial statement disclosures for any potential breaches.
- 278 The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were 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 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 Auditors report support the year end recognition criteria and testing the accuracy and reliability of data upon which management has relied.
- 279 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

280 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

281 This report is made solely to the 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 Senedd for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
24 June 2020
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 2021

		2020-21	2019-20
	Note	£'000	£'000
Expenditure			
Staff and associated costs	Staff report ⁷⁹	17,550	17,730
Bought-in services	Staff report	815	901
Other operating costs	3	3,230	3,705
		21,595	22,336
Income			
Audit fee income	1	(13,922)	(14,796)
Other operating income	2	(40)	(10)
		(13,962)	(14,806)
Total comprehensive net expenditure for the year		7,633	7,530

The notes that follow on pages 120 to 138 form part of these financial statements.

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

⁷⁹ Staff costs note on page 96 of the Remuneration and Staff Report.

Statement of financial position at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Property, plant and equipment	4	390	517
Intangible assets	5	235	162
		625	679
Current assets			
Trade receivables and work in progress	6	2,375	3,002
Other receivables	7	508	580
Cash and cash equivalents	8	1,270	1,604
		4,153	5,186
Total assets		4,778	5,865
Current liabilities			
Trade and other payables	9	(2,051)	(2,043)
Deferred income	10	(2,353)	(2,191)
Provisions	11	(367)	(824)
WCF	SORO	(1,270)	(1,604)
Total current liabilities		(6,041)	(6,662)
Total assets less current liabilities		(1,263)	(797)
Non-current liabilities			
Provisions	11	(646)	(652)
Total non-current liabilities		(646)	(652)
Total assets less liabilities		(1,909)	(1,449)
Taxpayers' equity			
General fund		(1,909)	(1,449)
Total taxpayers' equity		(1,909)	(1,449)

The notes that follow on pages 120 to 138 form part of these financial statements.

The financial statements on pages **115 to 138** were approved by the Wales Audit Office Board and authorised for issue on 10 June 2021 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a horizontal line underneath it.

Adrian Crompton
Auditor General for Wales and Accounting Officer

10 June 2021

Statement of cash flows for the year ended 31 March 2021

		31 March 2021	31 March 2020
	Note	£'000	£'000
Cash flows from operating activities			
Comprehensive net expenditure		(7,633)	(7,530)
Adjustments for non-cash transactions:		283	261
depreciation, amortisation and loss on disposal of assets	3		
(Decrease)/increase in provisions	11	(463)	237
Changes in working capital			
(Decrease)/increase in trade receivables, work in progress and other receivables	6,7	699	(543)
Increase/(decrease) in trade and other payables	9	8	(74)
Increase /(Decrease) in deferred income	10	162	(145)
Net cash outflow from operating activities		(6,944)	(7,794)
Cash flows from investing activities			
Purchases of property, plant and equipment	4	(96)	(158)
Purchases of intangible assets	5	(133)	(30)
Net cash outflow from investing activities		(229)	(188)
Cash flows from financing activities			
WCF		8,443	9,586
WCF repaid		(1,604)	(1,776)
Net financing		6,839	7,810
Movements in cash and cash equivalents		(334)	(172)

The notes that follow on pages 120 to 138 form part of these financial statements.

Statement of changes in taxpayers' equity for the year ended 31 March 2021

	£'000
Balance at 31 March 2019	(1,901)
Changes in taxpayers' equity 2019-20	
Total comprehensive net expenditure	(7,530)
WCF finance	9,586
	155
Due to WCF	(1,604)
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)

The notes that follow on pages 120 to 138 form part of these financial statements.

Notes to the financial statements

283 These financial statements have been prepared in accordance with the 2020-21 Financial Reporting Manual (FReM), issued by the relevant authorities.

Basis of preparation

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

285 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.

286 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.

287 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.

288 The Wales Audit Office was not liable for corporation tax in 2020-21.

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.

See Note 11 for more information.

New accounting standards

- 289 The Wales Audit Office discloses accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements.
- 290 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 FReM is delayed until 2022-23. The anticipated impact for the Wales Audit Office is disclosed in **Note 12 – Leases**.

Note 1 (a): operating segments

- 291 From 2020-21, we have changed the way that we report costs across our operating segments. Our new management structure of Audit Services, Corporate Services and Communications and Change only came into place fully in February 2021, so for 2020-21 we have split costs between Audit Services and Corporate Costs.
- 292 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.
- 293 Corporate costs include the direct staff costs of the former divisions of Finance and HR and Corporate Services. They also include the costs of office accommodation and ICT provision.
- 294 Segmental reporting has been re-stated for 2019-20 to reflect this change.
- 295 From 2021-22 we will show costs attributable and allocated where costs cannot be directly attributed across the three new operating segments and re-state 2020-21 accordingly.

2020-21

	Audit Services	Corporate Costs	Total
	£'000	£'000	£'000
Audit fees ⁸⁰	(13,922)	-	(13,922)
Other income	(38)	(2)	(40)
Total income	(13,960)	(2)	(13,962)
Staff costs	14,713	2,837	17,550
Non-staff costs	1,277	2,768	4,045
Total Expenditure	15,990	5,605	21,595
Net Expenditure	2,030	5,603	7,633

2019-20 (Re-stated)

	Audit Services	Corporate Costs	Total
	£'000	£'000	£'000
Audit fees	(14,796)	-	(14,796)
Other income	-	(10)	(10)
Total income	(14,796)	(10)	(14,806)
Staff costs	14,579	3,151	17,730
Non-staff costs	1,394	3,212	4,606
Total Expenditure	15,973	6,363	22,336
Net Expenditure	1,177	6,353	7,530

80 See note 1(b)

Reconciliation to Statement of Resource Out-turn

	2020-21	2019-20
	£'000	£'000
Net expenditure per Note 1	7,633	7,530
Income in excess of Estimate	-	31
Net revenue resources	7,633	7,561

Note 1 (b): Analysis of audit fee income

	2020-21			2019-20		
	Financial Audit	Performance Audit	Total	Financial Audit	Performance Audit	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Local Government Audit	(5,410)	(2,367)	(7,777)	(5,505)	(2,636)	(8,141)
Local Government Grant Certification	(913)	-	(913)	(1,240)	-	(1,240)
NHS Audit	(1,888)	(1,396)	(3,284)	(1,974)	(1,342)	(3,316)
Central Government Audit	(1,948)	-	(1,948)	(2,099)	-	(2,099)
	(10,159)	(3,763)	(13,922)	(10,818)	(3,978)	(14,796)

- 296 Fees charged for audit work are set in accordance with a Fee Scheme agreed by the Finance Committee of the Senedd.
- 297 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. Audit work has a single performance obligation which is satisfied over time and the Wales Audit Office are entitled to recover the costs of work completed to date at any stage of the audit.
- 298 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**).
- 299 Funding from the WCF is not direct government grant and is credited directly to taxpayers' equity.

Note 2: Other operating income

	2020-21	2019-20
	£'000	£'000
Other operating income ⁸¹	(40)	(10)
	(40)	(10)

Note 3: Other operating costs

	2020-21	2019-20
	£'000	£'000
Accommodation		
• Rent lease costs	457	492
• Other accommodation costs	405	446
Supplies and services ⁸²	1,539	1,641
Recruitment	103	33
Depreciation and amortisation ⁸³	283	258
Professional fees		
• Internal audit services	42	42
• External audit services	45	47
• Other professional fees	54	46
Staff travel and subsistence	23	445
Staff learning and development	279	255
	3,230	3,705

81 Includes CJRS (furlough) income for seasonal contract staff, charges for advice provided, rebates and recharges for training costs.

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

83 Includes £5,000 loss on disposal of assets.

Note 4: Property, plant and equipment

	Furniture and fittings £'000	Information technology £'000	Office equipment £'000	Total £'000
2020-21				
Cost				
At 31 March 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 31 March 2020	1,096	477	83	1,656
Provided 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 31 March 2020	243	197	77	517
Asset financing				
Owned	187	150	53	390

	Furniture and fittings	Information technology	Office equipment	Total
	£'000	£'000	£'000	£'000
2019-20				
Cost				
At 31 March 2019	1,336	611	169	2,116
Additions	26	63	69	158
Disposals	(23)	–	(78)	(101)
At 31 March 2020	1,339	674	160	2,173
Depreciation				
At 31 March 2019	1,049	359	136	1,544
Provided in period	67	118	25	210
Disposals	(20)	–	(78)	(98)
At 31 March 2020	1,096	477	83	1,656
Net book value				
At 31 March 2020	243	197	77	517
At 31 March 2019	287	252	33	572
Asset financing				
Owned	243	197	77	517

300 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.

301 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 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

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

Note 5: Intangible assets⁸⁴

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

84 Mainly computer software.

	£'000
2019-20	
Cost	
At 31 March 2019	542
Additions	30
At 31 March 2020	<u>572</u>
Amortisation	
At 31 March 2019	362
Provided in period	48
At 31 March 2020	<u>410</u>
Net book value	
At 31 March 2020	162
At 31 March 2019	<u>180</u>
Asset financing	
Owned	162

- 303 Intangible assets are stated at amortised historic cost. The assets are amortised on a straight-line basis over the shorter of the term of the licence or five years. Amortisation is calculated from the date that the asset commences its useful life.
- 304 In the opinion of the Accounting Officer, there is no material difference between the net book value of assets at current values and at their depreciated cost. An annual assessment of impairment is carried out to confirm that this remains the case.

Note 6: Trade receivables and work in progress

	31 March 2021	31 March 2020
	£'000	£'000
Trade receivables		
• Central Government	66	240
• Local Government	514	666
• NHS	308	874
• External to government	7	87
Work in progress		
• Central Government	813	746
• Local Government	577	389
• NHS	90	-
	2,375	3,002

Trade receivables

- 305 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.
- 306 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.
- 307 There were no impairment losses on any receivables in 2020-21. (2019-20: nil.)
- 308 There are no material amounts falling due after one year included in the above figures.

Work in progress

- 309 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 2021 £'000	31 March 2020 £'000
Prepayments and accrued income ⁸⁵	504	579
Loans to employees ⁸⁶	4	1
	508	580

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

Note 8: Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Balance at 1 April	1,604	1,776
Net change in cash and cash equivalents	(334)	(172)
Balance at 31 March	1,270	1,604

	31 March 2021 £'000	31 March 2020 £'000
Current account (Government Banking Service)	1,270	1,604
	1,270	1,604

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

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

85 Mainly advance payments for rent and other property related costs.

86 Cycle to work scheme.

Note 9: Trade payables and other current liabilities

	31 March 2021 £'000	31 March 2020 £'000
Trade payables (due within one year)	9	192
VAT	205	41
Taxation and social security costs	345	358
Accrual for holiday entitlement not yet taken ⁸⁷	666	521
Other accruals ⁸⁸	826	931
	2,051	2,043

313 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 2021 £'000	31 March 2020 £'000
Deferred income	2,353	2,191
	2,353	2,191

314 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.

87 Based on individual holiday anniversaries.

88 Includes £340,000 in respect of invoices paid post year-end, and £319,000 in respect of pension contributions for March 2021 paid in April 2021.

Note 11: Provisions for liabilities and charges

	Dilapidations⁸⁹	Early retirement and severance	Senior Team Restructure	Total
	£'000	£'000	£'000	£'000
As at 31 March 2020	652	165	659	1,476
Provided in-year	-	367	-	367
Utilised in-year	-	(165)	(362)	(527)
Released in-year	(6)	-	(297)	(303)
As at 31 March 2021	646	367	-	1,013

Analysis of expected timing

	Dilapidations	Early retirement and severance	Senior Team Restructure	Total
	£'000	£'000	£'000	£'000
Not later than one year	-	367	-	367
Later than one year and not later than five years	646	-	-	646
Later than five years	-	-	-	-
	646	367	-	1,013

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

316 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.

⁸⁹ We use HM Treasury's discount rate as set out in PES(2020) 12 for balances of zero to five years of -0.02% to calculate this balance.

Dilapidations

- 317 The dilapidations provision represents an estimate of the costs we may incur in making good its leased properties at the end of the leases.
- 318 This has been built up through an annual dilapidations charge, calculated by applying an annual dilapidation rate to the floor area of leased assets.
- 319 Dilapidations liabilities relating to the cost of restoring alterations made to leased buildings are accounted for by means of a provision set aside in the year that the cost was identified.

Early retirement and severance

- 320 The early retirement and severance provision represents the future liability in respect of members of staff who are contractually committed to leave under redundancy, early retirement and severance schemes. Staff will leave Audit Wales in 2021 under terms agreed in 2020-21.

Senior Team Restructure

- 321 In February 2020 the Auditor General commenced a formal consultation period to restructure the Senior Director Team with final restructure proposals being confirmed in April 2020.
- 322 As the existing roles of Assistant Auditor General and Sector Lead were two of the roles at risk and, in line with the Wales Audit Office's Restructure and Redeployment, Early Exits and Redundancy policies, expressions of interest in voluntary exit were invited from affected staff.
- 323 Mutually agreed exits for Anthony Barrett (Assistant Auditor General) and Mike Usher (Sector Lead) were approved by the Remuneration and HR Committee on 19 March 2020 and the costs provided for in 2019-20. The exits took effect on 30 September 2020.
- 324 Two further roles were also impacted by the restructure – the Director of Corporate Services and the Director of Finance and Human Resources and provision was made in 2019-20 for the potential redundancy costs if existing post holders were not successful in being appointed to a new role.
- 325 In the event, this provision was not required and was released in the year.

Note 12: Operating leases

Aggregate minimum lease payments – operational offices

	31 March 2021		31 March 2020	
	£'000	Number of properties	£'000	Number of properties
Within one year	464	3	464	3
Between two and five years	503	3	942	3
Over five years	-	-	26	1
	967		1,432	

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

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

- Cardiff 25 March 2023
- Penlleger 18 April 2022
- Abergele 21 March 2026 (Break clause at September 2023)

328 HMT have recently confirmed that IFRS16 issued in January 2016, will not now become effective until 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 assets⁹⁰ and lease liabilities of £0.96 million.

90 Our leased offices.

Note 13: Capital commitments

329 There were outstanding capital commitments at 31 March 2021 of £3,520. (31 March 2020: £4,474).

Note 14: Losses and special payments

330 There were no reportable losses or special payments made in 2020-21. (2019-20: nil)

Note 15: Derivatives and financial instruments

331 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.

332 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.

333 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.

334 Financial assets and liabilities are valued at actual cost in pounds sterling.

Liquidity risk

335 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.

336 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

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

Foreign currency risk

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

Credit risk

339 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

340 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 2021 (31 March 2020: nil).

Note 16: Related party transactions

341 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.

342 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 87**).

Note 17: VAT

343 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

1 Local audit work

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

Public body	Audit of accounts	Local performance audit work ⁹¹	Well-being of future generations work
Senedd Commission	✓		
Welsh Government	✓		✓
8 Welsh Government sponsored bodies	✓		✓ ⁹²
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	✓	✓	✓ ⁹³
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	✓ ⁹⁴		

91 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.

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

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

94 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 Committee and other Senedd committees.

During 2020-21, 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>Findings from the Auditor General's sustainable development principle examinations</u>	<u>10 Opportunities for resetting and restarting the NHS planned care system</u>
<u>Ensuring value for money from Rural Development Grants made without competition</u>	<u>Better law making: the implementation challenge</u>
<u>Rough sleeping in Wales – everyone's problem; no one's responsibility</u>	<u>Commercialisation in local authorities.</u>
<u>Raising the game – tackling fraud in Wales</u>	<u>Local government – financial sustainability</u>
<u>The refurbishment of Ysbyty Glan Clwyd – Betsi Cadwaladr University Health Board</u>	<u>National Fraud Initiative</u>
<u>Cracking the code: management of clinical coding across Wales</u>	<u>Welsh Community Care Information System (WCCIS)</u>
<u>Covering teachers' absence – follow-up</u>	<u>Commentary on the Welsh Government Consolidated Accounts 2019-20</u>
<u>Preparations for the end of Brexit transition</u>	<u>Providing free school meals during lockdown</u>
<u>NHS Wales Finances Data Tool⁹⁵</u>	<u>Cyber resilience in the public sector⁹⁶</u>
<u>Procurement and supply of PPE during the Covid-19 pandemic – emerging findings</u>	<u>Doing it differently. Doing it Right? Governance in the NHS During the COVID-19 Crisis</u>
<u>In-sourcing the Welsh Government's ICT service</u>	<u>Test, Trace, Protect in Wales: an overview of progress to date</u>

95 There were multiple data outputs under this broad umbrella, considering the 2019-20 outturn position for individual NHS bodies, the 2019-20 NHS Wales summarised accounts and the 2020-21 mid-year financial position for NHS bodies.

96 Taking account of the possible risk of provoking cyber-attacks, we decided to distribute the report privately to audited bodies rather than publishing it on our website.

Work commenced in 2020-21 and in progress

- Procuring and Supplying PPE for the COVID-19 Pandemic
- Collaborative arrangements for managing local public health resources
- Unscheduled care, data tool
- Administration of student finance
- Warm homes programme – Arbed and Nest
- Welsh Health Specialised Services
- Picture of Public Services
- General Equality Duty
- Financial resilience of local government
- At Your Discretion – Local Government Discretionary Services
- Welsh Government grants management
- Curriculum reform
- COVID-19 vaccination programme
- Town Centre Regeneration
- Direct payments
- Emergency services collaboration
- Orthopaedic services
- Welsh Government workforce
- Supporting NHS staff wellbeing

3 Supporting effective scrutiny and accountability

Supporting the work of the Public Accounts Committee and other Senedd Committees

Our work in 2020-21 continued to play a key role in supporting the work of the Public Accounts Committee 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 26 meetings of the Committee (held via a video communication platform).

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 2020-21, this has included:

- oral and written evidence to the Finance Committee on implementation of the Wales Act 2014 and operation of the fiscal framework.
- written evidence to the Children, Young People and Education Committee on the Curriculum and Assessment (Wales) Bill.
- written evidence to the Committee on Senedd Electoral Reform on capacity of the Senedd.

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

Throughout the last year, we have been unable to attend in person (as would normally have been the case) most meetings of the audit and scrutiny committees of the principal bodies that we audit. However, most public bodies in Wales were swift to adapt to the challenges of the situation and we now routinely attend such meetings using video communication platforms.

We continued to provide briefings and reports on our audit work together with advice and support to strengthen governance effectiveness. Emphasis was also placed on providing updates on the changes we made to our work programmes in response to the COVID-19 situation and on raising awareness of the key outcomes from that work.

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 2020-21, we received 83 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 28 individuals contacted us between 1 April 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 2020-21 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 provided 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 disclosures⁹⁷.
- 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 2020-21, 28 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 9 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.

Of the 9 apparently qualifying disclosures, in 7 cases the relevant audit team reviewed the matters raised, but they were not found to amount to substantive matters on which the Auditor General would need to report or take other action. In the other two 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 two cases, this information may lead to the identification of issues meriting significant examination.

⁹⁷ 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.



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