



AUDITOR GENERAL FOR WALES' WORK PROGRAMME

Issued 8 April 2022

ICAEW welcomes the opportunity to comment on the Auditor General for Wales' Work Programme published by Audit Wales on 8 March 2022, a copy of which is available from this [link](#).

For questions on this response please contact our Public Sector team at representations@icaew.com quoting REP 33/22.

ICAEW commends the valuable work carried out by Audit Wales to hold the Welsh government and other public sector bodies to account and increase public transparency.

We support the direction of travel set out in the Auditor General's work programme, which we believe aligns closely with ICAEW's strategic themes:

- Help to achieve sustainable development goals
- Strengthen trust in ICAEW chartered accountants and the wider profession
- Master technology and data
- Support the transformation of trade and the economy
- Strengthen the profession by attracting talent and building diversity.

In particular, we support Audit Wales using its work to drive improvements in public sector financial management, financial and sustainability reporting and fraud prevention. ICAEW is keen to support Audit Wales' work and maintain our excellent relationship.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 157,800 chartered accountant members in over 147 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 9,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.

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ANSWERS TO CONSULTATION QUESTIONS

Question 1: Do you have any views on our possible areas of future focus under this theme of 'the ongoing pandemic', including:

- **what you see as the key priorities; and**
 - **any specific suggestions for the focus or timing of any topics?**
1. ICAEW values the excellent work that Audit Wales have done in auditing the Welsh government's response to the pandemic. The reports have painted a picture of a relatively effective healthcare response and highlighted valuable lessons such as the effective collaboration between Welsh government, NHS Shared Services, Public Health Wales and Life Sciences Hub Wales to identify and respond to potential personal protective equipment suppliers. We welcome planned further work in this area, such as on NHS waiting list backlogs.
 2. We would also support the Auditor General assessing the resilience of the social care sector in Wales as this is such a significant issue. The April 2021 National Audit Office report on the adult social care market in England has been influential in the UK government bringing forward major social care reforms and the government has adopted its recommendation for a workforce strategy. We believe that an Audit Wales report on this topic could also have a similar significant impact as the Welsh Government considers reforms to social care. In addition, ensuring the success of reforms to social care in Wales will have a major impact on the financial sustainability of local authorities, which has been a key area of focus for Audit Wales.
 3. Of the other ideas listed, ICAEW recommends prioritising efforts to catch up on lost learning in education. Audit Wales' position as the auditor of both central government and local government in Wales gives it a unique perspective to assess how well they are working collaboratively to address this major issue. Recommendations that lead to improvements of educational outcomes will have a major impact on future productivity and social mobility in Wales.
 4. We welcome that Audit Wales are looking to provide an audit commentary on the management of business grants as part of their local government audit work. In addition, we believe that Audit Wales should undertake a higher-level assessment of the effectiveness of these grants at stimulating the economy and supporting businesses, as well as the effectiveness of their administration.
 5. We believe there are likely to be important lessons from the delivery of the COVID-19 business support grants, which Audit Wales could help highlight. While the economic support offered in response to the COVID-19 was unprecedented, grants, including those distributed through local authorities, are likely to be a key delivery method for both the Welsh and UK governments to achieve top priorities, such as the transition to net zero. This makes it vital that the lessons are learnt from the delivery of COVID-19 business support grants. We believe that action is needed to tackle inconsistent levels of pre- and post-payment assurance checks, weaknesses in central government oversight despite their overall accountability for the spending and funding is needed to ensure local authorities can adequately manage the grant funding they have been asked to distribute.

Question 2: Do you have any views on our possible areas of future focus under this theme of 'a changing world', including:

- **what you see as the key priorities; and**
 - **any specific suggestions for the focus or timing of any topics?**
6. We agree with the message in Adrian Crompton's inspiring keynote speech at the ICAEW public sector conference in December 2021 that auditors must provide timely and insightful commentary on how the public sector is tackling the climate crisis. We therefore support Audit Wales' programme of work looking at the climate and nature emergency.
 7. We welcome the suggestion of audit work looking at climate adaptation, particularly at a local level. In our view, this has not received sufficient attention as bodies focus on climate mitigation and the path to net zero. The public sector has a key role in ensuring that its assets are resilient, that it can continue to deliver essential services and protect communities from the worst effects. Even if the ambition of net zero carbon by 2050 is achieved, global temperatures are still expected to rise by 1.5°C and this will cause increasingly frequent extreme weather.
 8. In considering the technical aspects of carbon reduction, we recommend that Audit Wales focus on sustainability reporting in the public sector. As the UK government legislates for mandatory Taskforce on Climate-related Financial Disclosures reporting for large companies from April 2022, it is vital that the public sector sets a good example. However, our view is that public bodies should voluntarily improve their sustainability reporting in preparation for such reporting being mandated through changes to the relevant accounting frameworks.
 9. ICAEW members in business report a lack of clarity on what support is available to businesses in Wales to achieve regional economic growth and address regional inequalities. We would welcome an Audit Wales report that shines a light on this issue. It should examine the work undertaken to measure outcomes and the due diligence undertaken to ensure that the support from Business Wales complements rather than duplicates the UK Government's Levelling Up Fund grants administered by Welsh local authorities.
 10. Supporting small and medium-sized enterprises is essential for driving local economic growth but many of these businesses report that they perceive they are disadvantaged in local authority procurements, by factors such as unnecessarily onerous requirements and a lack of trust. As the Welsh and UK government introduce reforms to public procurement following the UK's departure from the EU, we recommend that Audit Wales explore how well local authorities are using procurement to support local businesses.

Question 3: Do you have any views on our possible areas of future focus under this theme of 'transforming service delivery', including:

- **what you see as the key priorities; and**
 - **any specific suggestions for the focus or timing of any topics?**
11. Audit Wales' reports on central and local government have highlighted the importance of effective financial management and governance across the public sector. We welcome Audit Wales' intention to explore governance and oversight of national parks, especially in light of the recent report that highlighted weaknesses in the governance of the change programme in Brecon Beacons national park.
 12. Audit Wales produced a valuable report on financial management and governance in community and town councils that summarised the findings from the 2018-19 audits. We would welcome a similar report on unitary authorities given the importance they have in delivering essential services. There have been some recent high profile financial management failures in local authorities in England and we do not believe that Welsh

councils are immune from this risk. The annual audit summaries for individual authorities are valuable, but we believe an overall picture would carry more impact in the Welsh government to ensure it understands the risks.

13. ICAEW is keen to support efforts to strengthen the public sector finance profession in Wales as this aligns closely with our strategic themes. We believe reports highlighting the importance of public sector financial management, effective programme management and the use of data could help put momentum behind such efforts.
14. In addition, we are particularly interested in whether the new requirement for one third of members of local authority audit and governance committees to be lay members has led to improvements in governance as the UK government considers introducing similar legislation in England.

Question 4: Do you have any views on our possible areas for follow up work, including:

- **what you see as the key priorities; and**
 - **any specific suggestions for the focus or timing of any topics?**
15. Audit Wales' 2020 report on tackling public sector fraud in Wales made fifteen important recommendations. Given every pound lost to fraud is money that does not go on frontline services, we recommend that Audit Wales follow up this report to assess whether these recommendations have been implemented.
 16. We welcome Audit Wales' plan to continue the focus on financial sustainability of public sector bodies. The 2020 report on financial sustainability of local government as a result of the COVID-19 pandemic highlighted that the future sustainability of the sector is still an "ongoing challenge". As COVID-19 funding comes to an end, we recommend that Audit Wales return to this topic. The consequences of financial sustainability weaknesses are severe for local residents as it can lead to reductions in essential services or tax increases.

Question 5: In relation to (i) opportunities for persons to use the Welsh language and (ii) treating the Welsh language no less favourably than the English language:

- **What effects, if any, do you see the work programme having?**
 - **How could the programme be changed so that it would have positive effects, or have increased positive effects?**
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17. N/A – question not answered.

Question 6: Do you have any further comments about our work programme based on the content of this consultation?

18. ICAEW believes that good quality and timely financial reporting is vital to ensure transparency to the public and that the best information is available to decision makers. ICAEW is particularly concerned about the understandability of local authority accounts that are often "impenetrable" to the public and elected councillors, limiting their ability to hold local authorities to account. We have seen examples in Wales, as with the rest of the UK, of accounts that are too long and that contain boilerplate disclosures about immaterial items while omitting key information that would help users understand the decisions taken. We encourage Audit Wales to work with local authorities to improve their accounts, such as by producing a good practice guide that highlights examples of clear and helpful disclosures.

19. Whilst the severe delays in England of the publication of audited local authority accounts have not occurred in Wales, we note that the consolidated Welsh government accounts for 2020-21 have still not been published despite an intended publication date of October 2021. We are not aware of the reasons for this delay but delays to the production of accurate financial statements are often indicative of wider weaknesses in financial controls. We therefore recommend that, should the delay relate to control weaknesses, Audit Wales produce a report with recommendations to ensure that action is taken before the delay becomes endemic.
20. We also note that there is no whole of government accounts produced for Wales and that local government is not included in the consolidated Welsh government accounts. We consider this a weakness in the public sector financial information produced in Wales as it means that decision makers and other interested parties lack a complete picture of public sector finances in Wales. We urge the Auditor General for Wales to use his position to put pressure on the Welsh government to introduce one and publish it on a timely basis.
21. In our view, Audit Wales reports have most impact when they contain insightful recommendations and draw out lessons that can be learnt. We welcome the commitment in the Auditor General's foreword to use bolder language and ensure the form of reports is impactful. There are other bodies that are able to describe how public services operate but Audit Wales unique perspective as the auditor of the whole of the Welsh public sector means it is the only body in a position to conduct in depth evaluations of programmes and draw authoritative conclusions on value for money.