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Annwyl Llŷr

## Adolygiad gwerth am arian o gynllun teithio a threuliau Archwilio Cymru

Fis Medi diwethaf, fe wnaeth y Pwyllgor Cyllid gefnogi comisiynu RSM, ein harchwilwyr allanol, i gynnal adolygiad gwerth am arian ar ein cynllun teithio a chynhaliaeth. Bwriad hyn oedd cyflawni ymrwymiad y Bwrdd, pan adolygwyd y cynllun ddiwethaf gennym yn 2016, i ailedrych ar "egwyddorion a llwyddiant" yr adolygiad hwnnw. Comisiynwyd RSM o dan delerau'r contract gydag Archwilio Cymru, fel y cafodd ei gaffael gan Gomisiwn y Senedd.

Rydym yn atodi adroddiad RSM, er gwybodaeth i'r Pwyllgor.

Rydym yn falch bod yr adroddiad wedi canfod y llwyddiannau canlynol yn codi o'n hadolygiad yn 2016:

- Mae cyfanswm y gost gyfartalog fesul unigolyn, cyfwerth ag amser llawn (CALI), am drefniadau trafndiaeth, teithio a chynhaliaeth wedi gostwng;
- Mae'r milltiroedd ceir cyfartalog a yrrir fesul unigolyn, cyfwerth ag amser llawn, yn sylweddol is;
- Cyflawnwyd gostyngiad sylweddol cadarnhaol yn yr allyriadau CO<sub>2</sub> cyfartalog y flwyddyn fesul unigolyn, cyfwerth ag amser llawn, y gellir ei briodoli i deithio ar fusnes mewn car; ac
- Mae cyfanswm nifer y siwrneiau busnes y flwyddyn mewn ceir sy'n cael eu rhannu wedi cynyddu.

Mae ein cynnydd mewn ffyrdd doethach o weithio a defnyddio fideo-gynadledda dros y blynyddoedd diwethaf wedi cael effaith gadarnhaol iawn ar leihau ein milltiroedd busnes a'n heffaith amgylcheddol. Fodd bynnag, nid yw'r costau wedi gostwng yn gymesur â'r gostyngiadau mewn milltiroedd, oherwydd elfen y Lwfans Teithio sefydlog sydd yn y cynllun presennol. Wedi dweud hynny, gostyngodd ein hadolygiad diwethaf y Lwfans Teithio o £1,250 y pen y flwyddyn ar gyfartaledd ac, ar sail tebyg am ei debyg, mae'n sicrhau arbedion blynyddol o 16% (£146,000). Mae ein gweithlu yn symudol yn bennaf ac yn gweithio fel arfer ar leoliad gyda gwasanaethau cyhoeddus ledled Cymru. Mae'r Lwfans Teithio yn sicrhau buddion am fod y staff yn defnyddio cerbydau gydag allyriadau is a cherbydau iau o ran oedran (er mwyn diogelwch) ond mae'n anodd ei gyfiawnhau erbyn hyn ar sail y dystiolaeth yn yr adroddiad a'r ffordd yr ydym ninnau'n ailfeddwl yn sylfaenol ynglŷn â'r ffordd y byddwn yn gweithio mewn byd ôl-Covid.

Mewn ymateb i ganfyddiadau'r adroddiad, mae'r Bwrdd o'r farn y dylid dod â'r Lwfans Teithio i ben a mabwysiadu cyfraddau milltiroedd Cyllid a Thollau Ei Mawrhydi yn lle hynny. Er hynny, rydym yn cydnabod bod y lwfans wedi bod yn ei le ers amser maith a bod llawer o staff yn ei ystyried yn rhan o'u tâl cyffredinol yn hytrach nag fel ad-daliad am gost teithio ar fusnes. Yn wir, mae lefelau cyflog rhai aelodau o staff wedi'u penderfynu gan gadw mewn cof y bydd y lwfans hefyd yn cael ei dalu.

Mae'r Bwrdd wedi sefydlu Grŵp staff Gorchwyl a Gorffen i ddatblygu cynigion ar gyfer cynllun teithio a threuliau sy'n 'addas ar gyfer y dyfodol'. Gofynnwyd i'r Grŵp ddatblygu cynigion i roi cymhelliant i deithio mwy gwyrdd a lleihau effeithiau amgylcheddol niweidiol. Gofynnwyd iddo hefyd ystyried gweithio'n ddoethach a'r gwersi a ddysgwyd drwy'r cyfnod clo a gwneud cynigion i dalu'n briodol y costau sy'n gysylltiedig â'r ffordd y mae arnom eisiau gweithio yn y dyfodol, sef: llai o deithio, llai o ddibyniaeth ar geir ar gyfer ein teithio a gweithio mwy o bell (o gartref, swyddfeydd neu leoliadau eraill).

Yn bwysig, gofynnwyd i'r Grŵp nodi arbedion sylweddol – gyda tharged o £1 filiwn dros 5 mlynedd, yn dilyn y cyfnod pontio o'r cynllun presennol. Mae hwn yn swm sylweddol i gefnogi ein cynllun ariannol tymor canolig ond mae yna berygl yn gysylltiedig â hyn o ran morâl y staff a'r effaith ar ein gallu i fod yn gystadleuol o ran cyflog a thâl. Rydym wedi gofyn i'r Grŵp ystyried yr agweddau hyn wrth ymgymryd â'i waith.

Bydd y Grŵp yn gweithio'n gyflym ac yn adrodd yn ôl i'n Pwyllgor Cydnabyddiaeth ac Adnoddau Dynol ym mis Mawrth, gyda phwyntiau cyffwrdd ym mis Tachwedd a mis Ionawr. Yn bwysig, bydd unrhyw newidiadau yn destun ymgynghoriad â'n hundebau llafur; rydym yn awyddus i fynd â'r staff gyda ni drwy'r newidiadau er ein bod yn cydnabod yr her fydd hynny yn ei osod i ni.

Hyderaf y bydd hyn yn sicrhau'r Pwyllgor am y gwerth a gyflawnwyd drwy ein hadolygiad diwethaf o'r cynllun, a'r cyfeiriad y mae'r Bwrdd bellach wedi'i osod ar gyfer newidiadau sylfaenol er mwyn cael cynllun newydd sy'n addas i'r dyfodol.

Edrychwn ymlaen at drafod hyn gyda chi pan fyddwn yn ymddangos gerbron cyn bo hir.

Yn gywir

*Isobel Everett*

**ISOBEL EVERETT**  
Cadeirydd, Swyddfa Archwilio  
Cymru



**ADRIAN CROMPTON**  
Archwilydd Cyffredinol Cymru

## **Atodiad: Dyfyniad o Gylch Gorchwyl y Grŵp Gorchwyl a Gorffen Teithio a Threuliau**

- 1 Rhaid i'r Grŵp weithredu o fewn y paramedrau canlynol, y cytunwyd arnynt gan Fwrdd Archwilio Cymru:
  - Bod yn rhaid dileu'r Lwfans Teithio yn gyfan gwbl a thalu cyfraddau milltiroedd Cyllid a Thollau Ei Mawrhydi am deithio ar fusnes;
  - Rhaid cyflawni arbedion sylweddol o £200,000 o leiaf y flwyddyn ar ôl y cyfnod pontio drwy'r newidiadau i'r cynllun Teithio a Threuliau, i gefnogi ein Cynllun Ariannol Tymor Canolig;
  - Dylai'r cynllun Teithio a Threuliau roi cymhelliad i ddewis ffyrdd mwy gwyrdd o deithio er mwyn lleihau effeithiau niweidiol ar yr amgylchedd;
  - Dylid cadw'r lwfans gyda'r nos achlysurol o £5.
- 2 O fewn y paramedrau hynny, amcanion allweddol y Grŵp yw datblygu cynigion a fydd yn:
  - Mynd i'r afael ag unrhyw effaith o ganlyniad ar y pecyn cyflog a thâl cyffredinol, gan gynnwys, ond heb fod yn gyfyngedig i, sicrhau bod y Cynllun Hyfforddeion yn parhau'n gystadleuol yn y farchnad.
  - Adlewyrchu gweithio'n ddoethach a'r gwersi a ddysgwyd drwy'r cyfnod clo – hynny yw, talu'n briodol y costau sy'n gysylltiedig â'r ffordd y mae arnom eisiau gweithio yn dyfodol, sef: llai o deithio, llai o ddibyniaeth ar geir ar gyfer ein teithio, a gweithio mwy o bell (o gartref, swyddfeydd neu leoliadau eraill).
- 3 Gofynnir i'r Grŵp ddatblygu cynigion y gellid eu cyflawni yn y pen draw o fewn amlen gost ychwanegol o £300,000 y flwyddyn, ar ôl rhoi cyfrif am arbedion a wnaed drwy ddod â'r Lwfans Teithio i ben a newid i gyfraddau milltiroedd Cyllid a Thollau Ei Mawrhydi.
- 4 At hyn, gofynnir i'r Grŵp gynnig trefniadau pontio o'r cynllun presennol i'r cynllun newydd ac amserlen a chost ar gyfer y trefniadau pontio hynny.
- 5 Rhaid i'r Grŵp gadw mewn cof yr angen i'n trefniadau Teithio a Threuliau wneud y canlynol:
  - adlewyrchu corff cyhoeddus sy'n esiampl a meincnodi'n dda o ran dangos gwerth am arian ac ad-dalu'n deg y costau yr aed iddynt;
  - cefnogi iechyd, diogelwch a lles gweithwyr pan fyddant yn y gwaith ac wrth deithio i'r gwaith;
  - cefnogi gweithle amrywiol drwy sicrhau bod trefniadau'n gynhwysol ac yn deg;
  - rhoi sylw i:
    - ryngddibyniaethau gyda Gweithio'n Ddoethach a'n Gweithleoedd yn y Dyfodol (a'r effeithiau posibl o ganlyniad ar ganolfannau teithio);
    - cyngor cyfreithiol wedi'i ddiweddarau ar y rheol 1 awr o amser teithio a chyngor treth wedi'i ddiweddarau ar gwestiwn ffin Cymru ar gyfer hawliadau milltiroedd;
    - y pecyn cyflog a thâl ehangach ac adolygiad ein cynllun gwerthuso swyddi.
  - bod yn destun Asesiad o'r Effaith ar Gydraddoldeb cyn i argymhellion gael eu gwneud.



# AUDIT WALES

## Travel and Expense Handbook – Value for Money Review

FINAL REPORT

15 July 2020

This report is solely for the use of the persons to whom it is addressed.  
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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# EXECUTIVE SUMMARY

## Terms of Reference

Audit Wales engaged RSM to undertake a value for money (VfM) review of their travel and expense handbook. The work was designed to focus on six areas for consideration as follows:

- The performance of the current scheme, against established performance indicators;
- Whether or not the current scheme was fit for purpose in relation to travel and subsistence related costs, travel time for mobile staff, the use of travel centres and if the Wales border was appropriate for limiting travel claims;
- Any scheme used should not incentivise unnecessary travel;
- Benchmarking should be undertaken with comparable organisations;
- Staff views on the current and future arrangements should be solicited; and
- The views of trade unions should be sought.

Following completion of the above we were tasked with making:

- Evidence based proposals for future arrangements; and
- Recommendation of appropriate performance measures for any future arrangements.

The terms of reference (ToR) was set against a backdrop of the transformation project *Ways of Working*, which identified that, in the future, working models are likely to be significantly different. This report predicted that travel and subsistence costs would reduce if recommendations around the choice of location of working, location of future office space combined with systems and processes that were more efficient and effective were implemented. Against this background, cash savings were envisaged in regard to the expenditure on travel. In 2018 -19, total costs for travel and subsistence were £1.2m or 24.4% of total non-pay costs. Just over 70% of the travel and subsistence expenditure related to the combined total of the Travel Allowance (£659,000) and the Mileage Allowance (£193,000).

Since completion of our fieldwork, Audit Wales, along with all other organisations, has been impacted by the Covid19 pandemic. As a result, many lessons are being learned about the practicality and desirability of remote working some of which will, inevitably, shape the future ways in which the office works. This, in turn, will have an impact on the need for travel and the associated costs. It is, however, premature to comment substantively on this.

## Background

Audit Wales requires a mobile workforce to deliver its activities across Wales. The geography and public transport infrastructure of Wales mean that public transport, outside of the larger urbanised areas, may often not be a viable option that represents value for money due to the logistics and travel time which render use of public transport impracticable. There is, therefore, a contractual requirement for all audit staff and a limited number of corporate staff to be



mobile for operational purposes. Because of the challenges in using public transport throughout Wales, these staff are required to have access to their own car for business use. In contrast, audit roles with work largely based in the larger cities in England (and indeed Wales) should enable staff to utilise public transport to a far greater extent, which may also bring the benefits of often being able to work whilst travelling, particularly if travelling by train. In contrast, driving to client assignments is essentially non-productive time in comparison meaning that more hours are necessary to complete a similar amount of work.

Given the reality of working outside of the main conurbations in Wales and the need for large amounts of “driving time” in many audit positions, this in turn may make roles within Audit Wales less attractive to candidates – a fact reflected within our survey results. To address this, Audit Wales has historically offered an annual Travel Allowance to staff within roles designated as ‘mobile’. The allowance is paid in addition to salary and is, therefore, subject to tax and national insurance deductions but is not pensionable. Neither is it included in annual salary reviews. The Travel Allowance was last reviewed in 2015 and this led to a reduction in the fixed amount payable. Some 192 staff are currently in receipt of this allowance at an annual cost of £643,200. Further detail is provided later in this report.

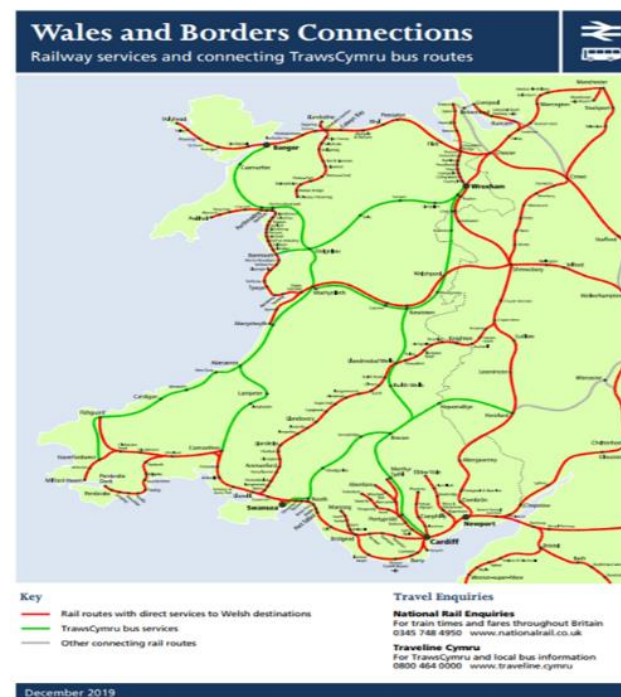
In common with other public sector organisations in Wales, Audit Wales must manage staff travel effectively in order to demonstrate its commitment to:

- Containing costs;
- Promoting staff safety and wellness; and,
- A sustainable future for Wales.

The impact of the coronavirus lockdown period commencing in March 2020 has forced an immediate change in working practices for Audit Wales. In common with other organisations, Audit Wales staff have switched to remote working as the default position. What has been dubbed ‘the greatest experiment in remote working the World has seen’ is, therefore, also an opportunity to learn how Audit Wales might wish to operate outside of the established office base/Travel Centre model once the lockdown period has ended.

This learning can then feed into the ‘Our Future Workplaces’ project and needs to be factored into any proposed changes to the Travel and Subsistence Scheme. According to the Transport for London publication: “Sustainable Business Travel”, allowing employees a degree of choice in how and when to travel, actually promotes more responsible decisions and hence helps to contain costs.

At first glance, it might seem that taking action focussed upon reducing the frequency of travel and distances covered would ‘tick all the right boxes’; indeed opening-up the opportunity to make significant financial savings in the short-term. VfM is not, however, just about financial performance. Operational effectiveness is just as important and there are elements of the role – such as human interactions through face-to-face meetings, on-the-job training of new recruits and carrying out fieldwork at a client site – that add to the variety and fulfilment of the role as well as the quality of work delivered. These contact



points also enable auditors to fully develop a relationship with their clients. Notwithstanding this, increasingly, organisations are being judged upon their environmental impact. In order to realise value for money in its fullest sense, it is therefore also important that any significant changes to the Travel and Subsistence Scheme are made with a longer-term view toward operational effectiveness, sustainable travel and employee welfare.

A well written and “*best of breed*” travel and subsistence policy should also demonstrate the employer’s commitment to meeting its duty of care. In the UK, this includes the following legislation:

- The Health and Safety at Work Act (1974);
- Management of Health and Safety at Work Regulations (1999);
- Corporate Manslaughter and Corporate Homicide Act (2007); and,
- The Working Time Directive 2003/88/EC.

Finally, a best practice travel and subsistence policy should interlink with related policies that promote sustainable travel under the holistic heading of Corporate Responsibility. Depending upon the size and complexity of the organisation, such policies may include:

- Sustainable transport plan.
- Smarter working policy.
- Work-life balance policy.

## OUR APPROACH AND SOURCES OF DATA

To ensure sufficient context and understanding of the impact of the Travel and Subsistence Scheme upon operational effectiveness, efficiency and economies, a multi-faceted approach was taken utilising the following sources of data and information:

- Analysis of Audit Wales core travel and expense data across the previous five years
- Meetings held with senior directors of service
- Design and circulation of a staff survey with 185 responses (78%) – 154 from Audit Services & 31 from Corporate Services
- Facilitation of five staff focus group meetings (Cardiff, Swansea and Abergele)
- Discussion with Trade Union representatives
- Benchmarking exercise (Public sector and Private sector)

This provided us with the opportunity to triangulate the outputs from various sources, thereby leading to greater and more balanced insight. For example, the survey results helped to add context and, in a relatively few instances, also highlighted some areas where staff perception did not correlate with the underlying data (e.g. when considering how many miles are driven for business purposes per annum).

Prior to producing this report, a presentation was given to the review steering group led by the Director of Finance and HR. Helpful feedback was incorporated into a second presentation to the Directors of Audit Wales, where valuable feedback was also provided.

The results of the benchmarking exercise are reproduced at Appendix A and the staff survey at Appendix B.

# HIGH LEVEL COMMENTARY

## On the Challenges of Operating in a Changing Landscape

Throughout our review we have acknowledged that travelling across Wales using public transport may either present challenges or be impracticable. We have borne this in mind when selecting the benchmarking group, undertaking analysis and considering options. The limitations of the public transport network mean that drawing direct comparisons with some organisations is not a particularly useful exercise.

For example, the National Audit Office, whilst undertaking a similar role across England, has a concentration of its activity within Greater London, where public transport links are well developed and travel by car, given the congestion and impact of various additional travel charges, by is often impractical.

Likewise, attempting to emulate other organisations, such as the Environment Agency, where public transport is the default method of travel across England, would probably be to the detriment of operational efficiency and staff morale within Audit Wales. It is not wholly surprising, therefore, that the proportion of spend between public transport and travel by car for Audit Wales has remained fairly static over the previous four years (approximately 7% and 93% respectively).

Against this, the previous five-year period has seen an increased public focus upon the environmental impact which organisations have been carrying out their work. In turn, both public and private institutions have responded by developing sustainability plans and more latterly, “signing up” to the Climate Emergency by setting ambitious targets to reduce the carbon footprint of their activities. The Travel and Subsistence Scheme contributes to the efforts of Audit Wales by promoting the use of public transport where possible. As part of this, during its revision in 2015, a set of baseline performance measures were also developed to assess success in reducing the cost and environmental impact of its business activities.



## On the Performance of the current scheme

The Travel and Subsistence Scheme currently has four baseline performance measures:

Measure	Benchmark year
Total average cost per FTE of transport, travel and subsistence arrangements	2013-14
Average car miles travelled per FTE per annum	2013-14
Average CO <sub>2</sub> emissions per FTE per annum attributable to business travel	2013-14
Total number of shared car business journeys per annum	2014-15

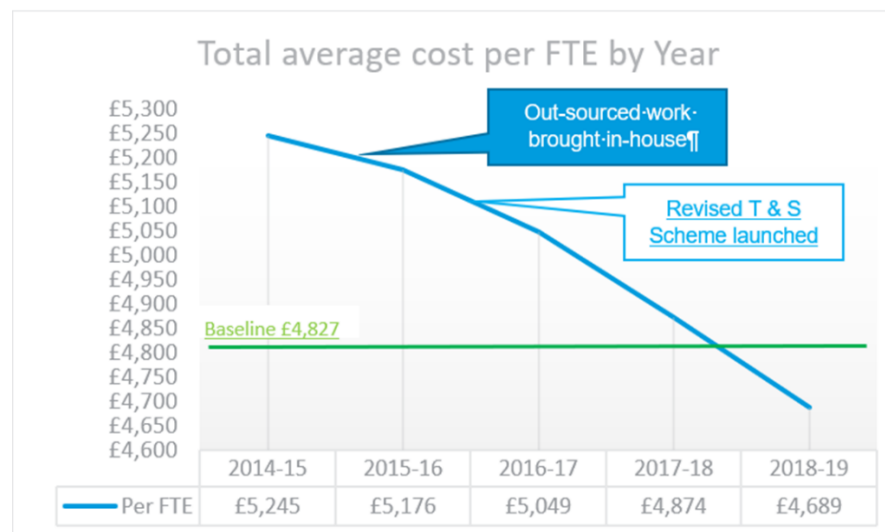
The measures were set when the Travel and Subsistence Scheme was revised and became effective on 1 April 2016. It was not the intention for performance to be assessed each year in isolation, rather to provide an overall picture of whether or not the Travel and Subsistence Scheme appeared to be working against the baseline position. The outcome for each of these measures has been reproduced, in the form of a graph or bar chart, below, to help illustrate the performance over recent years:

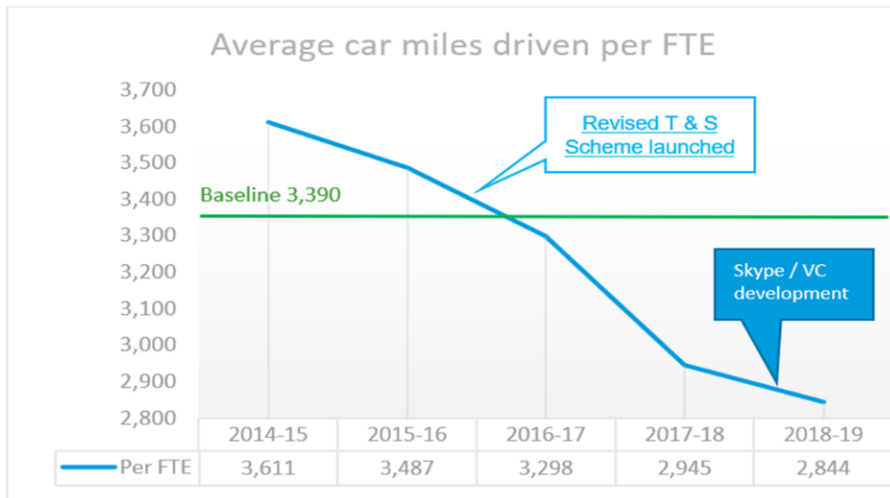
### Total average cost per FTE of transport, travel and subsistence arrangements

The average cost per FTE fell below the baseline for the first time in 2018-19, showing a fall in cost per FTE of 3%.

Throughout the five years since the baseline was set, there has been a marginal year-on-year increase in FTE. Over the five years, this equates to a 5.8% increase in FTE (243 in 2013-14 to 257 in 2018-19). Against this, total expenditure exceeded the amount recorded in 2013 -14 in each of the five years. In 2018-19, total expenditure exceeded the baseline by 2.75%.

The changes made to the level of Travel Allowance paid from 2016 may also have contributed to the falling average cost; however, this trend had already commenced. It is more likely that the greater effect upon this performance indicator is the increase in FTEs necessary to deliver the out-sourced work that was brought in-house during 2014-15, because the additional work did not result in a proportional increase in mileage as might have been expected.





### Average car miles driven per FTE

The figure for the average miles driven in 2018-19 is significantly lower than the baseline, with a fall of 16%. Whilst the increase in FTEs will have helped improve this measure, the more significant factor is a 12% fall in total miles driven per annum between 2018-19 and the baseline year (730,914 miles in 2018-19 compared with 823,634 miles in 2013-14).

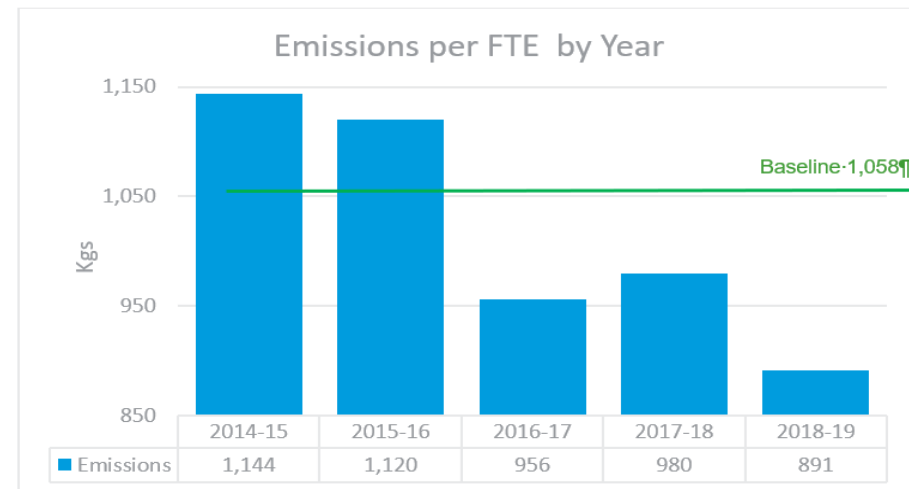
Using an average is helpful as a broad measure; however, it does not provide a useful level of detail. For example, in 2018-19, 30.9% of the total miles covered were attributed to just 10% of those employees who made travel claims. It was also noted that there were 31 entries where employees were claiming for mileage exceeding 250 miles in a day.

According to the Vehicle Speed Compliance Statistics: Great Britain 2018, the average free flow speed of cars was 68 mph on motorways and 50 mph on national speed limit single carriageways. At an average speed of 50 mph, these employees would have been driving for in excess of 5 hours in total. This may not be excessive if the time spent at the destination is less than 3 ½ hours. However, fatigue may set in on the return journey and so it would be prudent from the point of view of staff welfare to collect this information and assess the appropriateness of the longer travelling time. It is also (probably) the case that average speeds possible in Wales, given the road network, are lower than the UK average making travel time even greater.

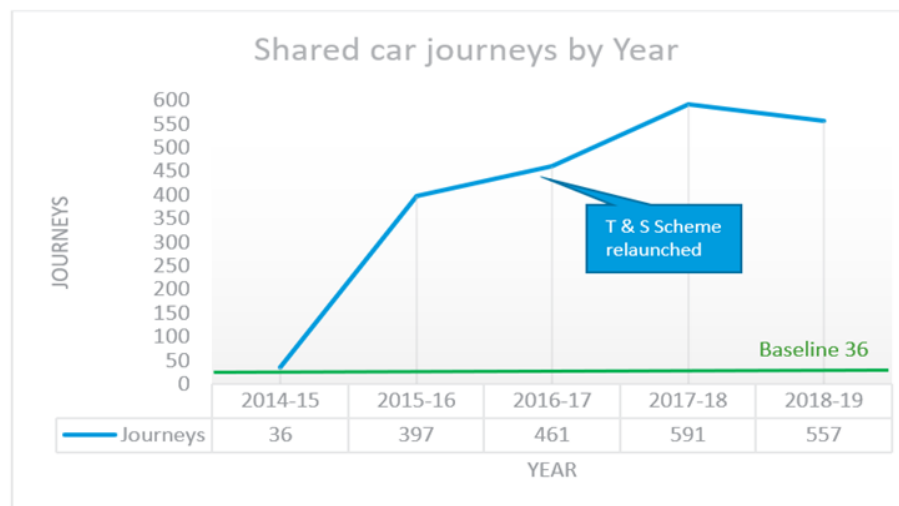
### Average CO2 emissions per FTE per annum, attributable to business travel by car

Reflecting the trend for a fall in total miles driven, Audit Wales has been successful in achieving a significant positive reduction in CO<sub>2</sub> emissions per FTE. Emissions in 2018-19 were 16% lower than the baseline. This measure is, again, subject at least in part to the movement in the number of FTEs and in the evolving split between staff who are office based and those deemed to be mobile.

The actual output is also dependent upon several factors - type and age of vehicle, driving style and types of roads driven upon for each journey. This makes calculating an accurate figure very difficult. Thus, in our view this KPI is suitable to provide only a high-level measure of performance.



In addition, relating CO<sub>2</sub> output to FTE does not give a true picture of the carbon footprint attributable to miles driven. Using a different measure – Total CO<sub>2</sub> output by year – would provide a more complete picture and one which can be measured over time.



### Total number of shared car business journeys per annum

This performance measure differs from the others in that its success is realised by a year-on-year increase rather than by a downward trend.

The capturing of this information commenced in 2014-15 and this helps explain the very low baseline. The graph depicts a significant early success in increasing the number of shared car journeys and this will have had a direct positive effect upon the carbon footprint of Audit Wales. The trend has, however, been reversed slightly in 2018-19. Further data will be required to ascertain whether this is a slight fluctuation, as might be expected, or an indication that staff prefer to travel alone.

The success achieved also means that the baseline has become of little relevance given the number of shared journeys achieved. Resetting the baseline would mean that the performance measure would be more meaningful

in future years. When informing staff of the new baseline it will be important to acknowledge that this was as a result of their significant success in previous years.

The results for 2020-21 (and possibly 2021-22) will be influenced by the question as to whether staff wellbeing can be assured if sharing a car. It may be that in the short- to medium-term, Audit Wales cannot practicably meet its duty of care and/or staff may be unwilling to share a journey as a result of the ongoing Covid-19 crisis and the concomitant need for social distancing.

## Conclusions

The graphs clearly show the positive progress that Audit Wales has achieved against each of the baselines set. This reflects the commitment of management and staff, which was evident throughout our review. There was a consistent theme of a desire to eliminate unnecessary travel.

Our further analysis suggests that the performance of Audit Wales is not fully captured within the existing key performance indicators: over half of the travel costs comprise the Travel Allowance and, as this is fixed, a reduction in mileage travelled will only have a proportional effect on the '£ per mile' indicator. The combined effect is that the envisaged figure of £0.97p per mile is not realistic despite the successes against the set KPIs. A more innovative approach may be required and the impact of a significant revision to the structure of the way travelling costs are reimbursed, is considered later in this report.

## Using the existing baselines – relevance and monitoring

The baselines were established with the intention of demonstrating progress over time and to respond to the Senedd's Finance Committee view that there should be a set of performance indicators in place to measure success against. In particular, it was envisaged that the baselines would help inform a future review (i.e. the review that we have now undertaken). The baselines have proven useful in charting the performance of the Travel and Subsistence Scheme. Given that they were fixed at a point in time, one outcome of the positive progress made by Audit Wales is that the baselines are becoming increasingly less relevant. This is particularly true in the case of the shared journeys captured (baseline 36, 2018-19 shared journeys 557). In addition, benchmarking against a historic baseline does not provide, by itself, an indication of performance against a target. Although targets are often expressed in absolute terms (e.g., 500 journeys per annum), this approach can lead to the setting of arbitrary values. Including performance indicators that track year-on-year outcomes can provide rich data that can then be analysed in order to help achieve ongoing success. Examples of such indicators include:

- Percentage reduction in CO<sub>2</sub> emissions – e.g. 10% reduction on previous year total.
- Reduction in journeys per assignment – e.g. 10% reduction compared with similar assignment in the previous year.
- Reduction in journeys for single meetings – e.g. 10% reduction on previous year.

An important element of any performance framework is ensuring that the KPIs set are monitored, outcomes analysed and then action plans established where appropriate. During our review, we did not find evidence of routine monitoring of the four existing performance indicators.

Where performance is at, or above, expectation, this should be reported to staff through positive messaging. In any cases where performance is materially below expectation, further analysis should be undertaken using methodologies such as root cause analysis and the '5 Whys' questioning technique (The 5 Whys is a technique used in the Analyse phase of the Six Sigma DMAIC (Define, Measure, Analyse, Improve, Control) methodology). The analysis is best undertaken at least twice a year and, ideally, more frequently – e.g. quarterly – thereby allowing time to develop action plans to improve the outcome by the end of the year.

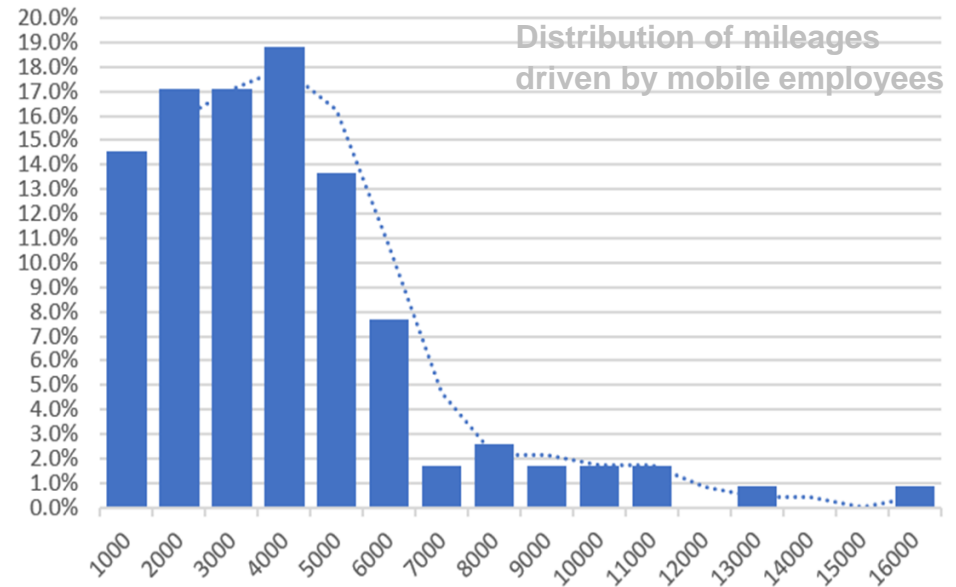
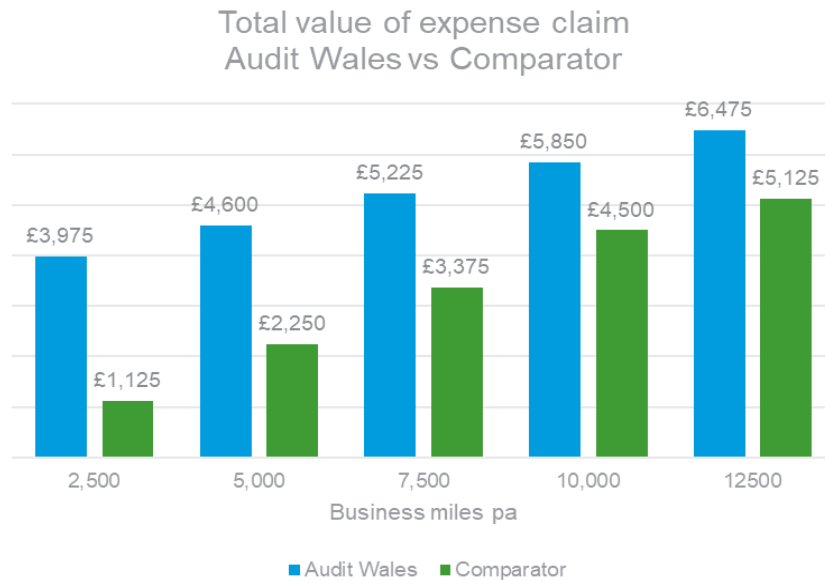


# OVERALL SUMMARY OF ANALYSIS AND OPTIONS

## The Travel Allowance and its effect upon financial performance

By far the greatest proportion of total expenditure on travel, and subsistence relates to the Travel Allowance. This currently costs some £53,600 a month (£643,200 pa) based upon 192 recipients (data as at March 2020). The graph below left, shows the total value of annual expense claims receivable by an employee based upon five levels of annual business miles driven. The comparator is based upon the results of our benchmarking exercise, which revealed that Audit Wales was the only organisation paying a fixed allowance. In comparison, the others in the benchmarking group pay a mileage allowance based upon the HMRC published rates (45p per mile for the first 10,000 miles pa then 25p per mile thereafter). The inclusion of the fixed Travel Allowance therefore means that the total reimbursement value to those staff who cover relatively low mileages, is disproportionately high compared to the comparator (i.e. paying a fixed rate per mile with no lump sum allowance). The point at which the two approaches to reimbursing staff are equal is approximately 16,000 miles per annum.

Notably, as shown in the graph below right, in 2018-19, less than 20 per cent of Audit Wales mobile staff drove greater than 5,000 miles. Of these, only four exceeded an annual mileage of 10,000 miles and only one person, who in fact is home based, exceeded 16,000 miles.



A further analysis of eight employees driving relatively low mileages for business purposes (between 1,000 miles and 3,000 miles per annum) shows the cost per mile is significantly higher than the envisaged £0.97p per mile. Extracting data from previous years also proved that 2018-19 was not an exceptional year and that it is relatively common for these low annual mileages to be driven.

With the emphasis on containing, if not reducing mileage driven, the current Travel Allowance will continue to frustrate any chances of meeting the envisaged 0.97p per mile rate. If, on the other hand, the Travel Allowance were to be abolished, there would be an immediate cash saving generated, even after taking into account the increase in mileage rate that would have to be paid to employees designated as 'mobile'. (£0.45p per mile for the first 10,000 compared with £0.25p currently paid). In this regard, and based on current mileage patterns, we estimate that the additional value of mileage claims would be £132,000, generating a net annual cash saving of just over £500,000 were the travel allowance to be abolished in its entirety.

There are, however, several non-financial issues that would arise:

- Staff would be highly unlikely to see this as a positive change. From the outcome of the staff survey, there was a strong (80%) appreciation for the fixed Travel Allowance. Some respondents even suggested it was a significant factor in attracting them to the role and, had it not been included within the package, mentioned they would probably have not applied. A key aspect of the Travel Allowance is that it provides mobile staff with certainty that they can use to budget for vehicle purchasing and running costs.
- Similarly, the Trade Union representatives favoured the continuation of the fixed Travel Allowance.
- The Travel Allowance was revised in 2016. If the allowance were removed altogether in a relatively short timescale there may be a perception amongst staff that the previous revision was mis-guided or a cynical first step in removing the allowance. Such perceptions may be managed through positive engagement and communications with staff prior to finalising a decision.
- Staff would be free to choose vehicles with significantly higher CO<sub>2</sub> emissions, potentially increasing the environmental impact of travel. Against a background of manufacturers producing more fuel efficient and 'cleaner' cars, the overall impact is unlikely to be substantial. It may be more significant that Audit Wales would no longer be seen as encouraging staff to own vehicles with lower emissions.
- Staff may feel that the revised approach encourages them to increase their mileage given the value of the mileage reimbursement compared with fuel purchased for the journey. That said, effective staff management in line with Trust and Integrity values and behaviours and the new Smarter Working Policy would empower staff to work in a manner which best balances business and personal needs.

2018-19	Miles driven	Cost per mile (TA + Mileage claim)
Employee S	1,052	£3.43
Employee T	1,117	£3.25
Employee U	1,603	£2.34
Employee V	2,248	£1.74
Employee W	2,034	£1.66
Employee X	2,376	£1.66
Employee Y	2,614	£1.53
Employee Z	2,739	£1.48

Note: Employee W is a part-time member of staff

Over and above this, until very recently, there has been a strong argument in favour of visiting clients in order to complete an audit, advocates citing the need to build relationships and physically examine documentation. The period of lockdown that commenced in March 2020 as a result of the Covid-19 crisis has

demonstrated that, during this enforced period of remote working, auditors (including our own staff at RSM) can successfully deliver at least a proportion of their services remotely. Whilst it is not being suggested that visits to client sites will cease to be an important part of the role in the future, technology has developed rapidly to support successful remote working meaning that the balance of home and/or office based work as opposed to working on site is likely to change. It is clearly inappropriate to assess the overall impact of this change at this stage although there is no doubt that there will be valuable lessons learnt that should help to reduce further the amount of travel required. Against this background, this appears to provide an exceptional, and one-off, opportunity, to revisit the purpose and composition of the Travel Allowance, informed by the Our Future Workplaces project and Smarter Working Policy.

Given that total abolition of the existing Travel Allowance may result in a number of unintended consequences, we have made observations in the next section of our report that provide a range of options to consider when revisiting the suitability of the current scheme.

## Summary of Options

In this report, the narrative and overall summary has focused in more detail on the Travel Allowance because of its financial significance representing, as it does, more than 50% of the current Audit Wales annual spend on travel and subsistence. That said, a number of other changes could also be beneficial. We have therefore provided below a summary of options for the future covering both the Travel Allowance and other elements of current travel and subsistence spend. Further information on each of these is given later in this report.

The options, several of which are not mutually exclusive and are, therefore, inter-related, have been categorised on the following basis:

- Short-term = Could be implemented in a reasonably short timescale (< 1 year) and/or are of low impact on staff
- Medium-term = May require 1 – 2 years to implement and/or has a noticeable impact on staff
- Longer-term = For consideration and/or may be of significant impact

Page Ref	Travel Allowance - Options	Timescale
<a href="#">16</a>	<p>Leave the Travel Allowance as it is (given the previously outlined wider impact).</p> <ul style="list-style-type: none"> <li>✓ Least disruptive option</li> <li>✓ Does not encourage higher mileages</li> <li>✓ Success against baselines already demonstrated</li> <li>✓ Provides a lever for controlling CO<sub>2</sub> emissions</li> <li>✗ Financial pressures remain</li> <li>✗ Does not progressively address total emissions</li> <li>✗ Not reflective of the Our Future Ways of Working Project / lockdown lessons learnt</li> </ul>	Short-term

<p><a href="#">16</a></p>	<p>Abolish the Travel Allowance and uplift salaries by a percentage of the Travel Allowance. The following figures are based upon an example of 50% of the current Travel Allowance..</p> <ul style="list-style-type: none"> <li>✓ Travel and Subsistence Scheme saving estimated £520,000</li> <li>✓ Directly compensates for mileage covered</li> <li>✓ Fair and equitable to all drivers</li> <li>✗ Salary cost estimated £320,000 (192 employees receiving TA)</li> <li>✗ Pension costs in addition</li> <li>✗ Higher mileage allowance may encourage travel by car</li> </ul>	<p>Medium-term</p>												
<p><a href="#">21</a></p>	<p>Apply stricter criteria to qualify for the allowance</p> <ul style="list-style-type: none"> <li>✓ Less disruptive – more acceptable to staff</li> <li>✓ Supports progressive reduction in emissions</li> <li>✓ Helps maintain attractiveness for recruitment</li> <li>✗ Introduces a degree of complexity to the T &amp; S Scheme</li> <li>✗ Ultra-low emission vehicles often more expensive compared with petrol models</li> <li>✗ Staff may opt out of the scheme and purchase less environmentally friendly vehicles</li> </ul> <p>Example: introduce a tiered approach whereby the current level of Travel Allowance is only available to mobile employees who purchase or lease an ultra-low emission vehicle.</p> <table border="1" data-bbox="309 979 1554 1297"> <thead> <tr> <th>Tier</th> <th>Travel Allowance rate</th> <th>Criteria</th> </tr> </thead> <tbody> <tr> <td>Tier 1</td> <td>£3,350</td> <td>Ultra-low Emission Vehicles (CO<sub>2</sub>&lt;75 g/km)</td> </tr> <tr> <td>Tier 2</td> <td>£2,950</td> <td>Low Emission Vehicles (CO<sub>2</sub>&lt;100 g/km)</td> </tr> <tr> <td>Tier 3</td> <td>£2,550</td> <td>Vehicles with max. CO<sub>2</sub> 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T &amp; S Scheme current limits]</td> </tr> </tbody> </table>	Tier	Travel Allowance rate	Criteria	Tier 1	£3,350	Ultra-low Emission Vehicles (CO <sub>2</sub> <75 g/km)	Tier 2	£2,950	Low Emission Vehicles (CO <sub>2</sub> <100 g/km)	Tier 3	£2,550	Vehicles with max. CO <sub>2</sub> 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T & S Scheme current limits]	<p>Medium-term</p>
Tier	Travel Allowance rate	Criteria												
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Tier 2	£2,950	Low Emission Vehicles (CO <sub>2</sub> <100 g/km)												
Tier 3	£2,550	Vehicles with max. CO <sub>2</sub> 125 g/km (petrol) and 140 g/km (non-petrol) and under 10 years old [T & S Scheme current limits]												

<a href="#">22</a>	Consider introducing an additional payment available to mobile staff who purchase/lease an ultra-low or low emission vehicle. The payment to be offered at intervals to enable staff to update their vehicles, e.g. every three years.	Medium-term
<a href="#">22</a>	Consider a revised basis whereby the Travel Allowance is only payable for mobile staff who purchase/lease a battery electric or hydrogen fuel powered electric vehicle. This, however, needs to recognise the current lack of “charging” infrastructure in many parts of Wales	Longer-term
<a href="#">23</a>	If it is retained, consider introducing periodic evidence-based reviews of the Travel Allowance rate using sources such as the Kwik Fit survey of average motoring costs. Where costs are identified to have changed significantly, this might signal a revised Travel Allowance rate.	Medium-term
<a href="#">25</a>	Consider transferring the Travel Allowance (or part thereof) into salary recognising that, unlike the Travel Allowance, mileage at the HMRC rate, is not taxable.	Longer-Term
<b>Page Ref</b>	<b>Travel and Subsistence Scheme Performance - Option</b>	<b>Timescale</b>
<a href="#">11</a>	Introduce a framework to monitor performance against the KPIs, including targets, together with regular analysis of the results using techniques such as root cause analysis and the ‘5 Whys’ methodology. The new framework should recognise the constraints and limitations identified in this report relating to the current measures.	Short-term
<b>Page Ref</b>	<b>Travel and Subsistence Scheme – other Options</b>	<b>Timescale</b>
<a href="#">24</a>	Consider removing the restriction regarding the claiming of mileage if living in England	Short-term
<a href="#">28</a>	Consider undertaking a periodic analysis of the data provided by Capita relating to hotel bookings. This would be both an internal exercise and during third party service supplier meetings with Capita. Alongside of this, in any future contract with a supplier of this type of service, the supplier should be incentivised to deliver savings.	Short-term
<a href="#">29</a>	Consider removing the £5 subsistence payment	Short-term
<a href="#">30</a>	Consider reviewing the wording of the Travel and Subsistence Scheme Handbook regarding the claiming of parking charges at railways stations.	Short-term
<a href="#">30</a>	Consider providing staff with Railcards to benefit from discounted rail travel.	Short-term

<a href="#">33</a>	To be prudent, consider obtaining a legal opinion periodically to reflect upon any new case law that might place a greater onus upon employers to remove conditions regarding travelling in personal time and/or the impact of national minimum wage legislation.	Medium-term
<a href="#">33</a>	Consider monitoring travel patterns for employees driving higher mileages and seek solutions to reduce the mileage where this is disproportionate to the average mileage driven by staff..	Medium-term
<a href="#">34</a>	Consider improving the mechanisms in place to record staff time to include travel time from when their journey began. This would allow Audit Wales to ascertain the time spent travelling and the impact on the working week. Further work could then be undertaken to identify how to mitigate the impact of time spent travelling.	Medium-term
<a href="#">35</a>	To mitigate the possibility of unintended direct or indirect discrimination, consider assessing against equality and diversity measures any changes to the Travel and Subsistence Scheme. If the assessment is complex, Audit Wales should also consider obtaining a legal opinion.	Short-term

# DETAILED OBSERVATIONS AND OPTIONS ANALYSIS

## Travel Allowance as a mechanism for controlling CO2 emissions

The travel allowance provides a mechanism by which Audit Wales can limit the amount of carbon emitted due to the journeys made by staff in the course of their work. This is currently achieved by limiting the age of vehicles eligible to 10 years and CO<sub>2</sub> emissions to a maximum of 125g/km for non-petrol-powered cars and 140g/km for petrol powered cars.

There are an increasing number of low emission and ultra-low emission vehicles available.

This increase in choice means that purchasing one of these vehicles is not necessarily a trade-off between affordability and social conscience. A report from the International Council on Clean Transport (ICCT) studied the cost factors of owning a VW Golf in five separate European countries - Norway, Germany, France, United Kingdom and the Netherlands. The study examined the purchase, fuel and tax costs of the VW Golf in four different versions: fully electric, plug-in hybrid, petrol and diesel. In each country, the total cost of owning a fully electric vehicle was the lowest. One barrier for more junior staff may be the purchase price of a fully electric car or plug-in hybrid, which is higher than an equivalent petrol model. Taking this into account, there is still an opportunity to revisit the emissions criteria within the current Travel and Subsistence Scheme.

An option would be to introduce a tiered approach whereby the current level of the Travel Allowance is only available to mobile employees who purchase or lease an ultra-low emission vehicle. An example of such a tiered approach would be:

Tier	Travel Allowance rate	Criteria
Tier 1	£3,350	Ultra-low Emission Vehicles (CO <sub>2</sub> <75 g/km)
Tier 2	£2,950	Low Emission Vehicles (CO <sub>2</sub> <100 g/km)
Tier 3	£2,550	Vehicles with maximum CO <sub>2</sub> 125 g/km (petrol) and 140 g/km (diesel) and under 10 years old [T & S Scheme current limits]

As at 3<sup>rd</sup> October 2019, there were 547 public charging points in Wales, of which 60 were rapid chargers, compared to 12,763 in England, with 2,022 rapid points (Source: Zap-Map). Introducing a tiered approach would not, therefore, be without significant challenges at least in the short term. It is, however, an ambition of the Welsh Government to significantly increase the availability of charging points, including a commitment to invest £2m in the electric charging points infrastructure by 2020 (Prosperity For All: A Low Carbon Wales - Policy 51). The Government's planning assumptions are that by 2030, 60% of new sales of cars and vans will be electric vehicles (around 35% Plug in Hybrid and 25% Battery electric). Introduced over the medium to longer term, the tiered rates option would encourage a move toward the purchase of hybrid and all-electric vehicles, thereby significantly reducing the carbon footprint created by business travel by car. It would also support the achievement of Audit Wales' corporate KPI 19 (Green Dragon Level 5).

Given that the HMRC mileage allowance (and likewise the rate offered by Audit Wales) for electric vehicles is currently the same as for petrol and diesel vehicles, there is the added benefit that staff would be comparatively better off due to the lower cost of travel (i.e. cost per charge vs cost of fuel).

Based upon the assumptions used by the Welsh Government, by 2030, we estimate that the total cost of the Travel Allowance would reduce by **£88,400** per annum.

Current annual cost	Revised annual cost	Difference
192 staff x £3,350 = <b>£643,200</b>	Tier 1 (25% of 192 staff) = 48 x £3,350 = £160,800 Tier 2 (35% of 192 staff) = 67 x £2,950 = £197,650 Tier 3 (40% of 192 staff) = 87 x £2,550 = £196,350 Total = <b>£554,800</b>	<b>£88,400</b>

Note: Assumes the number of mobile staff receiving Travel Allowance remains constant (192 employees as at March)

The introduction of a tiered approach also creates the opportunity to move progressively toward a position of offering the Travel Allowance exclusively to mobile staff who purchase/lease an all-electric vehicle with nil emissions once the charging infrastructure is available. Additional developments such as hydrogen fuel cells could also be factored into the tiered approach. Hydrogen fuel cell technology may still be in development; however, it has reached production for three major Asian motor manufacturers (Honda, Hyundai and Toyota), with a Welsh manufacturer, Riversimple, based in Llandrindod Wells developing its own variant. Hydrogen fuel cells offer performance akin to petrol powered vehicles in that they can be refuelled within minutes thus extending the range that can be travelled by a zero-emission vehicle. Again, a key factor as to whether Audit Wales staff will find this type of vehicle attractive, will be the availability of refuelling stations. It is currently envisaged that these would be integrated into the existing petrol station network.

As an encouragement to move to ultra-low and low emission vehicles, the forecast saving in the Travel Allowance could be re-invested by way of a contribution to the deposit on cars in these categories, available for example once every three years. There would be an initial cost pressure until enough staff have moved to ultra-low and low emission vehicles, but this would be a positive initiative to balance the likely, initially negative reaction to any change to the Travel Allowance that is not favourable to petrol and diesel car owners. Again, the contribution could be tiered – e.g. £750 for ultra-low emission vehicles and £450 for low-emission vehicles. Based upon 192 employees receiving the Travel Allowance, and assuming that all staff change their vehicles at three yearly intervals, the additional cost is shown below. Initial take up may be lower than this simple example, hence the table below illustrates the cost over six years.

Assumption	Revised annual cost
1) 60% of new sales of cars and vans will be electric vehicles (around 35% Plug in Hybrid and 25% Battery electric) by 2030. Source Welsh Government. 2) 60% of Audit Wales mobile employees purchase new vehicles based on the above ratio. 3) An equal number of employees change vehicle each year. 4) It takes six years to reach the 60% saturation point.	Ultra-low emission (25% of 192 staff) = 48 x £750 = £36,000 Low-emission (35% of 192 staff) = 67 x £450 = £30,150 Total = £66,150 <b>Cost per annum over 6 years = £11,025</b>



## Cost of running a vehicle vs reimbursement rate

The annual allowance of £3,350 is paid to all mobile workers who meet the eligibility criteria, which includes limiting the age of vehicles to a maximum of 10 years old and places restrictions upon the amount of CO<sub>2</sub> that can be produced by these vehicles. As at March 2020, there were 192 employees in receipt of the Travel Allowance at an annual cost of £643,200. The allowance is paid via an uplift in salary and is subject to income tax and national insurance deductions. The amount receivable by staff was revised in 2016, having previously been paid at two levels:

- £5,160 for staff in Pay Band 7 and above; and,
- £4,440 for staff in Pay Band 6 and below.

The Travel Allowance is intended to contribute toward the cost of owning a car. Audit Wales is the only organisation paying a fixed allowance in our benchmarking group; however, it is not unique. According to HR advisory firm, Croner, a survey in 2019 found that the average car allowance in the UK was:

- £10,300 for company heads (directors & c-suite individuals).
- £8,200 for senior managers.
- £6,500 for middle managers.
- £5,200 for sales representatives.
- £4,600 for professionals.

The article by Croner continues by saying that one way in which an organisation might set its allowance is by reference to the cost of purchasing a car using a PCP (Personal Contract Plan). A survey, undertaken by Kwik Fit in 2018, found that the average monthly car finance payment was £226.00. The survey also provides an insight into the full cost of running a car. The figures from the Kwik Fit survey have been adjusted to show three scenarios where staff drive either 3,000, 5,000 or 10,000 business miles per annum.

Item	Average monthly spend	Based upon an additional 3k business miles	Based upon an additional 5k business miles	Based upon an additional 10k business miles
Fuel	£67.63	£94.33	£112.12	£156.62
Car insurance*	£31.64	£31.64	£31.64	£31.64
Routine maintenance and servicing	£15.96	£22.26	£26.46	£36.96
Unexpected repairs and breakdowns	£13.26	£18.49	£21.98	£30.71
Vehicle excise duty (road tax) *	£12.16	£12.16	£12.16	£12.16
Breakdown cover*	£6.96	£6.96	£6.96	£6.96
Parking permits and ticket*s	£6.89	£6.89	£6.89	£6.89
Cleaning*	£4.15	£4.15	£4.15	£4.15

Fines*	£3.69	£3.69	£3.69	£3.69
Monthly average total (excluding finance)	£162.33	£200.57	£226.05	£289.78
Finance	£226.12	£226.12	£236.12	£246.12
Monthly average total (including finance payments) (a)	£388.45	£426.69	£462.17	£535.90
Source: Kwik Fit <i>It is assumed these figures marked * are not variable</i>				
<b>Travel and Subsistence Scheme entitlements</b>				
Travel allowance (net of tax and NI)	n/a	£192.51	£192.51	£192.51
Mileage allowance	n/a	£62.50	£112.50	£187.50
Total allowances (b)		£255.01	£296.68	£400.84
Net monthly cost of running a car (a – b)		£171.68	£165.49	£135.06

The table shows that the monthly cost of running a vehicle for pleasure purposes is £162.33 excluding finance cost (£388.42 including financing\*). At the lowest mileage used here for example purposes, there is a marginal increase in the net cost. The receipt of mileage allowance means that, as annual business mileage increases, the net cost of running a vehicle reduces.

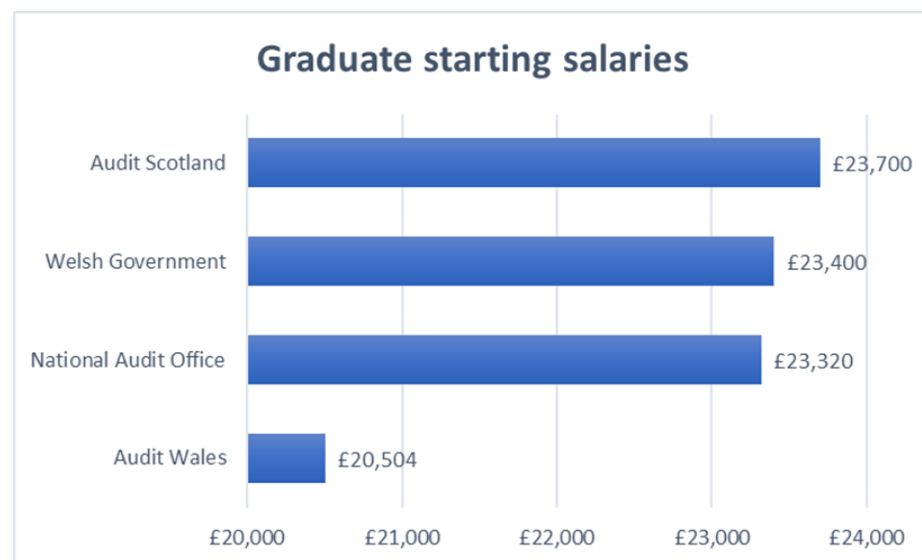
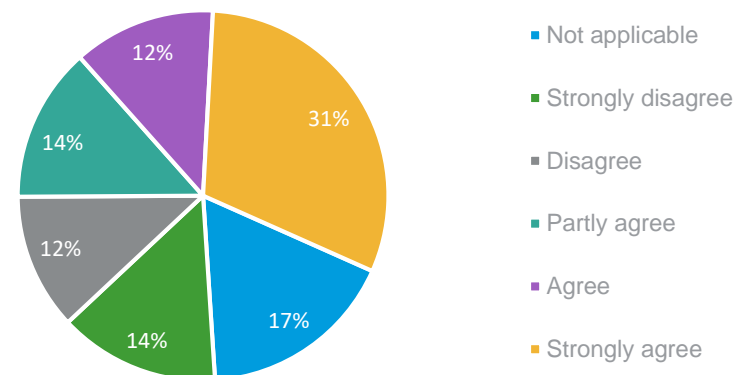
Many motorists may choose to purchase a vehicle outright rather than use finance; hence saving the monthly cost of finance. For a true comparison, the cost of depreciation should be added to the running costs. With new vehicles often losing 40 – 50% of their value in the first three years, the cost of depreciation will still be significant enough for the total monthly cost to be comparable to that of leasing a car. That said, at the end of the period in many cases the vehicle will also have a resale/trade-in value which would be of direct benefit to the owner.

One downside of the Travel Allowance for the recipients is that the amount paid is not subject to increases in line with average earnings or the retail prices index. This means that, over time the Travel Allowance will become less of a benefit given that motoring costs are subject to the effects of inflation, particularly where staff may have personal reasons for owning a particular type of vehicle that is more expensive to own and run – e.g. seven seat models or 'load carriers' capable of taking camping equipment at the weekend. Undertaking a periodic exercise of comparing the Travel Allowance rate to the costs of motoring, using a source such as the Kwik Fit survey used in this review, would form a defensible and independent basis upon which to consider whether the rate should change in future years. It also provides evidence to staff, in the interests of transparency, that the amount payable is not purely an arbitrary figure.

## Travel Allowance and recruitment and retention

The chart on the right shows the responses to the survey question asking whether staff viewed the Travel Allowance as part of their salary. It can be seen that 17% of responses selected 'Not applicable', which reflects the proportion of respondents from Corporate Services who are not designated as mobile staff and, therefore, are not in receipt of the travel allowance. Of those who gave a view, 68% at least partly agreed with the statement with 38% having a strong view that the Travel Allowance is part of their salary. This was reinforced during the focus group meetings - it was clear that staff viewed the Travel Allowance as part of their overall remuneration. Trainees who attended the focus groups often expressed the view that, without the allowance, they would be unlikely to be able to afford the cost of owning a car. Whilst this may be an indication that the Travel Allowance is having a positive effect upon recruitment, it might also be masking an issue that the basic salary payable is not in itself enough to attract staff of the required calibre. We therefore extended this element of our review to consider the starting salaries currently offered by Audit Wales compared to its peers.

I view the annual travel allowance as part of my salary package rather than just specifically for my travel costs



Our benchmarking exercise, looking at graduate starting salaries, supports the view that the Travel Allowance is an important element of the overall package. The starting salary at Audit Wales is approximately £3,000 below the comparators. This gap disappears once the Travel Allowance is added

If paid as salary, the employee would benefit from the amount becoming part of total earnings for pension purposes and would also rise with inflation-based salary increases. Audit Wales would suffer the additional cost of employer's pension contributions and the longer term pay inflation budget pressure due to the amount paid no longer being fixed. For this reason, it may not be possible to transfer the Travel Allowance into salary at the same level that is currently paid. To facilitate this, a reduced Travel Allowance could still be paid in the first year that salaries are uplifted as a gesture of goodwill. A longer phased approach is not recommended as this might well be confusing to prospective job applicants. In any such calculation, consideration should be given to the net income impact on staff of any change as, whilst the Travel Allowance is taxable, mileage at standard HMRC rates is not.

## The “Wales border” issue

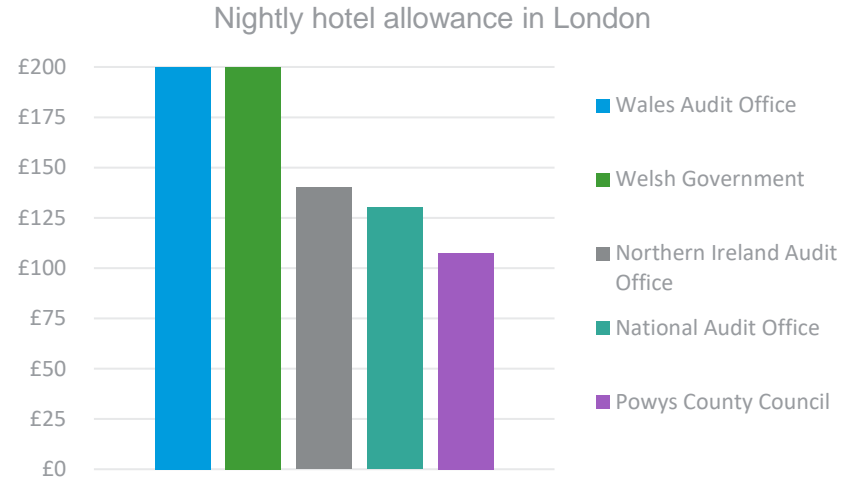
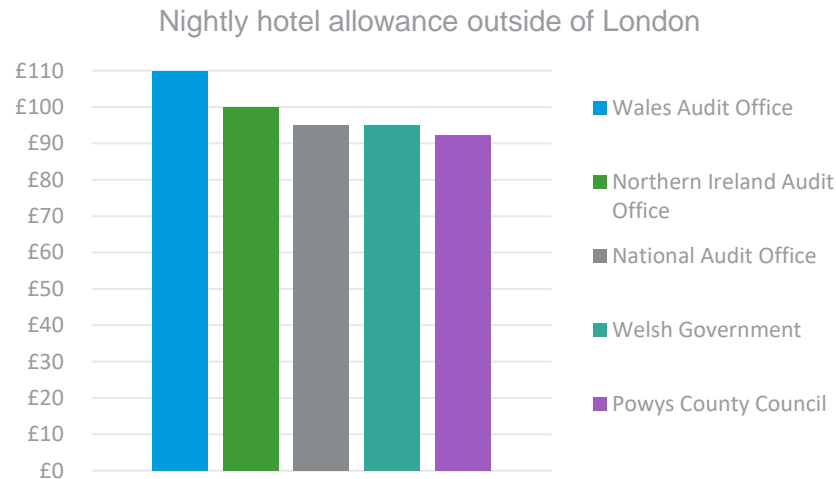
The inclusion of the Wales border as a limiting factor upon making travel claims appears arbitrary and may also have an adverse impact upon recruitment. It also may have the unintended effect of encouraging staff to drive into Wales to complete most of their journey rather than head for the faster motorways in England. The lockdown restrictions during the Coronavirus pandemic provides evidence that it is becoming easier for auditors to carry out substantial elements of an audit review remotely from their clients. Hence, as the Ways of Working project develops, and Audit Wales embraces more flexible in its ways of working, the inclusion of a limitation will seem ever harder to justify

Against this background, living in England and working partly from home and travelling to Audit Wales clients less often, utilising the remote working technology available, may increasingly become an attractive proposition. There is a possibility that continuing to include the restriction, in its present form, may be considered discriminatory without just reason. On this basis, it would be prudent to consider removing the limitation.

At the same time, it is understandable that it is not a desirable outcome to be recruiting mobile staff who live a considerable distance from the border because the extra distance they would have to travel could present welfare and duty of care issues and would not be seen to be a positive step toward reducing the environmental impact of Audit Wales. This could be managed, however, by the inclusion of a ‘reasonableness’ clause limiting the distance from the Welsh border for which mileage may be claimed.

## Hotel Costs

Audit Wales will provide hotel accommodation for employees where they must travel over one and a half hours away from their place of work (Travel Centre or home if Home Based). For 2018-19, £146,000 was spent on hotel costs. The Audit Wales nightly allowances, of £110 and £200 for out of London and in London respectively, are both at the upper end when compared to our benchmarking data, with rates being 10% greater than the highest allowed outside London and a material 54% greater than the National Audit Office limit for stays within London.



Feedback received at the focus group sessions with staff, noted that bookings made through the central administration facility can result in staff staying in certain hotels where the cost of evening meals was prohibitive as it was often not possible to obtain a suitable evening meal for the nightly subsistence allowance of £25. This, of course, ignores the fact that in many cases, staff are not limited to eating in the hotel in which they are staying although for lone workers this may, understandably, be the preferred option.

When booking hotels in cities and large towns, there is normally a selection of budget and mid-range hotels available, such as Travelodge, Premier Inn and Holiday Inn Express. The cost of a night at these hotels is usually significantly below the Audit Wales allowance of £110. It is the case, however, that chains of this type are not always present in the locations visited by Audit Wales staff.

We were also advised that the rate ceiling had previously been increased following a paper being presented to the Board reporting of the difficulties experienced in attempting to book accommodation within the then current rate limits.

There were four main factors behind the need for an increased rate cap:

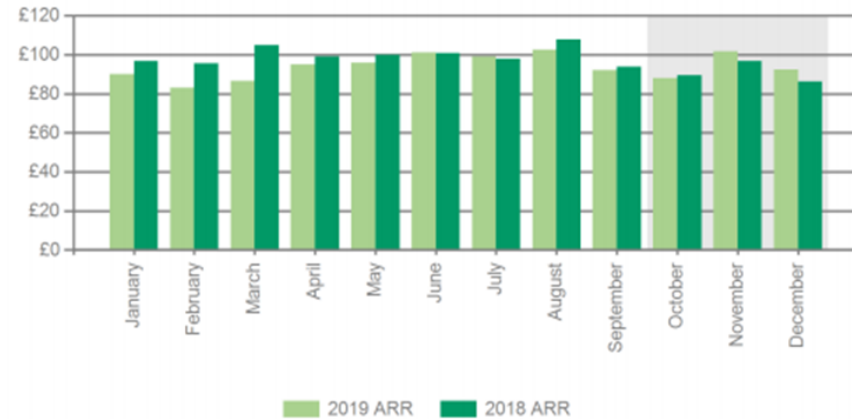
- The cost of accommodation in Cardiff is driven by the events held throughout the year (e.g. Rugby and football matches);
- The popularity of the North Wales area with tourists;
- The limited availability of hotels in parts of Wales; and,
- Where cheaper hotels are available, the increased cost of travel to and from the client site offsets any potential saving.

Data produced for Audit Wales by Capita, the booking agent used by the central function, provides a useful comparison on the average room rate over a two-year period. It highlights that the average room rate is below the maximum allowable under the terms of the Travel and Subsistence Scheme. Notwithstanding this, the more detailed information can be used to identify any opportunities to reduce the cost of hotel accommodation, both internally and in third-party service supplier review meetings with Capita. An example of the data provided is shown below.

### Key Performance Indicator

September	2019	2018	% Variance Yr on Yr
% Over Rate Cap Compliance	0.00	0.00	0.00%
% Preferred Compliance	37.96	20.17	88.20%
£ Average Room Rate	92.12	93.89	-1.88%
% Online Adoption	87.88	86.79	1.26%
Average Co2 (Per Stay)	111.95	133.60	-16.21%

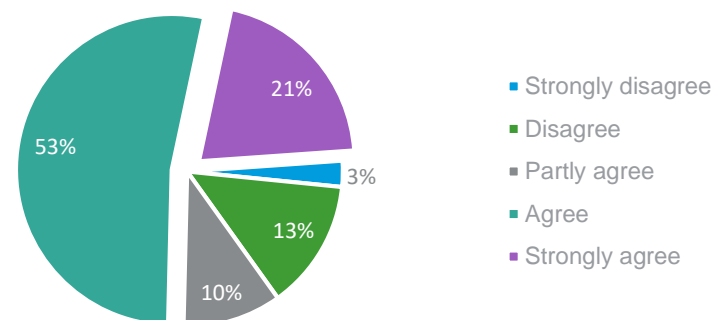
Month on Month Average Room Rate



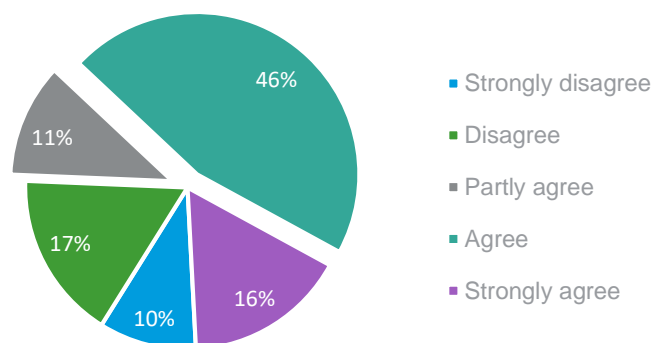
## Subsistence and overnight allowances

The staff survey for subsistence allowances identified that 74% of staff considered the policy to be fair, in that it covered reasonable costs incurred whilst away from home. Through our discussion with staff at focus groups, most attendees reflected this view. Our benchmarking of subsistence costs identified that the allowance in the Audit Wales Travel and Subsistence Scheme was fair in comparison to other the organisations that comprised the benchmarking group.

I consider the policy on subsistence to be fair, in that it covers the reasonable expenses incurred.



I consider the £5 incidental allowance to be reasonable and adequately support staff wellbeing whilst away from home.



When staff stay away from home on business travel, they are entitled to claim £5 for each night they are away. This is to cover incidental items, such as wi-fi access in hotels. Unlike the subsistence allowance, there is no need to provide receipts in order to claim the £5.00 payment. The staff survey results identified that 62% of all staff agreed that this was reasonable and adequate to support staff wellbeing whilst away from home. Although appreciative, many did not understand why the payment was offered. This may reflect the fact that the payment of such an allowance has become rare, particularly in the private sector. Through our discussions with staff in the focus groups, we identified that, in practice, this was often used to fund the purchase of food and drink throughout the following day.

For 2018-19 the overall cost of the additional £5 allowance was £7,540.

An option that could be considered is to remove the £5 incidental allowance; however, the limited cost saving and negative impact on staff morale should be carefully considered when aiming to achieve value for money.

## Public Transport

We acknowledge that the use of public transport within Wales presents challenges as one moves further away from the main conurbations, with often limited routes, infrequent services and lengthy times for travel.

The staff survey response identified that, whilst just under half the respondents (47%) felt that the Travel and Subsistence scheme did encourage the use of public transport where feasible, a significant number (17%) strongly disagreed.

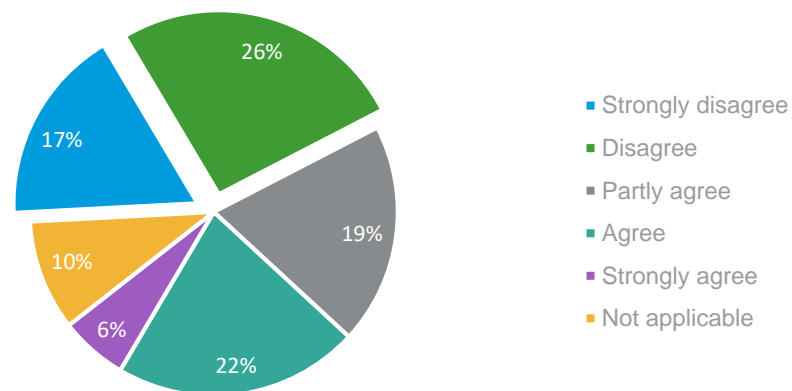
Our work with the staff focus groups identified a desire to use public transport where feasible; however, there was also a perception that some aspects of the current Travel and Subsistence Scheme had the unintended outcome of making public transport appear a less favourable option compared with driving.

Travel to the Cardiff office by staff not based there was highlighted as one aspect that could benefit from clarification. Several members of staff commented that, whilst the cost of parking when visiting the office would be reimbursed, they believed that parking at a railway station to then complete the journey by public transport would not be a claimable expense. Staff visiting college as part of their training, also advised that they believed they could not claim for the cost of parking at a railway station and so drove to the training site/College and claimed the cost of parking.

In fact, the current Travel and Subsistence Scheme does allow for the reimbursement of rail travel including parking at the railway station (Chapter 2 paragraph 15) and so it is disappointing that nearly one fifth of respondents felt that this was not the case. This is clearly a matter of a misunderstanding of the Travel and Subsistence Scheme rules and should be addressed by reviewing the wording and notifying staff of their ability to claim these parking costs.

There is also an opportunity to further encourage rail travel by offering staff one of the Railcards that provide discounted travel. For a relatively low cost (e.g. 16-25 and 26-30 railcards cost £30 per annum) there could be a significant return on investment for Audit Wales in reduced rail fares – mostly discounted by 30%.

The existing travel and subsistence scheme encourages me to use public transport where feasible





## Travel time and travel centres

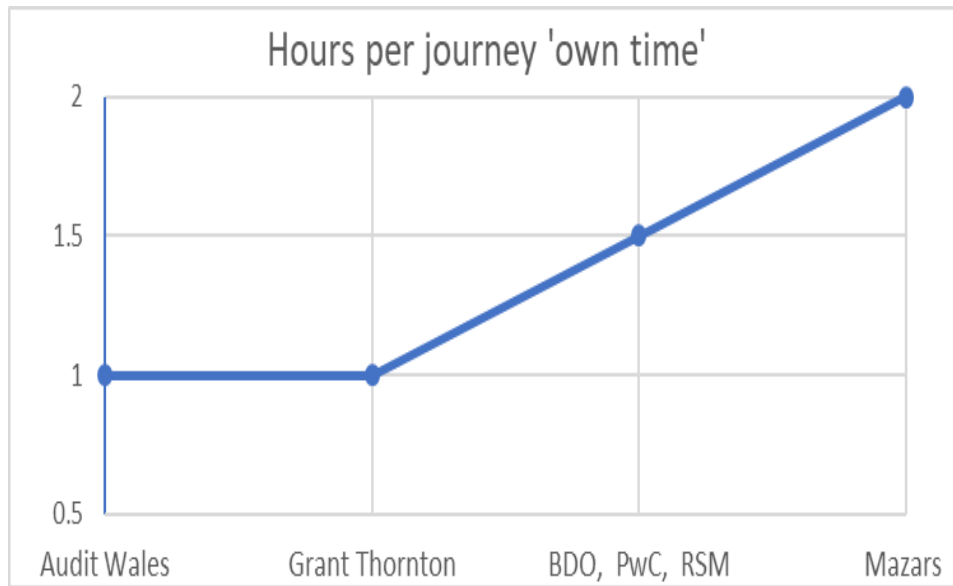
Travel centres are notional points of reference, used as a basis for claiming travel expenses for mobile employees. Employees working in audit services, except those classed as support staff, are generally classed as mobile workers because they are required to work within a diverse geographical area. Mobile employees are normally allocated to one of three travel centres in Wales. The agreed travel centres are:

- Cathedral Road, Cardiff
- Penllergaer, Swansea
- Abergele or Ewloe

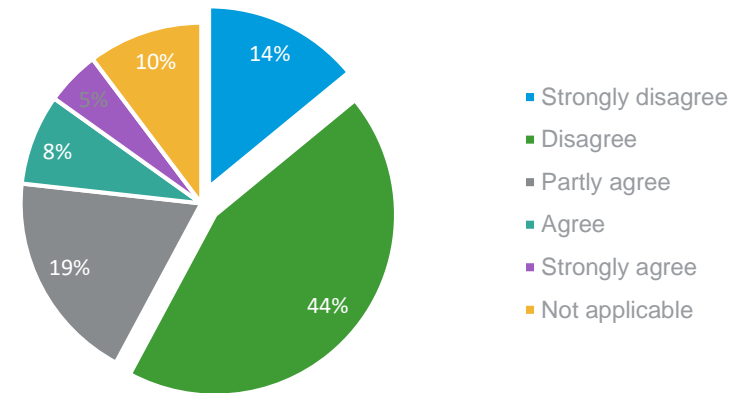
The rules regarding the tax position of expenses appear relatively simple – HMRC only allows tax relief on expenses paid for travel to a temporary workplace; however, application of the full rules is more complex. Even where an individual does not commute regularly to a single workplace, in this case a travel centre, each visit to their designated travel centre may still be classed as commuting. When travelling directly from home to a client site (i.e. a temporary workplace), again the tax rules are complex; however, many organisations use a ‘shortest distance’ rule stating that mileage may be claimed for the shorter of the journey to the temporary site either directly from home or from the individual’s ordinary place of work. This is true at Audit Wales, where all distances for travel time and expenses are calculated based upon which is closest to the client, the nominated travel centre or the home of the member of staff. Where an employee is home-based, HMRC will usually only accept that working at home is an objective requirement of the job if the employee requires certain facilities to perform those duties, and those facilities are only practically available to the employee at their home. HMRC does not accept that working at home is an objective requirement of the job if the employer provides appropriate facilities in another location that could be practically used by the employee, or the employee works from home as a matter of choice. Hence, any review of the use of designated travel centres that arises from the ‘Our Future Ways of Working’ project, or following the lessons learnt from the enforced period of homeworking, would need to be considered in the light of potential changes to the tax position of expenses payments.

When making a journey directly to a client that originates from home, staff are not expected to record the first one hour and final one hour of travel as working time. The staff survey revealed that 33% of staff felt that this ruling was fair. A similar group (39%) felt that this should be reduced to a maximum 30 mins. However, our benchmarking against five of the private audit firms showed Audit Wales in a very favourable light, as can be seen in the graph below left.

It is also of note that the staff survey results also identified that 58% of staff disagreed that the extent of travel required within their role was having a negative impact.



The extent of travel required within my role has a negative impact upon my well being at work



## Duty of Care

An analysis of business mileage identified very few employees who drove relatively higher mileage compared with the mean. In 2018-19, there were nine employees (shown in the table as employees A to I) who drove further than 9,000 business miles, with the highest being 16,133 miles. When comparing the total mileages covered for the period 1/4/2014 to 30/9/2019, there is a similar trend for the same identified employees to be the ones who are driving the higher mileages. It should be noted that two of these employees are 'Home Based', the other seven in the table are 'Geographically Based'.

The home-based contracts were agreed historically. Any changes to the scheme would need to recognise that, in making this choice, those individuals will have been influenced by the rules in force at that time the decision was made.

In 2018-19, 30.9% of the total business miles driven were attributable to just 10% of mobile employees. There is therefore a degree of inequality, given that the Travel Allowance is fixed at the same amount for all employees classed as 'mobile'. As a result, those employees driving the

highest mileage may feel penalised because they will suffer the greatest impact as far as depreciation is concerned when changing their vehicle (or, if financing a vehicle may be subject to additional cost due to the mileage covered). Conversely, their higher mileages will result in more substantial expenses claims, thereby reducing the net cost of owning a car, as seen in the earlier table. The greatest influence upon the mileage driven is the geographical spread of clients and allocation of audit work. Whilst rotation may be practised, it may be less suitable for staff for whom a strong ongoing relationship with certain clients is a key element of client management, provided that the principles of independence are observed. Nevertheless, when planning work assignments, and particularly if onboarding a new client or change of client team, mileage history should be considered as part of the allocation process to avoid, where possible, the same employees consistently having to drive higher mileages.

Discussions held during our staff focus groups highlighted that staff commencing their journey from remote areas, such as North Wales, could be travelling for over seven hours in total in a working day when visiting the Cardiff office. There is an expectation that staff will stay overnight in such cases; however, that might not be possible due to work scheduling or personal commitments.

When questioned, staff in the focus groups were sometimes unaware whether they had opted out of the Working Time Regulations (1998), which mandates a maximum of a 48-hour working week averaged over a 17-week period (we confirmed that no Audit Wales staff have opted out). When calculating working hours government advice is that travel to and from work (assuming there is no fixed place of work) should be included in this calculation. Recent court cases across Europe, in particular in Spain and Norway, have highlighted that working time is any period which a worker is working; or at their employers' disposal

Employee	Miles driven 2018-19	Total miles driven 1/4/2014-30/9/2019	Average annual mileage (5.5 years)
A	16,133	75,848	13,790
B	14,948	61,251	11,136
C	13,588	51,329	9,332
D	12,404	48,613	8,838
E	10,608	-	-
F	10,385	37,214	6,766
G	9,776	42,582	7,742
H	9,740	-	-
I	9,415	37,385	6,797
Note: Employee E and Employee H do not have 5.5 years' service			

and carrying out their activities or duties. During the rulings the courts found that travel is a working task when it is ordered by employers, thus meeting the first criteria in the definition of working time in the directive. The courts stated that for a worker to be regarded as being at the disposal of their employer, the worker must be placed in a situation in which he or she is legally obliged to obey the instructions of and carry out activities for that employer. With the third criteria the court stated that *it is inherent to requiring a worker to be present at locations other than his fixed or habitual place of attendance that it denies the worker the ability to determine the distance of his commute. It is, therefore, immaterial how frequently the employer specifies a place of attendance other than the fixed or habitual one, unless the effect is to transfer the employee's place of employment to a new fixed or habitual place of attendance.*

The judgments only apply to peripatetic employees with no fixed place of work. The UK Government's guide 'Maximum Weekly Working Hours' states that (a) travelling outside of normal working hours and (b) travel to and from work where the employee has a fixed place of work do not count as working hours. Regarding allocating mobile employees to a travel centre, the key question may be whether s/he habitually visits the travel centre. This illustrates the complexity of this area of HR law. To be prudent therefore, a legal opinion should be sought periodically to reflect upon any new case law that might place a greater onus on employers, such as Audit Wales, to review current rules and expectations regarding travelling in personal time.

In all of this, Audit Wales has a duty of care towards its' employees and, again, there is conflicting external information about whether this should relate to the whole of a journey when travelling to and from a client site. Were an employee travelling long distances to be seriously injured in an accident, the HSE may investigate, and would be looking for evidence that the foreseeable risks had been mitigated as far as is reasonably practicable. Chapter 4 of the Travel and Subsistence Scheme Handbook does provide advice about safe travel, which is good practice. The HSE also promote consultation with employees and monitoring of travel. Both activities should identify any unusual travel patterns (e.g. staff driving relatively high annual mileage) or anomalies such as the long distances driven from North Wales to Cardiff. Steps can then be taken to address any duty of care issues.

Improving the mechanism to record staff time to include travel time from when their journey begins would be an important first step in allowing Audit Wales to ascertain the time spent travelling and the impact on their working week. Further work could then be undertaken to identify ways to mitigate the impact of time spent travelling.

## Equality Act 2010

Section 20 of the Equality Act 2010 imposes a duty on all employers to make "reasonable adjustments" to any provision, criterion or practice that places a disabled person at a substantial disadvantage in comparison with people who are not disabled. Where driving is an essential part of the role, requiring an employee to have a licence and access to a car is acceptable. Essential means that Audit Wales must demonstrate that it is necessary to drive a car to undertake the substantial part of the role being offered and that there is no reasonable alternative. If the remote working practices necessary to carry on working during the Coronavirus lockdown period become part of the delivery of audit work in the future, it may become more difficult to justify including a requirement to be able to drive within the job description and in any advertisements. Equally, using public transport may present challenges to some employees even where the infrastructure is well-developed.

To mitigate the possibility of unintended direct or indirect discrimination, any changes to the Travel and Subsistence Scheme should be assessed against equality and diversity measures and if complex, Audit Wales should consider the benefits of obtaining a legal opinion.

## APPENDIX A: BENCHMARKING DATA

### Travel allowance and mileage rates

Organisation	Travel allowance	Mileage rates					Car hire	Lease car
		Car			Motorbike	Bicycle		
		<10k miles	>10k miles	Additional passenger				
Wales Audit Office	£3350*	25p **	25p	5p	24p	20p	Exceptional circumstances only	Yes - via salary sacrifice
Audit Scotland	Not offered	45p	25p	2p	Not offered	Not offered	Yes - if cost effective and approved	Closed to new entrants
Northern Ireland Audit Office	Not offered	45p	25p	5p	Not offered	Not offered	Yes - if cost effective and approved	No
National Audit Office	Not offered	45p	25p	2p	24p	20p	Yes - if cost effective and approved	No
Powys County Council	Not offered	45p	25p	5p	24p	20p	Yes - if cost effective and approved	Yes - for permanent full-time staff
Welsh Government	Not offered	45p	25p	5p	24p	20p	Yes - if cost effective and approved	No
RSM	Not offered	45p	45p	5p	Not offered	Not offered	Yes - if cost effective and approved	No
PWC	Not offered	45p	45p	5p	Not offered	Not offered	Yes - if cost effective and approved	No

\*Subject to terms and conditions

\*\* Rate is 45p per mile for staff not in receipt of the Travel Allowance

## Public Transport

Organisation	Rail	Air	Sea	International travel
Wales Audit Office	Standard class	Economy class	Not stated	In line with HMRC guidance*
Audit Scotland	Standard class (journeys greater than 3hours may have first class travel approved)	Best value available	Not stated	Monetary advance to purchase up to £150 / night in foreign currency
Northern Ireland Audit Office	Lowest possible fare to be secured	Not stated	A cabin can be expense if travelling overnight	Not stated
National Audit Office	Standard class	Economy class	Not stated	In line with HMRC guidance*
Powys County Council	Standard class	Only used when there is a cost advantage over other forms of transport	Not stated	Reasonable expenses will be reimbursed
Welsh Government	Standard class (Exceptional use of first class permitted)	Economy class (Long haul flights may use business class if approved)	First class and single berth cabin	In line with HMRC guidance*
RSM	Standard class	Economy class	Not stated	In line with HMRC guidance*
PWC	Standard class (Exceptional use of first class permitted)	Economy class (Long haul flights may use business class if approved)	Economy class	Rates are capped and bookings must be made through PwC travel provider.

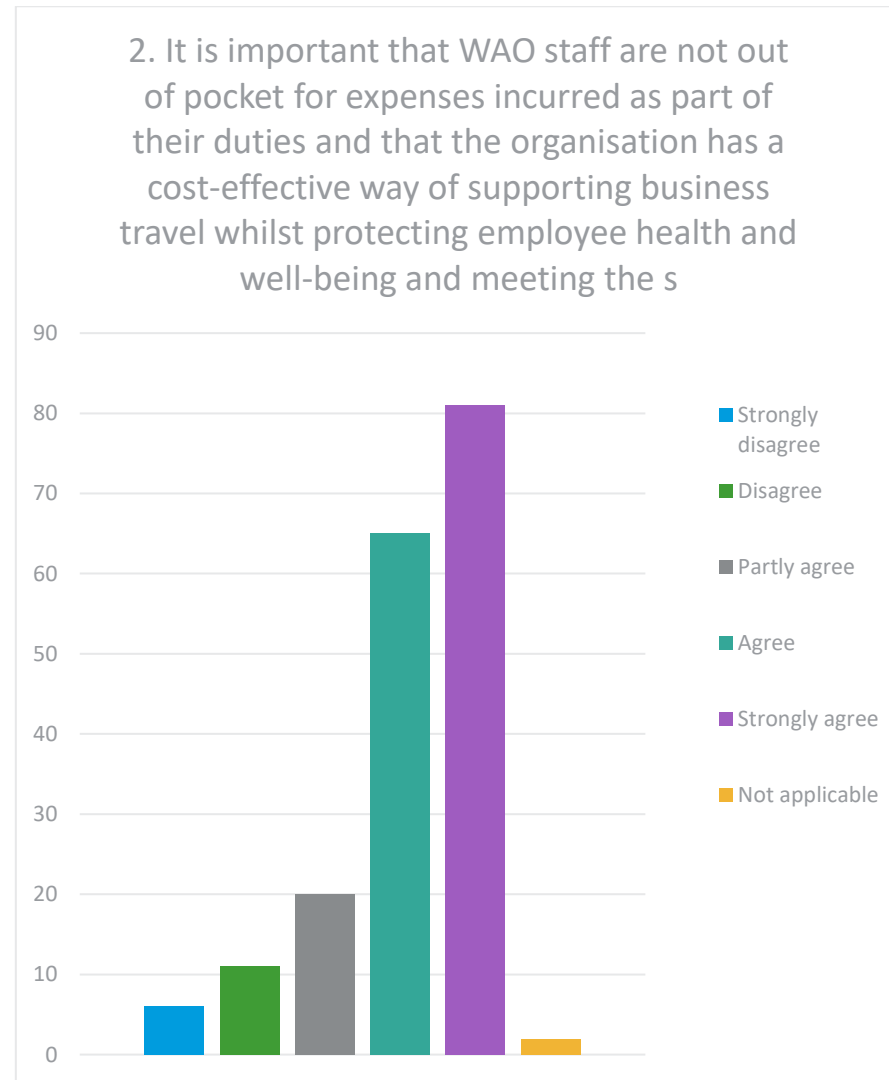
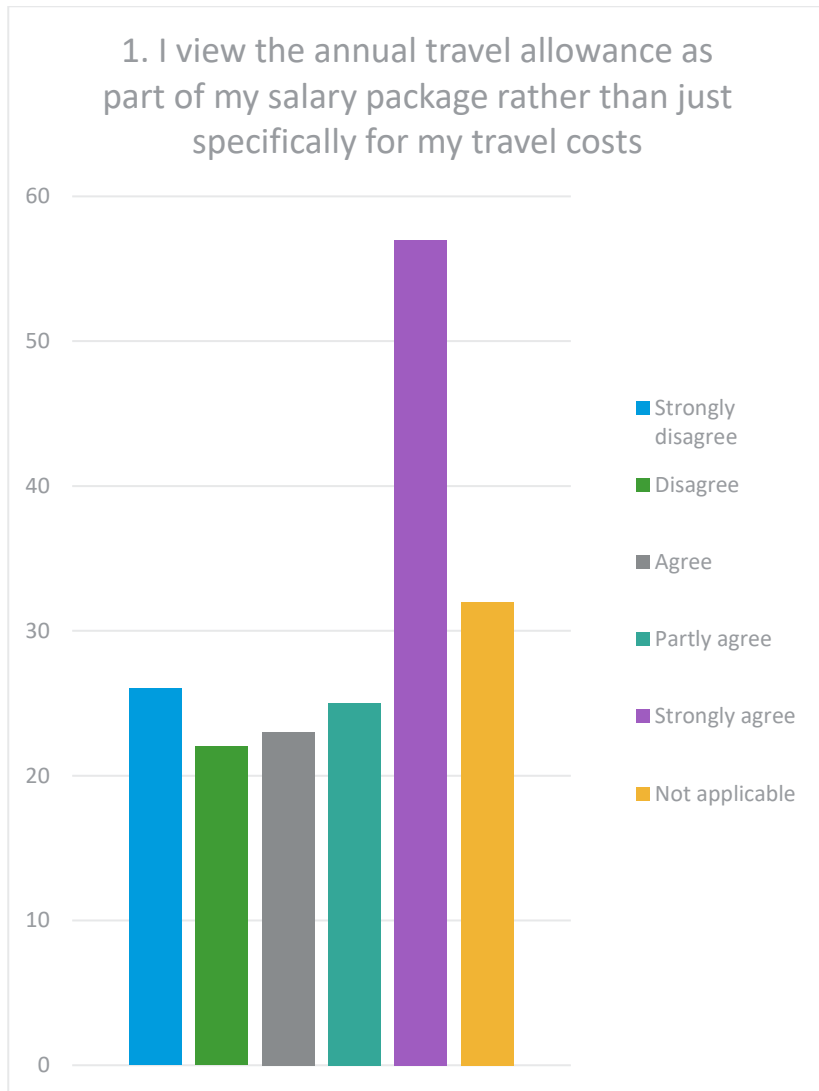
\*[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/781249/Worldwide\\_subistence\\_rates\\_effective\\_6\\_April\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781249/Worldwide_subistence_rates_effective_6_April_2019.pdf)

## Overnight stays, subsistence and incidentals

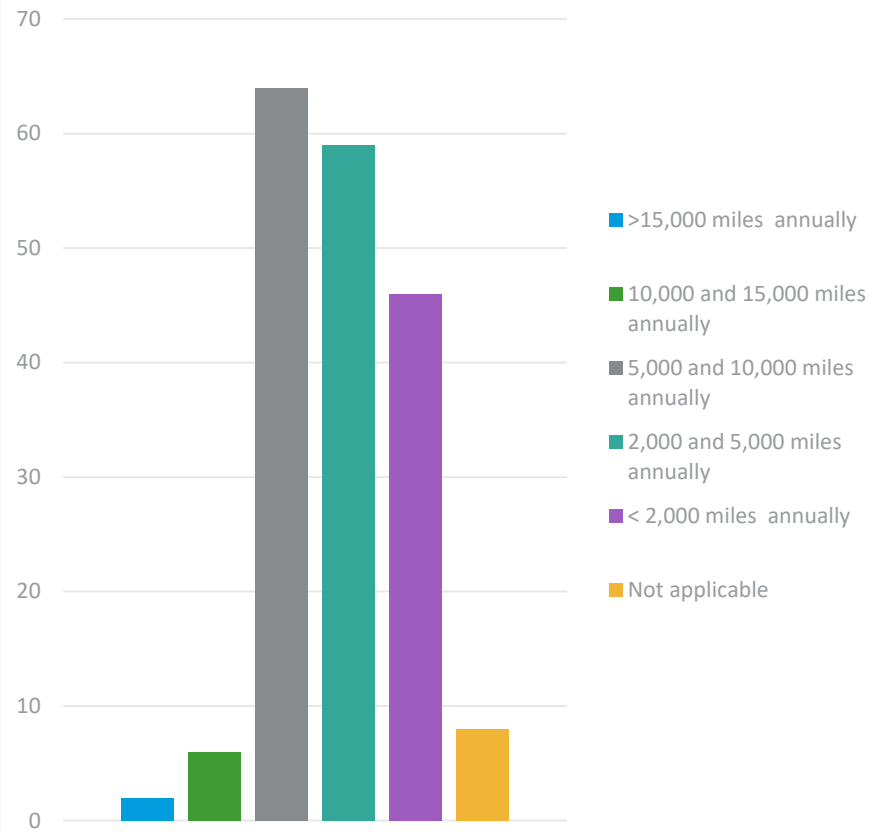
Organisation	Overnight stays			Subsistence	Incidentals
	Hotel outside London	Hotel in London	Stay with friends / family		
Wales Audit Office	£110	£200	£20	Evening meal (no alcohol): £25 Overnight stay with no breakfast: £15	£5 per night
Audit Scotland	Not stated	Not stated	Not stated	Evening meal: £26.25	N/A
Northern Ireland Audit Office	£100	£140	£25	Evening meal: £18.30	£5 per night
National Audit Office	£95	£130	£25	Evening meal: £20	
Powys County Council	£92.25	£107.62	£30	Evening meal: £10.50	N/A
Welsh Government	£95	£200	£30	Evening meal: £27	N/A
RSM	Premier Inn	Premier Inn	N/A	Evening meal: £25	N/A
PWC	Booked through travel provider at best cost	Booked through travel provider at best cost	N/A	Evening meal: £30 or £40 in London	N/A



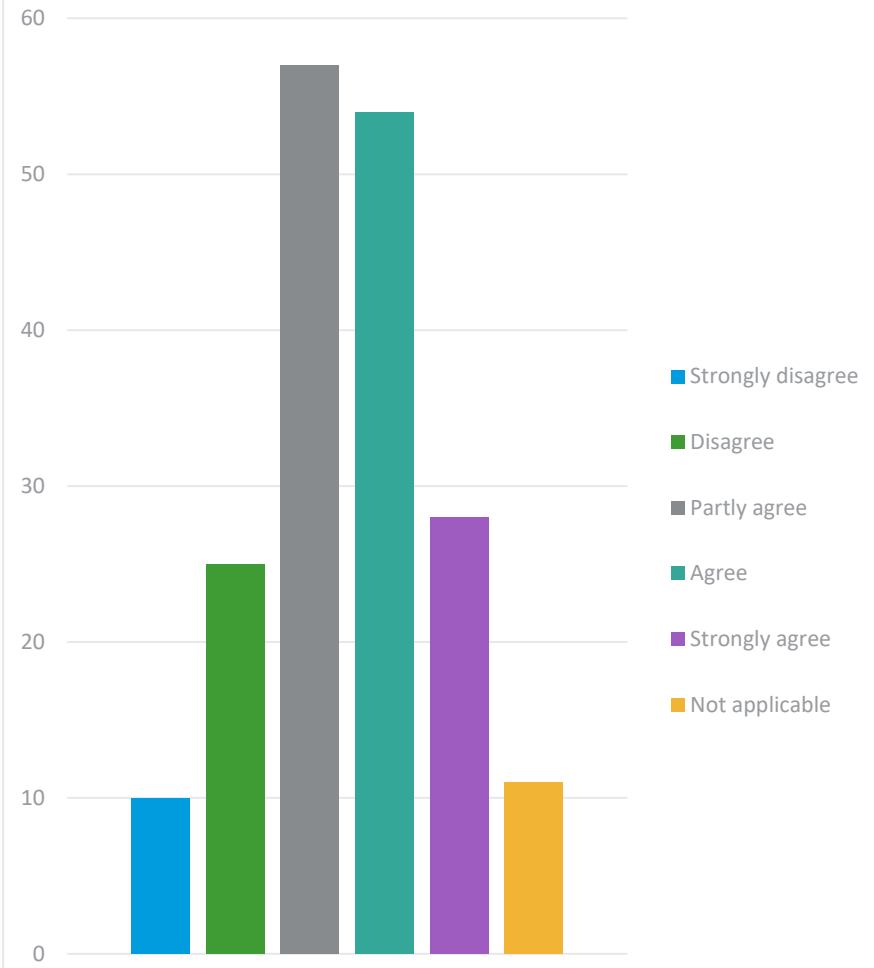
# APPENDIX B: STAFF SURVEY RESULTS



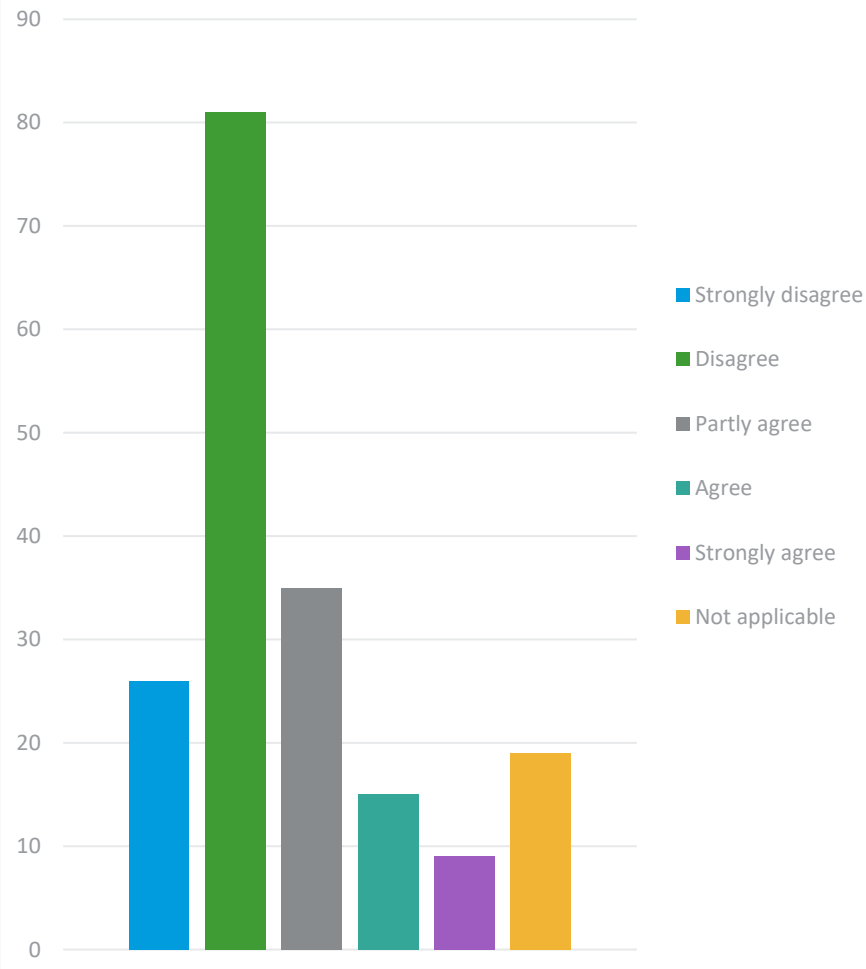
3. It is a requirement of mobile workers at WAO to travel to the sites of audited bodies in Wales. Whilst it is recognised that due to audit rotation and changing travel needs mileage will vary year to year, the mileage I claim within a typical year is:



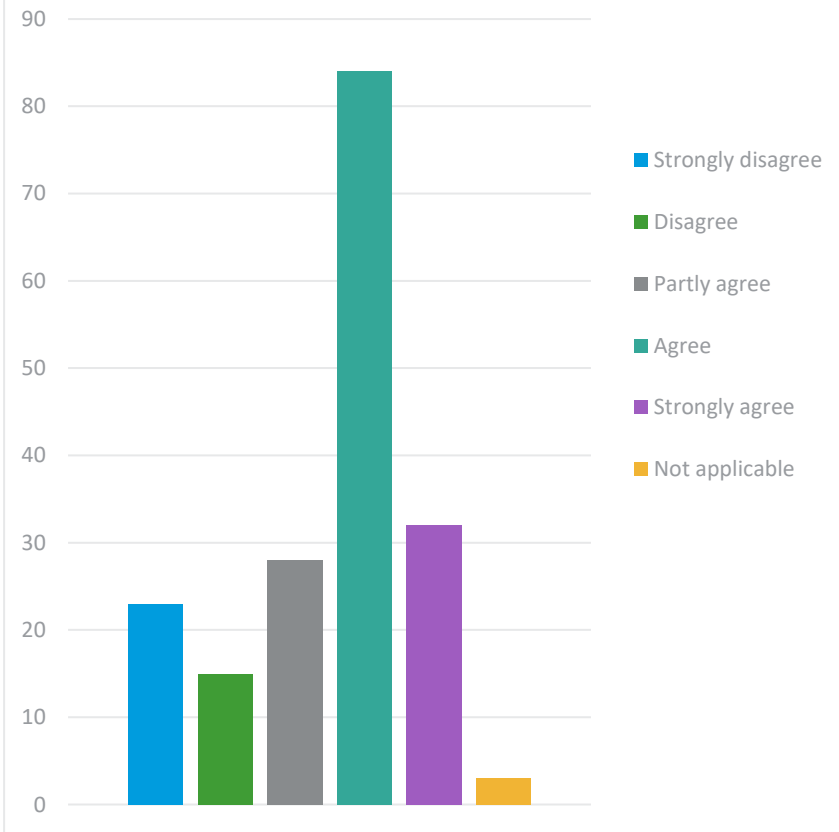
4. Smarter ways of working, like Skype and working from different locations, are helping me to reduce the mileage that I incur



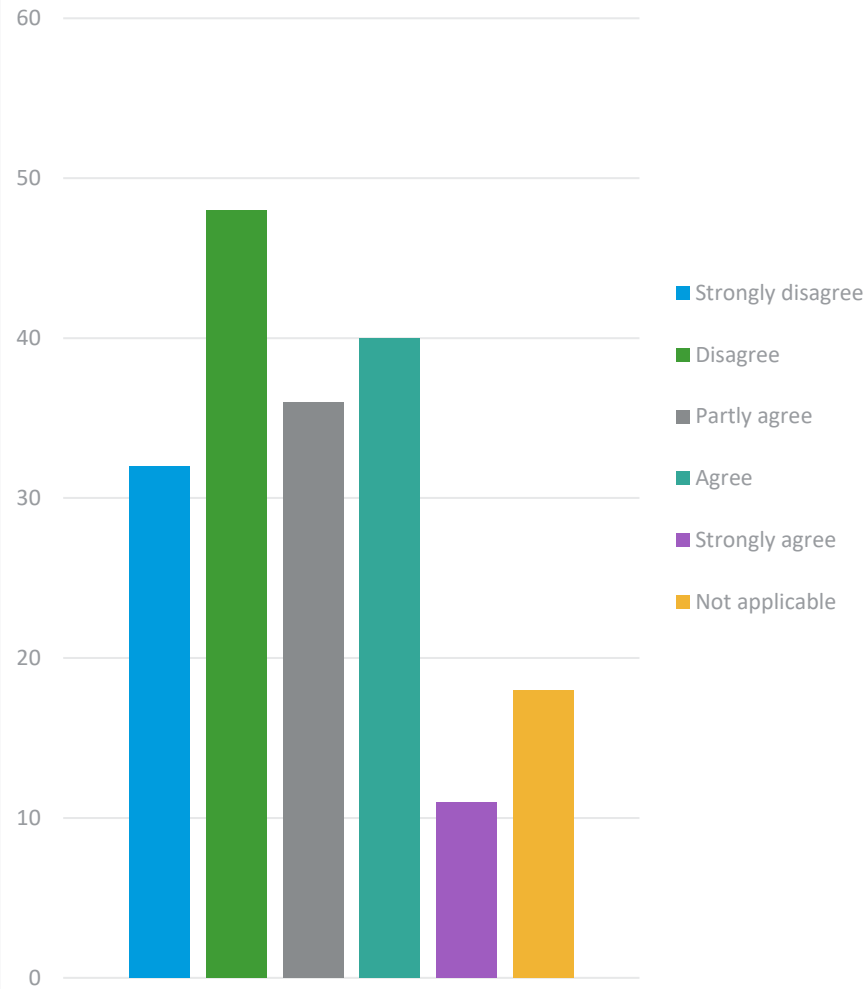
5. The extent of travel required within my role has a negative impact upon my well-being at work



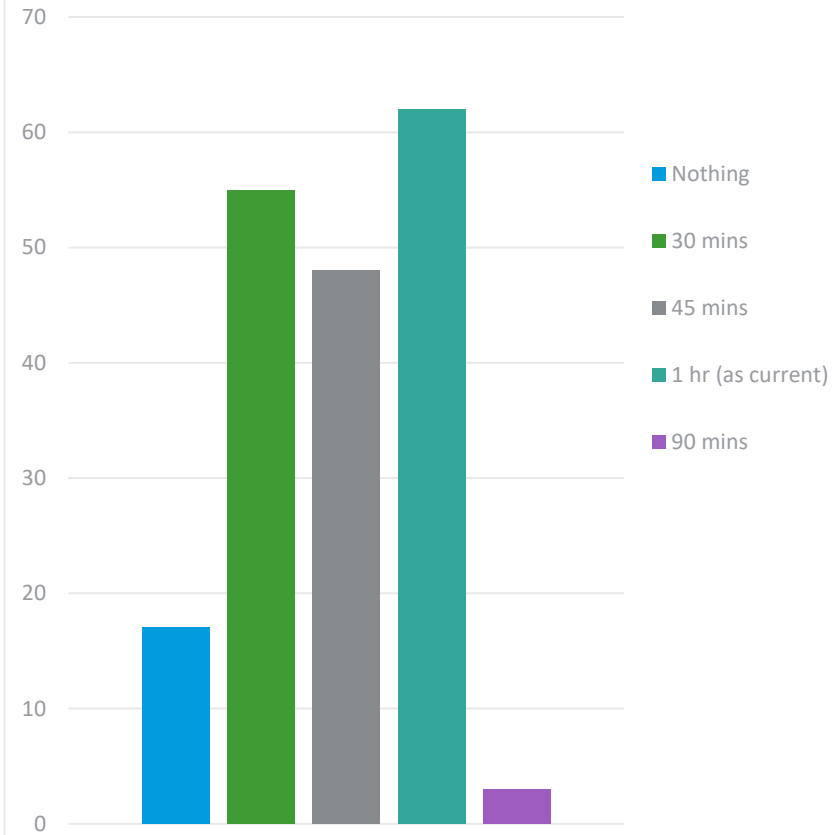
6. As well as being cost effective, the travel and subsistence scheme is designed to help achieve the sustainability priorities within the WAO annual plan. As part of this, the eligibility criteria for staff to receive the travel allowance includes a ten-



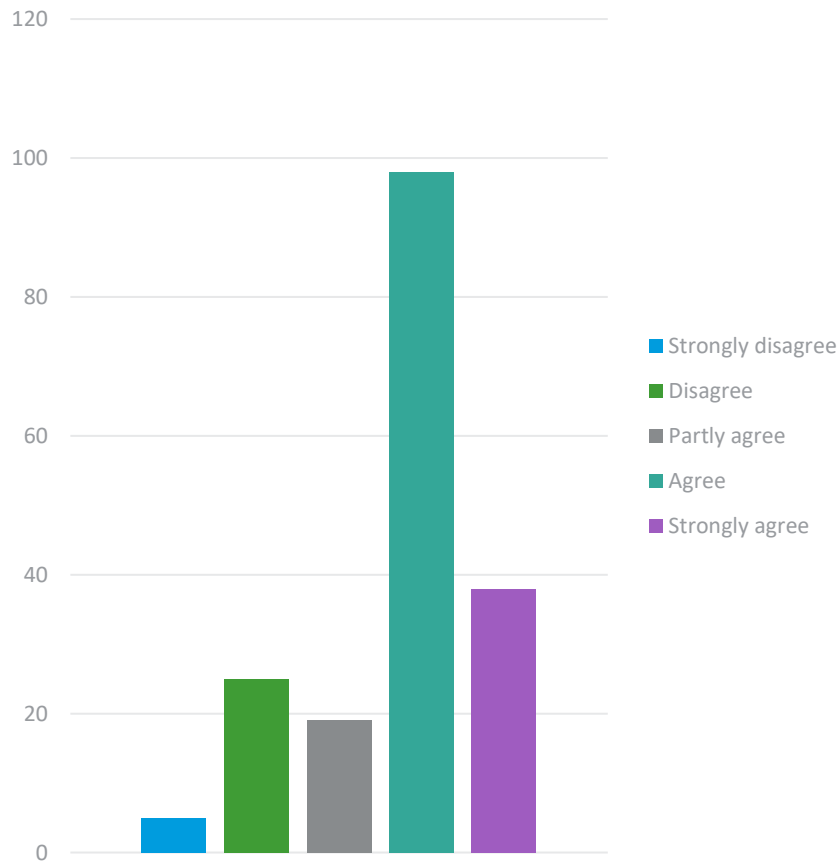
7. The existing travel and subsistence scheme encourages me to use public transport where feasible



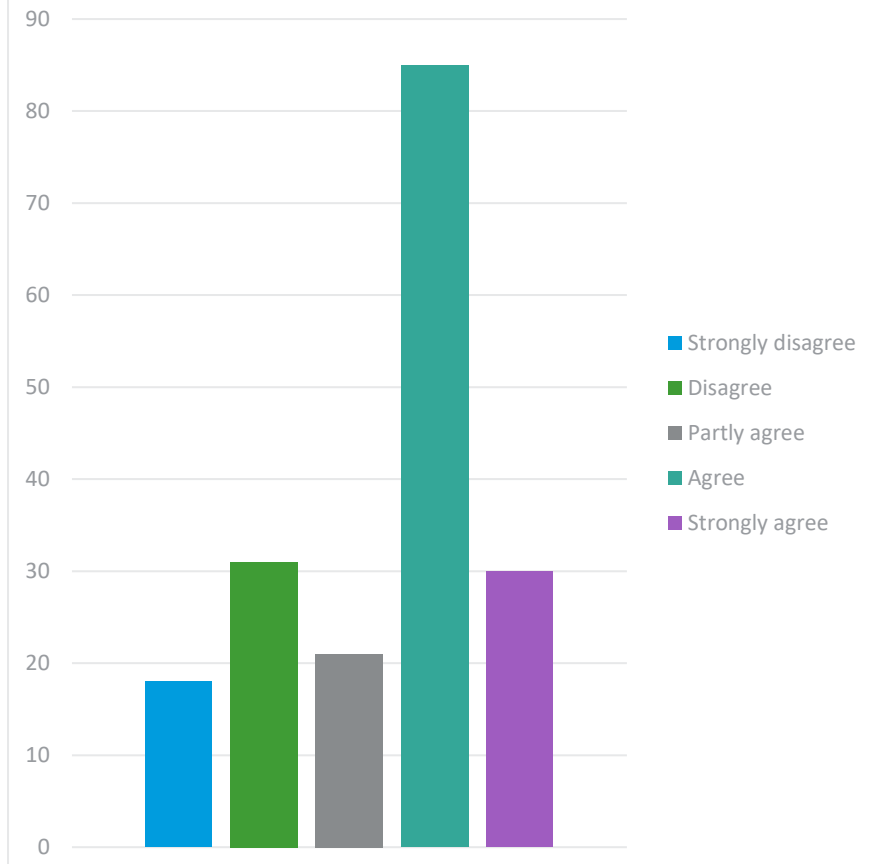
8. Currently, when working away from your base, up to an hour of the journey at the start and end of the day is deemed to be in the employees own time. I consider the following time to be a reasonable assumption for the commute each way



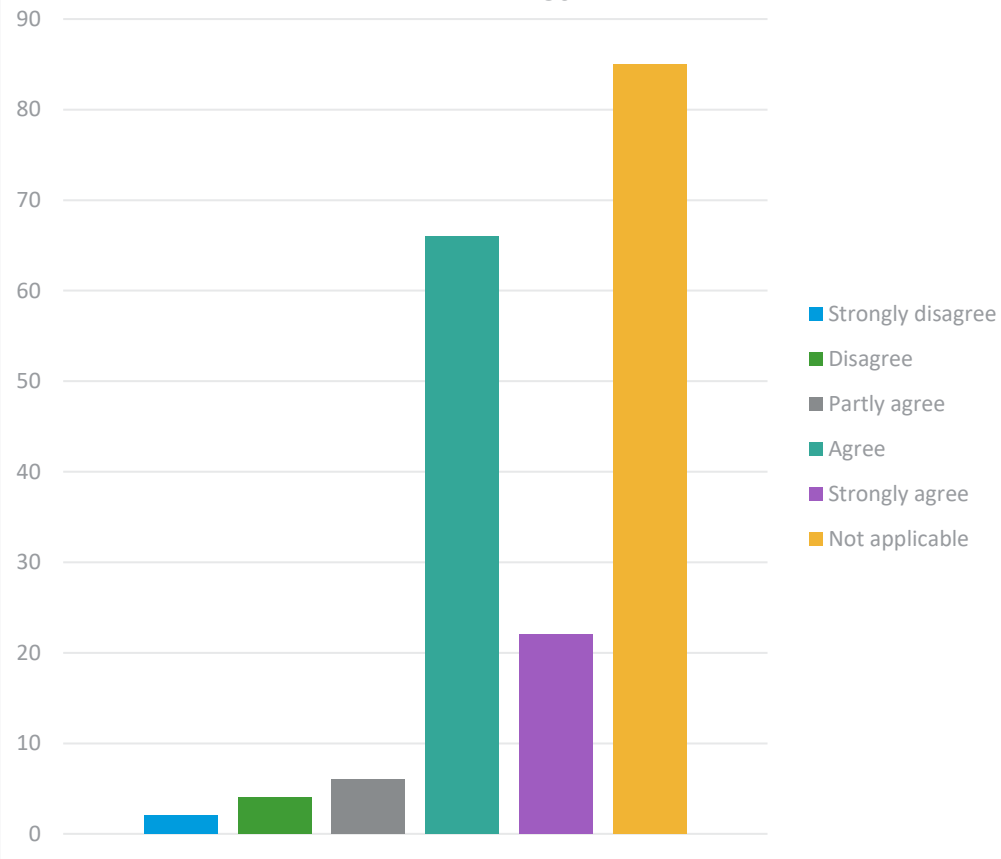
9. The scheme allows staff to claim for subsistence (breakfast and dinner, but not lunch) in the circumstances set out in the travel and subsistence policy. I consider the policy on subsistence to be fair, in that it covers the reasonable expenses incurred



10. Under the current scheme, when staying away from home staff are entitled to claim up to £5 per night incidental expenses. I consider this allowance to be reasonable and adequately support staff well-being whilst away from home.



11. Where staff are required to undertake international travel as part of their duties, travel and accommodation costs are repayable in line with HMRC guidelines. I consider these allowances to be reasonable and adequately support staff well-being whilst



# APPENDIX C: TERMS OF REFERENCE

## Value for Money (VfM) review

We are commissioning an independent VfM review by our external auditors, RSM, of the WAO travel and expense handbook. The review must cover the following elements:

- the performance of the current scheme against the performance measures set, and provide commentary on that performance;
- the fitness-for-purpose of the scheme in terms of its principles and arrangements to cover travel and subsistence related costs and the requirement for up to 1-hour travel time each way, each day, for mobile staff. Including, whether travel centres are still relevant in their current form and whether the Wales border is still appropriate for limiting travel claims;
- the need to avoid any actions that incentivise unnecessary travel;
- staff views on the current scheme and future potential;
- Trade Union views on the scheme;
- benchmarking with comparable organisations, that work on a pan-Wales or similarly large geographic basis, and where the extent of travel may vary from employee to employee from year to year. Welsh comparators will be important here, with wider comparators helpful too;
- provide evidence-based proposals for future arrangements that:
  - ensure staff are not out of pocket as a result of business travel;
  - contain the carbon emissions' impact of business travel (including cost) and promote use of public transport where practical;
  - support the safety and well-being of staff undertaking business travel;
  - support the People Strategy, including workforce diversity, and the recommendations of the Ways of Working project;
  - demonstrate that the WAO practises what we preach in terms of value for money. Also, that the scheme reflects the realism of our challenging medium-term financial position.
- recommend performance measures for any future arrangements.

The audit team undertaking the review need to be sufficiently experienced for this complex and sensitive piece of work.

## For more information contact

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### **rsmuk.com**

The matters raised in this report are only those which came to our attention during our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Audit Wales, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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