

Delivering the Auditor General's Examinations, 2020-25

Date issued: September 2020

Data protection, confidentiality and publication of responses

Audit Wales (the Auditor General for Wales and the Wales Audit Office) will be data controllers for any personal data you provide as part of your response to the consultation. The Auditor General and the Wales Audit Office have powers to process such personal data under sections 9 and 14 of the Public Audit (Wales) Act 2013 in connection with the Auditor General's functions under the Well-being of Future Generations (Wales) Act 2015. Personal data will be processed in accordance with data protection legislation. Please see our [Fair Processing Notice](#) for further information.

Information provided in response to this consultation may be published or disclosed in accordance with access to information legislation. If you want any information that you have provided to be treated as confidential, please tell us in writing when you send your response and include explanation of your reasons. We will take full account of your explanations, however if we receive a request for disclosure of information we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Auditor General or the Wales Audit Office.

Contents

What we need to do and how you can help	4
The Auditor General's duty and how we have delivered it in the first reporting period	4
What we propose to do in the second reporting period	8
Evaluating our audit methodology	11
Audit fees	11
What you can expect from us	11
How we are carrying out our work in 2020-21	12
Consultation questions	12

Delivering the Auditor General's Examinations, 2020-25

What we need to do and how you can help

- 1 The Auditor General published his [first statutory report](#) under the Well-being of Future Generations (Wales) Act 2015 (the Act) in May 2020. The report summarises the findings from the sustainable development principle examinations carried out by Audit Wales in 2018-19 and 2019-20 and other relevant work. Alongside the Future Generations Commissioner's statutory [Future Generations report](#), it marked the end of the first 'reporting period' set out under the Act.
- 2 We now have the opportunity to take a longer-term view of how we deliver the Auditor General's examinations over the second reporting period, which covers 2020-2025. We need to reflect on what might need to be different and how we can build on and improve the approach we have taken so far.
- 3 We are running this consultation to seek your views as part of that process. We are consulting with each of the 44 public bodies named under the Act, the Future Generations Commissioner and other key stakeholders.
- 4 The consultation will run for six weeks, closing on Friday 6 November 2020.

The Auditor General's duty and how we have delivered it in the first reporting period

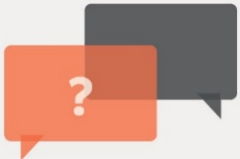
- 5 The Act requires the Auditor General to assess the extent to which public bodies have acted in accordance with the sustainable development principle when:
 - setting well-being objectives; and
 - taking steps to meet them
- 6 He must carry out such an examination of each public body at least once in a reporting period and report on the results of those examinations to the Senedd.¹
- 7 This is a stretching duty that takes audit into new territory. It requires us to look at the way public bodies are working, rather than how well they are doing something. It was therefore clear from the start that we would need a new, tailored approach to meet the requirements and spirit of the legislation.
- 8 With this in mind, we did the following in the first reporting period:
 - a) **Developed a new audit methodology to assess application of the sustainable development principle**
 - b) **Placed an emphasis on supporting learning and improvement**
 - c) **Undertook dedicated audit work to assess the application of the sustainable development principle**
 - d) **Worked closely with the Future Generations Commissioner and her team**

¹ Section 15, Well-being of Future Generation (Wales) Act 2015.

a). Developed a new audit methodology to assess application of the sustainable development principle

- 9 We undertook a comprehensive programme of work to explore how we could best deliver the Auditor General's new duty and we did that in partnership with public bodies and other stakeholders. Between 2016 and 2018 we undertook a formal consultation, extensive engagement and a programme of pilot projects, which were used to co-design the new audit methodology.
- 10 **Exhibit 1** summarises what stakeholders told us and how we reflected that feedback in our approach to delivering the examinations in 2018-19 and 2019-20.

Exhibit 1

What you told us	What we did differently
<p>'You need to look beyond strategic planning and corporate arrangements and include a focus on more operational issues'</p> <p>'You need to focus ways of working and take account of behaviours, rather than focusing on processes and arrangements'</p> <p>'You should engage with a range of people – including partners and citizens'</p> <p>'You need to work with the Commissioner so that you set consistent expectations and coordinate your activity'</p> <p>'You need to avoid a focus on compliance and consistency'</p> 	<p>We developed an audit methodology based on the five ways of working that explored behaviours</p> <p>We examined specific steps, covering a wide range of services and functions</p> <p>We involved the Commissioner's office in audit methodology design and examination fieldwork</p> <p>We designed our methodology to explore and understand context, recognising ways of working will need to be applied differently</p> <p>We ensured we spoke to a cross-section of staff and stakeholders during fieldwork</p>

- 11 We also translated this feedback into a set of principles that guided our work in the first reporting period, included below as **Exhibit 2**.

Exhibit 2

Our commitment

Focus on the ‘five ways of working’

Focus on ‘how’ organisations are working, as well as ‘what’ they are doing

Help public bodies to self-reflect and explore what they could do differently

Capture narrative and seek the views of a cross-section of staff and stakeholders

Give early feedback

Encourage public bodies to develop their own actions in response to our findings



- 12 We are evaluating the audit methodology so that we can continue to refine and improve the way we carry out the examinations. This has involved seeking the views of people at each audited body that were directly involved with each examination. For further information please see **paragraphs 32 and 33**.

b). Placed an emphasis on supporting learning and improvement

- 13 We recognised that the duties on public bodies are challenging and stretching. We acknowledged that culture change takes time and that the wide-ranging changes the Act is seeking to bring about will not happen overnight.
- 14 We also appreciated that public bodies would need time and space to start delivering against their new well-being objectives, which they (excluding Welsh Ministers) were required to publish by April 2017. This informed the timing and scale of work we undertook to discharge the duty (see also **paragraphs 16 and 17**).
- 15 Our conversations with public bodies emphasised that the best way for us to add value would be by helping them learn and improve, particularly in the early years of the Act. As well as designing our methodology with this in mind, we set reasonable expectations and reflected that balance when reporting our findings.

c). Undertook dedicated audit work to assess application of the sustainable development principle

- 16 We chose to undertake specific pieces of work that were designed to assess the sustainable development principle, rather than absorbing these considerations into other planned audit work. This enabled us to clearly and directly meet the new statutory duty. It also gave the sustainable development principle the prominence it needed; it helped us learn more about how to properly assess its application and hopefully helped public bodies learn more about what effective application of the principle means in practice. We did, however, incorporate the examinations into our programmes of audit work, wherever possible. This meant for the vast majority of bodies the volume of audit work remained the same and there were no additional audit fees.
- 17 As set out in **paragraph 5**, the Auditor General must cover two elements in his examinations; a). the assessment of how well-being objectives have been set and b). the assessment of how steps are being taken to meet them. We decided to separate these elements because they are fundamentally different pieces of work and it would allow us to assess each at appropriate points over the reporting period. We therefore did the following:
- explored how public bodies had set their first well-being objectives and reported findings in Reflecting on year one: How have public bodies responded to the Well-being of Future Generations (Wales) Act 2015? in 2018.
 - carried out 71 examinations of steps to meet well-being objectives at each of the 44 public bodies. This meant that we looked at one or two steps at each body and three at the Welsh Government between 2018-19 and 2019-20. We felt that this was a proportionate approach, reflecting considerations in **paragraph 14**. The reports are available on our [website](#).

d). Worked closely with the Future Generations Commissioner and her team

- 18 We have worked closely with the Commissioner and her team over the course of the first reporting period. This included developing a Memorandum of Understanding that sets out how our organisations will work together while delivering relevant functions.
- 19 It also included drawing on the knowledge and expertise of the Commissioner's team by involving them in the development of our audit methodology. We invited them to be involved in certain elements of the examinations and worked closely with them while developing our respective statutory reports. The findings in the Auditor General's report helped to inform the recommendations the Commissioner made in her report.

What we propose to do in the second reporting period

- 20 The first reporting period under the Act was unique. We were always clear that as the collective knowledge and expertise in applying the Act matured, our audit approach would also need to move on. Specifically, we intended to move to a more integrated delivery of our examinations, raise our expectations and provide greater challenge as capability increases over time.
- 21 In the second reporting period, we propose to do the following:
- a) **continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively;**
 - b) **integrate the examination of steps alongside value for money studies and local audit work, wherever possible; and**
 - c) **strengthen and expand the co-ordination of work with the Future Generations Commissioner.**

a). Continue to undertake specific examinations to assess the setting of well-being objectives and how steps are being taken to meet them, respectively

- 22 We propose to undertake dedicated examinations to assess the setting of well-being objectives to reflect the specific nature of this requirement. We would do this at least once in a reporting period at each of the 44 public bodies. We may then undertake further examinations of objective setting in cases where weaknesses have been identified or if the public body undertakes a significant refresh of its well-being objectives. The timing of this work would be dependent on the planning cycles of each public body.
- 23 We intend to assess steps at each public body over the course of the reporting period. We will take a proportionate approach to this, taking risk, the size of the body and diversity of its functions into account.
- 24 Separating the requirements will allow us to look at well-being objectives and steps in a timely manner and to gather cumulative intelligence over the reporting period for the Auditor General's next statutory report in 2025, ensuring we capture progress and report up-to-date information. It will also result in examinations that are less resource intensive and burdensome for public bodies than periodic examinations that cover both well-being objectives and multiple steps in a single piece of work.

- 25 The examinations are most likely to be delivered as part of local audit programmes at NHS bodies, local government, fire and rescue authorities, and national parks, designed to discharge the Auditor General's duties under the Public Audit (Wales) Act 2004 and the Local Government (Wales) Measure 2009.²
- 26 There is a different legislative basis for our work in central government. This means we do not have equivalent programmes of work that the examinations could be easily incorporated into at the Welsh Government and Welsh Government sponsored bodies, meaning we will need to put other arrangements in place.

b). Integrate the examination of steps alongside value for money studies and local audit work, wherever possible

- 27 There were a number of advantages to undertaking dedicated work to assess how steps were being taken to meet well-being objectives. However, our longer-term ambition was to integrate these examinations alongside our wider audit work. There are some examples of this in the first reporting period, but our intention is for this to become our general approach. This means that for the Welsh Government, we would integrate the examinations of steps as part of our value for money studies programme. For NHS bodies, local government, fire and rescue authorities and national parks, the examinations would be delivered as part of our local audit programmes and embedded within the projects.
- 28 Integrating our work in this way has the following advantages:
- **enables us to develop a rounded view of performance and provide greater insight to public bodies.** Indeed, there are potential risks to considering the sustainable development principle separately from value for money. These two concepts do not exist in isolation from one another: value, and particularly effectiveness, need to be considered in relation to the long term. This could include, for example, how public bodies are delivering preventative approaches that bring a range of benefits across organisational boundaries.
 - **enables us to assess steps through more diverse and numerous examinations.** This would help us develop a broader understanding of how a public body is applying the sustainable development principle as well as ensuring we are gathering information over time.

² In order for the Auditor General to be satisfied that a local government or NHS body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources ('value for money'), and to conclude accordingly, auditors must develop an annual programme of work for that purpose at each such body.

- 29 We will need to put different arrangements in place for Welsh Government sponsored bodies. It will be necessary to undertake standalone examinations to assess how those bodies are applying the sustainable development principle when taking steps to meet well-being objectives, as well as the separate assessment of how they have set well-being objectives.

c). Strengthen and expand the co-ordination of work with the Future Generations Commissioner

- 30 We appreciate our role in helping to create the conditions that promote the right behaviours and support, rather than impede, progress under the Act. The relationship we have with the Commissioner's office is key to this. Our May 2020 report described the 'implementation challenge' facing public bodies and stated that:

The Commissioner and Auditor General can help by focusing on the right things, setting consistent expectations and not over-burdening public bodies with monitoring requirements. Our two offices have worked together closely to try to achieve this, but we recognise more can be done. We will continue to strengthen the co-ordination of our work in the next period.³

- 31 To achieve this, we propose to:

- **co-ordinate a). the Auditor General's assessment of how the sustainable development principle has been applied when setting well-being objectives and b). the Commissioner's monitoring and assessment of progress to meet well-being objectives.** When undertaking the Auditor General's assessment, it will be necessary for us to explore the process public bodies have gone through in reviewing and revising those objectives. This means we will be able to gather information that can help the Commissioner discharge her duty. This would minimise the burden on public bodies and make good use of our collective resources.
- **explore opportunities to undertake co-ordinated studies/reviews.** There may be opportunities for the Auditor General and Commissioner to undertake co-ordinated work on issues where they have each identified a risk. This would provide an opportunity to draw on the knowledge and skills of our respective organisations.

³ Audit Wales, [So, what's different? Findings from the Auditor General's Sustainable Development Principle Examinations](#), May 2020.

Evaluating our audit methodology

- 32 This consultation is looking ahead and seeking views on the strategic direction we take in delivering the Auditor General's sustainable development principle examinations. However, we are also working to evaluate the detail of the audit methodology we used in the first reporting period. This has included asking for feedback from a sample of representatives that were involved in each of the examinations at the 44 bodies.
- 33 We are using this feedback to continue developing and refining our audit methodology. Therefore, you can expect to see some practical changes in the way we carry out our work. This demonstrates our commitment to learning and improving how we deliver this work. We intend to have a continuing conversation with public bodies and key stakeholders and will ensure we evaluate and refine our audit methods on a routine basis.

Audit fees

- 34 Our proposal to incorporate our examinations into audit programmes, wherever possible, would mean that we would not generally be adding to the total amount of audit work. This means that for NHS bodies, local government, fire and rescue authorities, and the national park authorities, we do not anticipate increases in fees arising from this work.
- 35 However, as described in **paragraphs 26 and 29**, we will need to put different arrangements in place for the Welsh Government and the six Welsh Government sponsored bodies covered by the Act. We are considering how we could fund the examinations at sponsored bodies through alternative means, rather than charging fees. However, it may not be possible to fund the entirety of this work at the Welsh Government and for all sponsored bodies without raising fees. We will engage in further dialogue with those bodies and will set out likely implications in our statutory annual fee consultation, which will be launched in November 2020.

What you can expect from us

- 36 We are grateful to you for dedicating the time to respond to this consultation. We will ensure that the views you express shape our future work in a clear and meaningful way.
- 37 We will write to public bodies to share our analysis of the consultation responses and our future plans before the end of 2020 and will move to implement those plans in 2021-22.
- 38 We will continue to work with you to review our approach during the reporting period.

How we are carrying out our work in 2020-21

- 39 2020-21 is an unprecedented year for public bodies. We have had to review and revise our audit plans to ensure that they are sensitive to the pressures facing public bodies, in terms of the timing, volume and focus of work we undertake. We have devised projects to help public bodies learn from the experience of responding to the pandemic [[COVID Learning Project](#)] and to provide insight that can inform the recovery planning process. We are taking the opportunity to gather relevant information on how bodies are applying the sustainable development principle through the course of our work in 2020-21, as appropriate.

Consultation questions

There are eight questions, though not all will be relevant to you. We would like to know what would work for your organisation and any sector-specific issues that we should take into account. We welcome open and frank answers so that we can ensure our future work adds value to public bodies as well as informing proper scrutiny.

Please return your response to the questions below by Friday 6 November to wfg@audit.wales.

Name:

Organisation:

Email:

1. We worked with a wide range of stakeholders and developed a set of principles that guided our examinations in the first reporting period.

The principles of our approach were:

- Focus on the 'five ways of working'
- Focus on 'how' organisations are working, as well as 'what' they are doing
- Help public bodies to self-reflect and explore what they could do differently

- Capture narrative and seek the views of a cross-section of staff and stakeholders
- Give early feedback
- Encourage public bodies to develop their own actions in response to our findings

To what extent do you think these principles need to change for this reporting period? Please provide specific comments on any you think need to change and how they should change.

2. The Act requires us to assess how public bodies have set their well-being objectives. This is a specific requirement, so we propose to undertake a dedicated project at each of the 44 bodies.

We propose to do this at least once in a reporting period, with further examinations of objective setting being undertaken in cases where weaknesses have been identified or the public body undertakes a significant refresh of its well-being objectives.

The timing of this work would be dependent on the planning cycles of each public body.

Do you agree with our proposal to undertake separate work on well-being objectives in this way? Please provide comments.

3. During the first reporting period we undertook dedicated examinations of how public bodies were applying the sustainable development principle when taking steps to meet their well-being objectives. Our intention was to move towards mainstreaming this work, where possible, in the next reporting period.

We propose to do this by integrating our examinations of steps alongside our value for money studies at the Welsh Government and as part of our local audit programmes at NHS bodies, local government, fire and rescue authorities and the

national park authorities (for information on Welsh Government sponsored bodies please see **question 5**). This would allow us to take a rounded view of performance and to assess the sustainable development principle through more diverse and numerous examinations.

Do you agree with our proposed approach of combining our sustainable development principle examinations of steps to meet well-being objectives with our value for money studies and as part of local audit programmes? Please provide comments.

4. The sustainable development principle will be a relevant consideration across our audit work, and we will consider it from risk assessment and project scoping through to reporting.

We will ensure that we include a certain number of audit projects that focus on identified steps to meet well-being objectives (i.e. these are likely to be set out in the bodies' well-being statements) within our value for money studies and local audit programmes. For these pieces of work, we will undertake detailed testing of how public bodies are applying the sustainable development principle.

We will therefore give the sustainable development principle general consideration throughout our work while also ensuring a detailed exploration of how it is being applied, so that we can clearly and directly meet our duty when looking at steps that public bodies are taking to meet their well-being objectives.

Do you agree with the proposed approach and how much of a focus do you think the sustainable development principle should have across our work?

5. Our work at Welsh Government sponsored bodies differs from work we undertake at other public bodies and it is not possible for us to integrate our sustainable development principle examinations as part of existing audit programmes. It will therefore be necessary to undertake standalone examinations to assess how those

bodies have acted in accordance with the sustainable development principle when setting well-being objectives and taking steps to meet them.

Please provide your views on the volume and frequency of this work and how we might best ensure that it is both proportionate and adds value.

6. The Auditor General and Future Generations Commissioner have powers and duties under the 2015 Act that are closely related. We have been mindful of the risks of duplicating effort, placing unnecessary burden on public bodies and setting different expectations that could cause confusion. There is a Memorandum of Understanding between the Auditor General and the Commissioner, and our offices already work together closely. However, we recognise there is more we could do to strengthen the co-ordination of our work and make the best use of our collective resources.

In the next reporting period, we propose to:

- **co-ordinate work on setting and monitoring and assessing well-being objectives.** When undertaking the Auditor General’s assessment, it will be necessary for us to explore the process public bodies have gone through in reviewing and revising those objectives. This means we will be able to gather information that can help the Commissioner discharge her duty. This would minimise the burden on public bodies and make good use of our collective resources.
- **explore opportunities to undertake co-ordinated studies/reviews.** There may be opportunities for the Auditor General and Commissioner to undertake co-ordinated work on issues where they have each identified a risk. This would provide an opportunity to draw on the knowledge and skills of our respective organisations.

Do you agree with the proposals for strengthening the co-ordination of work with the Commissioner’s office? Please provide comments.

7. The Act requires the Auditor General to focus his examinations on individual public bodies. While we need to assess collaboration as part of this, there is an opportunity to take a system-wide approach to assessing how public bodies are taking steps to meet their well-being objectives. This might involve focusing on an issue, perhaps within a locality, and carrying out examinations of multiple bodies in respect of that.

**Do you agree that we should explore how we could take a system-wide or locality-based approach to assessing steps to meet well-being objectives?
Please provide comments**

8. Our May 2020 report set out some of the major challenges facing public bodies in this reporting period. These include the climate crisis, persistent and worsening inequalities, managing the UK's departure from the EU and the medium and long-term impacts of the pandemic. The Act provides public bodies with a framework to develop long-term, collaborative responses that recognise the interconnections between these related challenges.

We will want to ensure our work reflects the major challenges facing public bodies in this second reporting period.

Are there any specific issues that you think it is important for us to cover in future examinations?



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.