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Llyr Gruffydd AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
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Reference: AJB537/mh
Date issued: 21 February 2019

Dear Llyr

Audit arrangements

I wanted to let you know of a decision that the WAO Board has recently taken about how public sector audit in Wales will be delivered.

As you will know, over recent years audit work has been carried out for the Auditor General through a combination of WAO staff and private sector firms.

We have recently been reviewing very carefully what arrangements we should put in place when our current contracts with these firms come to an end in 2020. Following this review the WAO Board has decided not to invite tenders for audits beyond 2020. This was a difficult decision and is not a reflection of the quality of the firms' work.

Rather it is a result of several factors, including:

- a projected overall reduction in the volume of public sector audit work in the coming years with the consequent need to ensure that audit services are provided in a cost-effective way;
- the need to ensure that the WAO and Auditor General are meeting their obligations under the Welsh Language Standards;
- uncertainty about the shape of the town and community council sector together with added uncertainty arising from a review we plan to undertake of the audit regime for that sector; and
- ongoing uncertainty about whether there will be a re-organisation of local government in the medium term.

The combined impact of these and other factors creates a level of uncertainty that would render it very difficult over the next year or two to invite tenders for meaningful contracts that do not create unacceptable risks and cost pressures for both the WAO and the firms.

This is a situation that we will review annually in the light of developments in our external operating environment and we will provide updates to stakeholders as appropriate.

We will be working with the firms who currently carry out this work to ensure a smooth transition for the audited bodies who will be affected.

Please do not hesitate to let me know should you have any questions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'AJB' followed by a flourish and a small mark.

Anthony Barrett
Assistant Auditor General