

# **Annual scrutiny of the Wales Audit Office and the Auditor General for Wales**

November 2025

# 1. Introduction

## Background to the Public Audit (Wales) Act 2013 and the Auditor General for Wales

- 1.** The Public Audit (Wales) Act 2013 (the Act) received Royal Assent on 29 April 2013.<sup>1</sup> The Act continued the office of the Auditor General for Wales (Auditor General) and created a new body known as the Wales Audit Office (WAO). It also set out accountability and governance arrangements relating to the Auditor General and the WAO.
- 2.** The Auditor General is the statutory external auditor for most of the Welsh public sector, and is Chief Executive of the WAO and its Accounting Officer. The WAO monitors and advises the Auditor General, holds and provides resources and charges fees for the Auditor General and the WAO's work. The WAO is represented by a Board, which includes a non-executive Chair, other non-executive members, the Auditor General, an appointed employee member and two elected employee members.
- 3.** Audit Wales is the non-statutory collective name for the Auditor General and the WAO, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity.

## Accountability and Governance Arrangements

- 4.** The Act confers a number of functions on the Welsh Parliament (the Senedd). Under Section 28 of the Act, the Senedd may make provision through its Standing Orders regarding the exercise of the functions conferred upon it by the Act, including “delegating functions to the Presiding Officer, the Deputy Presiding Officer, a committee or sub-committee of the Senedd or the chair of such a committee or sub-committee”.<sup>2</sup> In accordance with Standing Order 18.10, oversight of the WAO has been delegated to the Finance Committee (the Committee).<sup>3</sup>
- 5.** This year's annual scrutiny of the WAO and the Auditor General took place in two parts.

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<sup>1</sup> [Public Audit \(Wales\) Act 2013](#)

<sup>2</sup> [Standing Orders of the Welsh Parliament](#)

<sup>3</sup> [Business Committee minutes, 1 October 2013](#)

6. The Committee examined the following publications on 18 September 2025<sup>4</sup> and took evidence from the Auditor General, Adrian Crompton, the Chair of the Board (the Chair), Dr Ian Rees, and two officials from Audit Wales:

- Annual Report and Accounts 2024-25;<sup>5</sup>
- RSM UK Audit LLP - Audit Findings Report - Year Ended 31 March 2025;<sup>6</sup>
- Annual Plan 2025-26.<sup>7</sup>

7. On 5 November 2025<sup>8</sup>, the Committee took evidence from the Auditor General, Chair, and two officials from Audit Wales on the following publications:

- Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027;<sup>9</sup>
- Interim Report - An assessment of progress made against our 2025-26 Annual Plan during the period 1 April to 30 September 2025.<sup>10</sup>

**Conclusion 1.** Subject to the conclusions and recommendations in this report, the Committee is content with the following publications provided by the Auditor General for Wales and the Wales Audit Office during the annual scrutiny sessions:

- Annual Report and Accounts 2024-25;
- Audit Findings Report - Year Ended 31 March 2025;
- Annual Plan 2025-26;
- Interim Report - An assessment of progress made against our 2025-26 Annual Plan during the period 1 April to 30 September 2025;
- Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027.

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<sup>4</sup> Finance Committee, RoP, 18 September 2025

<sup>5</sup> Annual Report and Accounts 2024-25

<sup>6</sup> RSM UK Audit LLP - Audit Findings Report - Year Ended 31 March 2025

<sup>7</sup> Annual Plan 2025-26

<sup>8</sup> Finance Committee, RoP, 5 November 2025

<sup>9</sup> Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027

<sup>10</sup> Interim Report - An assessment of progress made against our 2025-26 Annual Plan during the period 1 April to 30 September 2025

## 2. Annual Report and Accounts 2024-25

**8.** The Annual Report and Accounts for 2024-25<sup>11</sup> were laid before the Senedd on 27 June 2025. The Auditor General prepared the Accounts for 2024-25 as the Accounting Officer for the WAO, in accordance with Schedule 1 to the Act. The Auditor General and the Chair of the Board jointly prepared the Annual Report, in accordance with Schedule 2 to the Act.<sup>12</sup>

**9.** Reflecting on the organisation’s achievements during the reporting period, the Auditor General felt it was “an incredibly impressive record of achievement for the organisation”. In particular, he highlighted the “huge volume of work delivered” and the “quality and impact of our work”. He added:

*“Internally, I’m delighted, too, with the evolving culture of the organisation. It now feels like a really energised and positive environment, and that’s reflected in our people survey scores and elsewhere.”<sup>13</sup>*

### Performance

**10.** Overall, Audit Wales achieved, or was close to achieving, 10 of its 18 key performance indicators (KPI).

#### **A strategic, dynamic and high-quality audit programme (KPI 1-7)**

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**11.** The seven indicators within this theme relate to the outputs Audit Wales delivers. There has been an improvement in performance, with three indicators “achieved or close to being achieved”, compared to two indicators in 2023-24.<sup>14</sup>

**12.** In terms of deadlines, Audit Wales has increased the proportion of audit products delivered by the statutory or agreed deadline (99 per cent in 2024-25 compared to 85 per cent in 2023-24). KPI 1 is rated “achieved or close to being achieved” against a target of 100 per cent.<sup>15</sup>

**13.** The Auditor General highlighted the “huge progress made” against KPI 1 to reduce the backlog of statutory audit work carried since COVID:

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<sup>11</sup> [Annual Report and Accounts 2024-25](#)

<sup>12</sup> [Public Audit \(Wales\) Act 2013](#)

<sup>13</sup> Finance Committee, RoP, 18 September 2025, paragraphs 16-17

<sup>14</sup> [Annual Report and Accounts 2024-25](#), pages 16-17

<sup>15</sup> [Annual Report and Accounts 2024-25](#), page 16

*“... we're now back to the position, if you look across the three big sectors in which we work—. In the NHS, we are bang on target with the sector and bringing deadlines forward for audited accounts. In the central Government sector, everything is being delivered to statutory deadlines. In the local government sector, where organisations are able to submit their accounts in reasonable quality to us by agreed deadlines, we too are able to play our part. That said, that's the one area where I have a degree of ongoing concern, because it seems potentially a growing number of bodies in that sector are not able to provide us with their accounts in a timely fashion.”<sup>16</sup>*

**14.** The proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting (KPI 2) has also increased, moving it from its previous rating of “significant improved required” in 2023-24 to “improvement required” in 2024-25. Against a target of 90 per cent, Audit Wales delivered 81 per cent of other key audit products in line with the planned timetable (76 per cent in 2023-24).

**15.** The Executive Director for Audit Services explained that the main reason for falling short of the KPI 2 target was due to the decision to divert resources to deliver the statutory accounts work. Nonetheless, she referred to making “significant inroads” in addressing the local performance audit backlog and reducing the “number of outstanding days by and half”:

*“... our objective as an organisation is to get all of our local government performance audit work completed by 30 June and back on track by 30 June 2026, and our local NHS work by 31 March 2026. I'm confident that we're going to achieve that, certainly on the local government side, interestingly, for performance audit work. On the NHS side, we have had some significant levels of sickness this year. There aren't as many staff available in the marketplace, really, for us to bring in as relief contractors—so, a little bit more worried about that area, but hopeful that we can get there.”<sup>17</sup>*

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<sup>16</sup> Finance Committee, RoP, 18 September 2025, paragraph 23

<sup>17</sup> Finance Committee, RoP, 18 September 2025, paragraph 28

**16.** The Auditor General clarified that the significant levels of sickness mentioned is not large in volume but has a disproportionate impact on the capability of relatively small local performance audit teams.<sup>18</sup>

**17.** When asked whether there was any evidence that the backlog has resulted in areas of the public sector underperforming, the Auditor General said:

*“... that's, fundamentally, the driver for why we need to improve the timeliness of delivery. I wouldn't say that we've seen direct failure or weakness as a result of an absence of our work, but we know from conversations and engagement with our stakeholders that that is something that matters to them and they'd like to see us improve.”<sup>19</sup>*

**18.** The number of reviewed audits that are delivered in accordance with Financial Reporting Council quality standards (KPI 3) is rated “improvement required”. Against a target of “All audits sampled in the highest two audit quality categories”, Audit Wales delivered six out of eight audits sampled. This compares with seven out of seven audits sampled in 2023-24. The Annual Report and Accounts states:

*“The issues giving rise to the two audits not achieving our target are specific to those audits. Our approach in such circumstances is to undertake an exercise to understand why the issues occurred and to allow the organisation to collectively learn and move forward together. Two of the eight sampled audits achieved the very highest rating, which is an improvement on previous years.”<sup>20</sup>*

**19.** Performance data for KPI 4 (Credibility), KPI 5 (Providing insight) and KPI 6 (Driving improvement) was sourced from an independent stakeholder research exercise carried out in early 2025. The Annual Report and Accounts notes that, due to the small number of respondents, the margin of error in the results is high (+/- 12 to 14 per cent) and so “limited reliance can be placed on year-on-year comparisons”.<sup>21</sup>

**20.** KPI 4, which measures the proportion of stakeholders that consider Audit Wales to be an independent and authoritative communicator on the governance

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<sup>18</sup> Finance Committee, RoP, 18 September 2025, paragraph 35

<sup>19</sup> Finance Committee, RoP, 18 September 2025, paragraph 30

<sup>20</sup> [Annual Report and Accounts 2024-25](#), pages 16 and 27

<sup>21</sup> [Annual Report and Accounts 2024-25](#), page 17

and stewardship of public money and assets, has reduced from 92 per cent in 2023-24 to 76 per cent in 2024-25. The target for this KPI is “At least 90 per cent” and it is classified as “improvement required”.<sup>22</sup>

**21.** The proportion of stakeholders who said that through Audit Wales’s work, they gained useful insight that they would not have acquired otherwise (KPI 5), has increased from 64 per cent in 2023-24 to 78 per cent in 2024-25. This KPI is classified as “achieved or close to achieving our target” (target: At least 80 per cent).<sup>23</sup>

**22.** KPI 6, which measures the proportion of stakeholders who believe Audit Wales’s work has led to improvements in the provision of public services, is down to 62 per cent in 2024-25, from 76 per cent in 2023-24. This KPI is classified as “improvement required” (target: At least 80 per cent).<sup>24</sup>

**23.** The Auditor General attributed performance against KPIs 4-6 to the data gathering approach adopted, rather than a “genuine change in sentiment” from stakeholders. Every other year Audit Wales undertakes a large, independently run stakeholder survey, conducting narrower internally led stakeholder surveys in alternate years to manage costs:

*“... but that led to a break in comparability year on year. Understandably, the committee asked us to reconsider that last year, and our board did as well. So, the approach we took last year was to split our stakeholders into two groups; we'd survey half one year, half the other. We felt that that would still deliver reliable results. So, we went to over 200 individuals, we went to all Senedd Members as well, but unfortunately, the response rate was low, and we heard back from just over 40 individuals, which means that all of those numbers are really susceptible to fluctuation.”<sup>25</sup>*

**24.** Following a particularly low response rate from the NHS sector, Audit Wales “worked with directors of governance in every NHS body, who co-ordinated fuller responses” which resulted in “100 per cent against the first key performance indicator and well above 80 per cent against the other two”.<sup>26</sup>

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<sup>22</sup> Annual Report and Accounts 2024-25, page 17

<sup>23</sup> Annual Report and Accounts 2024-25, page 17

<sup>24</sup> Annual Report and Accounts 2024-25, page 17

<sup>25</sup> Finance Committee, RoP, 18 September 2025, paragraph 38

<sup>26</sup> Finance Committee, RoP, 18 September 2025, paragraph 39

**25.** The Auditor General told us he will adopt an independent approach again in 2025-26 to survey all stakeholders, including Senedd Members, adding:

*“... we as Audit Wales will throw the kitchen sink at trying to increase awareness and engagement to explain the importance of that, so that yourselves or your successor committee, the board and my successor have a reliable baseline from which to work. And moving forward after that, if I were around, my recommendation would be not to attempt to replicate that on an annual basis, to find another lighter-touch way to sense-check that year on year, and perhaps run that bigger exercise once or twice in a Senedd term.”<sup>27</sup>*

**26.** KPI 7 measures the value of potential savings, productivity gains and other financial benefits identified through Audit Wales’s work, and is classified as “achieved or close to achieving our target”. The target for this measure covers a three-year period, 2023-2026, so 2024-25 is the second year of a three-year period. Audit Wales reports savings of £16 million in 2024-25. The KPI target is “at least £30 million during 2023-2026”. The Annual Report and Accounts highlights specific audit work in progress which should enable Audit Wales to achieve the overall savings target by 2026.<sup>28</sup>

### **A targeted and impactful approach to communications and influencing (KPI 8-11)**

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**27.** The four KPIs within this theme relate to engagement across events, Audit Wales’s website, social media and sharing and learning. Three of the indicators are classified as “achieved or close to achieving our target”:

- Good practice outputs (KPI 8): The proportion of stakeholders who rate its good practice outputs as useful or very useful was 100 per cent against a target of “At least 90 per cent”;
- Website visits (KPI 9) are up from 59,100 in 2023-24 to 81,000 in 2024-25 (target: 48,000 each year);
- Sharing audit learning (KPI 11): The number of instances where Audit Wales has presented audit learning to key policy working groups or at

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<sup>27</sup> Finance Committee, RoP, 18 September 2025, paragraph 40

<sup>28</sup> [Annual Report and Accounts 2024-25](#), page 17

relevant externally hosted events, is up from 45 in 2023-24 to 53 in 2024-25 (against a target of 50 each year).<sup>29</sup>

**28.** The remaining KPI in this category measures performance by the number of social media engagements. KPI 10 is classified as “improvement required” as engagements dropped to 3,500 in 2024-25 from 4,000 in 2023-24 (against a target of 4,000).<sup>30</sup>

### **A culture and operating model that allows us to thrive (KPI 12-18)**

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**29.** The seven KPIs within this theme relate to staff at Audit Wales and running the business. Audit Wales achieved four of these indicators in 2024-25 (compared to five in 2023-24) with three classified as “needs improvement” (compared to two in 2023-24).<sup>31</sup>

**30.** Its performance in 2024-25 against the two KPIs in this category that were classified as “improvement required” in 2023-24 has improved: turnover (KPI 13), for which it met its target in 2024-25; and trainees success rate (KPI 18), for which improvement is still required.<sup>32</sup>

**31.** The employee engagement KPI is measured by the annual staff survey engagement index score (KPI 12). With a target of at least the median benchmark score for the latest Civil Service survey (64 per cent), Audit Wales scored 71 per cent in 2024-25 (up from 64 per cent in 2023-24).<sup>33</sup>

**32.** Reflecting on the annual staff survey results for 2024-25, the Auditor General said:

*“... we saw improvements across the board in every single area that we questioned: so, in leadership, in how we handle change, in how we focus on learning and development, in how teams operate together—so, really encouraging. It's encapsulated in our overall staff engagement score of 71 per cent. To put that in perspective, that's the highest engagement score that our organisation has ever recorded in its history, and, if you compare us with 100 plus organisations in the public service*

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<sup>29</sup> Annual Report and Accounts 2024-25, page 18

<sup>30</sup> Annual Report and Accounts 2024-25, page 18

<sup>31</sup> Annual Report and Accounts 2024-25, page 19

<sup>32</sup> Annual Report and Accounts 2024-25, page 19

<sup>33</sup> Annual Report and Accounts 2024-25, page 19

*across the UK who measure engagement in the same way, that puts us in the top 10.”<sup>34</sup>*

**33.** Staff turnover (KPI 13) is measured by the proportion of employees who voluntarily leave Audit Wales per annum (target of between 5 per cent and 10 per cent). Performance against this target is rated as “achieved or close to achieving our target”, with a score of 5.8 per cent in 2024-25 (12.3 per cent in 2023-24).<sup>35</sup>

**34.** The average working days lost per member of staff due to sickness (KPI 14) has increased to 3.9 per cent (8.7 days) from 3.3 per cent (7.1 days in 2023-24). There was a small decrease in short-term absence rate (2.9 days lost in 2024-25, down from 3.1 days lost in 2023-24), but a larger increase in long-term absence (to 5.8 days lost in 2024-25 from 4.0 days lost in 2023-24).<sup>36</sup>

**35.** The Chair told us a few long-term absences in a small organisation can skew the data and, while concerned about the impact on staff and work, the Board was “content that the leadership were doing what they could to manage it and put in mitigating actions”. The Auditor General added that “a small number of long-term absences have come to an end”, with more recent data “definitely trending in the right direction”.<sup>37</sup>

**36.** Performance against KPI 15 is classified as “improvement required”. It is measured by the net underspend variance on income and expenditure compared to the Estimate. The annual target is less than 2 per cent of the gross expenditure budget. In 2024-25, Audit Wales reports a net underspend of £864,000, which equates to 3.2 per cent of its gross expenditure budget, up from 1.1 per cent in 2023-24. Addressing performance against the KPI target, the Auditor General said:

*“We undershot that considerably, so it's bad news in a sense, because we've got a non-green KPI. Why that is, though, is because we massively over-delivered on income. We exceeded our ambit for income for the year, and so returned that additional funding to the public purse, while simultaneously having some underspends on our staffing in non-fee-earning areas.”<sup>38</sup>*

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<sup>34</sup> Finance Committee, RoP, 18 September 2025, paragraph 24

<sup>35</sup> [Annual Report and Accounts 2024-25](#), page 19

<sup>36</sup> [Annual Report and Accounts 2024-25](#), page 19

<sup>37</sup> Finance Committee, RoP, 18 September 2025, paragraphs 33 and 35

<sup>38</sup> Finance Committee, RoP, 18 September 2025, paragraph 18

**37.** Audit Wales has achieved the cost-savings indicator (KPI 16), measured by the value of in-year cost savings delivered across the business. It reports that it has exceeded its £400,000 non-pay savings target.<sup>39</sup>

**38.** The Executive Director for Corporate Services told us the organisation's financial sustainability review group identified savings in a range of areas (IT, accommodation and estates, and travel and subsistence) and returned these savings to the Welsh Consolidated Fund (WCF).<sup>40</sup>

**39.** Performance against the greenhouse gas emissions target (KPI 17), measured by the total CO2 equivalent emissions, was classified as "improvement required" with Audit Wales reporting 380 tonnes of emissions in 2024-25 (up from 280 tonnes in 2023-24). Audit Wales attributes the higher levels to increased levels of staff attendance at its offices and audited body sites.<sup>41</sup>

**40.** The proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales has improved, from 82 per cent in 2023-24 to 85 per cent to 2024-25. KPI 18 is classified as "improvement required" as the target is 90 per cent.<sup>42</sup>

## Accountability and governance

### Wales Audit Office Board

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**41.** The Annual Report and Accounts notes that the Board:

*"... is satisfied that the level of assurance sought and provided is proportionate to the associated levels of assessed risk. The Board is also satisfied with the quality of the information it receives, which is underpinned by data presented in a recently developed Management Information Dashboard, although it considers that there is scope to improve the focus and format of some elements of financial reporting."<sup>43</sup>*

**42.** The Chair provided an overview of the newly developed Management Information Dashboard (the dashboard):

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<sup>39</sup> Annual Report and Accounts 2024-25, page 19

<sup>40</sup> Finance Committee, RoP, 18 September 2025, paragraphs 51-52

<sup>41</sup> Annual Report and Accounts 2024-25, page 19

<sup>42</sup> Annual Report and Accounts 2024-25, page 19

<sup>43</sup> Annual Report and Accounts 2024-25, page 64

*“... over the past 15 months or so, we've undertaken quite a big piece of work internally that cuts across the performance of the whole organisation, and now we have the dashboard that includes themes like delivery of financial audit, delivery of performance audit, finance, people, KPI performance, risks and annual plan priorities ...”<sup>44</sup>*

**43.** The dashboard is formally reviewed on a monthly basis by the Executive Leadership Team (ELT) and is accessible to all Board members. The Chair said it offers both high-level summaries and the ability to drill down into detailed data, making it a valuable management tool.<sup>45</sup>

**44.** While Audit Wales has not discussed making the dashboard publicly available, the Auditor General noted that some elements are reflected in the Annual Report and Accounts. He expressed openness to greater transparency, referencing the publication of the people survey results and efforts made to improve the visibility of the audit programme on the website.<sup>46</sup>

**45.** The Board conducted a self-assessment of its effectiveness in 2024-25, which concluded that “overall, the board was operating effectively with some areas for improvement identified”.<sup>47</sup>

**46.** In terms of the actions taken following the self-assessment, the Chair referred to adopting a more data-driven decision-making approach, improving meeting efficiency, developing Board members and increasing Board engagement and visibility. He also mentioned the diversity of the Board:

*“I'm very much aware that the appointment of non-executive board members is the responsibility of the Finance Committee, and I was very pleased to be invited to be part of recent appointment processes, but we still need to diversify board membership in terms of skills, backgrounds and experience.”<sup>48</sup>*

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<sup>44</sup> Finance Committee, RoP, 18 September 2025, paragraph 54

<sup>45</sup> Finance Committee, RoP, 18 September 2025, paragraph 59

<sup>46</sup> Finance Committee, RoP, 18 September 2025, paragraph 65

<sup>47</sup> [Annual Report and Accounts 2024-25](#), page 64

<sup>48</sup> Finance Committee, RoP, 18 September 2025, paragraphs 77-79

## Internal Audit

**47.** TIAA, the internal auditors of Audit Wales appointed for the three-year period ending June 2026, issued nine internal audit reports during 2024-25. The annual statement of assurance for 2024-25 states:

*“TIAA is satisfied that, for the areas reviewed during the year, Audit Wales has reasonable and effective risk management, control and governance processes in place.”<sup>49</sup>*

**48.** Of the nine internal audit reports, one was advisory (staff performance management), four were rated “substantial assurance”, and four were rated “reasonable assurance”. The reports rated “reasonable assurance” covered a range of operational and strategic areas, including ICT infrastructure, learning and development, AI tool usage, and staff management responsibilities.<sup>50</sup>

**49.** The Executive Director for Corporate Services confirmed that no urgent recommendations were issued and the organisation has taken timely and effective steps to address each recommendation. Key actions included policy updates, enhanced interdepartmental collaboration, the launch of a new AI pilot, and the development of a formal training programme for new line managers.<sup>51</sup>

## Risk

**50.** The Board has oversight of risk management at Audit Wales, supported by the Audit and Risk Assurance Committee. The Auditor General, as Accounting Officer, advises the Board and its committees on the system of internal controls, supported by the ELT.<sup>52</sup>

**51.** The Annual Report and Accounts says “several key strategic risks fluctuated during the reporting period and particularly engaged the time of the ELT and Audit and Risk Assurance Committee”, including:

- The impact of the unexpected change in the Chair of the Board;
- Failure to adequately secure medium-term financial sustainability;
- Ineffective audit services resourcing processes;

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<sup>49</sup> Annual Report and Accounts 2024-25, page 68

<sup>50</sup> Annual Report and Accounts 2024-25, pages 69-71

<sup>51</sup> Finance Committee, RoP, 18 September 2025, paragraphs 83-86

<sup>52</sup> Annual Report and Accounts 2024-25, page 65

- Changes in senior leadership and succession planning.<sup>53</sup>

**52.** The Annual Report and Accounts notes that the Auditor General is “satisfied that these risks have been monitored and managed effectively during the year”.<sup>54</sup>

**53.** A number of newly identified and ongoing risks in 2025-26 are included in the strategic risk register:

- Workload pressures and resilience;
- Balancing resource supply and demand over the medium term;
- IT infrastructure and cyber security.<sup>55</sup>

**54.** We also heard that a key area of strategic risk identified relates to leadership transitions within the organisation due to the Auditor General’s imminent departure and anticipated changes at a senior level. The Auditor General added:

*“But also change in the Senedd. That’s going to be an enormous change for us. So, we’re very keen to try to engage with, clearly, all of the parties represented, but potentially new parties that may be represented in the reformed Senedd, so that there’s a good understanding of us and our work and how we can contribute.”<sup>56</sup>*

**55.** On the issue of recruitment and retention, the Auditor General said the organisation is “now comfortably at a high level of establishment”. However, he highlighted a potential future risk due to UK Government plans to invest in the sector:

*“There’s a new office likely to be established called ‘the local audit office’, which will be doing, essentially, what we do at a local level in England. But it will be much bigger than us, and they will need staff, and we potentially will look like a fabulous source for that.”<sup>57</sup>*

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<sup>53</sup> Annual Report and Accounts 2024-25, pages 72-73

<sup>54</sup> Annual Report and Accounts 2024-25, page 73

<sup>55</sup> Annual Report and Accounts 2024-25, page 73

<sup>56</sup> Finance Committee, RoP, 18 September 2025, paragraph 70

<sup>57</sup> Finance Committee, RoP, 18 September 2025, paragraph 74

## Staff

**56.** The average number of full-time equivalent (FTE) staff increased by 19, from 269 in 2023-24 to 288 in 2024-25. This comprises an increase of nine in the average FTE in both its permanently employed staff (to 224) and staff employed on fixed-term contracts during the year (to 62). The number of audit and inspection contractors increased from one to two.<sup>58</sup>

**57.** In 2024-25, one member of staff received a severance payment of £13,665.<sup>59</sup>

**58.** The Auditor General explained that the payment did not relate to a voluntary exit:

*“... it followed a very extended and sensitive personnel case that was investigated by an external expert. The end result of that was that we agreed the best solution was to agree a managed exit from the organisation, which resulted in a relatively small payment, which is referenced in the accounts.”<sup>60</sup>*

## Outturn

**59.** Gross expenditure for 2024-25 was £26.1 million, £0.8 million lower than in the Estimate or budget (£26.9 million) and £3.0 million higher than in 2023-24 (£23.0 million).<sup>61</sup>

**60.** Outturn for income is reported at the level set out in the Estimate, £17.5 million. However, Audit Wales’s actual income exceeded the Estimate by £961,000. This was due to:

- Audit fees: progress on the audit backlog being better than expected (outturn £598,000 more than the Estimate);
- Grant certification fees: more work was carried out in year (outturn £349,000 more than the Estimate); and
- Other income (outturn £14,000 over the Estimate).<sup>62</sup>

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<sup>58</sup> [Annual Report and Accounts 2024-25](#), page 86

<sup>59</sup> [Annual Report and Accounts 2024-25](#), page 85

<sup>60</sup> Finance Committee, RoP, 18 September 2025, paragraph 105

<sup>61</sup> [Annual Report and Accounts 2024-25](#), page 93 and [Annual Report and Accounts 2023-24](#), page 8

<sup>62</sup> [Annual Report and Accounts 2024-25](#), page 95

**61.** The net cash requirement has been adjusted to reflect this excess income.<sup>63</sup>

**62.** The Executive Director for Audit Services addressed the impact of this excess income on the resources requested for 2025-26:

*“...we have consequently set ourselves a higher income target, as we are recognising the fact that we are continuing to push through that backlog at a faster-than-anticipated rate. So, expected income for this year is £18.6 million. Compared to last year, I think we were anticipating initially £17.5 million, even though we did overdeliver. So, this year's estimate—or the amount that we're anticipating this year—is about what we delivered last year, which is where I would be expecting us to be.”<sup>64</sup>*

**63.** The net resource underspend was £864,000 less than the Estimate, at £8.6 million (2023-24: £8.2 million).<sup>65</sup>

**64.** The net cash requirement was £7.1 million, which is £2.0 million less than the Estimate (2023-24: £8.3 million).<sup>66</sup>

**65.** The Annual Report and Accounts includes an analysis of net resources outturn for 2024-25 which shows that the largest underspend against the Estimate relates to staff costs of £1.0 million.<sup>67</sup>

**66.** Despite recruiting more staff to deliver the audit backlog, the Executive Director for Audit Services explained that vacancy savings were made in non-fee income-generating roles:

*“... the vacancies at the beginning of 2024-25 were mainly in the trainee and apprentice grades, and because of the heavy amount of training that they undertake when they first join us, they're not terribly chargeable anyway in those first few months. So, the impact on us was pretty low—you'd expect less staff at points in the year, less income. It didn't work out quite that way because of where the vacancies were.”<sup>68</sup>*

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<sup>63</sup> Annual Report and Accounts 2024-25, page 96

<sup>64</sup> Finance Committee, RoP, 18 September 2025, paragraph 94

<sup>65</sup> Annual Report and Accounts 2024-25, page 93

<sup>66</sup> Annual Report and Accounts 2024-25, page 93

<sup>67</sup> Annual Report and Accounts 2024-25, page 94

<sup>68</sup> Finance Committee, RoP, 18 September 2025, paragraph 98

## Audit Findings

**67.** The independent auditors of the WAO, RSM UK Audit LLP (RSM) did not raise any issues in its report in the Annual Report and Accounts.<sup>69</sup>

**68.** RSM also shared its Audit Findings Report with the Committee, which summarises its key findings in connection with the audit of the financial statements of Audit Wales in respect of the year ended 31 March 2025. The report outlines three areas of audit risk:

- Revenue recognition – work in progress and deferred income (rated as a significant risk);
- Management override of controls (rated as a significant risk);
- Regularity (rated as a higher risk).<sup>70</sup>

## Committee view

**69.** The Committee welcomes Audit Wales's progress in 2024-25, particularly the substantial efforts made to address the post-COVID statutory audit backlog. We note that statutory audit deadlines are now being met in the NHS and central government, though some concerns remain in relation to the timeliness of some accounts in the local government sector.

**70.** While recognising the statutory audit work achieved in 2024-25, we note that the delivery of performance audit work has fallen short of the KPI target. We accept that this is mainly due to the diversion of performance audit resources to assist with the delivery of the statutory audit work – a decision we supported in last year's report.<sup>71</sup> Nevertheless, we are encouraged by the improved performance status for this indicator. We note the intention to remedy the backlog in the first half of 2026 but we are also mindful that long-term sickness absence remains a concern, with acute implications for the small NHS performance audit teams within Audit Wales as well as overall productivity within the organisation.

**Recommendation 1.** The Committee recommends that Audit Wales outlines what actions it is taking to mitigate the impact of long-term sickness absence on the successful delivery of NHS performance audit work in 2025-26.

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<sup>69</sup> Annual Report and Accounts 2024-25, page 94

<sup>70</sup> RSM UK Audit LLP - Audit Findings Report - Year Ended 31 March 2025

<sup>71</sup> Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales, November 2024, page 26

**71.** We note the considerable fluctuations in performance data relating to Audit Wales's credibility, the insight it provides, and its impact in driving improvement (KPIs 4-6). While we acknowledge the Auditor General's explanation that these variations are largely due to methodological changes in stakeholder engagement, they nonetheless raise concerns about the reliability and comparability of performance data over time.

**72.** We recognise the efforts made to explore the low response rate from NHS bodies and welcome the commitment to undertake a more comprehensive, independently conducted stakeholder survey in 2025-26, supported by an awareness and engagement campaign. However, we remain concerned that the current approach has not yielded a sufficiently robust evidence base to assess year-on-year performance which could be used to support strategic decision-making.

**Recommendation 2.** The Committee recommends that Audit Wales considers implementing a consistent and statistically robust stakeholder engagement methodology for future KPI reporting, to ensure year-on-year comparability.

**73.** We are pleased with the highest staff engagement score on record for the organisation, and the Auditor General's positive reflections on the evolving culture at Audit Wales. The encouraging shift in organisational stability and staff retention is also welcomed, as demonstrated by performance against the staff turnover target. We believe the long-term sustainability and development of the workforce also relies on Audit Wales's trainee and apprenticeship programmes and note that further improvement is required to meet the trainee success rate target. The Committee further notes the Auditor General's comments regarding the potential future risk posed by the establishment of a new local audit office in England, which may seek to recruit experienced staff from Audit Wales. We believe that proactive steps must be taken to safeguard Audit Wales against external recruitment pressures and ensure the long-term sustainability of the workforce.

**Recommendation 3.** The Committee recommends that Audit Wales develops a targeted workforce retention strategy to mitigate the risk of losing staff to other public audit bodies, including benchmarking of salaries and benefits, career development pathways and succession planning.

**74.** While there has been an increase in average working days lost to sickness, rising from 3.3 per cent in 2023-24 to 3.9 per cent in 2024-25, we note that it is still within the 4 per cent performance target. We also acknowledge the Chair's comments regarding the disproportionate impact of long-term absences in a

small organisation and the mitigating actions taken by the leadership team as well as the Auditor General's assurance that recent data is trending positively.

**75.** The Committee welcomes the development of the Management Information Dashboard and is encouraged by the Board's monthly review of the dashboard and its accessibility to all Board members, which supports informed decision-making. Furthermore, we recognise the Auditor General's openness to increasing public visibility of the dashboard's contents, and the inclusion of some elements in the Annual Report and Accounts. However, we believe further steps could be taken to support greater transparency and enhance stakeholder engagement, given the dashboard's role in underpinning strategic oversight and performance monitoring.

**Recommendation 4.** The Committee recommends that Audit Wales explores options for publishing a summary version of its Management Information Dashboard, or selected key metrics, on its website.

**76.** The Committee notes the strategic risks identified by Audit Wales due to the anticipated changes at senior levels in the organisation, especially the appointment of a new Auditor General for Wales next year. We also recognise the impact that an expanded Senedd will have on Audit Wales and note the organisation's plans to engage with Members of the Senedd after the election.

### 3. Annual Plan 2025-26 and Interim Report 2025-26

**77.** The Act requires the Auditor General and the Chair of the Board to jointly prepare an Annual Plan and at least one Interim Report each year.<sup>72</sup>

**78.** The Annual Plan 2025-26, laid on 27 March 2025, outlines the programmes of work for the year. The Plan is the fourth year of Audit Wales’s current five-year strategy.<sup>73</sup>

**79.** The Interim Report<sup>74</sup> provides an assessment of the extent to which the Auditor General and WAO are delivering on the objectives and priorities set in the Annual Plan 2025-26 and provides information on KPIs. The Interim Report was laid before the Senedd on 29 October 2025.

#### Delivery

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**80.** As discussed during scrutiny in previous years<sup>75</sup>, the Annual Plan notes the issues around the timeliness of Audit Wales’s work programme:

*“... it is taking several years to bring that large programme of work back to pre-pandemic timescales, but we are determined to do so and confident that we will.”<sup>76</sup>*

**81.** The Auditor General told us he is determined to eliminate the backlogs before he leaves the role in 2026 and wants to hand over a “clean slate” to his successor.<sup>77</sup>

**82.** While the Interim Report says Audit Wales has “made good progress on working with audited bodies to bring the timetable for the delivery of accounts audit work further forward”, it also raises concerns about the ability of the local government sector “to produce high-quality and timely accounts for 2025-26”.<sup>78</sup>

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<sup>72</sup> [Public Audit \(Wales\) Act 2013](#)

<sup>73</sup> [Annual Plan 2025-26](#), page 5

<sup>74</sup> [Interim Report 2025-26, October 2025](#)

<sup>75</sup> [Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales, November 2024](#), page 38

<sup>76</sup> [Annual Plan 2025-26](#), page 5

<sup>77</sup> Finance Committee, RoP, 18 September 2025, paragraph 116

<sup>78</sup> [Interim Report 2025-26, October 2025](#), pages 4 and 6

**83.** The Executive Director for Audit Services referred to a downward trend in timely submissions, with only 23 of the expected 40 accounts received by the 30 June deadline, compared to 31 the previous year. Of those, only 17 were audited by the statutory 31 October deadline.<sup>79</sup>

**84.** Audit Wales attributed these delays to several factors, such as:

- Capacity constraints within local government finance teams;
- Loss of experienced staff and difficulties in recruitment;
- Competing priorities within financially strained authorities;
- Technical complexity of accounting issues.<sup>80</sup>

**85.** The Executive Director for Audit Services discussed a series of support measures to address these challenges, including hosting good-practice events to improve understanding of audit requirements, agreeing achievable delivery plans for bodies that missed deadlines, and maintaining regular engagement with finance teams and the Society of Welsh Treasurers.<sup>81</sup>

**86.** While noting that support is essential, the Auditor General said there is also a need to increase pressure on audited bodies to meet deadlines:

*“This is not a ‘nice to have’, this is really, really important. And we’ve seen from experience in England how damaging it can be if these kinds of things slip too far.”<sup>82</sup>*

**87.** The Auditor General also referred to the priority that individual organisations attach to this work:

*“... I can well understand if you’re an organisation under severe financial strain, tidying up last year’s numbers and getting it through the audit goes down the priority list as you look to the current year and how you’re going to manage your budget in-year. I can understand that, but it’s a slippery slope... some of it, as well as operational capacity, comes down to the strength of leadership prioritisation within organisations, I would say.”<sup>83</sup>*

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<sup>79</sup> Finance Committee, RoP, 5 November 2025, paragraphs 42, 48 and 50

<sup>80</sup> Finance Committee, RoP, 5 November 2025, paragraphs 54-55

<sup>81</sup> Finance Committee, RoP, 5 November 2025, paragraphs 45 and 52

<sup>82</sup> Finance Committee, RoP, 5 November 2025, paragraph 46

<sup>83</sup> Finance Committee, RoP, 5 November 2025, paragraph 55

**88.** Following the latest fee consultation, the Auditor General indicated that he will shortly be writing to all audited bodies to explain the fee uplift:

*“... one of the points I'm making there is the importance of meeting the deadlines that we set. And it's important not so that Audit Wales can have a green key performance indicator, it's important because organisations need reliable, timely financial statements to take sensible decisions. And when some authorities in the local government space are so close to financial sustainability, that's even more important.”<sup>84</sup>*

## KPIs

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**89.** The Annual Plan notes that Audit Wales has reviewed its KPI targets “with reference to current levels of performance and appropriate external benchmarks, to ensure alignment with our overall ambitions and our strategy for achieving them”.<sup>85</sup>

**90.** Reflecting on this review, the Auditor General said:

*“There are a number of our KPIs—I spoke about the stakeholder survey one, for instance—where I genuinely think we just need to break the continuity and do something different. Others, you will see in the list, are around our social media presence. That feels to me like something where potentially we might need to revisit, because the world of social media has changed, bluntly, and we're seeing that reflected in our reach, also how proactively we engage with platforms like X.”<sup>86</sup>*

**91.** The Auditor General also highlighted the tension between the emissions target and wanting staff to engage face to face with audited bodies:

*“... obviously that comes with a degree of travel, which has a negative impact against that indicator. So, we're looking closely at that one. We won't change it lightly, but we want to be realistic about the sort of target that we can aspire to.”<sup>87</sup>*

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<sup>84</sup> Finance Committee, RoP, 5 November 2025, paragraph 46

<sup>85</sup> [Annual Plan 2025-26](#), page 26

<sup>86</sup> Finance Committee, RoP, 18 September 2025, paragraph 121

<sup>87</sup> Finance Committee, RoP, 18 September 2025, paragraph 122

## Committee view

**92.** We acknowledge the continued efforts of Audit Wales to recover from pandemic-related audit delays and note the Auditor General’s personal drive to resolve backlogs before the end of his term in 2026. We support this ambition and recognise the importance of a “clean slate” for his successor.

**93.** Nevertheless, we remain concerned about the persistent challenges in the timely delivery of audit work, particularly in the local government sector. We are particularly concerned by the decline in timely submission of accounts and the implications this has for financial governance and sound decision-making. However, we also note the targeted support offered by Audit Wales, including good-practice events and achievable delivery plans. While these are positive steps, we agree that support must be balanced with accountability and we support the Auditor General’s intention to reinforce expectations through forthcoming correspondence with audited bodies.

**94.** We note the issues raised by the Auditor General, including around prioritisation of this work by organisations that might be experiencing “severe financial strain”. We also note the comments on capacity, succession planning, and staff recruitment within local authority finance teams. We believe elected members, beyond cabinet leads, need to be fully aware of the risks posed by delayed accounts and ensure that financial governance remains a strategic priority. We therefore intend to write to the Cabinet Secretary for Local Government and Housing to highlight our concerns regarding local authorities’ ability to deliver high quality and timely accounts. We will also seek clarity on what action is being taken to address capacity challenges within local authorities as well as progress on succession planning within finance teams and leadership awareness of financial governance risks.

**95.** In relation to KPIs, the Committee notes the review undertaken by Audit Wales and acknowledges the potential need to revisit certain measures to adapt to changing contexts, including digital engagement and environmental targets. However, we emphasise that any changes to KPIs must be transparent, clearly justified and, where possible, allow for comparability with previous performance.

**Recommendation 5.** The Committee recommends that any revisions to Audit Wales’s Key Performance Indicators should be accompanied by a clear rationale and, where feasible, maintain continuity with previous indicators to allow for performance tracking over time.

## 4. Estimate of the income and expenses for the year ended 31 March 2027

**96.** The Estimate of the income and expenses for the year ended 31 March 2027 (the Estimate)<sup>88</sup> was jointly prepared by the Auditor General and the WAO and laid before the Senedd on 31 October 2025, in accordance with Section 20(1) of the Act.<sup>89</sup>

**97.** Under Standing Orders, the Auditor General and WAO are required to lay their joint estimate of income and expenses before the Senedd no later than 1 November. Standing Order 20.22 states:

*“The responsible committee [Finance Committee] under Standing Order 18.10(i) must consider and lay before the Senedd, no later than 22 November, a report including the estimate, with any modifications which the responsible committee, having consulted and taken into account any representations made by the Auditor General and the Wales Audit Office, considers appropriate.”<sup>90</sup>*

**98.** At the request of the previous Finance Committee following the modification of the Estimate for 2020-21<sup>91</sup>, the Estimate 2026-27 is presented in two parts:

- Part 1 - Budget ambit
- Part 2 - Supporting information.

### Overview

**99.** Around two thirds of the running costs of Audit Wales are met from fees charged to audited bodies for its work. The remaining third, along with all capital expenditure, is met directly from the WCF.<sup>92</sup>

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<sup>88</sup> [Part 1 - Budget ambit - Estimate 2026-2027](#)

<sup>89</sup> [Public Audit \(Wales\) Act 2013](#)

<sup>90</sup> [Standing Orders of the Welsh Parliament, Standing Order 20.22](#)

<sup>91</sup> [Letter from the Finance Committee \(Fifth Senedd\) - Modified Estimate of the Income and Expenses for the Year Ended 31 March 2021 and Fee Scheme 2020-21, 15 January 2020](#)

<sup>92</sup> [Part 2 - Supporting information - Estimate 2026-2027](#), page 8

**100.** Audit Wales's total gross expenditure, including fee earning work and WCF funded activity, is outlined as £28.8 million in 2026-27.<sup>93</sup>

### Resource and capital requirement from the WCF

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**101.** Changes in Audit Wales's call on the WCF is presented in Exhibit 3. Audit Wales provides analysis of its Estimate by resource (which includes non-cash items) and cash (which excludes non-cash items). In presenting its Estimate and the change year-on-year, it provides an adjusted budget which includes/excludes certain items. This is referred to as a 'baseline'. It also provides total figures for its cash and resource requirements.<sup>94</sup>

**102.** Audit Wales shows adjustments to the baseline:

- to reflect funding for the cost of the National Fraud Initiative which is £130,000 higher every other year, and
- for non-cash transactions required under International Financial Reporting Standard ('IFRS') 16 (Accounting for leases) associated with its west Wales office (a reduction of £187,000).<sup>95</sup>

**103.** Audit Wales says the Estimate is a 3.5 per cent increase (or £354,000) in its 'baseline' call on WCF resource, to £10.3 million, resulting in an overall 2.9 per cent increase in its resource requirements (£297,000), to £10.5 million. It notes an overall cash increase of 4.6 per cent (or £441,000), to £10.1 million. This includes items outside of the 'baseline'.<sup>96</sup>

**104.** It also notes a reduction in capital investment requirements for its Change Programme of £100,000.<sup>97</sup>

**105.** Presenting the Estimate to the Committee, the Auditor General told us:

*"It's not a particularly exciting estimate for next year. Essentially it's an estimate that will enable us to stand still. There are no major proposals to expand areas of work or increase capacity in particular areas, so it's driven essentially by the inflationary costs that we anticipate. A large element of those, obviously, will be staff costs. As usual we would assume some kind of*

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<sup>93</sup> Part 2 - Supporting information - Estimate 2026-2027, pages 9 and 22

<sup>94</sup> Part 2 - Supporting information - Estimate 2026-2027, Exhibit 3

<sup>95</sup> Part 2 - Supporting information - Estimate 2026-2027, Exhibit 3

<sup>96</sup> Part 2 - Supporting information - Estimate 2026-2027, page 3 and Exhibit 3

<sup>97</sup> Part 2 - Supporting information - Estimate 2026-2027, Exhibit 2

*inflationary uplift for staff pay, but also we have the contractual entitlements to increments for a lot of our staff. That's the principal driver behind the uplift.*<sup>98</sup>

**106.** The Auditor General also referred to the Estimate including a “very small amount” for the Audit Horizons programme “primarily to increase our capacity in respect of digital and also the evolving standards for audit”.<sup>99</sup>

## Fees

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**107.** The Estimate budgets for £18.5 million in fee income in 2026-27 and includes a Draft Fee scheme outlining an average 5.3 per cent increase to fee rates.<sup>100</sup>

**108.** Combining income from fees with WCF resource, the Auditor General highlighted an overall resource package increase of “just under 3 per cent” in 2026-27.<sup>101</sup>

## Statement of Principles

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**109.** The Committee has issued a Statement of Principles<sup>102</sup> it expects Directly Funded Bodies (DFBs) to have regard to when formulating budget requests. The Committee agreed to continue to adopt the Statement of Principles after reviewing them earlier in the Sixth Senedd.<sup>103</sup>

Statement of Principles for DFBs:

Budget requests should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.

Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved.

DFBs should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies.

DFBs should continually seek to improve processes and accrue efficiencies.

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<sup>98</sup> Finance Committee, RoP, 5 November 2025, paragraph 10

<sup>99</sup> Finance Committee, RoP, 5 November 2025, paragraph 10

<sup>100</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), pages 23 and 26

<sup>101</sup> Finance Committee, RoP, 5 November 2025, paragraph 11

<sup>102</sup> [Statement of principles for directly funded bodies, July 2021](#)

<sup>103</sup> [Finance Committee, Agenda, 6 July 2023](#)

Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified.

**110.** On 11 July 2025, the then Cabinet Secretary for Finance and Welsh Language (the Cabinet Secretary) wrote to the Committee to set out various factors to inform the forward financial planning for DFBs as they prepare their budgets for the 2026-27 financial year.<sup>104</sup>

**111.** In its Estimate, Audit Wales recognises the pressure on public finances and says “it is that pressure that makes the work of Audit Wales all the more essential”.<sup>105</sup>

**112.** Audit Wales notes the three year resource position for the Welsh Government’s budget of a 3 per cent increase per year between 2026-27 to 2028-29, and the GDP deflator of 1.7 per cent in 2026-27.<sup>106</sup>

**113.** The Welsh Government’s recent Outline Budget for 2026-27 uses uplift figures of 2.2 per cent for public sector pay elements and 2.0 per cent for non-pay fiscal resource, general capital, and for Financial Transaction capital.<sup>107</sup>

**114.** In light of the Welsh Government’s position, the Committee questioned why Audit Wales is working to 3.5 per cent increase in its baseline budget and 4.6 per cent increase in cash.

**115.** The Auditor General explained that Audit Wales sets its own pay terms and benchmarks staff remuneration against the Welsh Government, the wider Welsh public sector, other UK audit bodies, and the broader finance profession. He told us the projected pay uplift “is not out of kilter” with Welsh Government assumptions but includes additional factors like incremental pay progression. We heard that quite a lot of staff are not at the top of their pay grade, leading to “a slightly greater impact for us in this year and one or two years, I imagine, to come”. He also highlighted a “gearing effect” due to the split between fees and WCF funding:

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<sup>104</sup> [Letter from the Cabinet Secretary for Finance and Welsh Language to the Chair of the Finance Committee, 11 July 2025](#)

<sup>105</sup> [Part 1 – Budget ambit – Estimate 2026-2027](#), page 4

<sup>106</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 4

<sup>107</sup> [Welsh Government, Outline Draft Budget Report 2026 to 2027](#), page 22

*“... with only a third of our income derived from the WCF, relatively small changes in our WCF draw can translate into what appears to be quite a significant percentage uplift. To illustrate, the difference between a 3.5 per cent uplift for the WCF for us and a 3 per cent uplift is about £50,000. So, very small amounts, but they're meaningful for our budget.”<sup>108</sup>*

## Contingency planning

**116.** In a letter issued to the Committee on 16 January 2025 in relation to the previous 2025-26 budget round, the Cabinet Secretary explained the practical implications for DFBs, including Audit Wales, if the Annual Budget Motion was not approved by the Senedd. It stated:

*“If a Budget Motion is not passed before 1 April of the upcoming financial year, Section 127 of the Government of Wales Act 2006 (GoWA) (Appropriation without Budget Resolution) automatically takes effect. This would give the Welsh Government and directly funded bodies authority to accrue (spend) resources, retain income, and draw cash from the Welsh Consolidated Fund of up to 75% of the limits approved in the previous financial year. If a Budget Motion still has not passed by the end of July, up to 95% of the previous financial year limits are deemed authorised.”<sup>109</sup>*

**117.** Addressing the impact on Audit Wales if the Annual Budget Motion is not passed, the Auditor General acknowledged that while it could continue charging full fees for its statutory audit work, the organisations it audits would be facing the same financial restrictions. He suggested that Audit Wales could adjust the timing and balance of chargeable versus non-chargeable work in the short term, though longer term it would still need to deliver its statutory programme and charge the necessary fees to do so.<sup>110</sup>

**118.** He also discussed cost-saving measures Audit Wales would need to implement if it were to receive only 75 or 95 per cent of the previous year's WCF funding:

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<sup>108</sup> Finance Committee, RoP, 5 November 2025, paragraphs 17-18 and 20

<sup>109</sup> [Letter from the Cabinet Secretary for Finance and Welsh Language to the Finance Committee, 16 January 2025](#)

<sup>110</sup> Finance Committee, RoP, 5 November 2025, paragraph 33

*“... what we would have to go to is some kind of recruitment moratorium, either on contracting staff, who we draw in to help with peaks and troughs, with vacancies as they arise—. Most significant of all would be a staff pay rise for next year. Bluntly, we would not be able to offer that, or it would be greatly constrained. So, those would be the practical things that we could do to manage within our means if that were the situation, as well as stopping or postponing small items of capital spend, programme spend, and so forth.”<sup>111</sup>*

## Savings and efficiencies

**119.** Audit Wales says it has set an “ambitious £300,000 savings target” across its non-audit costs. The savings target is £100,000 higher than in 2025-26.<sup>112</sup>

**120.** The Auditor General noted previous activity to “control costs in the organisation”, including in relation to accommodation and travel and subsistence. He told us the target in the Estimate focuses on overheads and represents around a 7 per cent reduction in this area, and while confident in achieving this target, he said “it won’t be straightforward”.<sup>113</sup>

**121.** We heard that the funding model split between fees and WCF will makes it increasingly more difficult to find recurring savings from within the small WCF-funded portion:

*“We're constantly trying to drive efficiencies in our audit delivery, but of course those aren't numbers that you see reflected in the WCF ask because those benefits are passed on to our audited bodies in the shape of lower audit fees.”<sup>114</sup>*

## Staff costs

**122.** The Estimate makes provision for the employment of 293 full-time equivalent (FTE) staff – a reduction compared to 305 FTE in 2025-26. Audit Wales plans to resolve the backlog of audit work which built up during the pandemic by

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<sup>111</sup> Finance Committee, RoP, 5 November 2025, paragraph 35

<sup>112</sup> **Part 2 – Supporting information – Estimate 2026-2027**, pages 7 and 22

<sup>113</sup> Finance Committee, RoP, 5 November 2025, paragraphs 25 and 29

<sup>114</sup> Finance Committee, RoP, 5 November 2025, paragraph 25

the end of 2026. The reduction in staff will be managed through natural wastage, reduced recruitment and the use of short-term contracts.<sup>115</sup>

**123.** The Auditor General expressed confidence in eliminating the backlog of work within the required timescales and in aligning staffing levels with budgetary constraints. He indicated that the remaining backlogs, particularly in local performance programmes, will be the focus for the coming year.<sup>116</sup>

**124.** Overall, staff salaries (including pension and National Insurance Contributions) make up the majority of Audit Wales's costs. The cost (excluding short-term contract staff and any savings from staff turnover), increases by £926,000 (3.8 per cent) to £25.2 million in 2026-27, compared to 2025-26. The increase in total staff costs which take account of all related elements is £751,000 (3.2 per cent).<sup>117</sup>

**125.** Provision is made for an inflationary pay uplift in the year, though the rate of inflation used for this is not noted.<sup>118</sup>

**126.** In response to the Committee's recommendation last year<sup>119</sup>, Audit Wales provided further information on its approach to calculating the pay uplift and the inflationary measures used:

*"Audit Wales considers a range of factors when developing its pay strategy, including benchmarking with the public and private sector, and the other UK audit bodies. We also take part in the annual QCG pay survey that benchmarks pay and remuneration for regulated bodies. In addition, we consider correspondence on budgeting from the Minister for Finance and Local Government, inflation trends and projections, recruitment and retention rates, and trends in staff departures to our competitors. We did not use a single inflationary measure to inform the 3.5 per cent uplift, but rather a combination of all of the factors listed."<sup>120</sup>*

**127.** The Auditor General clarified that the 3.8 per cent increase in the staff salaries budget does not represent a proposed across-the-board pay uplift. Instead, it

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<sup>115</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 8

<sup>116</sup> Finance Committee, RoP, 5 November 2025, paragraph 40

<sup>117</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Table 1

<sup>118</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 8

<sup>119</sup> [Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales, November 2024](#), Recommendation 12

<sup>120</sup> [Audit Wales, Response to the Finance Committee, January 2025](#)

encompasses a combination of factors, including contractual incremental salary increases and an inflationary uplift of 2.75 per cent.<sup>121</sup>

**128.** At the time of giving evidence, the Auditor General indicated that formal discussions with trade union partners regarding next year's pay settlement had not commenced. He emphasised that the 2.75 per cent figure is not a target, but a working assumption to inform budget planning. He added:

*"When we get into conversations with our TU partners, as I said, we benchmark extensively against other relevant sectors and organisations, and we look to see if there's more that we can do from within our existing package of resource to put into the pay package."<sup>122</sup>*

## Travel and subsistence

**129.** The Estimate notes the reduction in travel and subsistence costs associated with changes to the travel allowance, which the Committee has monitored since the changes were proposed. Audit Wales's travel and subsistence budget for 2026-27 is due to reduce by £135,000 compared to 2025-26. Audit Wales says it is closely monitoring this as it moves to more on-site working.<sup>123</sup>

**130.** The Executive Director for Corporate Services said this reduction reflects a long-term trend, with expenditure falling from around £1.2 million five or six years ago to just over £200,000 for the upcoming financial year. This is attributed to the increased use of online platforms for internal and external engagement, which has also led to efficiency gains in time management and reduced carbon emissions.<sup>124</sup>

**131.** While the budget "very much reflects the sort of level of activity that we've got in the current financial year", the Executive Director for Corporate Services noted that future pressures on the budget are anticipated. He went on to say:

*"One thing that we are keen to do is to encourage a little more onsite working for our auditors. What we've seen is that there are direct benefits in terms of improved audit quality from that sort of onsite working, and we really need to get that balance right. Of course, if that does then lead to higher costs and puts*

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<sup>121</sup> Finance Committee, RoP, 5 November 2025, paragraph 64

<sup>122</sup> Finance Committee, RoP, 5 November 2025, paragraphs 62 and 64

<sup>123</sup> **Part 2 – Supporting information – Estimate 2026-2027**, pages 9 and 22

<sup>124</sup> Finance Committee, RoP, 5 November 2025, paragraph 75

*pressure on that budget, we will need to look at other budget heads to see what sort of efficiencies we can generate to offset those costs.*<sup>125</sup>

**132.** He also highlighted the need to balance increased travel and subsistence activity with environmental targets, which the executive team is actively considering how best to manage.<sup>126</sup>

## Accommodation

**133.** The Estimate notes the changes to Audit Wales's office accommodation and says the rationalisation of office accommodation has resulted in a reduction in expenditure of around £250,000 each year. The Estimate also notes £12,000 for "office accommodation upgrades", included in its capital budget for the Change Programme.<sup>127</sup>

**134.** The Executive Director for Corporate Services confirmed that this funding relates to the largest of the seven video-conferencing-equipped meeting rooms in the Cardiff Office which suffers from poor sound quality and affects its suitability for business use. The proposed upgrades will fund improved microphones and speakers to ensure the room meets operational standards.<sup>128</sup>

## Training and good practice exchange

**135.** The Pan-Wales financial training programme includes funding for secondment opportunities for graduate trainees and an annual conference, among other things. In August 2025, 12 new graduates and 4 apprentices joined Audit Wales. The total cost of the programme in 2025-26 is £3.2 million, with the majority funded through fees. The Estimate seeks an increase of £27,000 in funding from the WCF to £927,000, which relates to pay increases.<sup>129</sup>

**136.** Audit Wales's good practice programme is run free of charge to public bodies and the third sector, with costs due to increase by £31,000 to £652,000. A team manages the programme and other staff support events and activities to share learning. Staff time associated with this work is charged at fee rates,

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<sup>125</sup> Finance Committee, RoP, 5 November 2025, paragraph 75

<sup>126</sup> Finance Committee, RoP, 5 November 2025, paragraph 76

<sup>127</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), pages 9 and 11

<sup>128</sup> Finance Committee, RoP, 5 November 2025, paragraph 80

<sup>129</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Note 2

meaning the increase in 2026-27 reflects the average 5.3 per cent increase in fee rates.<sup>130</sup>

**137.** In terms of the overall budget, the Estimate shows external training costs increasing by £75,000, comprising increased funding for organisational development (£40,000) and ‘technical training’ (£35,000).<sup>131</sup>

**138.** The Executive Director for Audit Services clarified that this increase is offset by reductions elsewhere in the budget and does not represent a net increase or additional call on the WCF. Some of this funding supports a range of performance audit qualifications, including:

- the Chartered Institute of Public Finance and Accountancy’s new performance audit qualification to deepen staff expertise and to further professionalise performance audit work;
- supporting new starters to performance audit teams in obtaining a certificate in management and financial accounting, which provides an understanding of what performance audit’s role is in the machinery of government and democratic accountability;
- expanding performance audit training to the trainee programme, which historically focussed on accountancy qualifications, to increase organisational agility and make Audit Wales more attractive to apprentices and trainees.<sup>132</sup>

## National Fraud Initiative

**139.** National Fraud Initiative (NFI) funding is considered outside of the baseline funding which increases by 3.5 per cent in 2026-27 compared to 2025-26. The programme is run at no cost to public bodies. The funding is subject to alternate year increases/decreases to meet costs relating to the Cabinet Office for data checking. These costs are incurred in 2026-27 (an increase of £130,000) and should reduce again in 2027-28.<sup>133</sup>

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<sup>130</sup> Part 2 – Supporting information – Estimate 2026-2027, Note 3

<sup>131</sup> Part 2 – Supporting information – Estimate 2026-2027, Table 4

<sup>132</sup> Finance Committee, RoP, 5 November 2025, paragraphs 82-83 and 87

<sup>133</sup> Part 2 – Supporting information – Estimate 2026-2027, Note 4

## ‘Audit Horizons’

**140.** The Estimate seeks £150,000 investment from the WCF for its ‘Audit Horizons’ programme. Audit Wales says the programme has been developed “in response to an ever-evolving audit landscape”, citing emerging technologies, growing demands for sustainability reporting, increasing regulatory requirements and rising public expectations. These developments require Audit Wales to “examine the skills we will have to develop in response, consider how our workforce will need to evolve and to review the shape of Audit Wales over the longer-term”.<sup>134</sup>

**141.** The project identifies “current and future potential audit investment needs and provides a framework to evaluate the success of those planned developments” and will be updated at least annually. It provides a framework “to enable each of those drivers and to determine how best to direct our available investment into new digital tools, skills development and other areas as necessary”. Audit Wales says this will require over £800,000, but recognises that “this level of funding is unlikely to be available”. Hence, it has included £150,000 to allow it to “start this journey”.<sup>135</sup>

**142.** The Auditor General described ‘Audit Horizons’ as a strategic programme which tries “to anticipate some of the pressures and forces that will be relevant to our organisation” and identified four key themes:

- **Digital Transformation** – recognising the rapid evolution of technology and its impact on the audit profession;
- **Auditing Standards** – responding to increasingly stringent international audit standards, particularly around sustainability reporting;
- **Workforce Planning** – anticipating future skills and staffing needs to meet emerging demands;
- **Scope** – exploring potential legislative changes that could expand the Auditor General’s remit, including into areas like further education.<sup>136</sup>

**143.** In terms of the £150,000 investment in 2026-27, the Auditor General told us it would will be focussed on the first two of those themes:

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<sup>134</sup> Part 2 – Supporting information – Estimate 2026-2027, Note 5

<sup>135</sup> Part 2 – Supporting information – Estimate 2026-2027, Note 5

<sup>136</sup> Finance Committee, RoP, 5 November 2025, paragraph 70

*“... some strengthening of our technical quality team, in particular to make sure that we're on the front foot in that sustainability audit space, and some small input into our IT capacity. So, we have an ICT team currently of three people. Ideally, we'd like to supplement that with one relatively junior but more specialised post that is a software developer more focused on future development for us. But, over time, there's much more that we need to do. And so, Audit Horizons, I think, for the next auditor general and the next committee will be a theme that we return to.”<sup>137</sup>*

**144.** The Estimate also identifies £53,000 of capital in the Change Programme budget for ‘audit digitalisation’.<sup>138</sup>

### Other changes

**145.** There is a reduction of £25,000 to the budget for the ‘Board and associated costs’ associated with funding for the independent evaluation in 2025-26.<sup>139</sup> Last year, the Committee outlined its expectation that Audit Wales clearly demonstrate where this one-off funding would reduce in the 2026-27 Estimate.<sup>140</sup>

**146.** The £25,000 reduction in 2026-27 is shown under ‘Board & associated costs’ which is included in the overall change in the baseline (3.5 per cent) in Exhibit 3.<sup>141</sup>

**147.** In contrast, other one-off costs relating to National Fraud Initiative (NFI) cyclical funding (an increase of £130,000 in 2026-27) and non-cash adjustment in respect of IFRS 16 capital associated with the west Wales office (£187,000 in 2025-26) are presented below the baseline.<sup>142</sup>

**148.** Reflecting on how the removal of the one-off £25,000 Board evaluation funding in 2025-26 is presented in the Estimate, the Auditor General said “I suppose we could have put it under [the baseline]”, adding:

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<sup>137</sup> Finance Committee, RoP, 5 November 2025, paragraph 71

<sup>138</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Exhibit 2

<sup>139</sup> [Part 2 – Supporting information – Estimate 2025-2026](#), Exhibit 8

<sup>140</sup> [Annual Scrutiny of the Wales Audit Office and the Auditor General for Wales, November 2024](#), Recommendation 14

<sup>141</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Exhibit 3

<sup>142</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Exhibit 3

*"I guess what you're looking for is assurance that we're not sort of quietly nudging £25,000 into the baseline, and we're absolutely not doing that."<sup>143</sup>*

## Capital

**149.** Audit Wales is reducing its capital investment in 2026-27 due to the industry move toward cloud-based IT solutions (with annual rental rather than up-front investment) and completion of its future workplaces project.<sup>144</sup>

**150.** The Estimate 2025-26 assumed a capital requirement of £280,000 in 2026-27.<sup>145</sup> However, the Estimate 2026-27 includes a lower capital requirement of £180,000, consisting of:

- £80,000 for Audit Wales's 'change programme' (compared to £180,000 in the Estimate for 2025-26), which comprises £53,000 for audit digitalisation, £12,000 for office accommodation upgrades and £15,000 for a 'new learning management system'.
- £100,000 for its ICT strategy, associated with its replacement programme.<sup>146</sup>

**151.** The Estimate suggests a similar annual budget requirement through to 2029-30.<sup>147</sup>

**152.** Audit Wales's capital investment is funded via the WCF. The change in capital funding is included in the overall change in the baseline (3.5 per cent) and the overall change in WCF cash (4.6 per cent).<sup>148</sup>

**153.** When asked whether it is appropriate to present a 3.5 per cent overall change in the baseline, given the offsetting effect of revenue cost increases against a capital cost reduction, the Auditor General said:

*"A couple of years ago we agreed with the committee that we would adopt this approach. So, we used to have separate resourcing limits for our capital and resource elements, but that was out of kilter with just about every other part of the public*

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<sup>143</sup> Finance Committee, RoP, 5 November 2025, paragraphs 105 and 107

<sup>144</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 10

<sup>145</sup> [Part 2 – Supporting information – Estimate 2025-26](#), page 15

<sup>146</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 11

<sup>147</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), page 11

<sup>148</sup> [Part 2 – Supporting information – Estimate 2026-2027](#), Exhibit 3

*sector. So, we agreed with you that we would move to a single resource limit for the organisation, but we'd still report separately our capital budget and spend for transparency. So, that's what we're doing, but it's exactly in line with other organisations and perfectly proper.”<sup>149</sup>*

## Medium term financial plan

**154.** The medium term financial plan assumes the audit backlog is cleared by the end of 2026 and by 2027-28 Audit Wales will have achieved a steady state of delivering one year’s audit work in each financial year. Unlike last year, Audit Wales has not included a table for its medium term financial plan due to uncertainty around the implications of developing technology and the digital readiness of audited bodies. The Estimate states:

*“The Board is prioritising the development of our thinking around the potential for change and its implications so that this can be reflected in our Estimate for 2027-28 and beyond.”<sup>150</sup>*

**155.** Addressing the absence of a medium term financial plan, the Chair told us the Board is taking time to reflect on “how Audit Wales will look in the future” including “the scope of the work, the quality, impact of technology, skills”. He went on to say:

*“When we come back next time, there'll be a much better informed and more meaningful medium-term financial plan for you to consider, as opposed to just a stock one, which is moving forward. So, hopefully, that will be better for the committee and better for ourselves.”<sup>151</sup>*

## Fees

**156.** Audit Wales is proposing an average increase to its fee rates of 5.3 per cent to meet a combination of “inflationary pressures” and “quality expectations”. It highlights that this year’s increase follows a “significantly below inflation increase”

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<sup>149</sup> Finance Committee, RoP, 5 November 2025, paragraph 97

<sup>150</sup> **Part 2 – Supporting information – Estimate 2026-2027**, page 20

<sup>151</sup> Finance Committee, RoP, 5 November 2025, paragraph 115

in 2025-26 (1.7 per cent).<sup>152</sup> The lower increase last year reflected additional staff and the impact of spreading overhead costs more thinly.

**157.** Audit Wales consulted all audited bodies and representative groups on the proposed fee scales for 2026-27, which proposed an estimated increase in fee rates of 5.5 per cent. It received 17 responses, 10 of which highlighted the above inflation increase in fee rates. In response, the Board has identified further efficiencies and reduced the increase from 5.5 per cent to 5.3 per cent.<sup>153</sup>

**158.** Explaining the reason for the level of increase in fee rates, the Auditor General highlighted the over-establishment of staff to tackle audit backlogs for the last few years:

*“When we're over-establishment in that way, with staff who are earning fees, each one of them is making a small contribution to our overheads. And so, last year, although our inflationary costs were around about 4 per cent in-year, we increased our fee rates by only 1.7 per cent, because we and audited bodies were getting the benefit of that additional contribution. Now we're catching up with the backlog, we're bringing our staff numbers down. That's unravelling, and unfortunately, we're seeing the reverse effect. So, that unravelling of our additional staff is probably adding about 2 per cent to that number. So, one thing I'm doing is reminding audited bodies of last year as well as this. If you look across the two years, our fee rates will have gone up by around about 7 per cent, and inflation probably around 8 per cent.”<sup>154</sup>*

**159.** He stressed that audited bodies can also influence their final fee bill by presenting good-quality, timely submissions and being responsive to queries. This enables Audit Wales to deliver its work more swiftly and, since Audit Wales cannot retain profits, any surplus is refunded.<sup>155</sup>

## Committee view

**160.** The Committee acknowledges the Auditor General's assessment that the Estimate is designed to maintain current operational capacity, primarily driven by inflationary pressures and staff costs, rather than any significant expansion of work

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<sup>152</sup> Part 2 – Supporting information – Estimate 2026-2027, page 29

<sup>153</sup> Part 2 – Supporting information – Estimate 2026-2027, page 29

<sup>154</sup> Finance Committee, RoP, 5 November 2025, paragraph 120

<sup>155</sup> Finance Committee, RoP, 5 November 2025, paragraph 121

areas. We are therefore satisfied with the overall resource and capital requirements sought from the WCF.

**161.** We note the significant implications for Audit Wales, should the Annual Budget Motion not be passed by the Senedd before the start of the financial year, and the operational challenges this would pose. While the Auditor General has confirmed that statutory audit work could continue, we share his concerns that audited bodies would also be financially constrained, potentially affecting their ability to engage effectively in the audit process. We therefore support his proposal, should this scenario occur, to adjust the timing and balance of chargeable versus non-chargeable work in the short term. Should the funding restriction continue, we also acknowledge the impact of recruitment freezes, limitations on staff pay awards, and the postponement of capital and programme spending. While necessary in the short term, these measure could undermine Audit Wales's capacity to deliver its statutory functions and maintain audit quality over time.

**162.** We recognise Audit Wales's continued efforts to deliver efficiencies, including a £300,000 savings target in 2026-27. We also note the increasing difficulty in identifying further savings within the part of its budget funded through the WCF.

**163.** We recognise that staff costs remain the largest component of Audit Wales's expenditure. We note the projected increase in the staff salaries budget, and that this increase includes contractual incremental salary increases as well as a working assumption of a 2.75 per cent inflationary uplift. We appreciate the multi-factor approach to the pay strategy, including benchmarking, recruitment trends and consideration of the Cabinet Secretary's correspondence to support forward financial planning. However, we would like to understand more about how assumptions around pay uplifts align with inflationary indicators.

**Recommendation 6.** The Committee recommends that Audit Wales provides a breakdown of the factors contributing to the overall staff salaries budget in future Estimates, distinguishing between contractual increments, pay uplifts and other drivers.

**Recommendation 7.** The Committee recommends that Audit Wales:

- provides clarity on any inflationary indicators used in developing its working assumption of a 2.75 per cent pay uplift in 2026-27, and
- includes its methodology for calculating provision for pay uplifts in future Estimates, including how it aligns with inflationary indicators.

**164.** We note that discussions with the trade unions are yet to commence and that Audit Wales will explore whether there is scope to support the pay package from within its existing package of resources. Although it is not appropriate for the Committee to take a view on operational matters within Audit Wales, such as the pay levels of staff, we have a natural interest in the budgetary impact of such decisions and ask to be updated on progress in this area.

**Recommendation 8.** The Committee recommends that Audit Wales provides an update once pay negotiations for 2026–27 have concluded, including details of its budgetary impact on the organisation.

**165.** The Committee acknowledges the reduction in travel and subsistence costs, reflecting both operational changes and a broader shift towards online engagement. While these efficiencies are welcome, we note the comments regarding the potential need to increase on-site working to enhance audit quality. We recognise that such a shift may lead to increased travel and subsistence costs, which would need to be balanced against environmental targets and overall budget constraints.

**Recommendation 9.** The Committee recommends that any future increases in travel and subsistence costs arising from a shift towards more on-site working should be met through efficiencies within existing budgets, and balanced against environmental targets.

**166.** The Committee notes the proposed £150,000 investment in the ‘Audit Horizons’ programme, which aims to address emerging challenges in digital transformation, regulatory standards, workforce planning and scope. We welcome the strategic intent behind the programme, but seek further clarity on its distinction from other transformational activities and on the budgetary implications of the programme going forward. We also expect Audit Wales to ensure that any future investment in this area is underpinned by robust business cases with clearly defined outcomes. Future Estimates that allocate funding for ‘Audit Horizons’ should explain the practical activity that funding will deliver.

**Recommendation 10.** In relation to the Audit Horizons programme, the Committee recommends that Audit Wales:

- explains how it differs from, and interacts with, other transformational activity,

- clarifies how the £800,000 investment requirement was calculated and whether investment beyond the £150,000 requested for 2026-27 will be sought in future years,
- confirms what proportion of the programme's costs will be funded via fees, if any, and
- outlines the potential costs going forward, as well as the length of the programme.

**167.** In line with last year's recommendation, we note the £25,000 reduction in 'Board & associated costs' following the conclusion of the independent evaluation in 2025-26, for which the Committee approved one-off funding. While the reduction is clearly demonstrated in Exhibit 3 of the supporting information to the Estimate, the inclusion of such one-off items in the overall change in the baseline means this reduction is considered alongside other ongoing costs, an approach we believe could be improved. In future, we believe Audit Wales should consider whether it would be clearer to present one-off costs below the baseline, as it already does for certain other items.

**Recommendation 11.** The Committee recommends that Audit Wales considers whether certain one-off items, such as funding for the independent evaluation of the Board, should be presented below the baseline for greater transparency.

**168.** We note the proposed average fee rate increase of 5.3 per cent for 2026-27, which follows an increase of 1.7 per cent in 2025-26. The lower increase in 2025-26 was made possible by the temporary over-establishment of staff, and we accept that the financial benefit of this will now diminish, contributing to the need for a higher increase in fee rates.

# **Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2027**

October 2025

Jointly prepared and laid before the Senedd under Section 20(1) of the Public Audit (Wales) Act 2013

**Ian Rees**

Chair, Wales Audit Office

**Adrian Crompton**

Auditor General for Wales

Audit Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the Senedd at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the Senedd may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- The Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the Senedd under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

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# Foreword

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Audit Wales exists to give the Senedd and the people of Wales confidence in a high-performing and accountable public sector. It provides transparency and accountability for taxpayers and their elected representatives. It provides public bodies with accurate and reliable financial information with which to plan and manage their services and finances effectively.

Our value for money work is vital to robust parliamentary accountability through the Senedd Public Accounts & Public Administration, Finance and other Committees. We audit the accounts and governance of over 850 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed from the Welsh Government itself to the smallest community council, through almost every area of public service delivery.

Public audit provides the Senedd, public bodies and the public with independent assessment of the use and management of public money and early warning of problems. When the quality or timeliness of audit reduces, the risks of waste, fraud, and mismanagement increase.

The Cabinet Secretary for Finance and Welsh Language set out the challenges for public sector spending in Wales in his letter of 11 July 2025 – setting out the 3 year resource settlement for the Welsh Government for the next 3 years and the substantial and growing pressures on the costs of delivering key public services.

We recognise this pressure on the public finances. Indeed, it is that pressure that makes the work of Audit Wales all the more essential. The need for value for money from every pound of public spending, and for trusted, timely assessment of the state of financial management and governance in the Welsh public sector, has never been greater. It is the responsibility of the Auditor General and the Wales Audit Office Board to make clear to the Senedd what is needed to provide that through a strong, sustainable, independent public audit office. Without such an office, the risk of failing to make best use of those scarce resources is greatly increased. And the cost to the public purse of the weaknesses that quickly arise as a result, far outweigh the cost of maintaining a properly resourced, high quality public audit regime. The total cost of delivering the independent assurance and insight of Audit Wales represents a little over 1 penny for every £10 spent on devolved public services in Wales.

A recent report by the [Audit Reform Lab](#) discusses the breakdown of public audit in England and the significant costs associated with this. The report shows that public audit in Wales is in a much better and more cost effective position.

Taking all this into account, our Estimate allows for an increase in our baseline call on WCF in resource terms of 3.5%. An average increase in our fee rates of 5.3% is allowed for in the draft Fee Scheme appended to the Estimate.

Our [Annual Report and Accounts for 2024-25](#) sets out our record of achievement for the last financial year. In April this year we laid our [Annual Plan for 2025-26](#) at the Senedd. This Estimate secures funding for our forward priorities for 2026-27 and includes indicative funding requirements and considerations for future years. Our Annual Plan for 2026-27 will be laid before the Senedd by 31 March 2026.

We look forward to discussing our Estimate with the Finance Committee in due course.



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**Ian Rees**

Chair, Audit Wales



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**Adrian Crompton**

Auditor General for Wales



# Budget 2026-27

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Our budget for 2026-27 is set out below and provides for:

- The audit of accounts at over 850 audited bodies for which we charge fees in line with the provisions of the Public Audit (Wales) Act 2013.
- Our performance audit work at Local Government and Health bodies for which we charge fees as above.
- National Value Examinations and Studies and Local Government Studies.
- Work to explore themes arising from our accounts work.
- Support for our response to issues brought to our attention by members of the public and their elected representatives.
- Our Pan Wales financial training programme.
- Participation in the National Fraud Initiative, and our Good Practice Exchange.

	2025-26		2026-27			
	Budget 2025-26 £'000	Pressures/ Inflation £'000	Budget movements £'000	Investment £'000	Efficiencies/ Reductions £'000	Budget 2026-27 £'000
Staff costs	24,069	1,301	150	-	(700)	24,820
Non staff costs(cash)	3,751	13	(150)	150	(432)	3,332
NFI	95	130	-	-	-	225
Capital (cash)	280	-	-	-	(100)	180
Total Expenditure(cash)	28,195	1,444	-	150	(1,232)	28,557
Audit Fee income	(18,610)				119	(18,491)
Net Expenditure(cash)	9,585	1,444	-	150	(1,113)	10,066
Depreciation & interest	408	3	-	-	-	411
Capital IFRS16	187	-	-	-	(187)	-
Total Resource	10,180	1,447	-	150	(1,300)	10,477
Depreciation & interest	(408)	(3)	-	-	-	(411)
Capital IFRS16	(187)	-	-	-	187	-
Movements in working capital	40	-	-	-	(40)	-
Cash requirement from WCF	9,625	1,444	-	150	(1,153)	10,066

Supporting information for our Estimate 2026-27 provides more detail on each of these areas.

# Budget Ambit 2026-27

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## Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2027

- 1 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the Senedd to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 2 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2027, the Budget Motion will authorise:
  - the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
  - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
  - the amount which may be paid out of the WCF to the Wales Audit Office.
- 3 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 1**.
- 4 Details of how we propose to use this funding to deliver public audit in Wales in 2026-27 are set out in our supporting information.

**Exhibit 1: summary of the estimated 2026-27 budget requirements**

	<b>£'000</b>
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office.	10,477
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	18,491
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	10,066

- 5 **Exhibit 2** provides the schedule to be included in the Welsh Government Budget Motion for the year ended 31 March 2027.

**Exhibit 2: budget breakdown for Welsh Government Budget Motion**

	<b>£'000</b>
<b>Resources</b>	
Net revenue	9,886
Net capital	180
Non-cash (depreciation and amortisation)	411
Annually managed expenditure	-
	<b>£'000</b>
<b>Accruing Resources</b>	<b>18,491</b>



Audit Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and  
telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a  
galwadau ffôn yn Gymraeg a Saesneg.