

Our ref: NB/mm

Ask for: Nick Bennett

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Nick Ramsay AM
Chair
Public Accounts Committee

By Email Only:
SeneddPAC@assembly.wales

Dear Nick

ARAC/Advisory/Corporation Sole

Thank you for your letter dated June 4 2019, I am very happy to offer further information and clarification to the points raised by the Committee in your letter.

Firstly, my points about conflation with traditional board/Audit Committee arrangements was to emphasise that there are aspects of Board good practice guidance which are not compatible with Corporation Sole status. For example, the Code of Good Practice says:

“The board forms the collective strategic and operational leadership of the department, bringing together its ministerial and civil service leaders with senior non-executives from outside government, helping the department to operate in a business-like manner. The board’s role includes appropriate oversight of sponsored bodies.”

It is important that the Advisory Panel is not confused with a traditional Board and that the guidance is not interpreted in a manner that could generate confusion. The Advisory Panel is intended to provide advice and guidance to me as Corporation Sole but, as Corporation Sole, responsibility for the organisation is entirely mine.

The arrangements here are therefore very different from a conventional Board set up in business, but also from that in government departments or indeed from the arrangements for the Auditor General and the Wales Audit Office where there is a formal board.

That said, I established the Advisory Panel because I want to benefit from wider perspectives and experience and I consider that the Advisory Panel performs a useful function in that context.

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Chair of ARAC and Advisory Panel

In terms of the common chair of both Committee and Panel, Jonathan Morgan resigned from his position as Chair and member of the Advisory Panel for personal reasons. I am happy that he is able to remain as Chair of ARAC so this will allow us to have some diverse membership on both committees and to keep this under review for the future. Following Jonathan's resignation, Anne Jones who currently sits on both the Advisory Panel and ARAC, was nominated by the independent members of the Panel to take over as Chair. I will also be appointing an additional independent member of the Advisory Panel who will not be a member of the Audit & Risk Assurance Committee.

Special Payments

I can confirm that all special payments were connected to termination of employment and did represent value for money. Arrangements were made in accordance with the ACAS Code of Practice and in each case I sought, received and followed legal, Human Resources and financial advice. I shared information with the auditors and agreed the presentation of the disclosures in my accounts to be open and to comply with Managing Welsh Public Money.

Annual Report and Accounts

I note concern from the Committee about my reference to the role of the Auditor General in his audit and review of my Accounts and Annual Report. Please allow me to explain the following:

From the Government Reporting Manual (FreM) 2018-19 the Auditor General has a role in auditing the Performance Report Section of the Annual Report and Accounts in order to review it for consistency with other information in the financial statements. Performance Analysis must include:

- Information on how the entity measures performance i.e. what the entity sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty;
- A more detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts;
- Non-financial information including social matters, respect for human rights anticorruption and anti-bribery matters;
- Reporting entities are expected to provide information on environmental matters including the impact of the entity's business on the environment. Entities must also comply with mandatory sustainability reporting requirements;
- Performance on other matters as promulgated by HM Treasury in PES papers.

It is my understanding that the Auditor General does review the whole document ensuring that it complies with the structure laid down by the FreM and contains all the required information that is consistent with the audit of the Financial Statements. My office completes two FreM checklists that are required to be supplied to the Auditors – one is 234 rows of data and covers the content of the whole ARA and one is specific to the Annual Report section and is 65 rows of data.

The Auditor General provides assurance that the Performance Report contains what it should, rather than the accuracy of data within it, unless linked to the Financial Statements. Our future Annual Report and Accounts will contain detailed KPIs linked to our Corporate Plan to enhance our performance reporting and we continually review other organisations' reports for best practice.

In fact, our Annual Report and Accounts is very much modelled on the format of Wales Audit Office.

I hope this clarifies issues for you and the Committee and should there be any further issues, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Bennett', written in a cursive style.

Nick Bennett
Ombudsman