



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

24 Cathedral Road / Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 20 320500
Fax / Ffacs: 029 20 320600
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Ms Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

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Dear Jocelyn

FINANCE COMMITTEE'S LEGACY – BUDGET PROCESS

Thank you for your letter dated 17 November, and for providing us with the opportunity to comment on the Committee's arrangements for budget scrutiny, and its overall impact.

We have felt well engaged with the Finance Committee, in terms of its consideration of our budget (the Estimate) and related documents (Fee Scheme, Annual Plan, Interim Report, and Annual Report & Accounts). We have found the level of scrutiny provided by the Committee to be challenging and constructive, and this has helped us to strengthen our overall approach.

The liaison arrangements with the Committee clerks have generally worked very well; we are provided with sufficient notice to ensure that bilingual documents are ready in time for laying, and to ensure that witnesses are available to give evidence to the Committee. We welcome this constructive approach to getting the most out of the governance and scrutiny processes.

The questions raised by the Committee are generally clear and insightful, and help to inform future iterations of the Estimate, as we can provide appropriate detail and narrative to support the Committee in its deliberations. This includes the Committee's request to provide details of our 3 year capital programme in the

Estimate, which aligns with our medium term approach to business planning. Our Annual Plan includes all the in-year planning information required under section 25 of the Public Audit (Wales) Act 2013, but also includes information relating to our 3 year priorities, outlining how we propose to prioritise and strengthen our programmes of work in the medium term, and allowing us to better communicate our longer term view of how the effectiveness of public sector audit in Wales can be enhanced.

We have welcomed the timely response of the Committee, both in terms of written requests for further information, and reporting the outcome of its consideration of the documents listed above, and the clear and constructive recommendations made.

We recognise that we have all been on a learning curve in respect of the requirements of the Public Audit (Wales) Act 2013, and we have identified scope to improve communication. We wrote to you on 19 June 2015 setting out some of the difficulties we are experiencing with the practical application of the Act, having spent some considerable time in identifying and then suggesting practical ways in which those difficulties could be addressed through amendments to the Act. We were subsequently advised on 24 July 2015 that the Minister for Finance and Government Business had written to you on 16 December 2014, setting out a very clear view that there was no need to make any changes to the Act. The earlier communication of this position would have avoided the unnecessary effort made in making the proposals in our letter of 19 June.

Going forwards, the new Finance Committee may find a briefing session on the Act useful, similar to the one we ran for the current Committee on 30 April 2014, which provided information on our approach to fee setting, and which outlined the complexity and implications of the way in which the WAO is financed.

We feel there may be scope to improve the timing of the consideration of some of the documents listed above. The Estimate, Fee Scheme, and Annual Plan all relate to the same period, but the statutory timetable for their production differs, and so they are considered by the Committee at separate times. Furthermore, the Annual Report & Accounts and Interim Report relate to different time periods, but they are considered by the Committee at the same meeting. We have sought to align the timing of the consideration of our documents wherever possible, including through providing the Estimate and Fee Scheme to the Committee for its consideration simultaneously this year. However, there may be further benefits through adopting a more strategic approach, whereby the Committee considers our rolling three year business plan, rather than the Annual Plan, alongside our Estimate and Fee Scheme each year, and then considers our Annual Report & Accounts separately.

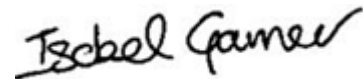
Aligned with the comments above about our rolling three year business plan, there would be merit in adopting a longer term approach to budget approval through the Estimate process. By providing greater certainty for WAO and AGW in terms of funding, we would in turn be able to provide greater certainty to fee paying bodies which would support improved longer term financial management as has been recommended in a range of our reports in recent years.

We have provided further information in response to the specific questions raised in your online survey.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES



ISOBEL GARNER
CHAIR, WALES AUDIT OFFICE