

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mr Nick Ramsay AM
Public Accounts Committee Chair
National Assembly for Wales
Cardiff Bay
CF99 1NA

22 August 2018

Dear Mr Ramsay,

Scrutiny of the Accounts 2016-17

Thank you for your letter dated 1 May on the Scrutiny of the Accounts 2016-17. I attach a response to each of the items raised by the Committee at Annex A.

You subsequently also wrote to me on 31 July, following the valedictory session for the former Auditor General for Wales. I look forward to discussing the issues raised in that letter when the PAC meets in October.

I also wanted to take this opportunity to inform the committee that the Welsh Government is planning on publishing the 2017-18 annual accounts in mid September. This is later than in previous years and should committee members wish I can provide further details concerning the timetable on 15 October.

Yours,

Shan Morgan
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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SCRUTINY OF ACCOUNT 2016-17 – FOLLOW UP LETTER FROM THE CHAIR OF THE PAC

Audit report on the prevention of fraud

The review carried out by the Government Internal Audit Service has been completed and the outcome is reported on in more detail in the Annual Grants Report which has been published alongside the Annual Accounts. In summary, the Welsh Government counter fraud unit was assessed as high-performing although there were a number of recommendations which will be taken forward including the need for more counter-fraud training.

Reporting of performance by the Welsh Government

I do appreciate that the Committee has made the point on a number of occasions that they feel that there is scope for the provision of more information in the Annual Accounts on progress towards delivery of the Government's objectives. However, arrangements for the way in which performance against their objectives is provided is a matter for Welsh Ministers rather than for the Permanent Secretary. Performance against the annual budget along with other non-financial indicators such as information on anti-corruption and anti-bribery and environmental matters is reported in the Annual Accounts.

Complying with the Financial Reporting Manual (FReM)

The FReM comprises technical accounting guidance on the preparation of financial statements. It also outlines the requirements for the format and content of the Annual Report and Accounts which include the performance report, the accountability report and the financial statements. The Welsh Government recognises and acknowledges that it does not follow the guidance on performance reporting as we do not publish information on delivery against the Government's objectives, as noted above. Nevertheless, we do report on performance against budget and other non-financial indicators and also highlight key deliverables over the last 12 months which for 2017-18 includes the introduction of new legislative powers in Wales and progress on tax devolution and preparation for Brexit. Welsh Ministers separately report against government objectives.



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Enabling the reader to understand how public money is spent and question whether it was spent wisely.

The Welsh Government endeavours to provide clear and transparent reporting on outturn against budget in the Statement of Reported Outturn which is a key component of the annual accounts. Although the current reporting can be complicated due to the requirement to manage within both Ambit and DEL budgets, this issue will be pursued through the alignment of Accounts and budget work which is currently in progress. Improvements to the content and format of the Annual Accounts have also resulted in the inclusion of an infographic that depicts where public money has been spent during the year. We will continue to seek developments to the presentation of information in our Annual Report so as to enable the public to understand better how public money is spent.

Guidance to sponsored bodies

The Welsh Government provides guidance to sponsored bodies on the preparation of Annual Reports and Accounts through the use of an accounts direction. The accounts direction stipulates key aspects concerning the preparation of the accounts including the need to comply in full with the FReM unless there are good reasons not to do so. It also states that any proposed departure from the FReM must in the first instance be discussed with the Welsh Government.

Reserves policy for sponsored bodies and the impact of the introduction of the Wales Reserve

The Wales Reserve is a mechanism to carry forward underspends of resource budgets. Therefore, it does not impact on the ability of sponsored bodies to carry forward unspent cash. The limit of 2% is considered to be an appropriate level of cash reserves which a sponsored body may hold within the context of public sector cash management set out in “Managing Welsh Public Money”. The flexibility of sponsored bodies to manage resource budgets over multiple years remains unchanged; budgets are managed within the limits of overall resources available within the respective MEGs.



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