



**Estimate of the income and expenses of the  
Auditor General for Wales for the year ending  
31 March 2003**

*Submitted to the Audit Committee of the National Assembly for Wales under Section 93(4)  
of the Government of Wales Act 1998*

**26 October 2001**

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## **Introduction by the Auditor General for Wales**

### **Introduction**

1. Under Section 93(4) of the Government of Wales Act 1998, I am required to submit an annual estimate of my income and expenses to the Audit Committee of the National Assembly for Wales. This estimate is for the financial year ending on 31 March 2003 and should be read in conjunction with the memorandum on my proposed forward programme of value for money work, which I will discuss with the Committee on 6 November 2001.
2. Under Section 92(1) of the 1998 Act, I have arranged for the National Audit Office Wales to provide administrative, professional and technical services to support my statutory functions. In this estimate, I have categorised the cost of these services under the following headings:
  - audit of accounts;
  - value for money audit;
  - other audit work; and
  - professional, technical and other services.

A more detailed explanation of each category is contained in the explanatory notes following the Estimate.

### **Factors affecting the cost of audit services**

3. The key factor in maintaining and enhancing the standard of the outputs that I produce is the quality of the people engaged on audit assignments. The National Audit Office Wales must therefore be able to recruit and retain high quality staff

with the necessary skills to undertake the increasingly complex nature of my audit work. This is challenging at a time when there is keen competition for high calibre employees across the economy as a whole, and not least in Cardiff. For example, in the last year there has been an increase of nine per cent in the demand for graduates from employers in both the private and public sectors (IDS Hay Management Pay Review). Salary is not the only factor in determining career choice and public sector audit in Wales can offer an interesting range of work to potential recruits. However, pay remains an important part of any package and the National Audit Office Wales must remain at least within striking distance of its main competitors in order to be able to recruit, motivate and retain people of the right calibre.

4. As the pace of technological change quickens across the public sector, it is important that National Audit Office Wales' staff are properly equipped to deal with new developments. As electronic government grows, those staff need to ensure that they have the IT infrastructure and systems to facilitate and enable the audit of electronic transactions, service delivery and sharing of information. Significant continued investment, in hardware, software and training is needed to ensure that these challenges can be met.
5. The above factors are also relevant to the National Audit Office's wider United Kingdom responsibilities and have been accepted by the House of Commons Public Accounts Commission in relation to the funding of the Office's work for the Westminster Parliament.
6. In Wales, there will be increased levels of expenditure by the Assembly following the provision of Objective 1 funds and the latest Comprehensive Spending Review. In the period 2001-02 to 2003-04, the annual Welsh block budget will be increased by £1.8 billion – an average real terms increase after inflation of 5.4 per cent a year. The extra spending arising from these budgetary measures will need to be audited.
7. The creation of new statutory bodies under the Assembly's umbrella will also result in additional audit work. In 2002-03, I will be required to complete my audit of the first account for the National Council for Education and Training for Wales

(part of ELWa). This will be more complex than the audit of the former Further Education Funding Council for Wales as the Training Council has taken over the functions previously exercised by the TECs that I did not audit. In that year I will also be required to audit the first accounts of the Care Council for Wales and the Children's Commissioner for Wales. Also, I will be required to audit, for the first time, a "whole of government of Wales" account, which is a consolidation of the accounts of the Assembly and its many related public bodies.

8. I will need to continue to provide considered responses to correspondence from Assembly Members and others, of which a significant portion require research and investigation that can be technical and complex. Also, it is very important that I continue to provide the Committee with proper technical and professional support to help its Members in the discharge of their statutory functions.

#### **Value for money audit**

9. The level of funding for my value for money work has been constant in real terms for two years (£1,027,000 for 2001-02). This provision has enabled me to undertake a range of studies and report to the Assembly. A number of these studies identified, and should help management to secure in due course, significant financial savings.
10. With the benefit of two full years of experience, it is clear that, as the Assembly's responsibilities grow and become more complex, I will need a real increase in funding (a total of £1,195,000 is requested for 2002-03) in order to undertake a value for money programme that the Committee is entitled to expect. In particular:
  - the Committee has attached considerable importance to the achievement of real financial savings. Since it falls to audited bodies to deliver those savings, based on my or the Committee's recommendations, I need to invest some additional resources in follow-up work to establish the extent to which potential savings have been realised and any further work that needs to be undertaken in respect of potential savings not yet realised;

- I need to be able to react swiftly to the changing environment and political scene, to ensure that the Committee has topical material to consider. For example in recent months I have had to expand the scope of my report on the Assembly's accommodation arrangements; and I am undertaking work for an additional report that I shall be producing on the successor arrangements for Cardiff Bay following the wind up of the Development Corporation;
- I aim to provide the Committee with a degree of choice in the subjects that it is able to consider; and
- in the health and education fields, my reports - and hence Audit Committee consideration - achieve maximum added value when they penetrate issues at institution (typically hospital or college) level. Examples are my reports on clinical negligence in the NHS and procurement in the further education sector. Such institution-based studies can be resource intensive.

### **Financial and other audit work**

11. I have to provide for an element of growth in the level of financial audit work to reflect the increase in Assembly expenditure, the creation of new bodies under the Assembly's umbrella and new accounts (paragraphs 6 and 7 above refer). Much of the increase in expenditure arises from the provision of European and matched UK funding where the regulatory framework is complex and there is a need to ensure that grant recipients deploy the funds for proper purposes. On a related issue, the National Audit Office Wales is being asked to certify an increasing number of claims for European funds submitted by Assembly sponsored public bodies. Taken together, these factors represent additional financial audit work that will require resources in excess of that currently available.

### **Basis of estimate**

12. The Assembly's budget for 2002-03 will be compiled on a resource basis for the first time. I have therefore prepared this estimate on a similar basis. I have, however, also calculated the net cash requirement (shown on the face of the estimate) to facilitate a comparison with the 2001-02 figures as agreed by the

Audit Committee and to determine the transfer of funds that I will need to request from the Assembly during the year.

### **Summary**

13. Despite the need for additional funds to meet increasing demands, I have been able to contain my net resource requirement for 2002-03 to £2.368 million. In cash terms this amounts to £2.350 million (an increase of £205,000 on 2001-02). A breakdown of this Estimate, with explanatory notes, is contained in the following pages.

**John Bourn**  
**Auditor General for Wales**

*26 October 2001*

*National Assembly for Wales*  
*Cardiff Bay*  
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## Estimate of the income and expenses of the Auditor General for Wales for the year ending 31 March 2003

	<b>2002-03 resource-based estimate £000</b>	2001-02 provision (restated) £000	Note reference
Audit of accounts	<b>1,061</b>	987	1
Value for money audit	<b>1,195</b>	1,027	2
Other audit work	<b>167</b>	159	3
Professional, technical and other services	<b>344</b>	327	4
<b>Total expenses</b>	<b>2,767</b>	2,500	
Fee income	<b>(399)</b>	(341)	5
<b>NET RESOURCE PROVISION REQUESTED</b>	<b>2,368</b>	2,159	
<b>Net cash requirement</b>	<b>2,350</b>	2,145	

The estimate excludes the cost of the Auditor General's salary, which is payable by the Assembly direct under Section 91 of the 1998 Act. The net cash requirement excludes notional costs and movements in debtors and creditors. The comparative figures for 2002-03 have been restated, as the original estimate for that year was prepared on a cash basis.

## **Explanatory notes**

1. The cost of auditing accounts covers the work that I am required to undertake in accordance with standards laid down by the Auditing Practices Board in order to form opinions on the accounts listed at Annex 1 for the 2001-02 year of account. It also includes initial work on the accounts for the 2002-03 financial year, and other financial audit tasks.
2. Value for money work involves the undertaking of economy, efficiency and effectiveness examinations and reporting to the Assembly. It also includes the preparation of briefing notes on ad hoc topics to the Committee, advice to clients, monitoring the Assembly's activities across the full range of its functions and developing my forward value for money programme. Further details on my value for money work to date and examinations proposed for the future are contained in the memorandum submitted separately to the Audit Committee.
3. Other audit work includes the cost of corporate governance work, inspection visits to bodies in receipt of public funds not audited by myself and additional audit work that I undertake on Assembly sponsored public bodies at the request of the Assembly. It also includes the cost of producing my annual General Report for Wales.
4. Professional, technical and other services include the support that I provide to the Audit Committee for evidence sessions and advice on subsequent reports, preparation of my annual estimate, the accounting and bookkeeping services required by my office, the cost of my external auditors (appointed by the Assembly), and other administrative costs incurred in running my office.
5. Under Section 93(3) of the Government of Wales Act 1998, I am permitted to charge a fee for auditing the accounts of all public bodies, with the exception of those prepared by the Assembly itself. I also levy a fee for the other financial audit work that I undertake on the Assembly's sponsored public bodies. The increase over last year's budgeted income is mainly due to fees for new work.



**Audits of accounts for the 2001-02 financial year scheduled for completion in 2002-03**

**Accounts prepared by the National Assembly for Wales**

Resource Account

Cadw: Welsh Historic Monuments

Whole of government of Wales account (new account)

Summarised account of Welsh health authorities

Summarised account of Welsh NHS trusts

Summarised account of Funds held on trust by Welsh NHS bodies

Welsh Non-Domestic Rating Account

Assembly Members' Pension Fund

Welsh European Funding Office [9 accounts]

**Accounts prepared by Assembly Sponsored Public Bodies**

Arts Council of Wales\*

Countryside Council for Wales

General Teaching Council for Wales

Higher Education Funding Council for Wales

National Council for Education and Training for Wales (new account)

Local Government Boundary Commission for Wales

National Library of Wales

National Library of Wales Pension Fund

National Museums and Galleries of Wales

Estyn

Qualifications, Curriculum and Assessment Authority for Wales

Sports Council for Wales\*

Sports Council for Wales Trust

Wales Tourist Board

Welsh Administration Ombudsman

Welsh Development Agency

Forestry Commission Wales

Forest Enterprise Wales

Welsh Language Board

Welsh National Board for Nursing, Midwifery and Health Visiting (closing account)

Welsh NHS Commissioner

Care Council for Wales (new account)

Children's Commissioner for Wales (new account)

[23 accounts]

\* The National Lottery Distribution accounts will continue to be audited by the Comptroller and Auditor General and laid before both Parliament and the Assembly