

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

05/11/2015

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o'r Cyfarfod  
Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn  
ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in  
the committee. In addition, a transcription of the simultaneous interpretation  
is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

**Eraill yn bresennol**  
**Others in attendance**

Isobel Garner	Cadeirydd, Swyddfa Archwilio Cymru Chair, Wales Audit Office
Steven O'Donoghue	Cyfarwyddwr Cyllid, Swyddfa Archwilio Cymru Finance Director, Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kevin Thomas	Cyfarwyddwr Gwasanaethau Corfforaethol, Swyddfa Archwilio Cymru Director of Corporate Services, Wales Audit Office

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Bethan Davies	Clerc Clerk
Martin Jennings	Uwch-Ymchwilydd Senior Researcher
Georgina Owen	Dirprwy Glerc Deputy Clerk

Joanest Varney–  
Jackson

Uwch–gynghorydd Cyfreithiol  
Senior Legal Adviser

*Dechreuodd y cyfarfod am 08:59.  
The meeting began at 08:59.*

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome, everybody, to a meeting of the Finance Committee. Can I just ask you, if you've got a mobile device, if you wouldn't mind checking that it's on silent? I'd be very grateful. Ann Jones can't be with us and we have no substitute for her today, and we are expecting the other Members to join us shortly.

### **Papurau i'w Nodi Papers to Note**

[2] **Jocelyn Davies:** Before we go to our first substantive item, we've got a number of papers to note. Are Members happy to note—?

[3] **Alun Ffred Jones:** A gaf i **Alun Ffred Jones:** May I say—?  
ddweud—?

[4] **Jocelyn Davies:** Yes, Ffred.

[5] **Alun Ffred Jones:** Diolch yn **Alun Ffred Jones:** Thank you. May I fawr. A gaf i jest tynnu sylw at y just draw attention to the letter from llythyr o Gyllid a Thollau Ei Mawrhydi? Her Majesty's Revenue and Customs? Rwy'n gwybod y byddem ni'n gwneud I know we'll be making a report on adroddiad ar hyn yn y man, ond, y this, but, the last sentence in the first frawddeg olaf yn y rhan gyntaf, part, it says: mae'n dweud:

[6] 'On the second point, a Welsh language facility for making online payments was introduced on 16 September 2015.'

09:00

[7] Rwyf jest eisiau tynnu sylw'r I just want to draw the committee's pwyllgor at y ffaith bod y gwasanaeth attention to the fact that this service

yma wedi bod ar gael yn Saesneg ers blynyddoedd lawer a dim ond mis yn ôl maen nhw wedi cyflwyno'r gwasanaeth yma'n Gymraeg. Rwy'n meddwl bod hynny'n rhywbeth i ddwyn mewn cof, pan ydym ni'n gwneud ein hadroddiad, ynglŷn â gallu Cyllid a Thollau Ei Mawrhydi i ddelio â chleientiaid trwy gyfrwng yr iaith Gymraeg. Rwyf jest ishio nodi hynny heddiw. Diolch yn fawr.

has been available in English for many years and it was only a month ago that they introduced this service in Welsh. I think that that is something to remember, when we prepare our report, regarding the capacity of HMRC to deal with clients through the medium of Welsh. I just want to note that today. Thank you.

[8] **Jocelyn Davies:** Lovely, thank you. Anything else? So, we'll note those papers, then, Ffred, and we'll come back to that later on in our private session, when we discuss our report.

### **Swyddfa Archwilio Cymru: Sesiwn Dystiolaeth 1** **Wales Audit Office: Evidence Session 1**

[9] **Jocelyn Davies:** If we could go to our first substantive item, then, which is item No. 3. It's our Wales Audit Office evidence session No. 1, but I imagine that it'll be the only one. Would you like to introduce yourselves for the record? Then we'll go straight into questions. Obviously, Members would have received your report and would have read your report and the briefing that we've had. Isobel, shall I come to you first?

[10] **Ms Garner:** Thank you very much, Chair. If I can introduce Steve O'Donoghue, our director of finance and human resources; you know Huw, our Auditor General for Wales, Kevin Thomas our director of corporate services, and myself, Isobel Garner, chair of the Wales Audit Office. If I may, Chair, I'll take just a minute to introduce and set the scene for the documents in front of you—three of them: the annual report and accounts for last year; our interim report, which covers the first half of this financial year; and the estimate and draft fee scheme for next year. We believe that these documents demonstrate both a high level of performance at the WAO, coupled with strong governance, but they also combine responsible financial management and good forward planning.

[11] We are playing our part in austerity; you may recall that we have to save £760,000 this year. The documents that you will, no doubt, question us on require us to make another £1 million of savings within the organisation.

It's all part of being smarter, leaner and better.

[12] When it comes to the estimate, we will propose to freeze fee rates again, something that has been welcomed by our stakeholders. We are listening to them, and they are giving us pressure to go further and to streamline our audit approaches. Again, you'll see in our estimate—we set out the case for strategic transformation of auditing. We urge the Welsh Government to reconsider the requirements of the Local Government (Wales) Measure 2009, which we feel does constrain the auditor general to provide audit work that is proportionate to local circumstances.

[13] Finally, one of the little quirks of the Public Audit (Wales) Act 2013 is in the drafting around the fee regime around the cost of functions, something I know this committee is already familiar with. I'd just highlight that there are still some tweaking things that, ideally, we'd like to see. But, to summarise, I'm very proud to be able to present these three documents to you, and I know that the team are more than happy to respond to your questions. Thank you, Chair.

[14] **Jocelyn Davies:** Thank you very much. In the 2014–15 accounts—of course, these are the first to be jointly laid by the Auditor General for Wales and the Wales Audit Office. Can you explain whether this has required any changes to how the report and the accounts are prepared and approved? How have you been able to manage that?

[15] **Ms Garner:** Well, I hope that Huw will back me up on this, but as accounting officer, he now benefits from the full regime of having a fully formed audit and risk assurance committee, which also has independent members who add a great deal of rigour in the scrutiny of the process of preparing accounts. Naturally, we have external audit input and internal audit input, and the consequence of that is, over the year, it's a culture of no surprises, so that, hopefully, we can get to the end point quicker. I'd just point out that this year we laid the accounts 10 days earlier than last year. Just to put a bit of a context in, it was 10 weeks quicker than it was three years ago. We've had a clean report from the external auditor, and just in this setting, I'd like to thank both Huw and Steve and the team for making sure that we could get to that point when we did. So, to summarise, I'd say that the governance arrangements have given added rigour and assurance to Huw as accounting officer.

[16] **Jocelyn Davies:** So, there've been no difficulties in terms of the

change.

[17] **Mr H. Thomas:** No. I mean, last year, they were technically my accounts as auditor general, but we went through the same process. So, this is part of a journey, which, as Isobel indicated, started a few years back in terms of improving the governance arrangements, and the WAO board is now in place and taking it. For me, it does mean that I'm able to see the Wales Audit Office accounts presented roughly about the same time as the National Audit Office and Audit Scotland, so that we're not lagging, whereas we were three or four years ago.

[18] **Jocelyn Davies:** Okay, thank you. You'll remember that, last year, we talked about the PAYE settlement with HMRC—we seem to use a lot of acronyms, don't we? I hope that those people who are watching know what we're talking about. But, you'll remember that we had that discussion last year, and you were hoping for a resolution there. Can you give us an update? Steve, it's you, is it?

[19] **Mr O'Donoghue:** My fear is, Chair, that we'll be talking about it again next year. One of them has been resolved; you'll see that in the release of the provision. For the remaining items, we're awaiting a written statement from HMRC. I hope we can conclude that this year, but, to be honest, I'm not sure. I think we could well be discussing it again next year.

[20] **Jocelyn Davies:** Okay, but it's beyond your control, really, then, until this is concluded.

[21] **Mr O'Donoghue:** It is. We're in HMRC's hands for that.

[22] **Mike Hedges:** But not all of us.

[23] **Jocelyn Davies:** Before I come to inviting the other Members to ask you questions, I have to say that I think the reports you produce are very attractive and they're easy to understand and easy to go through, and I thank you for that. They are very lengthy, but, as I say, they are very accessible. If I could take you to page 19 of the report, where you talk about the breakdown of staff, and so on, I notice that the percentage of staff on permanent employment contracts is reducing. So, 2014-15—. No, it's increasing. Can you explain to us what your strategy has been there? Why have we had that shift?

[24] **Mr O'Donoghue:** I'm happy to take that. In part, Chair, it's around the use of contractors and fixed-term staff as part of our overall workforce plan. As you can imagine, we have peaks of workload around audit year-ends, and we bring contractor staff in as needed to help with those peaks but also specialist contractors for our performance audit work.

[25] **Jocelyn Davies:** I see.

[26] **Mr O'Donoghue:** They're an essential part of our workforce, but they're not a permanent part of the workforce.

[27] **Jocelyn Davies:** Okay. So, I suppose what you're saying, then, is you use that expertise as and when you need it, but you wouldn't want to take somebody on on a permanent contract, and I guess, at other times, they're working for somebody else, doing the same sort of contracting work.

[28] **Mr O'Donoghue:** Absolutely.

[29] **Jocelyn Davies:** The other thing that I noticed here was the percentage of senior management that are female. How do you feel about that, then? You've got—what is it—kind of 50:50 per cent male/female within the workforce, but when you get to senior management level, that's not quite so good.

[30] **Ms Garner:** I'll take that one, shall I, or do you want to?

[31] **Mr K. Thomas:** I'm happy to take that. We're very conscious of information like that, and, if you look at the line below, you'll see that the percentage of staff in management who are female is actually increasing. We're looking, as an organisation overall, at the equality duty, and we have implemented a number of initiatives to improve our compliance with the equality agenda, and that's an ongoing journey. So, not only are we looking at the percentage of males and females in senior management positions but indeed at all protected characteristics. We're at a stage now where we feel that, comfortably, we comply with the key requirements of the Equality Act 2010, but we're now looking to further improve by making more of a difference to how people feel about working for the Wales Audit Office as an organisation. So, over the past year, we've been working with the board to raise our game, through staff awareness; we are carrying out surveys of staff; we've got a new approach when we're actually recruiting to improve the quality of information that we obtain from existing and potential staff, so



that we can improve these statistics overall.

[32] **Jocelyn Davies:** Well, you say that it's increasing, so the senior staff in management that are female is increasing, but staff in the senior management team that are female is decreasing.

[33] **Mr K. Thomas:** Yes. I mean—

[34] **Jocelyn Davies:** So, you've got one figure increasing and one percentage decreasing. So, that's just half the story then, isn't it? When you say it's increasing, actually—.

[35] **Mr H. Thomas:** That doesn't reflect a reduction in female staff, what it reflects is that there was an expansion of the senior leadership team by one member of staff in the course of the year, and that appointment was a male.

[36] **Jocelyn Davies:** Well, obviously, this is something that we'll be looking at again in the future, so we will keep a close eye on it. Julie, shall we come to your questions?

[37] **Julie Morgan:** Yes, thank you. Just continuing on the staff for a moment, you have the model of electing employees to the board. Could you tell us how you feel that's worked out?

[38] **Ms Garner:** I'd be delighted to. First of all, the process of electing them went very smoothly. We engaged the Electoral Reform Society, so it was done very precisely. I must say that, as board chair, I'm absolutely delighted with the contribution the elected employee members make. They're very mature, they're very thoughtful, they give a very pragmatic staff perspective on the issues that face us. However, it's hard for them. There is still a massive expectation from other staff within the organisation that they are representative. They are not representative; they are full board members. They come to all the board meetings, the briefings, I appraise them, they have to put the collective good of WAO in front of their own personal interests. So, there have been tensions—well, 'tensions' is too strong. They have to manage that tension that people expect them to campaign on the issues they feel strongly about, and we've had to put in place quite a lot of extra communication to reiterate the role of the board, their role, and to ensure that they are seen as a full member of the board. So, we've actually, as board members, gone out and spoken to staff, alongside the elected employee members, who have done it on their own. So, they've added an

incredible lot, but actually I feel for them, as they've got a tough job to deliver the expectations of those behind.

[39] **Julie Morgan:** And were they offered training when they were elected?

[40] **Ms Garner:** Oh, yes. As part of their induction, for the first couple of meetings, they had, if you like, on-the-job briefing prior to board—what might the issues be, encouraging them to think how they articulate them. They have all been on training for directors on boards, and as part of the appraisal process, we pick up any other gaps as to what they might need to be even more effective in their role as a full board member.

[41] **Julie Morgan:** And was there a competition to get the—

[42] **Ms Garner:** Oh, yes. All staff were allowed to elect. Can somebody remind me of the technical term of the system?

[43] **Mr H. Thomas:** Single transferable vote.

[44] **Ms Garner:** By single transferable vote.

[45] **Jocelyn Davies:** It was contested, then.

[46] **Ms Garner:** Heavily.

[47] **Mr H. Thomas:** With hustings.

[48] **Julie Morgan:** That's good to hear. Do you think this is a successful model, and do you think it should be used in other public bodies?

[49] **Mr H. Thomas:** I think it has worked, but there are tensions, and I think that there is a need, perhaps, in a couple of years' time, to look back and look to see what the expectations were, how it has performed, and so on. It's gone well to start, but as Isobel has indicated, there was and is still this tension about whether they are representatives or board members. I think we will need to look at that tension in any study. It's the classic: if it was a supervisory board, it is quite clear that, on a supervisory board, you are expected to represent your constituents, but they are part of an executive board, and that makes the difference. I think my argument, when I was here a week or so ago, was that if you are looking at a similar model of employees on other boards in Wales, I think there is a need for consistency, otherwise it

does create some confusion.

[50] **Ms Garner:** The other item I would just raise is, because we are actually the employer—the board is the employer of the staff—there have been a large number of issues whereby they have to declare a conflict of interest. I try to manage that whereby they are allowed to express an opinion and discuss and issue, but then they are not able to participate in the decision making, because they have a prejudicial conflict of interest.

[51] **Jocelyn Davies:** Mike, do you want to come in on this point?

[52] **Mike Hedges:** But surely that's exactly the same conflict of interest that any senior managers present would have as well, isn't it? If it's a personal matter, apart from the auditor general, who exists as a person and as a body, the rest, any senior managers there who had been appointed by the auditor general, have exactly the same conflict of interest.

09:15

[53] **Mr H. Thomas:** Absolutely.

[54] **Ms Garner:** Yes, they do, and that means sometimes our boards get very close to the quorum edge again, or get very small because we have a large number of people, with two elected employees and Steve who have to leave the room. Sorry, Kevin.

[55] **Jocelyn Davies:** Yes. Julie.

[56] **Julie Morgan:** Shall I go on?

[57] **Jocelyn Davies:** Yes.

[58] **Julie Morgan:** Just to ask, really, what further work do you feel needs to be done in terms of formally implementing the public audit Act?

[59] **Ms Garner:** If I may put forward something that I'm already thinking about, I am going to commission a lessons-learnt type review of what we've learned implementing the Public Audit (Wales) Act 2013—the good bits, the bad bits. This will not be an academic document. I'm sure other people may wish to do a formal independent evaluation. But I'm getting a lot of interest from Northern Ireland Audit Office about what we've done and what they

could learn from it. I want to capture those stories of the elected employee members. I want to reiterate and provide more of a narrative around those bits that have caused us difficulties. So, that will be prepared because we've now been around for just over two years, but that's something that I'm commissioning that will help, perhaps, this committee, but certainly other people, and that will reflect on the good bits and the bad bits.

[60] **Mr H. Thomas:** I think that also needs to reflect some of the difficulties we have with the legislation, about which we've already written.

[61] **Julie Morgan:** Yes. Thank you.

[62] **Jocelyn Davies:** I think our experience is, of course, that people sitting on boards that come from another body often think they're representing that other body—it's not just confined to your staff, I think—so the lessons that you learn there about that conflict actually might be useful, certainly, in a broader context. But your staff do have opportunities, I assume, to make points to the board other than at board meetings. If they have another avenue, then they might not—

[63] **Mr H. Thomas:** I think I'd be worried if the contact was solely formal meetings. The way in which the board is structured we also have briefings on more general issues, or sometimes just background to issues that are coming up at the formal meeting, at which more staff are engaged with the board. The board are also out, particularly non-executive directors, attending staff meetings within the organisation. So, we're not just looking at the board by itself—we're looking at how the whole organisation is directed and governed.

[64] **Jocelyn Davies:** So, you're content that staff have opportunities to raise matters other than through the people that they might consider are their representatives on—

[65] **Ms Garner:** We have the whole union structure, which is very vibrant within the Wales Audit Office, and is a good way that we actually communicate. It's about two ways, because we do blogs, we encourage feedback; like any organisation, it has to be healthy, it has to be two ways. But we're always looking to improve, so if there's anything that people can suggest, that's—

[66] **Jocelyn Davies:** Okay, thank you.

[67] **Mr H. Thomas:** And can I also just add, twice a year we do a survey of staff views? And that is always an opportunity for staff to write comments as well as the use of formal questions, and the board does actually consider that—it isn't just something that is choked off at management level; the board actively considers the response, good and bad.

[68] **Jocelyn Davies:** And the staff see the results of the surveys.

[69] **Ms Garner:** They do, and the board challenges the executives about what they're going to do about some of the results that come out.

[70] **Jocelyn Davies:** Okay, then. Chris, did you want to come in on this?

[71] **Christine Chapman:** I just wondered on that, what is the response rate?

[72] **Ms Garner:** We were aiming for 75—

[73] **Mr H. Thomas:** Seventy-three per cent—.

[74] **Mr O'Donoghue:** Seventy-eight per cent on last year's response rate and 73 per cent the time before, so we were really pleased with that level of response.

[75] **Jocelyn Davies:** Okay. Peter, shall we come to your questions?

[76] **Peter Black:** Thank you, Chair. The governance statement states the board has commissioned an external review of board effectiveness. Who's carrying out this work and how is it progressing?

[77] **Ms Garner:** Yes, I instigated this. I should say that I feel very strongly that board effectiveness should be a continual activity, so we do lots of other things as well, but the external work is done through an independent company. I just need guidance; can I say their name?

[78] **Jocelyn Davies:** Yes. If you don't, we'll ask you.

[79] **Ms Garner:** Okay, right. It's HCubed. They're based in London. They're independent. It was a tendered exercise. It's a very minor cost. They undertook a desk-top review of our agendas, board papers, minutes and

governance documents. We then completed individual questionnaires. The lady who's doing it has observed the board, gave us a bit of teaching about what she'd actually observed at the board—things like whether we move between strategic and operational issues, and whether the level of conflict was healthy, or whether it was all sort of nodding dogs or aggressive. She's done a session with us on group dynamics about where we were all are when we're comfortable and when we're stressed. We've all learnt to give each other active feedback in a way that is supportive, and she's coming back in the spring to review our progress.

[80] **Peter Black:** Is there actually a formal report at the end of it, or is she just making it an ongoing, organic thing?

[81] **Ms Garner:** Yes, there will be a report.

[82] **Peter Black:** Right; okay. You did identify some concerns about the quality of management information during the year. Can you describe what those weaknesses were and how they were addressed?

[83] **Ms Garner:** Yes. I'd like Kevin to take that one.

[84] **Mr K. Thomas:** We reported that in the governance statement, and, since then, we've done a number of things to improve both the quality of that management information and the presentation of that information. We started a process by piloting a new approach to the annual plan in the second half of 2014–15. As well as looking at the work programme for the auditor general and the Wales Audit Office for the year, we also looked then at years 2 and 3, so we had a longer-term view of our work programme and priorities. A key part of that was the development of a series of 35 key performance indicators, covering seven key themes—things like leadership, delivery, impact—and also 37 business priorities: areas where we're looking to focus our attention for improvement, to maximise the impact of our work over the next three years.

[85] That informed the publication then of the annual plan that was considered by this committee in, I think, May this year, and, against those key performance indicators and those business priorities, we've been providing regular management information to the management committee and to the board, tracking our progress against each of those, and, in particular, our progress against the key targets that we'd set against the performance measures. The feedback that we've had from management

committee and the board has been really positive about the increased focus, the increased accountability that that new management information has provided, and you'll see, in the interim report, at quite a high level, a summary of the sort of management information that we're now routinely receiving at the board and the management committee.

[86] That's, if you like, the first part of the story. The second is that we thought it was important to get some independent assurance on the improvements that we've made to our management information, and, for that reason, as part of internal audit's work programme, they looked at our developing management information earlier on in the year and identified a number of areas for improvement, which we've looked at and we've now addressed, and we've asked internal audit to come back in the early part of next year just to test the effectiveness of those new arrangements to see that they're delivering what we wanted them to. We're also very pleased that colleagues at the National Audit Office have been carrying out a peer review of our annual and business planning processes, looking at that management information, and they're due to report back to our board later on this month.

[87] **Peter Black:** So, you're happy now that the management information you've got is robust and there are no longer weaknesses in it?

[88] **Mr K. Thomas:** Yes.

[89] **Peter Black:** Okay; good. The governance statement has noted that staffing problems in relation to financial audit could lead to some audit deadlines being missed. Can you explain how you're resolving that problem?

[90] **Mr H. Thomas:** I'm glad to say that we didn't, in the end, miss any of the deadlines. But that wasn't easy, and in fact staff, particularly in financial audit, were quite hard pressed and reflected some of those concerns to the board. We've had difficulties in the course of the year in actually recruiting qualified auditors. We're not alone. Other firms in Wales, and, indeed, other public bodies, are finding a similar difficulty of recruitment. I'm afraid it's down to the effect of the constraints on salaries over a period. We are now below the general commercial market rate.

[91] At the same time, we've taken the opportunity to revisit the nature of our teams. One of the things that I've noted, I think, in previous reports, is that our costs are higher, or have been higher, than those, shall we say, that exist in the commercial market. The reason being that the commercial

market has more trainees in proportion to qualified auditors when the teams are put together. We've stepped up, this year, the number of trainees that we're taking on. We've got about 14 that came through this year and we recruited them earlier. In previous years, we'd waited for them to get their qualifications confirmed in terms of universities, and so on, and then employed them. This year, we started much earlier, which meant that they were around and able to give some practical help early on. So, all of that has meant that we've been able to survive this year in terms of the audit deadlines, and we now have, if you like, a reasonable staffing mix ready for next year. One of the things I'm glad to say is that we're currently doing the round of universities and we're getting really good interest and people wanting to come to work for us for next year. So, it looks more encouraging than when we prepared the statement.

[92] **Peter Black:** So, what you're saying is the action you've taken now means that you're not anticipating the sort of pressure next year as you had this year.

[93] **Mr H. Thomas:** That's very much my hope because we addressed the gap that we had.

[94] **Peter Black:** Okay, thank you. There's also an increase in staff sickness levels to nine days per member of staff. Are there any underlying reasons for this?

[95] **Mr H. Thomas:** I have to say that there is stress, or there has been stress, within the organisation. I've just indicated to you the pressure that we were under, particularly with financial auditors. We are conscious, in terms of monitoring that, how it reflects in terms of the public sector, and so on. We do compare reasonably favourably, still, with the public sector, but it has been the change year on year that has caused us concern. Steve.

[96] **Mr O'Donoghue:** I'll just add that, at the end of October, we'd reduced that to seven and a half days, which is a significant reduction in the space of less than 12 months. We're targeting six and a half days in our annual plan. That is going to be exceptionally challenging, but we're taking a number of steps to support staff to make sure that they don't go off sick in the first place.

[97] **Peter Black:** What sort of measures have you put in place?



[98] **Mr O'Donoghue:** Well, we had a firm in recently to give health checks. They were simple health checks, but they gave some advice to staff on healthy living, and things like how much water to drink in a day, things like that. We're looking at health screening as well, and, thanks to the board's input, we'll be looking at mental health screening as part of that. I don't know if the committee's aware, but, very sadly, we lost two members of staff—death in service—over the last two years. That has a profound impact on the team and what we want to do is all that we can to make sure that our workforce is healthy.

[99] **Peter Black:** Do you have, for example, say, counselling support where a member of staff is going off sick with stress?

[100] **Mr O'Donoghue:** Yes, we do. We've got an employee assistance programme and, whenever there are issues, both that programme helps and our own human resources team go in and provide help as well.

[101] **Peter Black:** And you proactively look for that where you're having issues.

[102] **Mr O'Donoghue:** Absolutely.

[103] **Peter Black:** Okay. Thank you.

[104] **Jocelyn Davies:** But doesn't there come a point where you can't reduce the sickness level? You don't want people to come to work if they're not well enough to come to work, do you?

[105] **Mr O'Donoghue:** No, we don't.

[106] **Jocelyn Davies:** Because if people come to work and they're ill, especially if it's a tummy bug or something like that, they only give it to everybody else. There are occasions when you would prefer somebody just not to be at work. At what level do you think that you would say, 'This is as low as you can possibly get it and we can't really expect people never to get ill'?

[107] **Mr O'Donoghue:** I think there's always going to be a mix of the short-term absences, when we get colds and flus, and then the longer-term absences. Sometimes, we can just do nothing about those longer-term absences. I think what we'll want to do is take stock at the end of this year,

when we see where we've got to, and really explore whether we can go further than that or whether six and a half days is the appropriate level. I think, importantly, we will be looking externally to see what the Chartered Institute of Personnel and Development benchmark is both in the public sector and private sector, and to see what our other audit bodies are achieving as well—sorry, the other audit agencies in the UK.

[108] **Jocelyn Davies:** Okay. So as long as you're comparing well with everybody else, then you're—. Yes. Okay, have you finished?

[109] **Peter Black:** Yes.

[110] **Jocelyn Davies:** Chris, shall we come to your questions?

[111] **Christine Chapman:** I just want to ask a question about audit fee income. Now, I understand that it has reduced by almost £500,000 during 2014–15. Are you anticipating that developments such as local government reorganisation may lead to further reductions in fee income?

09:30

[112] **Mr H. Thomas:** The fees that we charge reflect the work that we do, so that's the underlying basis, but there are changes. I've not been happy, since I've become auditor general, about the kind of work that we're required to do by the Local Government (Wales) Measure 2009; I think that it is disproportionate and it's not risk-based. I'm encouraged by the views of the Minister for Public Services that that looks like changing as part of the landscape of local government reorganisation, but I'm also conscious, of course, that I now have responsibilities with the Well-being of Future Generations (Wales) Act 2015. My intention is to issue a consultation document early in the new year in which I reflect on, hopefully, the disappearance of the local government Measure and the new Act to set out a new audit regime, which I hope will be, for the recipients, lighter, risk-based and proportionate. That might mean that we may not be carrying out as heavy a load on each individual authority—it will vary—and that, of course, will have an impact on the fees. But, since the fees are reflecting my work, then that is, I think, a reasonable outcome. So, yes, I do expect that there will be changes in the fee income. I'd hope that it will lead to a less heavy burden for, particularly, local authorities. But much does depend on the requirements that are placed on me by legislation.

[113] **Jocelyn Davies:** Nick, shall we come to your question?

[114] **Nick Ramsay:** Thank you, Chair. Good morning. You're required by law to produce an estimate, and there's detail here of the Welsh Audit Office estimate for 2016–2017. Can I ask you: can you summarise the process you've gone through in preparing that estimate?

[115] **Mr H. Thomas:** Yes, particularly because one of the things I'm very happy with, over a period—and I'll ask Steve to explain this—is that, if you look back to the original estimates that were produced by the auditor general when I arrived, they were very much headline and we have been trying to explain to you much more, over a period, how we spend the estimate, so you've got more of a detailed breakdown. Steve.

[116] **Mr O'Donoghue:** I think transparency is key to the board. They gave me a very clear message about that when I joined. The approach is about the board giving a steer—that links to the medium-term financial plan that we maintain internally, and the annual plan that includes three-year priorities. So, what this estimate delivers is the priorities that were set out in the annual plan that you see in your pack, but looking forward for the following two years. So, it's very much joined-up strategically to deliver, in one year, part of a much bigger plan. So, the top-down position is set, and that included, from the board, a steer that we absolutely had to absorb all cost pressures without increasing fees, or without coming back to the Welsh consolidated fund for increased funding. You'll see that we're facing cost pressures of £1 million next year—those are significant pressures—and, through careful planning in previous years, we've been able to meet all of those through savings and efficiencies. I say 'all of them'; there is a small gap where we'll run an efficiency and effectiveness programme in the year, so we'll have to generate some savings in-year, but significant savings have been achieved through the bringing in-house of some of what was previously contracted-out audit work. That is delivering savings that then meet the cost pressures we're facing.

[117] What I'd add is then there's a bottom-up approach, where we go through each budget head as you'd expect, do a fundamental base budget review, and question whether every entry in that budget needs to be spent and the value that we get from it. That, in turn, releases more savings. And if I just give one example, you're aware of the capital project we ran last year to replace our IT audit system—well, as a result of that being implemented successfully this year, as of September, we're saving £45,000 on time sheet

system costs, because we no longer run a separate time sheet system and it's included in the new audit system. So, all of that works together to produce what is very much a summarised version that you see in the figures.

[118] **Nick Ramsay:** How long does it take you to come up with the estimate? How much work is involved in that? Because I think I need a route-map to get to all of these documents.

[119] **Ms Garner:** If I can give a perspective on that, I would say that, around spring of this year, Steve started the bottom-up work he's described on this medium-term financial plan, which lists all of the foreseeable things that you can see, Steve. Then, over the summer, we had our first board briefing—a whole afternoon—really tussling about those pressures coming up and our demand as a board to respond to austerity, as far as we can, without compromising the resources for Huw. That, then, came through—when would it be—in September as a proposed estimate. Alongside that, there was the consultation going on with our proposal to look at a fee freeze and to get feedback from stakeholders. The board then was broadly happy with the estimate document. I'm afraid I'm a pain—they'll all tell you that—but I demand to just understand exactly every line in that estimate to make sure that I feel it adds value to the work of the audit office and can be justified in front of you. So, I feel quite comfortable around those lines.

[120] So, that's where we come to. It was very useful to hear the stakeholder feedback—quite detailed. Yes, they welcome the fee freeze; they expect us to go further on austerity, which is why Huw talked about that we've got to look at the audit approach and find a different way of getting proportionate risk-based approaches. It's very interactive, as I say—it's bottom-up and top-down.

[121] **Nick Ramsay:** Okay, thanks. The estimate requires or requests an additional £132,000 for a trainee secondment scheme. What additional costs will be incurred in seconding trainees to Welsh public bodies?

[122] **Mr H. Thomas:** I hope you don't mind that I digress a little bit. I talked about the fact we're taking on more trainees. Of course, we can't offer as many qualified posts at the end, so we will be losing trainees. In fact, we lost somebody who was winning first prizes internationally. This year, we lost him to the private sector—we couldn't pay enough money. So, we have very able people. At the same time, I'm well aware that the Welsh public finance sector is actually facing difficulties in sustaining its own workforce. What I'd like to

do is to not lose the trainees that I've got from the public sector in Wales. We need, to do that, to give them the opportunity of working outside the audit office in various sectors. So, what I'm wanting to build towards is a pattern whereby we're doing our existing training and we're extending that training by seconding them to other public sector employers so, hopefully, at the end, if we can't employ them, they will be taken on elsewhere in the Welsh public sector.

[123] We're already in active, almost, agreement with the national health service in Wales over this. They're worried in terms of the age profile of their qualified staff and where they're going to find the necessary back-ups from. We were having very positive discussions with Michael Hearty before he left the Welsh Government, and I'm hoping to develop that, and also with the treasurers in terms of Welsh local government. So, I'm anxious that our trainees are not lost to the public sector and, actually, reinforce the financial world around. We, therefore, need to provide enough money to pump-prime this year a trainee scheme. I'm expecting, in future years, that it will be the recipient organisation that will pay for the costs of that trainee being there, but somebody needs to start the ball rolling, which is why we've requested the extra money. Very roughly, we've a bit of extra training that we're giving, as well. We're looking at about £100,000 of that £132,000 going towards keeping those 14 staff on secondments.

[124] **Nick Ramsay:** Okay. Thanks.

[125] **Jocelyn Davies:** Chris, did you want to come in on this point?

[126] **Christine Chapman:** Yes, I just wanted to pursue the issues around the age profiles of your trainees. What is the age profile, approximately, of the trainees you take on?

[127] **Mr H. Thomas:** The trainees are all recent graduates. But, that said, some of them are—. We've got one this year who is somebody who developed—. She didn't qualify from school, went to work, gained the access course arrangements to the Open University, qualified and is now working for us—a really good background that's bringing, not just a brand new graduate. We have that range. So, we're looking at the younger age groups. I think it is important, that we're, by and large, trying to recruit people who have some link with Wales. Indeed, we actually have increased our number of Welsh speakers this year by targeting Welsh universities and getting their graduates in to us.

[128] **Christine Chapman:** Can I just make a point? You said it's mainly the younger age group, which is fine, but I'm just thinking of the impact of possibly not having older people, because sometimes there is a mobility issue. You might find that, possibly, older people with families may want to stay in Wales. I know it's a difficult one, but I just think there could be an impact there, and I just wondered have you considered that at all, with your trainees.

[129] **Mr H. Thomas:** I'm happy to consider it. We don't actually put an age category on the recruitment, but I have to say the mix of salary and the intensity of the training does tend sometimes to pre-define the age groups that are aimed for.

[130] **Jocelyn Davies:** What you're telling us is that you know that, in public bodies in Wales, their accountants and auditors, and so on, are older and they might be lost, and you are actually acting as somebody who is able to provide people who are trained up. So, it's not just for your own benefit.

[131] **Mr H. Thomas:** No.

[132] **Jocelyn Davies:** It's for the overall benefit across the public sector, and later on you expect to see pay-off from that. Okay, thank you. Nick, did you have any more questions? Are you happy?

[133] **Nick Ramsay:** That's fine.

[134] **Jocelyn Davies:** You're happy. Ffred, shall we come to yours?

[135] **Alun Ffred Jones:** Iawn. Diolch yn fawr. Rydych chi wedi gofyn am £122,000 flwyddyn nesaf, sy'n gysylltiedig â gwaith datblygu oedd yn gysylltiedig â Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015. A allwch chi ymhelaethu ar hynny? Hefyd, ydy pob darn o ddeddfwriaeth yn golygu costau ychwanegol i chi?

**Alun Ffred Jones:** Thank you very much. You've asked for £122,000 next year, which is connected to the development work in relation to the Well-being of Future Generations (Wales) Act 2015. Could you expand on that? Also, is every piece of legislation going to mean additional costs for you?

[136] **Mr H. Thomas:** Wrth gwrs, mae **Mr H. Thomas:** Of course, every piece

pob darn o ddeddfwriaeth yn creu'r potensial y byddwn yn gorfod gwario pres, ond, efo'r ddeddfwriaeth yma, rydym yn gorfod paratoi. O'r flwyddyn canlynol ymlaen, ni fyddwn ni eisiau'r pres yma. Byddwn ni'n dibynnu ar y ffioedd y byddwn ni'n eu codi. Ond, gan fod y comisiynydd newydd gael ei phenodi, mae'n bwysig ein bod ni'n paratoi flwyddyn nesaf i redeg y drefn archwilio o dan y ddeddfwriaeth. So, dyna pam rŷm ni'n chwilio am y pres ychwanegol.

[137] **Alun Ffred Jones:** A ydych chi'n rhagweld y bydd yna gostau ychwanegol, felly, yn dod ar y cyrff y byddwch chi yn eu harchwilio, oherwydd y ddeddfwriaeth yma?

**Alun Ffred Jones:** Do you foresee that there will be additional costs, therefore, falling on the bodies that you will be auditing because of this legislation?

[138] **Mr H. Thomas:** Bydd yn rhaid i'r costau gael eu cwrdd drwy godi ffioedd, ond beth rwyf yn rhagweld yw na fyddwn ni'n eisiau'r pres yma allan o'r *consolidated fund*.

**Mr H. Thomas:** These costs will have to be met by the fees, but what I foresee is that we will not need this money out of the consolidated fund.

[139] **Alun Ffred Jones:** Iawn. Diolch yn fawr.

**Alun Ffred Jones:** Right. Thank you very much.

[140] **Jocelyn Davies:** Before you go on, Ffred, Peter, was it on this point?

[141] **Peter Black:** It's on this particular point. In terms of the organisations that have to carry out this audit work, how low down are we going? I know that the future generations Act has an impact on community councils with a turnover of more than £200,000 a year—will they have to incur fees to you?

[142] **Mr H. Thomas:** This is why it's important that we have a preparatory year in order to sort out what it is we intend doing. I also need to work hand in hand with the commissioner. I haven't had the chance for discussion, but I hopefully will do soon. That links to the document that I referred to earlier that I intend issuing, which is a consultation document on how we will

approach this. There are a number of bodies, I have to say, that haven't quite realised that they're subject to the legislation, including central Government bodies, because we had quite a response when we sent out our fee consultation, saying, 'Oh, we've got to do this?' So, clearly, there's a lot of message conveying that needs to be done by the commissioner and myself. But I need to work hand in hand with the commissioner, and next year is the preparatory year, hence the cost.

09:45

[143] **Jocelyn Davies:** Okay. Ffred, back to you.

[144] **Alun Ffred Jones:** A gaf i jest fynd yn ôl at y ddeddfwriaeth yma, achos mae'r ddeddfwriaeth yma yn gosod rhyw ddisgwyliadau cyffredinol ar gyrff; nid yw'n ymwneud ag un rhan o'u gwaith nhw? Felly, mae'n mynd i effeithio ar bopeth maen nhw yn mynd i'w wneud, hyd y gallaf weld. Felly, ydy hynny yn mynd i effeithio ar y ffordd rydych chi'n archwilio'r cyrff yma yn gyffredinol?

**Alun Ffred Jones:** Could I just go back to this legislation, because this legislation sets general expectations on bodies; it's not to do with just one part of their work? Therefore, it's going to affect everything that they do, as far as I can see. So, is that going to impact on the way that you audit these bodies generally?

[145] **Mr H. Thomas:** Ydy. Dyna pam rwyf eisiau rhoi dogfen ymgynghorol allan. Rwyf hefyd eisiau gweld os gallwn ni ddefnyddio datblygiadau yn y sector preifat ynglŷn â pharatoi trefn newydd o ran adrodd efo'r cyfrifon—yn hytrach na jest edrych ar y cyfrifon a gwneud archwiliad ar y ddeddfwriaeth, dod â'r ddau at ei gilydd.

**Mr H. Thomas:** Yes. That is why I want to put out a consultation document. I also want to see whether we can use developments in the private sector regarding preparing a new system of reporting with the accounts—rather than just looking at the accounts and auditing the legislation, bringing both together.

[146] **Alun Ffred Jones:** Iawn. A oes gennych chi ryw amserlen ar gyfer cyhoeddi'r ddogfen yma?

**Alun Ffred Jones:** Right. And do you have any timetable for publishing this document?

[147] **Mr H. Thomas:** Rwy'n disgwyl yn gynnar yn y flwyddyn newydd, ond

**Mr H. Thomas:** I'm expecting early in the new year, but it does depend on



mae'n ddibynnol ar gael trafodaeth a gwybod ei bod yn cyd-fynd â'r cyfeiriad y mae'r comisiynydd eisiau mynd iddo.

having a discussion and knowing that it corresponds with the direction the commissioner wants to go towards.

[148] **Alun Ffred Jones:** lawn. Ocê. Diolch yn fawr. I symud ymlaen, mae Swyddfa Archwilio Cymru wedi gofyn am £100,000 yn ychwanegol i newid i fodel a fydd yn canolbwyntio mwy ar allbynnau a chanlyniadau gweithgarwch sy'n cael ei ariannu gan grantiau, yn hytrach nag archwilio anfonebau? A allwch chi esbonio sut y byddwch chi'n mesur allbynnau a chanlyniadau yn y maes yma?

**Alun Ffred Jones:** Right. Okay. Thank you very much. To move on, the WAO has requested an additional £100,000 to change its approach to financial audit to consider the outputs of grant activity rather than checking invoices. Can you explain how you will be measuring the outputs and outcomes in these areas?

[149] **Mr H. Thomas:** Rydym ni wedi bod yn trafod â'r Llywodraeth y patrwm sydd wedi bodoli yn y gorffennol ynglŷn â'r drefn o archwilio grantiau. Mae'r broses wedi bod yn fwy pwysig na beth sydd wedi dod allan o ddefnydd y grantiau. Felly, beth rydym eisiau ei wneud yw datblygu trefn newydd a fydd yn canolbwyntio ar ganlyniadau. Wrth gwrs, mae hynny yn ddibynnol ar gael y rhai sydd yn cynllunio'r drefn grantiau i osod allan beth maen nhw yn disgwyl ei gael. Felly, rydym ni yn cynnal nifer o drafodaethau efo'r Llywodraeth i sicrhau ein bod ni'n cyd-fynd. Mae hyn yn rhywbeth rydym ni'n ei wneud ar y cyd â nhw, ac felly mae'r pres yma yn ein galluogi ni i ddatblygu trefn newydd dros y flwyddyn nesaf.

**Mr H. Thomas:** We have been discussing with the Government the pattern that has existed in the past regarding the system of auditing grants. The process has been more important than what has actually come out of the use of the grants. Therefore, what we want to do is develop a new system that will concentrate on outcomes. Of course, that depends on having those who are planning the grants system to set out what they expect to get. Therefore, we are undertaking a number of discussions with the Government to ensure that we do correspond. This is something that we are doing jointly with them, and therefore this money enables us to develop a new system over the next year.

[150] **Alun Ffred Jones:** Ond mae

**Alun Ffred Jones:** But that is

hynny yn ddibynnol ar y ffaith bod y Llywodraeth yn gallu dangos beth ydy eu meincnodau nhw o safbwynt unrhyw grantiau, felly.

dependent on the fact that the Welsh Government can show their benchmarks in terms of any grants, therefore.

[151] **Mr H. Thomas:** Ydy, ac yn yr adroddiad blynyddol y mae'r Ysgrifennydd Parhaol yn ei gyflwyno nawr i'r Pwyllgor Cyfrifon Cyhoeddus mae hynny yn rhan o'i amcanion.

**Mr H. Thomas:** Yes, and in the annual report that the Permanent Secretary is presenting to the Public Accounts Committee that is part of his objectives.

[152] **Alun Ffred Jones:** Diolch yn fawr. Ac yn olaf, a gaf i jest gyfeirio at y fenter twyll genedlaethol? Rydych yn gofyn yn yr amcangyfrif am gynnydd o £130,000 er mwyn sicrhau y gall cyrff barhau i gymryd rhan am ddim yn y fenter twyll genedlaethol. Faint o gyrff cyhoeddus ychwanegol sydd wedi dweud y byddan nhw'n cymryd rhan yn y fenter yn dilyn y £50,000 ychwanegol a gymeradwywyd gan y Pwyllgor Cyllid yn amcangyfrif 2015-16?

**Alun Ffred Jones:** Thank you. And finally, I'll refer to the national fraud initiative. You're asking in the estimate for an increase of £130,000 to ensure that bodies can continue to take part for free in the initiative. How many additional public bodies have indicated they will take part in the initiative following the additional £50,000 that was approved by the Finance Committee in the 2015-16 estimate?

[153] **Mr O'Donoghue:** Mae'n flin gennyf fi; nid wyf yn siarad Cymraeg yn dda iawn.

**Mr O' Donoghue:** Apologies; I don't speak Welsh very well.

[154] **Alun Ffred Jones:** Nid wyf yn siarad Saesneg yn dda iawn chwaith. [Chwerthin.]

**Alun Ffred Jones:** I don't speak English very well either. [Laughter.]

[155] **Mr O'Donoghue:** Diolch.

**Mr O'Donoghue:** Thank you.

[156] We are targeting 15 to 20 new voluntary organisations, in addition to the mandated organisations that currently take part. So, bodies like unitary authorities, police and crime commissioners, the fire authorities and NHS trusts are all mandated to take part now, and £130,000 of the increase next year is part of the two-year cyclical programme that we run with the mandated bodies. The additional £50,000 on top of that is to attract 15 to

20 new bodies, and we're targeting housing associations and the universities. We've already had a bit of interest coming out of the fee scheme consultation, because we made quite a big play in there around the fact that the Finance Committee had approved it to be free to the end user, so that we could encourage greater participation. And our good practice exchange hosted a webinar on fraud a month ago, and the assistant auditor general, Anthony Barrett, made a play again there about inviting people to participate and that it would be funded free of charge. I think it saves, by the identification of fraud, about £1.5 million annually in the Wales context, and that's why the Public Accounts Committee has been so keen to support greater participation.

[157] **Alun Ffred Jones:** Diolch yn **Alun Ffred Jones:** Thank you very  
fawr. much.

[158] **Jocelyn Davies:** Before we come to Mike's question, we notice in paragraphs 35 and 36 of the estimate on page 17 that you mention the fee subsidy for Welsh Government sponsored bodies, and obviously you're asking us there to make a decision. Would you like to—? It's on page 17 of the estimate, and it's paragraphs 35 and 36, under the heading 'Fee subsidy for Welsh Government Sponsored Bodies'. I think you've had discussions with the Welsh Government going back to April on this—that you've got a £250,000 allocation on an interim basis to cover. Before we come to the last lot of questions, do you want to take us through this dilemma that you've got here and explain to us what it is that you want us to do—

[159] **Mr H. Thomas:** Yes, that would be helpful.

[160] **Jocelyn Davies:** —in order to resolve that—

[161] **Ms Garner:** Shall I kick off?

[162] **Mr H. Thomas:** Yes.

[163] **Jocelyn Davies:** —because we won't have another opportunity to discuss this with you?

[164] **Ms Garner:** When the board is in the process of implementing the Public Audit (Wales) Act 2013, as you'll be aware, we have to charge no more than the cost of the function, but we have to fully recover our fees. During a detailed accounting exercise that took place fairly early on, we had to look at

setting appropriate fee rates for all the audits that we did. It became clear that a number of central Government, and small bodies, as indicated there, were going to have a massive increase in their fees. At the time, the board felt that a subsidy for two years was appropriate.

[165] **Jocelyn Davies:** This is because these bodies wouldn't have been expecting it and—

[166] **Ms Garner:** We asked that it be sort of stepped so they come closer to the real cost. However this year, the board very strongly feels that it is no longer appropriate; it doesn't meet the requirements of the Public Audit (Wales) Act 2013, and therefore we feel uncomfortable to continue to use the Welsh consolidated fund to subsidise a small number of bodies.

[167] **Mr H. Thomas:** When we did this exercise, it demonstrated the difference between those bodies that had been previously subject to the NAO regime, if I can describe it as that, and those that had been subject to the old audit commission regime. That meant that it was the central Government, and its bodies, that came out as paying below the level that they should have paid. We offered to the Welsh Government that we could perhaps discuss some kind of transition arrangement for them. They wanted simply just to move to the correct arrangement. So, for Welsh Government itself, that was settled at the time. But there were, and I list, those central Government bodies, which had been subsidised. In terms of the Welsh language commissioner, this was because we reflected some of the old Welsh Language Board fees. It is an anomalous position; they're the only group of people who we subsidise. But the funny thing is: we're subsidising out of the consolidated fund, and our argument with the Welsh Government, I have to say, has been, 'Well, why not you take the funds out of the consolidated fund and take it back through grant support to these bodies, and therefore everybody's on the same basis in terms of fee charging?' The amount of the subsidy is there—

[168] **Jocelyn Davies:** So, between them, it comes to £250,000.

[169] **Mr H. Thomas:** Yes.

[170] **Jocelyn Davies:** And for any individual organisation there, it would be a considerable rise in the fee level, if it was charged directly to them at a time when they're experiencing cuts themselves to their budgets.

[171] **Mr O'Donoghue:** Chair, because of changes in which bodies were covered by that during the last 12 months, the actual subsidy for next year would be in the order of £120,000, if it continues. But in our estimate, it's shown as £250,000, as that's what we sought approval for last year.

[172] **Jocelyn Davies:** Okay.

[173] **Mr O'Donoghue:** And it would have a significant impact on those bodies and they all made very strong representations about it in the responses to the fee consultation.

[174] **Jocelyn Davies:** I'd imagine that they did. But your board has taken the view that you cannot continue to be in breach of the law and that you should recover the cost of—

[175] **Ms Garner:** That is what we're putting in the estimate.

[176] **Jocelyn Davies:** Okay. Thank you. Mike, shall we come to your questions then?

[177] **Mike Hedges:** The first one is that the Minister for Finance has told the committee that she will propose an amendment to the Tax Collection and Management (Wales) Bill to allow a fee to be charged for auditing the tax statement in 2018–19. Two questions on that: would you prefer to have it paid as part of the consolidated fund rather than going for a fee? Secondly, will you incur any cost in the run-up to it in getting ready to audit it?

[178] **Mr H. Thomas:** We are going to incur costs in the run-up. As we mentioned to you, when I gave evidence about 10 days ago, we will be publishing a report on the preparedness of the Welsh Government to take on its new tax and borrowing powers next autumn. So, that is in advance of the Welsh revenue authority itself becoming fully operational, because board members aren't due to be appointed until the autumn of 2017. But the chief executive is going to be appointed next summer and it's appropriate that the work is put in place. We're also having to commit staff to work with Scotland and the NAO in making sure that we're ready for the new regime.

[179] As regards the meeting of costs out of the fees, I think that it is right that the body itself is feed because that is the case with other public bodies, but, in terms of the tax statement itself, I think that ought to be out of the consolidated fund.

[180] **Mike Hedges:** My final question: in the estimates, and in discussions we've had with you on a number of occasions, you have talked about the problems of the Public Audit (Wales) Act and the need for a more flexible fee regime and the difficulty that that causes. What one thing would actually make the fee regime easier if an amendment were put forward?

[181] **Mr H. Thomas:** The one amendment to get rid of the word 'function' because that means we are able to look at the totality. This is what our lawyers advise us. That one change would make a significant difference.

[182] **Jocelyn Davies:** Are there any other questions?

[183] **Nick Ramsay:** Sorry, I didn't catch that last bit. What one word? I missed the key bit about the word.

[184] **Mr H. Thomas:** To get rid of the word 'function' from the relevant clause.

[185] **Jocelyn Davies:** Because that takes away your flexibility.

[186] **Mr H. Thomas:** The necessary flexibility would simply mean that we could then look at the totality of work at an audited body and fee on that basis instead of having to do it at each function of audit.

[187] **Mike Hedges:** Which would actually save money for you, as a body, and the people you are auditing because, as you have to break it down, you then have a cost, which you then pass on to them.

[188] **Mr H. Thomas:** Indeed.

[189] **Jocelyn Davies:** Okay. Thank you. Alun Ffred, did you have one final thing—?

[190] **Alun Ffred Jones:** I was thanking Mike for his explanation. [*Laughter.*]

[191] **Jocelyn Davies:** Very useful.

[192] **Nick Ramsay:** [*Inaudible.*—didn't ask about any charters.

[193] **Jocelyn Davies:** No, no. we'll be coming on to charters later.

[194] Thank you very much. I don't think you need to send us a note on anything at all. I think you managed to cover absolutely everything we needed. So, I congratulate you on that; that doesn't happen very often, I have to say.

09:58

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o weddill y exclude the public from the  
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in  
17.42(vi).*

*accordance with Standing Order  
17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[195] **Jocelyn Davies:** I now propose that we move into private session under 17.42. Is everybody happy? Yes. Thank you.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 09:58.*

*The public part of the meeting ended at 09:58.*