

Further to my email of 2 November 2015, I am now in a position to respond to your request for information of 30 October 2015. My responses to each of your questions are highlighted in bold below. Your right of access under the Freedom of Information Act is to recorded information (subject to the appropriate application of exemptions). Not all of your questions seem to be requests for recorded information, but where that is the case, I have provided some explanation which I hope you find helpful.

1. *I understand that the External Auditor is again from England. Do we not have any competent Auditors in Wales who can carry out this function?*

The statutory external auditor is actually the Auditor General for Wales, but we have engaged auditors to carry out work on his behalf following a competitive tendering exercise compliant with the EU Directives and Procurement Regulations. The bids were assessed against published criteria and those suppliers awarded work scored highest in our appraisal of all tenders. I should also add that we employ competent auditors but we have a mixed economy of supply to include both employees of the Wales Audit Office and contractors.

2. *I understand that the External Auditor is one of the big accountancy firms. When the average Community Council Accounts are likely to be less than £20,000 p.a. why do we need an accountancy firm that deals with multi national companies? Are the Community Council Accounts to be scrutinised by a partner of the firm, or a junior minion?*

The firms appointed to undertake the work on behalf of the Auditor General are those that successfully bid for the work. Work will be undertaken by an appropriate combination of staff at each firm, as is common with all audit work.

3. *Given that the External Auditor is only provided with the Annual Return, the Balance Sheet, and a Bank reconciliation, how long do you consider that the External Auditor spends dealing with each Community Council's Audit? Given this, what is the hourly rate charged by the External Auditor?*

Hourly rates are set out in the WAO fee scales along with indicative fees for councils based on their size (financial). Please see our 2015 Fee Scheme http://www.audit.wales/system/files/publications/fee_scheme_english.pdf The amount of time spent by the auditor includes calling the audit, undertaking the audit and completing the audit. It includes preparing correspondence and reviewing the information provided. From 2015-16 the audit arrangements are changing and auditors will likely spend more time on the smaller councils. As reported in our reports on community councils (see this link for our latest such report <http://www.audit.wales/publication/financial-management-and-governance-community-and-town-councils-2013-14>), we have found that smaller councils tend to have more problems. The overall arrangements take into account the risk to the public purse of individual councils and are therefore intended to focus effort where there are particular risks. Councils can limit their audit fee by ensuring they have adequate and effective accounting and governance arrangements in place thus minimising these risks.

4. *Will the External Auditor be able to correspond in Welsh?*

Yes. This is a contractual requirement. At the pre-qualification stage, the suppliers were required to provide evidence of experience and ability to provide services within a bilingual (Welsh/English) environment and arrangements for meeting needs of audited bodies whose preference is to communicate in Welsh.

Your request of 30 October 2015 also asked for the following information:

In accordance with our Financial Regulations, I should be grateful if you would kindly supply me with the tendering documents for the External Auditor, and details of Tenders received so that my Council can be assured that it is receiving best value for the External Audit.

Community Councils have no role in appointing their external auditor and so your Financial Regulations are not applicable. As mentioned above, the Auditor General is the statutory external auditor of Community Councils. The Wales Audit Office is responsible for, amongst other things, procuring resources for the work of the Auditor General. There were twelve organisations that initially expressed an interest in the contract and of these, seven participated in the procurement. The others declined to participate on the basis of not being able to fulfil all of the requirements of the contract.

The evaluation criteria and weightings from the PQQ and ITT respectively are set out below which provides an overview on the selection and evaluation method used in our appraisal of tenders and which summarises the requirements.

PQQ - Evaluation Criteria for selection to participate further in this procurement		
Criteria	Evaluation method	Weighting
Grounds for Mandatory or Discretionary Rejection	<p>In some circumstances we are required by law to exclude you from participating further in a procurement. If you cannot answer 'no' to every question in the section on Mandatory Rejection it is very unlikely that your application will be accepted, and you should contact us for advice before completing this form.</p> <p>The Authority is entitled to exclude you from consideration if any of the Grounds for Discretionary Rejection apply but may decide to allow you to proceed further.</p>	Pass/Reject
Economic and Financial Standing	<ul style="list-style-type: none"> • The supplier must be in a sound financial position to participate in a procurement of this size as set out in Regulation 24 of the Regulations. • The supplier's fee income must be sufficient to enable it to comply with Ethical Standard 4 of the United Kingdom Auditing Practices Board, which effectively prohibits auditors from accepting audit engagements if the fee income earned from the client concerned is expected to exceed 15 per cent of total fee income (and requires an independent external review of all audit work where the fees from one client are expected to amount to more than 10 per cent of total fee income). For this purpose, the Auditor General and the Authority is treated as a single client. • The organisation name and registration number may be used to obtain a financial risk assessment report. If WAO is unable to obtain a suitable financial risk assessment report for a particular potential provider, or their nominated guarantor, the organisation may be 	Pass/Reject

	required to provide additional financial information to enable an assessment to be carried out.	
Business activities and track record	<ul style="list-style-type: none"> The supplier (if a firm, the relevant partner(s)) must be qualified to audit public sector bodies being a company auditor under Part 42 of the Companies Act 2006 The supplier's demonstration of a successful track record of providing similar services to those listed in the OJEU contract notice and set out within this PQQ document; evaluated through response to Section 3. 	pass/reject 30
Ability to address geographical and language issues	<ul style="list-style-type: none"> Evidence of ability to cover the whole of Wales and support of bilingual environments 	pass/reject
Supplier capacity and capability	<ul style="list-style-type: none"> The supplier's demonstration that they meet the highest standards in audit quality assurance and arrangements. The supplier's demonstration of robust processes for information assurance, equality, and environmental matters. WAO will assess the responses to Section 3 in terms of resources and core competences, skills and experience available to the supplier, including arrangements to provide professional and technical support to auditors. 	20 20 30

ITT - Evaluation Criteria for selection		
Criteria	Evaluation method	Weighting
Skills, knowledge and experience	<ul style="list-style-type: none"> Review of response to the ITT submissions with respect to skills, knowledge and experience of public audit and staff makeup of: <ul style="list-style-type: none"> Proposed engagement Leads Skills mix and team composition 	15
Understanding the nature and purpose of the Auditor General and audited bodies in Wales	<ul style="list-style-type: none"> Review of response to the ITT submissions with respect to evidence of strong understanding of <ul style="list-style-type: none"> the Auditor General's functions and duties public sector audited bodies purposes and an ability to address issues facing them 	15
Quality assurance and control	<ul style="list-style-type: none"> Review of response to the ITT submissions with respect to evidence of effective internal quality assurance and control arrangements to deliver a quality service 	15

	<ul style="list-style-type: none"> • Sound relevant references 	
Working relationships and communication	<ul style="list-style-type: none"> • Review of response to the ITT submissions with respect to evidence of sound working relationships and good communication – demonstrated through partnership working arrangements, response to correspondence from local/national electors and representatives 	15
Overall cost	<ul style="list-style-type: none"> • Review of response to the ITT submissions with respect to <ul style="list-style-type: none"> - Overall cost for primary service delivery over the life of the contract - Estimated cost for secondary service delivery over the life of the contract based on hourly/day rates for the supply of suitably qualified staff 	40

If you have any queries, or questions about my handling of your request, please do not hesitate to contact me.

Yours sincerely

Ian Phillips