

**National Assembly for Wales**  
Public Accounts Committee

Report on the estimate of the income and  
expenses of the office of Auditor General  
for the year ending 31 March 2013

November 2011



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# 1. Introduction

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1. In accordance with Standing Order 20.21<sup>1</sup>, and the requirements of the *Government of Wales Act 2006*<sup>2</sup>, the Auditor General for Wales ('the Auditor General') presented his estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2013 to the Public Accounts Committee Task and Finish Group on 11 October 2011<sup>3</sup>.

2. Following consideration of the estimate by the Task and Finish Group, the Auditor General agreed to withdraw one element of that estimate, relating to the funding of a new Human Resources (HR)/payroll system. This is the version of the estimate laid before the Assembly.<sup>4</sup>

3. There are three elements of the Auditor General's estimate that the Public Accounts Committee ('the Committee') considers and that require authorisation by the Assembly. They are:

- the amount of resources that may be used in the financial year by the Auditor General;
- the amount of resources accruing to the Auditor General that may be retained by him (rather than paid into the Welsh Consolidated Fund); and
- the amount that may be paid out of the Welsh Consolidated Fund to the Auditor General.

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<sup>1</sup> [Standing Orders of the National Assembly for Wales, July 2011](#)

<sup>2</sup> [The Government of Wales Act 2006 \(c.32\)](#)

<sup>3</sup> [Auditor General for Wales, \*Estimate of income and expenses of the Office of Auditor General for the year ending 31 March 2013\*, October 2011](#)

<sup>4</sup> [Auditor General for Wales, \*Estimate of income and expenses of the Office of Auditor General for the year ending 31 March 2013\*, November 2011](#)

## 2. Resources

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4. In the first version of his estimate presented to the Task and Finish Group on 11 October 2011, the Auditor General made a resource request of £4.850 million for 2012-13. This is £553,000 or 10.2% less, in cash terms, than his estimate for 2011-12.
5. The 2011-12 estimate included a supplementary request for £550,000 to part-fund a voluntary severance scheme, which was approved by the Committee.
6. If this £550,000 is excluded, the reduction in resources requested between 2011-12 and 2012-13 is £3,000 or 0.1%, in cash terms.
7. Following consideration by the Committee on 18 October 2011, the Auditor General agreed to reduce his resource request for 2012-13 by £110,000 - further information on this is set out in paragraphs 15-18 of this report.
8. His total net resource request is now £4.740 million for 2012-13. This is £663,000 or 12.3% less than his estimate for 2011-12. Excluding the supplementary request outlined in paragraph 5 above, the reduction in resources between 2011-12 and 2012-13 is £113,000 or 2.3%, in cash terms.
9. In his estimate, the Auditor General stated that, in recognition of cost pressures faced by audited bodies, he intended to continue to seek to reduce his audit fees, in addition to those reductions made over the last 2 years.<sup>5</sup>
10. In his estimate and as part of his evidence to the Task and Finish Group on this point, he emphasised that this further reduction in fees of “up to 5%”<sup>6</sup> needed to reflect “an increasingly risk-based targeting of our work”, and that any such reduction would depend upon bodies demonstrating that they were “working satisfactorily” and which “have internal arrangements in place that can be trusted.”<sup>7</sup>

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<sup>5</sup> Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2013, November 2011, Para 11

<sup>6</sup> Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2013, November 2011, Para 11

<sup>7</sup> RoP, Public Accounts Committee Task and Finish Group, 11 October 2011, Para 24 (see also, Para 5)



11. He also stated that fee income from health bodies in Wales has already fallen by “roughly a quarter” as a result of the restructuring of the NHS in Wales<sup>8</sup>. However, he said he had not made any provision for possible changes to the organisation of local government as he considered “the chances of that happening within the financial year we are looking at are very remote”, so would be unlikely to affect the finances of the Wales Audit Office (WAO) for 2012-13.<sup>9</sup>

### **Areas of uncertainty identified by the Auditor General**

12. The Auditor General told the Task and Finish Group that there were several “areas of uncertainty” that he had not provided for in his estimate because they could not be quantified at this time. These were:

- the on-going negotiations with HMRC in respect of the WAO’s Value Added Tax status;
- costs that might fall on the WAO as a result of forthcoming collaboration and audit legislation and any resultant additional or amended statutory powers and duties; and
- costs associated with the abolition of the Audit Commission. On this last point, he said the four UK auditors’ general planned to meet in November to discuss how existing collaborative work involving the Audit Commission should be taken forward after its abolition.<sup>10</sup>

13. He said he may have to make a future request for supplementary resources if the outcome of any of these events resulted in additional costs to the WAO.

14. Finally, he said that he had included provision in his estimate for £40,000 in 2012-13 for development and maintenance costs for a Wales-specific version of the Housing Benefit Inspection software, which the WAO currently pays the Audit Commission £10,000 per annum to use. (This payment will cease following the abolition of the Commission.) He said he was likely to include £10,000 a year for maintenance costs in his estimates for 2013-14 onwards. He stressed

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<sup>8</sup> RoP, Public Accounts Committee Task and Finish Group, 11 October 2011, Para 15

<sup>9</sup> RoP, Public Accounts Committee Task and Finish Group, 11 October 2011, Para 17-18

<sup>10</sup> RoP, Public Accounts Committee Task and Finish Group, 11 October 2011, Para 34

that a final decision on the future of that software had yet to be taken, but had included the provision as it was his estimate of the lowest cost option.<sup>11</sup>

## **Additional costs to be incurred by the Auditor General**

### ***Human Resources (HR)/Payroll System***

15. The Task and Finish Group questioned the Auditor General and his colleagues about the inclusion in his estimate of expected capital investment of £126,000, predominantly for a new HR/payroll system.

16. Whilst the Group understood the need for new software to improve HR/financial procedures and corporate record keeping, it was left with the impression that the WAO had already expressed a preference for making a capital purchase or investment without fully exploring alternative options, such as sharing services with another organisation or buying-in the services. The Auditor General has since provided the Committee with a copy of the cost/benefit analysis to support the acquisition of a new HR/payroll system. Having seen this document, the Committee remains of the view that the option of sharing services has been ruled out before being fully researched.

17. The Committee is aware that many public bodies currently buy-in such services from the private sector and that there is also considerable pressure on public sector bodies to collaborate, where possible, in sharing corporate services, particularly those such as payroll where similar requirements exist across the board.

18. In order to address the Committee's concerns in this area, the Auditor General has agreed to amend his request for 2012-13 to exclude the cost of a new HR/payroll system, which he estimates will be in the region of £110,000. He says he will instead consider submitting a supplementary estimate once his newly established Resources Committee has been able to scrutinise the proposed costs of a new system and he has considered their recommendations.<sup>12</sup>

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<sup>11</sup> Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2013, November 2011, Para 19. See also RoP, Public Accounts Committee Task and Finish Group, 11 October 2011, Para 27-28

<sup>12</sup> Correspondence from the Auditor General for Wales - 19 October 2011, and Estimate of the income and expenses of the office of Auditor General for the year ending 31 March 2013, November 2011, Para 3

### ***Lease Car Arrangements***

19. The Auditor General explained that, following an internal review, he was in the process of making changes to the WAO's vehicle leasing arrangements that would realise savings of £72,000 in 2013-14, after initial set up costs, and further savings in future years. The Auditor General's 2010-11 Annual Report and Accounts puts the cost of the WAO transport scheme at £684,000, plus £170,000 costs for reimbursement of mileage claimed by members of staff, making the total expenditure of fleet and related costs £854,000.<sup>13</sup>

20. The Committee recognises that the nature of the WAO's operations necessitate certain staff undertaking extensive travel throughout Wales, including to locations not easily accessible by public transport. However, it is also mindful that other organisations have phased out car leasing arrangements in favour of other options, including use of pool cars or greater use of video conferencing facilities.

21. The Auditor General has since provided further information on the WAO's car leasing arrangements<sup>14</sup>, but the Committee would like to be satisfied that the scheme continues to provide value for money, taking account of a range of factors, including environmental and sustainability initiatives. The Committee therefore intends to ask the WAO's new external auditors (once they have been appointed) to examine the WAO's lease car arrangements with a view to reporting before the 2013-14 estimate is considered.

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<sup>13</sup> Correspondence from the Auditor General for Wales – 17 October 2011

<sup>14</sup> Correspondence from the Auditor General for Wales – 17 October 2011

### 3. Conclusions

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22. The Auditor General rightly expects high standards of financial management from the public bodies within his jurisdiction. In the same way, the Committee expects the WAO to be an exemplar of good practice, and in particular, that its decision-making processes will be open and transparent. It is for this reason that the Committee has questioned two areas of WAO expenditure.

23. The Committee recognises the efforts made by the Auditor General to keep costs to a minimum and his assurance that, in doing so, there will be no compromise in the quality of his work and that of the WAO.

24. The Committee welcomes the Auditor General's suggestion<sup>15</sup> that, in future years, his estimate ought to be presented to the Public Accounts Committee after the WAO's Resources Committee has considered it, and that this would provide an opportunity for the Chair of that Committee to attend the Auditor General's annual presentation of his estimate in order to answer any questions Members may have.

25. Having considered the evidence given by the Auditor General and his colleagues to the Task and Finish Group, the Committee has agreed to endorse the Auditor General's estimate for 2012-13 (as amended by him to withdraw the element relating to a new HR/payroll system) without modification.

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<sup>15</sup> RoP, Public Accounts Committee, 8 November 2011