

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru

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Dear Peredur

External audit contract

I am writing to advise you that the Wales Audit Office Board approved a one year extension to the contract with RSM for external audit services at its meeting on 18 March 2026. The contract will now be extended until 2 November 2027, and there is an option to extend for a further two years until 2 November 2029.

I have set out below the background to the initial contract award, and the rationale for its extension.

Background to contract award

The WAO Audit & Risk Assurance meeting of 13 September 2022 considered the case to recommend a supplier for external audit services which the WAO Board endorsed at its meeting on 27 September 2022. The WAO Board recommended appointing RSM as WAO's external auditor, for an initial four-year period commencing on 2 November 2022, including a right for WAO to extend the term annually up to a total duration of 7 years.

The Finance Committee, acting under delegated authority from Senedd Cymru, subsequently appointed RSM as the WAO's external auditor. It also agreed that contract extensions could be approved by the WAO without further approval from the Finance Committee.

The External Audit Services to Wales Audit Office contract cover:

- Statutory audit of the Wales Audit Office's Accounts and laying documents before Senedd Cymru;

- Value for money (VFM) examinations at the request of Senedd Cymru, the Wales Audit Office or the Finance Committee; and
- Briefings and other requirements associated with the contract.

The contract was awarded to RSM following an open procedure in accordance with regulation 27 of the Public Contracts Regulations 2015, in line with requirements set out by Senedd Cymru.

The contract was awarded for an initial 4-year period, with the option to extend annually up to a maximum of 7 years.

Background to, and rationale for, contract extension

The cumulative value of the contract to date is around £240,000 and contract extension will take that to around £300,000.

The Executive Director of Corporate Services and Head of Finance have completed a review of the contract and confirmed they are satisfied with the supplier's overall performance and consider the service relationship to be stable and reliable to meet our on-going needs. There had no concerns about extending the contract for a one-year period and the following other factors informed their recommendation to the Board:

- There has been significant turnover in the Finance Team and the process for tendering for auditors, as well as the potential for a change of auditor, could lead to unnecessary disruption.
- If we were to retender, pursuing an open procedure which would be lengthy and require significant levels of resource, and given satisfaction with current service levels, would not represent good use of public money.
- Last time we tendered, whilst we had five initial expressions of interest, we only had one formal tender, and our understanding is that the external audit market is not significantly more buoyant.
- The long-standing Audit Manager for RSM left in January 2026; whilst the Audit Partner will remain, we have no experience of the replacement Audit Manager and so extending by only one year gives some flexibility if current service levels are not maintained.

- The EDCS has spoken with the Audit Partner informally who would be happy to extend the contract or to bid to work with Audit Wales again if we decided not to extend the contract.
- Key risks and compliance requirements relating to the extension are summarised below:
 - Extension is permitted under the terms of the contract.
 - No conflicts of interest identified.
 - Operational risk low with extension; continuity risk high if not approved.

If you have any comments or queries on this decision, please do not hesitate to contact me.

Yours sincerely



DR IAN REES
Chair, Wales Audit Office