

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Explanatory memorandum



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



Explanatory memorandum to the Finance Committee regarding the variation of the estimate of the Wales Audit Office for the year ending 31 March 2018

Submitted to the Finance Committee of the National
Assembly for Wales for consideration under Standing
Order 20.35.

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Overview

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the National Assembly. The responsible committee must examine that estimate and lay it before the National Assembly after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2017-18 was included in the Welsh Government Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 10 January 2017 following scrutiny by the Finance Committee.
- 3 Further to evidence provided to the Finance Committee on 3 November 2016, the Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2018.

Purpose of this Explanatory Memorandum

Introduction

- 4 The budget motion authorised the Wales Audit Office to retain £15.154 million of accruing resources, generated through fees charged to audited bodies and a grant from Welsh Government, and supplied a further £6.906 million of other resources in support of our expenditure plans for the year. Together, this £22.060 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 5 The Estimate for 2017-18 was predicated on the receipt of £460,000 Wales Programme for Improvement (WPI) grant from the Welsh Government to part fund the research and development and programme management associated with our performance audit work in Local Government. Paragraph 25 of our Estimate raised the potential that if this grant was reduced or removed we would need to return to Finance Committee to replace this funding. Given that during 2017-18 it became apparent that the Welsh Government proposals for the use of the grant are at odds with the Auditor General's independence, as set out in section 8(1) of the Public Audit (Wales) Act 2013, we have mutually agreed with Welsh Government that they will no longer provide us with this grant.
- 6 However, we do still need to undertake the research and development work for the Auditor General's all-Wales performance audit work, including the development of audit methods, risk assessment tools and benchmarking of performance information across Wales. Without replacing at least part of the Welsh Government's funding, we will be unable to sufficiently resource the Auditor General's programme. The grant also funded the preparation of summary national reports, but the Auditor General will no longer produce those. Having reassessed resourcing needs for the current year in light of the discussions with the Welsh Government and adjusting the quantum of work undertaken, we now seek an increase in resource from the Welsh Consolidated Fund of £325,000 for 2017-18.
- 7 In the absence of additional funding from the Welsh Consolidated Fund, we would need to pass on the costs to our audited bodies which will necessitate a revision to the Fee Scheme 2017-18, approved by Finance Committee in February 2017, and result in unplanned increases to fee charges for the current year.
- 8 Our Estimate for 2018-19 includes £280,000 to fund this work from the Welsh Consolidated Fund for future years.
- 9 We continue to have regular dialogue with the Welsh Government which may lead to specific pieces of commissioned work by agreement, but there is currently no certainty around that. Should it arise we would resource it through securing additional contractor capacity.

- 10 This Explanatory Memorandum sets out the adjustments required to the Wales Audit Office Estimate for 2017-18.

Adjustments to revenue and capital budgets

- 11 As explained above, the Wales Audit Office is seeking to increase its requirement for revenue resources by £325,000 for 2017-18 to fund the research and development and programme management associated with our performance audit work in Local Government. Further detail is provided in [Appendix 1](#).

Table 1 – The budget changes required are set out in Table 1.

	Approved Estimate 2017-18 £'000	Supplementary Estimate 2017-18 £'000	Revised Estimate 2017-18 £'000
Revenue resource	6,526	325	6,851
Capital resource	380	-	380
Accruing resources	15,154	(460)	14,694
Total expenditure	22,060	-	21,925

Net cash requirement

Table 2 – The changes to our net cash requirement are set out in Table 2.

	Approved Estimate 2017-18 £'000	Supplementary Estimate 2017-18 £'000	Revised Estimate 2017-18 £'000
Net request for resources – revenue and capital	6,906	325	7,231
Non-cash adjustment - depreciation and accruals	(200)	-	(200)
Net cash requirement from the WCF	6,706	325	7,031

Summary

- 12 **Table 3** provides a summary of the revised capital and revenue resources and net cash requirement on approval of this supplementary estimate.

Table 3 – Summary of resource and cash requests

	Resource request £'000	Net cash requirement £'000
Revenue resource	6,851	6,651
Capital resource	380	380
Total	7,231	7,031

Appendix 1

Wales Audit Office Income and Expenses 2017-18 (revised)

Budget Heading	Year to 31 March 2018 (Revised) £'000	Year to 31 March 2018 (Estimate) £'000
Expenses		
Staff costs	15,411	15,411
Contractor staff	735	870
Travel and subsistence	1,299	1,299
Private sector firms (including VAT)	874	874
Accommodation	938	938
ICT	399	399
Balance of irrecoverable VAT	390	390
Wales Audit Office Governance Arrangements	300	300
External training	255	255
Legal and professional fees	201	201
Translation of documents	145	145
Other costs	598	598
EXPENSES TOTAL	21,545	21,680
Income		
Audit fees	13,288	13,288
Grant certification fees	1,406	1,406
WPI grant from the Welsh Government	0	460
INCOME TOTAL	14,694	15,154
Total revenue budget to be funded by WCF	6,851	6,526

Appendix 2

Summary of the 2017-18 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 ('the 2006 Act'), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending

31 March 2018, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in [Table 1](#) below.

Table 1 – Summary of the estimated 2017-18 budget requirements

	£'000
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	6,851
• Capital	380
Accruing resources from fees and charges for audit and related services (excluding for local government audit, assessment and inspection work); other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, provision of administrative and professional and technical services; recoveries of costs of seconded staff; repayments of staff loans; recoveries of car leasing payments; and interest received on working balances for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	14,694
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	7,031

Table 2 provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2018.

Table 2 – Reconciliation of resource requirement to cash drawing requirement from the Consolidated Fund

	£'000
Net request for resources – revenue and capital	7,231
Net working capital adjustments	(200)
Net cash requirement	7,031

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