



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2020

Date issued: January 2020

Document reference: the Publishing team assigns this



# Explanatory memorandum

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

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a long horizontal stroke extending to the right.

Adrian Crompton  
**Auditor General for Wales**

A handwritten signature in black ink, appearing to read 'Isobel Everett', with a stylized, cursive script.

Isobel Everett  
Chair, on behalf of the **Wales Audit Office**

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# Purpose of this explanatory memorandum

## Introduction

- 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 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 2019-20 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 15 January 2019 following scrutiny by the Finance Committee.
- 3 A [Supplementary Estimate](#) for additional costs associated with increases to employer's pension contributions due to a valuation of the Civil Service Pension Scheme was considered by Finance Committee on 15<sup>th</sup> May 2019 and included within the [Welsh Government First Supplementary Budget Motion](#) tabled in June 2019.
- 4 The authorised Estimate of the Wales Audit Office consists of:
  - £14.475 million of accruing resources, generated through fees charged to audited bodies
  - £7.878 million of other resources in support of our expenditure plans for the year.
  - £9.586 million of cash funding from the Welsh Consolidated Fund.
- 5 Taking accruing and other resources together (not cash), this £22.353 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 6 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2020.

## Reason for change

- 7 The Finance Committee is well versed in the complexity of our fee regime and the difficulties associated in accurately estimating the amount of income that will be delivered in any one financial year.
- 8 Although fees are agreed with each individual audited body for the year, the audit work itself falls across financial years. Precise timing of when the audit work is delivered can result in significant year on year variations, in terms of in which financial year the income is recorded in our accounts. As an example, work for a May deadline could equally be delivered in March or April without impacting audit delivery but the resulting income will be recognised in a different financial year depending on when the work is done.

- 9 In recent months, in line with our drive for earlier delivery of our audit projects and collaborative working across our audit teams, the amount of fee earning work being delivered in this financial year has increased beyond the levels anticipated in our approved Estimate. We are currently estimating an additional £300,000 of accruing resources as a result.
- 10 To be clear, we are not charging audited bodies any more than we had planned to<sup>1</sup>, we just anticipate more income now being accounted for within this financial year than we had originally estimated.
- 11 We have worked hard to deliver this additional income in this financial year and plan to use the additional resources to invest in workforce planning via our voluntary exit scheme. This will support our medium-term financial plan by delivering ongoing savings and enable us to reshape our workforce with the different skills and competencies we need to deliver our organisational priorities
- 12 We will review the impact of this earlier delivery in reassessing our income base (accruing resources) for 2020-21.

<sup>1</sup> Unless agreed locally and arising from specific additional audit work needed.

## Revised Estimate 2019-20 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 2020, 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 [Exhibit 1](#) below.

### Exhibit 1: Summary of the estimated 2019-20 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 | 7,668 |
| • Capital | 210   |

Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services; for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.

14,775

Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.

9,586

## Explanation of adjustments to resource budgets

- 13 As this change is related to the timing of income delivery and not to the timing of fees billed to audited bodies there will be no change to our net cash requirement. Further detail is provided in [Appendix 1](#).
- 14 The budget changes required are set out in [Exhibit 2](#).

### Exhibit 2: Budget changes 2019-20

	First Supplementary Estimate 2019-20 £'000	Second Supplementary Estimate 2019-20 £'000	Revised Estimate 2019-20 £'000
Revenue resource	7,668	-	7,668
Capital resource	210	-	210
Accruing resources	14,475	300	14,775
Total expenditure	22,353	300	22,653

## Summary

- 15 [Exhibit 3](#) provides a summary of the revised capital and revenue resources and net cash requirement, which remain unchanged, on approval of this supplementary estimate.

### Exhibit 3: Summary of revised 'other' resources and cash requirements 2019-20

	'Other' resources request £'000	Net cash requirement £'000
Revenue resource	7,668	9,376
Capital resource	210	210
Total – approval sought	7,878	9,586
Current approved limit	7,878	9,586

## Wales Audit Office Income and Expenses 2019-20 (revised)

		Estimate, year to 31 March 2020 (Second Supplementary) £'000	Estimate, year to 31 March 2020 (First Supplementary) £'000	Change from approved Estimate 2019-20 £'000
Expenses	Staff costs	16,217	15,917	300
	Short-term contracted staff	737	737	-
	Travel and subsistence	1,216	1,216	-
	Accommodation	993	993	-
	Private sector firms (including VAT)	905	905	-
	Balance of irrecoverable VAT	500	500	-
	ICT	480	480	-
	Wales Audit Office Governance Arrangements	300	300	-
	External training	289	289	-
	Translation of documents	165	165	-
	Legal and professional fees	162	162	-
	Other supplies and services	479	479	-
	<b>EXPENSES TOTAL</b>	<b>22,443</b>	<b>22,143</b>	<b>300</b>
Income	Audit fees	13,577	13,277	300
	Grant certification fees	1,198	1,198	-
	<b>INCOME TOTAL</b>	<b>14,775</b>	<b>14,475</b>	<b>300</b>
	<b>Total revenue budget to be funded by WCF</b>	<b>7,668</b>	<b>7,668</b>	<b>-</b>





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