

Shan Morgan  
Permanent Secretary  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

1 May 2018

Dear Permanent Secretary,

### **Scrutiny of Accounts 2016–17**

Thank you for your letter of 28 March 2018, which set out your responses to the recommendations addressed to Welsh Government in the Public Accounts Committee's (the Committee's) Scrutiny of Accounts 2016–17 Report. The Committee considered the responses, along with those provided by other organisations to which it made recommendations, at its meeting on 16 April 2018.

The Committee is pleased to note that, in future, the Welsh Government will publish – at the same time as the accounts – a table of staff earning over £100,000. It will also consider how the disclosures for its budget and outturn as set out in the Summary of Resource Outturn in its accounts could be clearer and more transparent [recommendations 12 and 13 respectively].

The Committee welcomes information about the review by Internal Audit to ascertain whether sufficient safeguards are in place to prevent fraud by external organisations in receipt of Welsh Government funding. Also, your confirmation that an update will be provided on the outcomes of that review following the



publication of the Accounts 2017–18. This will enable Members to reflect on the findings prior to the Committee’s detailed considerations, in September, of the Accounts 2017–18.

The Committee also welcomes information about the Welsh Government’s performance management systems [recommendation 11 refers] and note the planned introduction, from July 2018 of the new approach.

In respect of the Committee’s other recommendations, Members noted that it was not clear from your response whether Welsh Government planned to take any action. I set out further information in respect of these in the following paragraphs.

The first two recommendations in the Committee’s Scrutiny of Accounts 2016–17 Report relate to the reporting of performance by Welsh Government. Members noted, as part their scrutiny, that the Welsh Government’s Accounts for 2016–17 did not set out how it performed against its targets or objectives, including those set out in its Programme for Government, Taking Wales Forward.

The Committee recommended that the Welsh Government consider how it could report its performance, it should make clear the elements of HM Treasury guidance on performance reporting with which it aimed to comply and, having done this, it should then issue related guidance to its sponsored bodies [recommendations 1 and 2 refer].

Your response notes that future performance reporting will include a cross reference to the new Well-being of Future Generations Report, which Welsh Government aims to publish for the first time this summer. You report that, in preparing the accounts, Welsh Government complies with the requirements of HM Treasury’s Financial Reporting Manual (or ‘FReM’), subject to exceptions deemed not to be material. You also note that Welsh Government is happy to act on any



feedback received about ways to improve the presentation of information in its accounts.

The Committee has welcomed the progress made over recent years by Welsh Government to improve the format of its consolidated accounts. However, the published annual report and accounts (or 'accounts') should enable the reader – whether a citizen, Assembly Member or Member of the Welsh Government Board or Audit and Risk Committee Assembly Member – to understand how public money is spent and question whether it was spent wisely. To be transparent, the accounts should demonstrate how money has been spent on particular services and the result of the expenditure.

As such, it is Committee's view that performance reporting should be included in the Welsh Government's accounts and readers should not have to cross refer to one or more other documents for the information. This view is shared by the Auditor General for Wales.

In line with best practice and consistent with the requirement it places on its sponsored bodies, the Committee's view is that – in preparing its performance report for inclusion in the accounts – Welsh Government should comply with the requirements set out in Part 1 of the FReM. It should also look to provide further guidance to its sponsored bodies, with which it should also comply, in the event that it considers that additional reporting is required in a Welsh context. The Committee considers that this will provide a consistency in reporting of performance across central government bodies in Wales and will aid scrutiny. Welsh Government may deem that it and its sponsored bodies need not comply with certain elements of Part 1 of the FReM. The Committee asks that you inform it of any planned departures from the guidance and provide an explanation why the disclosures are deemed not relevant for the preparation of accounts for public bodies in Wales.



Finally, the Committee noted that your response provided information in respect of its recommendation that Welsh Government give consideration to new approaches to reserves policies for its sponsored bodies. This being relevant given the greater flexibility afforded to it by the new Wales Reserve for and from 2018–19. However, Members noted that it did not make clear whether any action would be taken in light of the Committee’s recommendation.

I would be grateful to receive your comments in light of the Committee’s consideration of your initial response to its recommendations by 1 September.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

**Nick Ramsay AM**  
**Chair**

