

Scrutiny of Accounts 2019-20: Welsh Government

March 2021



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Scrutiny of Accounts 2019-20: Welsh Government

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About the Committee

The Committee was established on 22 June 2016. Its remit can be found at:
www.senedd.wales/SeneddPAC

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Nick Ramsay MS
Welsh Conservatives

Current Committee membership:



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Abolish the Welsh Assembly
Party



Vikki Howells MS
Welsh Labour



Delyth Jewell MS
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Darren Millar MS
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Rhianon Passmore MS
Welsh Labour



Jenny Rathbone MS
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The following Member was also a member of the Committee during this inquiry.



Angela Burns MS
Welsh Conservatives

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Chair's foreword

In the midst of the global pandemic we undertook our final scrutiny of the Welsh Government Consolidated Accounts of this Senedd term. We appreciate the time taken by officials to engage with us during the pandemic and the support they have given to our scrutiny during this difficult time. We note the seriousness with which the Permanent Secretary always takes our scrutiny and the value she attaches to it. We also want to recognise the hard work of officials and auditors, as a result of which the accounts were delivered within the revised timescales during an unprecedented time of pressure.

We hold the Government to account on a wide range of areas including its performance in operating within its budget, its governance arrangements, how it manages its workforce, whether there has been any over or underspending, or indeed any unusual expenditure, such as significant losses.

It is absolutely crucial that we challenge how effectively and efficiently taxpayers' money is being spent and how well the Welsh Government delivers public services.

Over the last few years we have seen an improvement in the preparation and presentation of the Welsh Government Consolidated Accounts and this year was no exception. However, there are still several reoccurring themes from previous scrutiny that we have reflected in this report.

We feel the Welsh Government could go that bit further in making its financial reporting more accessible and transparent by publishing concurrently the documents that, taken with the Accounts, collectively report on activity in Wales and go some way to publish information relating to its Audit and Risk Assurance Committee meetings. We are also keen to see improvements in how the Welsh Government reports its performance by setting out its delivery against all its Key Performance Indicators in its annual accounts.

Without this fuller picture, we cannot consider financial management and governance issues as a whole.

Looking to the future, the work of our successor Committee will be crucial in evaluating the Welsh Government's Covid-19 related expenditure, including an assessment of the governance arrangements and processes in place to prevent fraud which presents a greater risk than ever to the misuse of public money.

Recommendations

Recommendation 1. While acknowledging practical barriers to publishing all financial reports concurrently, the Committee recommends that the Welsh Government aims to publish these documents either concurrently or as closely together as possible. Specifically, we recommend that the Welsh Government publishes its outturn report as soon as possible following the laying of its accounts each year and ahead of the Accounts Scrutiny sessions. Page 25

Recommendation 2. In the interests of transparency, we recommend that the Welsh Government publishes annually details of how decisions have been made in terms of its compliance with the Financial Reporting Manual. We would like to see this information published for scrutiny by the Public Accounts Committee prior to the accounts being prepared. We seek the Welsh Government's view on whether this is possible within the time constraints of any changes to the FReM and the accounts' preparation Page 25

Recommendation 3. We recommend the Welsh Government provide us with an updated timetable for the publication of its Annual Report on Grants Management 2019-20..... Page 26

Recommendation 4. In light of the qualification of the Welsh Government's Accounts, we welcome the FRAB's consideration of the interpretation of International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets). We recommend that the outcomes of these considerations, including any new guidance are shared with the Public Accounts Committee alongside details of lessons learnt by the Welsh Government and how these will be incorporated into financial processes in the future..... Page 30

Recommendation 5. We recommend that the Welsh Government reviews the way in which it explains the variances between its budget and outturn, as reported in the Summary of Resource Outturn. This should use plain language to explain the different elements of the budget and the outturn against them. It should also explain the implications of an underspend for the Welsh Government (including the Wales Reserve) and the delivery of services provided. Page 31

Recommendation 6. The Committee's view is that the Welsh Government should be exemplary in its approach to performance reporting. We strongly recommend that the Welsh Government sets out its performance against **all** the KPIs in its Annual Report. This should reflect best practice both on the content and presentation of this information..... Page 33

Recommendation 7. The Committee recommends that the Permanent Secretary provide an update about the progress made in developing the KPIs and provides the timetable for the completion of this work. Page 33

Recommendation 8. We recommend that the Welsh Government share with the Public Accounts Committee the papers that informed its decision to end the external audit of local authority grant claims, its evaluation of the pilot with Audit Wales and its risk assessment of the decision. Page 35

Recommendation 9. We recommend that Welsh Government provide information about how it obtains the required assurance over grant funding to local authorities following the decision to remove the requirement for audit. This should clarify how the annual statement from Section 151 Officers will provide additional assurance to their certification of individual grant claims. Page 35

Recommendation 10. We note the weaknesses identified by the Welsh Government's Internal Audit Service in relation to workforce management initiatives. We recommend the Welsh Government provide the Public Accounts Committee with assurances that these weaknesses have been addressed. Page 39

Recommendation 11. We recommend that Welsh Government ARAC meeting agendas together with an appropriate summary of issues arising from meetings, are published as a minimum. Page 42

Recommendation 12. We recommend that the Welsh Government shares with the Public Accounts Committee the evaluation of the pilot review of the National Library and a commentary of any lessons learned. The Welsh Government should also publish timescales for evaluation reviews of other Arm's Length Bodies and details of how a risk based approach has been used to determine the order of priority for these reviews. Page 49

Recommendation 13. We recommend that the Welsh Government provides the Public Accounts Committee with an update on the timescales for the evaluation of the Public Bodies Unit and receives a copy of any report and conclusions. Page 49

1. Introduction

1. Each year the Welsh Government publishes consolidated accounts (the accounts), which provide a detailed picture of how the Welsh Government has managed its finances and met its statutory obligations.
2. Since 2014, the Public Accounts Committee has scrutinised the Welsh Government's accounts. Prior to this, aside from the budget setting process, there was no formalised mechanism for scrutinising the Welsh Government's Accounts. This scrutiny has formed an important part of the Committee's cycle of annual scrutiny work.
3. The Welsh Government has by far the largest budget of the public bodies scrutinised by the Committee, and the budget allocations to its Main Expenditure Groups (MEGs), which total over £18 billion, were approved by the Senedd on 15 January 2019.¹
4. Year on year we have worked consensually on our scrutiny of the accounts drawing out a number significant issues and making recommendations for improvement.
5. The Permanent Secretary has expressed publicly the seriousness with which she takes our scrutiny, and has demonstrated how she had listened to our views and implemented some changes in response to our recommendations.
6. The 2019-20 Accounts² are the fourth that the current Permanent Secretary, Dame Shan Morgan DCMG, has overseen since taking up the post in February 2017.
7. The Auditor General for Wales (the AGW) issued a qualified 'true and fair' opinion on the 2019-20 Accounts and also qualified his regularity opinion. This is the first time this has happened in respect of the Welsh Government.
8. This year, we divided our scrutiny of the Accounts over two sessions. The first session focused on the Welsh Government's Financial Statements, set out on part three of the Accounts, as well as the reporting of expenditure outturn against budget, losses and special payments. In the second session, we scrutinised some

¹ The Senedd approved the Final Budget Motion for 2019-20 on 15 January 2019. The Senedd subsequently approved the First Supplementary Budget for 2019-20 (9 July 2019) and Second Supplementary Budget for 2019-20 (3 March 2020)

² Welsh Government Consolidated Annual Accounts 2019-20, (November 2020)

other parts of the Accounts including performance reporting, staffing and governance arrangements.

9. For the first time, the AGW produced a Commentary on the Accounts.³

³ Audit Wales, Commentary on the Welsh Government's Consolidated Accounts 2019-20, (November 2020)

2. Key Events for Welsh Government 2019-20

10. The 2019-20 financial year has been eventful for the Welsh Government and the closing weeks of the financial reporting period were dominated by the Covid-19 pandemic. The Welsh Government, in the introduction to its 2019-20 Accounts, explains how this impacted on its business with a large proportion of its resources being reallocated in response to the unprecedented and complex challenges.

11. Prior to the onset of the pandemic, the Welsh Government had also responded to the challenges of extreme weather, specifically severe flooding in a number of areas of Wales, and its preparations for the UK's exit from the European Union (EU).

12. Some examples of these pressures are detailed below to provide context and to enable our successor Committee to follow up on some of these issues in the future.

Extreme Weather

13. The end of 2019 saw an increase in extreme weather as Wales faced the aftermath of storms Ciara and Dennis. Both had a severe impact on people and property across the whole of Wales. The Welsh Government, along with colleagues from Natural Resources Wales, Emergency Services, Local Authorities and the NHS, had to respond.

14. Some of the Welsh Government's buildings were affected by the flooding and business continuity plans were put in place to ensure critical business could continue.

15. The Annual Accounts set out how 'Smart Working' enabled business operations to be maintained, with many staff being able to work from home. It soon transpired, this was a relatively small-scale practice run for the huge shift in culture and working practices that were required to continue working successfully during the initial Covid-19 lockdown in March 2020.

Preparations for exiting the EU

16. Throughout 2019-20 Welsh Government was working on its strategic and operational preparedness, planning for the future and the implementation phase of the Exit process. This included a role in the negotiations with the UK Government in order to protect and advance the interests of Wales, and

engagement in seeking to influence UK Government's trade negotiations with the rest of the world.

Black Lives Matter

17. The Black Lives Matter campaign resonated across the world in July 2020. We note that as Head of the Welsh Government Civil Service, the Permanent Secretary sent a message to every member of staff stating that there is no place for racism within the organisation and expressing support for BAME colleagues.

Pandemic

18. Although the pandemic began in the closing weeks of the 2019-20 financial year, its impact was nonetheless felt when the Welsh Government had to respond rapidly to the emerging crisis.

19. The Consolidated Accounts note how the Covid-19 crisis has helped further embed within the Welsh Government, the five ways of working set out in the Well-being of Future Generations (Wales) Act 2015. For example, through its Track, Trace and Protect programme and the shielding initiative which were co-created with stakeholders and customers.

20. The Welsh Government has stated that, throughout its response to the pandemic, it has utilised well established social partnership structures to support effective working with public and private sector employers and trade unions. The Welsh Government has highlighted that working collaboratively became more important than ever for the whole of the public service in Wales.

21. The Welsh Government also stated the continuing tight budget situation means that its Civil Service remains under immense pressure and prioritisation has been essential to manage effectively and deliver services within budget during the Covid-19 crisis.

22. We have continually monitored the Welsh Government's response to Covid-19 focussing on expenditure and governance processes. There will be an important role for the Public Accounts Committee in the Sixth Senedd to scrutinise how resources were deployed and assess value for money, good governance and probity in the aftermath of the pandemic. There will also be important lessons to be learned, some of which will help inform change particularly through new ways of working and how services are provided in the post Covid-19 world.

3. Key issues from previous Scrutiny of the Welsh Government Consolidated Accounts

Part 1 – Reporting outcomes for the money that has been spent

Accounts preparation and content

23. We have repeatedly noted that the Welsh Government Consolidated Accounts (the Accounts) do not comply fully with the HM Treasury's Financial Reporting Manual (FRoM). This is in relation to the requirements for performance reporting. In October 2017 during our scrutiny of the 2016-17 Accounts the Permanent Secretary told us:

“We comply, in relation to parts 2 and 3 of the report, with the financial reporting manual and the annual employer pension notice, which give a lot of detail about what we have to do. I know there is HMT guidance available on how we handle part 1 of the report, but, in fact, we don't have to follow it specifically as a devolved government.”⁴

24. Along with the Accounts, the Welsh Government publishes a further three reports which, in the Permanent Secretary's view, collectively provide a 'comprehensive overview' of activity in Wales.⁵ This includes the Outturn Report which is presented to the Senedd's Finance Committee.

25. We noted in our 'Scrutiny of the Accounts 2018-19 Report' that the Welsh Government could make clearer its approach to reporting and the connections between the reporting in the Accounts and the other annual reporting documents it produces.

26. Last year we recommended that the Outturn Report be formally published, as well as presented to the Finance Committee, at the same time or soon after, the Welsh Government's annual consolidated accounts.⁶ In responding to this recommendation, the Permanent Secretary noted that the Minister for Finance and Trefnydd had agreed that the Outturn Report could be made more accessible to the Public Accounts Committee. The Welsh Government's aim was

⁴ Public Accounts Committee, Record of Proceedings, (RoP,) 2 October 2017, paragraph 131

⁵ RoP, 7 October 2019, paragraph 45

⁶ Public Accounts Committee, Scrutiny of Accounts 2018-19: Welsh Government, May 2020, Recommendation 3, page 27

to complete the Outturn Report within 4 weeks of the signing off the 2019-20 Accounts. The Accounts were laid at the Senedd on 2 November 2020 and Welsh Government published the Outturn Report for 2019-20 on its website on 20 November 2020.

Summary of Resource Outturn

27. In our ‘Scrutiny of the Accounts 2018-19’ Report⁷ we recommended that the Summary of Resource Outturn set out more information about significant variances and made clear the different types of variances. We also set out the type of information about variances that we would like to see included. In response, the Permanent Secretary had said the content of the explanations in the Summary of Resource Outturn had been reviewed and ‘will be enhanced for 2019-20 to ensure that they were more understandable for the reader.’⁸

Performance Reporting

28. In our accounts scrutiny reports since 2015-16 we have made a series of recommendations about the Welsh Government’s performance reporting. We have previously reported we disagreed⁹ with the Permanent Secretary’s view that reporting performance against policy objectives should not be included in the accounts on the grounds that is a matter for Welsh Ministers.¹⁰

Key Performance Indicators for the Civil Service

29. The Permanent Secretary’s response¹¹ to the Committee’s Scrutiny of Accounts 2017-18 Report¹² stated that she had asked one of the Non-Executive Directors to lead a task and finish group to advise on a suitable approach to preparing an enhanced and systematic set of Key Performance Indicators (KPIs) for the Welsh Government. These would relate to the operational performance of the Welsh Government and the responsibilities that rested with the Permanent Secretary rather than Ministers.

⁷ [Scrutiny of Accounts 2018-19: Welsh Government](#), (May 2020), Recommendation 3, page 29

⁸ [Letter from the Permanent Secretary](#), 17 July 2020

⁹ [Scrutiny of Accounts 2018-19: Welsh Government](#), (May 2020), paragraph 61

¹⁰ [Scrutiny of Accounts 2017-18: Welsh Government](#) (May 2020), paragraph 108

¹¹ [Letter from the Permanent Secretary](#), 30 April 2019

¹² [Scrutiny of Accounts 2017-18 Welsh Government \(May 2020\)](#)

30. In a written update¹³, the Permanent Secretary stated the task and finish group had recommended a framework based on the International Civil Service Effectiveness Index (InCiSE).

31. The Permanent Secretary's update also reported this work, which was being taken forward by the Welsh Government's Knowledge and Analytical Services, would 'help improve and maintain the performance and efficiency of the organisation' adding:

"Some new KPIs will be included in the 2019-2020 Report and Accounts. Others will take longer as new data will need to be collected and analysed."¹⁴

32. In our 'Scrutiny of Accounts 2018-19 Report'¹⁵, we welcomed the Welsh Government's commitment to report against new Key Performance Indicators (KPIs) for the Civil Service in its 2019-20 Accounts, but we were 'disappointed with the time it has taken to develop these arrangements.'¹⁶

33. We noted the principal aim of the Welsh Civil Service is to 'support Ministers to deliver for Wales.'¹⁷ If these indicators were seen and drawn up in isolation to the priorities of the Government of the day, there was a risk that this could deepen the reporting complexity. Regardless of its administrative efficiency, the organisation could be at risk of failing in its primary objective of delivering the Government's programme. We recommended:

"The Welsh Government provides us with a list of the key performance indicators that it intends to report on for 2019-20 to measure the administrative performance of the civil service and a timetable for reporting on the remaining indicators."¹⁸

34. In her response¹⁹, the Permanent Secretary accepted our recommendation and listed, at Annex C of her response, the proposed KPIs. The information set out the 'latest position' and highlighted that work was ongoing.

¹³ Letter from the Permanent Secretary, 27 September 2019, Page 7

¹⁴ Letter from the Permanent Secretary, 27 September 2019

¹⁵ Scrutiny of Accounts 2018-19: Welsh Government (May 2020)

¹⁶ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), paragraph 86

¹⁷ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), paragraph 86

¹⁸ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), Recommendation 4, page 30

¹⁹ Letter from the Permanent Secretary, 17 July 2020

Local Authority Grant Schemes

35. Certification (or audit) of grant claims is one of the ways in which grant awarding bodies can obtain assurance of compliance, including entitlement to, and use of, grant or subsidy by the recipient bodies. It has been long-standing practice for the Welsh Government to require – in the terms and conditions for many of its hypothecated grants – local authorities to have their claims for grant funding independently certified (or audited) by the AGW.

36. The Welsh Government Consolidated Accounts 2018-19 reported that the Welsh Government and Wales Audit Office ran a pilot to review the basis for the certification of grant claims:

“The pilot’s objective was to consider the value of a move away from extensive financial transactional testing, to considering what activities were delivered through grants and concentrating the audit focus on whether outcomes had been achieved.”²⁰

37. Later adding:

“A decision has now been taken to remove the need to seek external financial audit scrutiny by Wales Audit Office in respect of grant awards to local authorities. From 2019-20 Welsh Government will place assurance with a suitably authorised officer within the local authority, namely a Section 151 Officer or Chief Finance Officer.”²¹

38. In our ‘Scrutiny of Accounts 2018-19’ Report, we noted we remained concerned about the ‘proposed changes to existing arrangements for the certification of local authority grant claims which remove the requirement for external audit and instead simply require sign-off of claims by a suitably authorised officer within the local authority’.²² We stated:

“The requirement for authorisation of claims by authorised officers was not a new control and the Committee was aware that the audit certification process has, in the past, often identified significant issues

²⁰ Welsh Government Consolidated Accounts 2018-19, (November 2020), page 15

²¹ Welsh Government Consolidated Accounts 2018-19, (November 2020), page 15

²² Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), page 35, paragraph 118

with grant claims even though these authorisation processes were already in place prior to audit.”²³

39. We had been *surprised* that the Welsh Government appeared to have reversed its stance on the desirability of gaining assurance over the extent to which grant funding is delivering intended outcomes recommending:

“...that the Welsh Government provides the Committee with a fuller explanation of how and why it has decided to move from requiring external certification of local authority grant claims to relying on internal sign-off alone, and why it has discontinued its efforts to obtain assurances that grants are delivering their intended outcomes”.²⁴

40. The Permanent Secretary responded:

“The pilot highlighted that the funding was already subject to audit during the annual audit cycle for Local Government. Therefore, following a number of discussions with Audit Wales, the Welsh Government concluded that the audit work already being undertaken along with further assurances from the Section 151 officer at year end, would be sufficient”.²⁵

41. The Permanent Secretary told us ‘all hypothecated grant schemes are subject to detailed terms and conditions and are monitored by relevant grant managers’.²⁶ The Permanent Secretary reported these allowed Welsh Government to ‘retrospectively review compliance and where necessary recover funding’.²⁷

Part 2 - Administration of the Civil Service in Wales

Permanent Secretary Accountability

42. The Permanent Secretary has dual accountability to the Cabinet Secretary and Head of the Civil Service, to whom she reports to as a UK Civil Servant. She is also accountable to the First Minister and the Welsh Government. During our scrutiny last year, we raised concerns about the potential for any tensions or conflicts of interest to arise from this dual accountability.

²³ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), page 35, paragraph 118

²⁴ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), Recommendation 6, page 36

²⁵ Letter from the Permanent Secretary, 17 July 2020

²⁶ Letter from the Permanent Secretary, 17 July 2020

²⁷ Letter from the Permanent Secretary, 17 July 2020

43. The Permanent Secretary told us she had not experienced any difficulties but we recommended, in the interests of transparency, that she provide a detailed explanation of her lines of accountability and any measures in place to address potential conflicts of interest.²⁸

44. In responding to our concerns, the Permanent Secretary explained:

“I appreciate that from the outside it might appear that there is scope for conflict but in practice the arrangements for my reporting responsibilities work smoothly and without difficulty. The First Minister, the Head of the Civil Service and myself are all clear that I look exclusively to the First Minister for direction, for my personal priorities and for the priorities for the Welsh Government civil service. The Head of the Civil Service has not, and would not, seek to influence me in any way in the performance of my responsibilities in serving the Welsh Government.”²⁹

Part 3 – Governance

Board and Audit and Risk Assurance Committee (ARAC) papers ---

45. We previously reported that the agenda and summary minutes of Welsh Government Board meetings were available online but its papers were not.³⁰ This is in contrast to the requirements placed on other public sector bodies, such as Local Health Boards in Wales, which are required to publish papers for board and sub-committee meetings.

46. We appreciate the potential sensitivities and costs involved, but concluded if other public bodies can publish their Board papers, even if that involved some redaction, the Welsh Government and its Sponsored Bodies should look to do the same – or else be very clear why this was not practical. We recommended:

“...that the Welsh Government reviews its approach to the publication of Board and Audit and Risk Assurance Committee (ARAC) papers, and that it does not simply restrict publication to agendas and summary minutes.”³¹

²⁸ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), page 47

²⁹ Letter from the Permanent Secretary, 29 October 2020

³⁰ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), page 12, paragraph 20

³¹ Scrutiny of Accounts 2018-19: Welsh Government, (May 2020), page 25

47. The Permanent Secretary accepted our recommendation.³² While she confirmed Welsh Government would publish Board papers (excepting those containing ‘official sensitive information and the personal details of staff’), this would not be the case for those for ARAC, explaining:

“...given the sensitive nature of many of the papers and the need to provide external members with an environment where they can challenge officials in an open and frank manner, it would not be appropriate to publish associated minutes or papers. We believe that this approach is consistent with other UK Governments and many larger sector public bodies.”³³

48. Following our meeting on 14 September 2020, when we considered correspondence received from the Permanent Secretary during the summer recess, we sought clarification in writing from the Permanent Secretary on why Welsh Government had decided not to do likewise in respect of the agenda and papers for ARAC. We were told, following the Board meeting on 23 October 2020, Welsh Government would start publishing Board papers that are not sensitive or contain personal details.³⁴ In terms of the ARAC, the Permanent Secretary said:

“I think that the most appropriate comparison is not with health bodies or local authorities, whose audit and risk committees certainly deal with important and weighty issues but where there would usually be less sensitivity about the matters under discussion. I think that a better comparison is with UK Government Departments and other government departments where our enquiries indicate that it would not be general practice for papers to be published. I think that it is important that the deliberations of my ARAC provide a private safe space for full and frank discussion and advice to me as Principal Accounting Officer and I am concerned that publishing the papers of the meetings may lead to a dilution of the quality of the deliberations”.³⁵

³² Letter from the Permanent Secretary, 17 July 2020

³³ Letter from the Permanent Secretary, 17 July 2020

³⁴ Letter from the Permanent Secretary, 29 October 2020

³⁵ Letter from the Permanent Secretary, 29 October 2020

49. She added the ARAC Chair had confirmed he is ‘content to share with the PAC in confidence the minutes of the meeting, but cannot agree to minutes and papers being shared publicly.’

Arm’s-Length Bodies

50. In updating us previously, the Permanent Secretary summarised the new arrangements for the Welsh Government’s relationship with its Arm’s-length bodies.³⁶ These included the establishment of the Public Bodies Unit to act as a centre for excellence.

51. The new arrangements also included the removal of ‘Calling-in procedures’, which were the requirement for Arm’s-Length Bodies to refer to the Welsh Government for approval of particular decisions. The new arrangements also included the design of a tailored review process for use with the Arm’s-Length Bodies to:

“...provide assurance to Ministers, the Principal Accounting Officer and Leaders of the bodies themselves on whether our bodies remain fit for purpose and are well governed and properly accountable. The review process will be proportionate to the size of the Arm’s-length Body and flexible in terms of timing and approach.”³⁷

52. We have previously expressed serious concerns about the changes to the ‘Calling-in procedures’ for Arm’s-length bodies stating:

“The removal of the calling in mechanism will reduce the opportunities to provide assurance around the actions of arm’s length bodies. The requirement to report novel, contentious or repercussive decisions provides protection for the Welsh Government and arm’s length bodies. The Committee is not clear why this decision has been taken at this time.”³⁸

53. The Permanent Secretary updated us stating that the new arrangements had been ‘further refined’ with a new procedure in place ‘in the event of a public

³⁶ Letter from the Permanent Secretary, 25 September 2018

³⁷ Letter from the Permanent Secretary, 25 September 2018

³⁸ Scrutiny of Accounts 2017-18, Welsh Government (March 2019), paragraph 165

body choosing to disregard Welsh Government advice on an issue requiring pre-notification'.³⁹

54. On 21 October 2019, the Permanent Secretary told Committee:

“...for me, the focus has got to be on having the right chair and chief exec who are both competent and trained, to have a capable and well-functioning board overall, a good audit and risk committee, and a properly trained accounting officer who is applying effective financial controls, and that we also have the right level of scrutiny through internal and external audit, and also, obviously, through Assembly committees. Obviously, we want to build an effective relationship with the Welsh Government as part of that.”⁴⁰

55. She added:

“...we’re certainly not casting them adrift at all. We want to work more effectively with them and use their and our time better.”⁴¹

56. We have been particularly interested in the tailored review process given its objective of providing assurance to Ministers, the Principal Accounting Officer and the Arm’s-Length bodies on whether they ‘remain fit for purpose and are well governed and properly accountable’.⁴²

57. The Permanent Secretary advised:

“That review will focus on the overall purpose and role of the ALB [Arm’s Length Body], its capacity to deliver the control and governance arrangements that are in place, how the board is functioning, how decision-making structures are functioning, the relationship with the Welsh Government and, in particular, with the sponsor team; also, issues like value for money, whether there’s scope to make savings, what is the digital readiness of that ALB... All of that will be done in partnership—a mix of Welsh Government officials, arm’s-length bodies and independent members as well.”⁴³

³⁹ ~~Letter from the Permanent Secretary~~, 17 July 2019

⁴⁰ RoP, 21 October 2019, paragraph 176

⁴¹ RoP, 21 October 2019, paragraph 204

⁴² ~~Letter from the Permanent Secretary~~, 25 September 2018

⁴³ RoP, 21 October 2019, paragraph 179

58. A challenge process would be undertaken at the end of the process, which would be co-chaired by the Minister for Finance and Trefnydd and the Permanent Secretary. The Permanent Secretary has noted the priority for the tailored reviews would be to assess:

“..the efficiency with which Bodies spend effectively and efficiently the resources allocated to them, including consideration of the outcomes each body can deliver with the resources Ministers allocate to them.”⁴⁴

59. We heard in October 2019 that the National Library for Wales (NLW) had volunteered for the first pilot, with the first challenge panel due to take place in January 2020.⁴⁵ The pilot would be followed up with a full programme of tailored reviews.

60. The results of the tailored review of the NLW were published in March 2020. The Report, ‘A Tailored Review of the National Library of Wales’, did not set out an overall conclusion, but made 34 recommendations in four areas: Relationship with Government; Board and Governance; Effectiveness and Efficiency; and External Engagement.⁴⁶

61. The recommendations were welcomed by the interim President of the NLW who commented:

“It is a thorough and detailed analysis of the current state of play and of the issues faced by the library and we look forward to working closely with Welsh Government to implement its recommendations and to safeguard the library’s future.”⁴⁷

62. The Chief Executive of NLW shared the organisation’s reaction to the review, telling the Senedd Culture, Welsh Language and Communications Committee (CWLC):

“..we were content with the way in which the tailored review was conducted. We developed a very good relationship between ourselves and the panellists (sic.), and the public bodies unit too. It took a little

⁴⁴ Letter from the Permanent Secretary, 27 August 2020

⁴⁵ RoP, 21 October 2019, paragraph 180

⁴⁶ A Tailored Review of the National Library of Wales, March 2020 Appendix 4

⁴⁷ Press Release, A tailored review of the National Library of Wales, 30 September 2020

too long, one could argue, from the start date to the end point, but, apart from that, we did have a number of very constructive meetings.”⁴⁸

63. The Chief Executive also set out the timeframe for implementing the Report’s recommendations, stating that they will be ‘addressed by next April [2021]’, albeit the ‘most important recommendations are absolutely dependant on the level of funding from Welsh Government.’⁴⁹

⁴⁸ Culture, Welsh Language and Communications Committee, RoP, 12 November 2020, paragraph 8

⁴⁹ Culture, Welsh Language and Communications Committee, RoP, 12 November 2020, paragraph 11

4. Scrutiny of the Accounts 2019-20

Part 1 – Reporting outcomes for the money that has been spent

Compliance with the FReM

64. HM Treasury issued revised guidance⁵⁰ on 20 May 2020 given the ‘unprecedented Covid-19 situation and the effect it has had on government entities’. This set out ‘revised minimum reporting requirements’ for 2019-20 for public sector bodies required to comply with the FReM.

65. This guidance noted that there were no changes to the required format and content of financial statements (set out in part three of the Annual Report and Accounts). However, it set out a reduction in the requirements for the Performance Report in part one (and to a lesser extent to the Accountability Report in part two).

66. On 14 April 2020, the Permanent Secretary and the AGW wrote to us jointly with a revised timetable for the Accounts for 2019-20. The letter explained that the sign off of the Welsh Government’s 2019-20 Accounts would be moved to the week of the 26 October 2020.⁵¹

67. This represented a delay of 9 weeks when compared with the previous timetable. The delay allowed an additional 4 weeks for health bodies, a further 2 weeks for audit contingency for further slippage in either health bodies, the Arm’s-Length Bodies or audit.

68. On 6 July 2020, the Permanent Secretary told us the main areas to be omitted from the Accounts for 2019-20 would be the case studies and grants management report.⁵² A separate report would be prepared for the latter.

69. The Accounts were signed off in accordance with this timetable and certified by the AGW on 30 October 2020. In terms of their contents, the Accounts state:

⁵⁰ Financial Reporting Manual Addendum 2019-20, 20 May 2020

⁵¹ Letter from the Permanent Secretary, 14 April 2020

⁵² RoP, 6 July 2020, paragraph 172

“In line with guidance from HM Treasury, due to the current global crisis, Part One of the report has been reduced this year to allow resources to focus on the COVID-19 response.”⁵³

70. We queried the basis upon which decisions are taken about when to follow the FReM.

71. We heard that Welsh Government officials look annually at the performance requirements set out in the FReM and consider what is appropriate for Wales. For example, the revised minimum reporting requirements that were recommended included the removal of data that is not auditable, such as the Sustainability Report, information on grants management and case studies. However, Welsh Government officials felt that reporting on these issues remained important, recognising that grants information is extremely important for scrutiny purposes. This information would normally be included in the Accounts but would be published in early 2021.⁵⁴ At the time of publication of this Report the Welsh Government’s report on Grants Management had not been published.

72. We note the flexible approach taken by the Welsh Government in terms of when it decides to comply with the requirements in the FReM for part one of the accounts. This flexibility is beneficial in enabling the Welsh Government to adapt its approach annually, taking into account various factors. While this allows the inclusion of matters specific to Wales, this flexibility also brings inconsistency and provides an ‘opt out’ which means the Welsh Government does not necessarily have to meet all requirements. There is also a lack of clarity about how decisions to comply are taken and how flexibility is extended to other public bodies in Wales that are required by Welsh Ministers to comply with the FReM.

73. The performance report is a key element of the accounts, providing a context for, and additional information to, the financial statements (set out in part three of the accounts). It should enable members of the public and us to match what has been delivered for the taxpayers’ money that has been spent. While setting out some mandated requirements to facilitate comparison, the FReM requirements for part one of the accounts affords public sector bodies flexibility to tell their own stories about their key activities and outcomes during the year. It is important for the Welsh Government to meet and keep pace with developments in

⁵³ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 2

⁵⁴ RoP, 23 November 2020, paragraph 13

performance reporting, not only embracing best practice but also setting the standard for all public bodies in Wales.

74. In light of the pandemic, we note the flexibility that the revised minimum reporting requirements of the FReM has given. However, given Welsh Government officials themselves felt that reporting on some of these issues remained important for scrutiny purposes, it is unfortunate that publication of its Grants Management report has been delayed.

75. We welcome the publication of the Welsh Government's Outturn Report for 2019-20 within the expected timescale. In the interest of transparency and to facilitate scrutiny, we urge the Welsh Government to continue to publish this report as soon as possible following the laying of its accounts each year, ahead of our evidence sessions.

76. We also welcome that this year, for the first time, the Welsh Government has listed all of its annual reporting documents in a table in its Accounts.⁵⁵ While this makes the connections between the documents a little clearer not publishing these documents concurrently limits the usefulness of this information.

77. The Permanent Secretary has previously set out the practical barriers to publishing reports concurrently, such as when the data becomes available for compiling the reports and that others can only be produced when the accounts have been audited and signed off.

Recommendation 1. While acknowledging practical barriers to publishing all financial reports concurrently, the Committee recommends that the Welsh Government aims to publish these documents either concurrently or as closely together as possible. Specifically, we recommend that the Welsh Government publishes its outturn report as soon as possible following the laying of its accounts each year and ahead of the Accounts Scrutiny sessions.

Recommendation 2. In the interests of transparency, we recommend that the Welsh Government publishes annually details of how decisions have been made in terms of its compliance with the Financial Reporting Manual. We would like to see this information published for scrutiny by the Public Accounts Committee prior to the accounts being prepared. We seek the Welsh Government's view on whether this is possible within the time constraints of any changes to the FReM and the accounts' preparation .

⁵⁵ Welsh Government Consolidated Accounts 2019-2020, (November 2020), page 20

Recommendation 3. We recommend the Welsh Government provide us with an updated timetable for the publication of its Annual Report on Grants Management 2019-20.⁵⁶

Audit Qualification

78. The Auditor General for Wales (AGW) qualified his ‘true and fair’ opinion on the Accounts because the Welsh Government did not include the cost of some of its Coronavirus emergency interventions in its Accounts for 2019-20. This has arisen due to a disagreement with the Welsh Government on a complex technical accounting issue.

79. The AGW set out the basis for his qualified ‘true and fair’ opinion:

“In my view, the announcements and actions taken prior to 31 March 2020 in response to the coronavirus pandemic to ensure that cash was paid out to businesses as soon as possible created a constructive obligation under International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets, and the related costs should have been included in the 2019-20 financial statements.”⁵⁷

80. Accounting standards require the cost of ‘constructive obligations’ to be included in the accounts as soon as they arise.

81. Since the value of the omitted costs was material (£739 million), the AGW judged it to impact on his ‘true and fair’ opinion but only in respect of the accounting for those specific grants. In all other respects, he concluded the Accounts provided a ‘true and fair’ view.

82. The Welsh Government reports it conducted an assessment against accounting standards (specifically, International Accounting Standard (IAS) 37, Provisions, Contingent Liabilities and Contingent Assets) (the Accounting Standard) as to whether any liability for these grant schemes should be included in its 2019-20 Accounts.⁵⁸

⁵⁶ At the time this report was agreed [22 February 2021] the Annual Grants Management Report 2019-20 had not been published.

⁵⁷ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 99

⁵⁸ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 75

83. The Welsh Government states its interpretation of the Accounting Standard was that ‘there is no further legal or constructive obligation at 31 March 2020’.⁵⁹

84. For some bodies including the Welsh Government, the AGW is required to provide a ‘regularity opinion’. In doing so, the AGW is required to conclude in two areas. Firstly, whether the expenditure and income in the accounts have been used for the purposes intended by the Senedd, which approves the Welsh Government’s budget. Secondly, that the financial transactions recorded in the accounts ‘conform to the authorities which govern them’. The Welsh Government’s Accounts report a net underspend against its budget of some £436 million. Therefore, if the Welsh Government had amended the accounts in line with the AGW’s conclusions, it would have exceeded its authorised net expenditure limit approved by the Senedd for 2019-20 by £303 million. This is known as the ‘excess of resources used’. This makes it irregular (or unapproved) and hence the AGW also qualified his regularity opinion.

85. In their joint letter to the Committee on 6 November 2020, the AGW and Permanent Secretary note the ‘difference of opinion’ in their respective interpretation of the Accounting Standard, stating:

“Our teams have met on a number of occasions in an effort to resolve our differences but unfortunately this is one of those rare occasions where Welsh Government and the Auditor General fundamentally disagree on a complex technical accounting issue.”⁶⁰

86. The Permanent Secretary also noted in her evidence that, in the introduction to the Accounts, the Chair of the Welsh Government’s Audit and Risk Assurance Committee reported his conclusion that the accounting treatment applied by officials was ‘appropriate and consistent with the Welsh Government’s accounting policy on and handling of grants’.⁶¹

87. There are some parallels between some schemes for business support provided by the UK Government and the devolved nations. The four audit institutions of the UK came to a consistent view on the appropriate accounting treatment under IAS 37, that a constructive obligation existed at 31 March 2020 for these schemes. The Department for Business, Enterprise and Industrial Strategy (BEIS), the Scottish Government and Invest NI all accounted for the

⁵⁹ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 75

⁶⁰ Joint Letter from the Permanent Secretary and Auditor General for Wales, 6 November 2020

⁶¹ RoP, 23 November 2020, paragraph 31

grants accordingly in line with that view. As a result, none received a 'true and fair' qualification on their accounts.

88. The Comptroller and Auditor General (C&AG) provided an unqualified 'true and fair' opinion on the BEIS Accounts for 2019-20.⁶² However, the C&AG qualified his regularity opinion since BEIS exceeded its approved budget for the year. The Department reports 'this was due to the recognition of Covid-19 business support grants in 2019-20'.⁶³

89. In terms of Northern Ireland, the 2019-20 Accounts of Invest NI⁶⁴ recorded the estimated costs of the Small Business Grant Scheme. The Comptroller and Auditor General for Northern Ireland provided an unqualified 'true and fair' audit opinion on the accounts.

90. The 2019-20 Accounts of the Scottish Government were not available at the time of our evidence sessions with the Welsh Government. However, they were published on 17 December 2020, with the Auditor General for Scotland providing an unqualified 'true and fair' audit opinion since the Accounts included the costs of the schemes.

91. The role of the Financial Reporting Advisory Board (FRAB) is to 'ensure that government financial reporting meets the best possible standards of financial reporting by following Generally Accepted Accounting Practice (GAAP) as far as possible'.⁶⁵ HM Treasury is required to publish in the FReM the changes to accounting guides agreed by the FRAB. It is not FRAB's role to arbitrate on individual accounting judgements.

92. On 26 November 2020, the Welsh Government provided a copy of the paper prepared by HM Treasury for consideration by the FRAB at its meeting on 19 November 2020. This document was provided to us on a restricted basis and we were satisfied with the issues that the FRAB has been asked by HM Treasury to consider.

93. In providing an overview of the matter in Wales, the Permanent Secretary explained that the Welsh Government's position was that there was no need to provide for a liability in the 2019-20 Accounts, because the final guidance for

⁶² Department for Business, Energy & Industrial Strategy. Annual report and accounts 2019-20

⁶³ Department for Business, Energy & Industrial Strategy. Annual report and accounts 2019-20

⁶⁴ Invest Northern Ireland Annual Report and Accounts 2019-20

⁶⁵ Financial Reporting Advisory Board (FRAB)

applications to the support schemes had not been published until 22 April 2020, which fell into the next financial year.⁶⁶

94. That said we noted that some payments were in fact made in 2019-20⁶⁷ and that it was not the case the whole scheme was on hold until final guidance, which we understand was not significantly different to the draft guidance.

95. We questioned at what point a commitment from Ministers to spend a sum of money becomes a tangible commitment to spend. The Welsh Government's Director of Finance explained:

"...an announcement by the Minister would not normally require us to make a provision within the accounts, or indeed accrue for any costs...we feel that until an organisation has actually made an application and meets the eligibility criteria as laid out in the guidance then we would not provide for that on this grant scheme or on any other grant scheme."⁶⁸

96. The Permanent Secretary notes in the Accounts:

"Wales Audit Office disagree with the Welsh Government IAS 37 assessment [...]. It is unusual for there to be such a divergence of opinion between officials and the relevant audit authorities and, therefore, the Welsh Government has asked the Financial Reporting Advisory Board to consider the matter and issue clear guidelines."⁶⁹

97. We considered what, if any, action should be undertaken by the Welsh Government following the AGW's qualified regularity opinion on the accounts. The Senedd's Standing Order 20.37A says:

"If the audited accounts of the Welsh Government for any financial year record an excess of resources used to the amounts authorised or deemed under the Act to be authorised by Senedd budget resolutions, a Welsh Minister may table a supplementary budget motion seeking retrospective authorisation for excesses recorded in the Welsh Government's audited accounts."

⁶⁶ RoP, 23 November 2020, paragraph 26

⁶⁷ **Audit Wales, Commentary on the Welsh Government's Consolidated Accounts 2019-20**, (November 2020) paragraph 21

⁶⁸ RoP, 23 November 2020, paragraph 33

⁶⁹ **Welsh Government Consolidated Accounts 2019-20**, (November 2020), page 75

98. The breach of the budget is reported in the AGW's 'Certificate and Independent Auditor's Report to the Senedd' (the 'audit opinion'). If this were taken into account, the Standing Order requirement would be met and this would suggest a supplementary budget to retrospectively authorise the excess expenditure maybe needed.

99. We considered whether it could be argued that 'audited accounts' should include the auditor's opinion (whether qualified or unqualified) as the accounts would not be considered to be audited without an opinion. However, Standing Orders do not define the term 'audited accounts'.

100. There remains an issue as to whether Standing Order 20.37A should be more explicit in the definition of 'audited accounts'.

Recommendation 4. In light of the qualification of the Welsh Government's Accounts, we welcome the FRAB's consideration of the interpretation of International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets). We recommend that the outcomes of these considerations, including any new guidance are shared with the Public Accounts Committee alongside details of lessons learnt by the Welsh Government and how these will be incorporated into financial processes in the future.

Summary of Resource Outturn 2019-20

101. The Summary of Resource Outturn (SORO) shows that overall the Welsh Government reported an underspend of £436m (or 2.4%) against its total resource and capital requirement of £18.5bn for 2019-20.⁷⁰

102. The Permanent Secretary explained that a number of changes to the SORO Report had been made in response to the Committee's previous concerns but she would welcome feedback on more information that could be included to help in understanding the accounts

103. The Accounts set out an explanation of the variances⁷¹ but while these provide more information than included in previous years not all the explanations are clear.

104. Some of the commentary is confusing and the explanations include information which does not explain the variance. For example, the section for

⁷⁰ Welsh Government Consolidated Accounts 2019-2020, (November 2020), page 103

⁷¹ Welsh Government Consolidated Accounts 2019-2020, (November 2020), page 103

Health and Social Services notes 'the underspend includes a net deficit in the NHS in Wales of £88.7m'. While this deficit is included in the outturn figures (since NHS bodies are within the Welsh Government budget and group boundary), it does not explain why an underspend is reported.

105. The Welsh Government could be clearer in explaining which underspends relate to budgets it could use for other purposes and those which it cannot. Its explanations do not explain the implication of the overall underspend for Wales, the retention of unspent funds in Wales for future use, and the impact on the delivery of the Welsh Government's objectives.

106. The Accounts do not set out the balance against the Wales Reserve, which is used to 'help manage fluctuations in tax revenue and also provides limited ability to carry underspends between years' although we note this is included in the Welsh Government's Outturn Report.

Recommendation 5. We recommend that the Welsh Government reviews the way in which it explains the variances between its budget and outturn, as reported in the Summary of Resource Outturn. This should use plain language to explain the different elements of the budget and the outturn against them. It should also explain the implications of an underspend for the Welsh Government (including the Wales Reserve) and the delivery of services provided.

Performance reporting and Key Performance Indicators (KPIs) 2019-20

107. In the Accounts for 2019-20, the Permanent Secretary says:

"I have been encouraged by the Public Accounts Committee to develop a more comprehensive suite of key performance indicators which can inform and support myself and my senior colleagues in leading the Welsh Government civil service. I welcome this feedback because I too believe that a revised set of indicators will be of considerable assistance to me."⁷²

108. The Accounts set out⁷³ information about the development of the Performance Framework and details of how the framework operates within an annual cycle.⁷⁴ The intention is to introduce the framework incrementally:

⁷² Welsh Government Consolidated Accounts 2019-20, (November 2020), page 54

⁷³ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 8

⁷⁴ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 11

“Reporting on the framework will need to be pragmatic and capable of influencing organisational improvement. The performance framework will run on an annual cycle reporting to the Board in two sessions; one focussing on the “attribute” themes in July and a second session on “function” themes in January/February.”⁷⁵

109. However, the Accounts do not include any detail about the new indicators, the specific targets or performance against them. Nor do they confirm that performance against the indicators will be reported in the Welsh Government’s accounts going forward. The annual cycle diagram, included in the Accounts, does not reference the reporting of performance in the annual accounts.

110. In explaining why the Accounts did not include some of the new performance indicators the Permanent Secretary said:

“I decided that it wasn’t the time to include full details of the system in the published accounts, partly because this was very much an internal tool to help the Welsh Government improve its performance. Much of the information that we draw on to do that is actually sensitive, staff related information.”⁷⁶

111. She added:

“These [KPIs] were never designed as an external-facing set of indicators and frameworks. It’s about how we, within the Welsh Government, hold ourselves to account for the performance of the organisation. The annual accounts are obviously a public document. That’s very different from having a discussion or presenting a report to the PAC about how the system is operating.”⁷⁷

112. It seems that there is no longer an intention to include any new KPIs in the accounts given the Permanent Secretary’s view that the KPIs are an internal tool for assessing how the Welsh Government is performing.⁷⁸

113. Since the Welsh Government had not completed its considerations by the end of the 2019-20 financial year, work on finalising the KPIs has understandably been delayed due to the pandemic. The Permanent Secretary also told us Welsh

⁷⁵ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 10

⁷⁶ RoP, 7 December 2020, paragraph 9

⁷⁷ RoP, 7 December 2020, paragraph 15

⁷⁸ RoP, 7 December 2020, paragraph 15

Government needed to develop related data collection mechanisms. She added she would welcome our views on the KPIs and what they should include⁷⁹. We welcome this opportunity to comment but, given the likely timing, this may be something for our successor Committee to undertake in the Sixth Senedd. We will include a related recommendation in our legacy report. However, we would welcome an update from the Permanent Secretary about any progress made since she gave evidence to us, together with an indication of her estimated timetable for completion.

114. ‘Managing Welsh Public Money’ requires public sector organisations to ‘make available timely information about their services, standards and performance’.⁸⁰ As noted earlier in this Report, we also note the FReM requires public bodies to include a performance report in Part one of the accounts. This should include information about the key performance measures and how the organisation checks performance against those measures, as well as a more detailed analysis of its performance.

115. Having previously accepted our related recommendations and confirmed the KPIs would be reported, we remain disappointed that the Permanent Secretary could not give a clearer commitment to reporting performance against the KPIs in the accounts. The presentation of clear, accessible performance reporting is a key factor in demonstrating accountability. This has driven the recommendations we have made in our accounts scrutiny reports since 2015-16 about the Welsh Government’s performance reporting. As already raised in this Report, and in previous reports, we have concerns about the Welsh Government choosing not to comply fully with the FReM requirements for part one of the accounts and the lack of transparency arising from this.

Recommendation 6. The Committee’s view is that the Welsh Government should be exemplary in its approach to performance reporting. We strongly recommend that the Welsh Government sets out its performance against **all** the KPIs in its Annual Report. This should reflect best practice both on the content and presentation of this information.

Recommendation 7. The Committee recommends that the Permanent Secretary provide an update about the progress made in developing the KPIs and provides the timetable for the completion of this work.

⁷⁹ RoP, 7 December 2020, paragraph 13

⁸⁰ Managing Welsh Public Money, Welsh Government, Para 4.13.1

Local Authority Grant Schemes

116. We note that local authority individual grant schemes are no longer required to be audited by Audit Wales and queried what assurances were being sought now this was the case.

117. We heard that the decision to remove the requirement for external audit by Audit Wales was to take away a procedure that was additional and time consuming.⁸¹ There are other assurances in place that exist not just for local authorities but other organisations that receive Welsh Government Grant Funding.⁸² Section 151 officers are asked to complete annually a statement of expenditure for all grant awards in excess of £100,000 received from the Welsh Government.⁸³

118. The Permanent Secretary assured us that there are very robust assessment systems and measures in place for processing all grants via a grants assessment panel. There is a structured approach to approving new schemes and for each scheme there is a mandatory award letter that sets out standard terms and conditions including what deliverables are expected from that scheme.⁸⁴

119. The Committee discussed this issue with the Director General for the Education and Public Services Group on 8 February 2021. We heard that:

“...obviously, all of the same grant procedures are still in place, all the same grant controls are still in place, and, obviously, local authorities are high-trust, established organisations who have a responsibility, just like the Welsh Government, to ensure best use of public funds. So, I think we do have assurances across our grant funding, and our most recent local authority grant funding has been around the hardship fund, where we have controls in place there and we pay in arrears and we check the claims”.⁸⁵

Conclusions

120. We have not been assured that the Welsh Government has appropriate measures in place to ensure that grant funding to local authorities has been spent

⁸¹ RoP, 7 December 2020, paragraph 153

⁸² RoP, 7 December 2020, paragraph 154

⁸³ RoP, 7 December 2020, paragraph 154

⁸⁴ RoP, 7 December 2020, paragraph 156

⁸⁵ RoP, 8 February 2021, paragraph 200

in accordance with the related terms and conditions, and has delivered the desired outcomes.

121. It is not clear how the annual reporting requirement for Section 151 officers, described by the Permanent Secretary, provides additional assurance since they are required to certify the individual grant claims local authorities submit to the Welsh Government.

Recommendation 8. We recommend that the Welsh Government share with the Public Accounts Committee the papers that informed its decision to end the external audit of local authority grant claims, its evaluation of the pilot with Audit Wales and its risk assessment of the decision.

Recommendation 9. We recommend that Welsh Government provide information about how it obtains the required assurance over grant funding to local authorities following the decision to remove the requirement for audit. This should clarify how the annual statement from Section 151 Officers will provide additional assurance to their certification of individual grant claims.

Part 2 – Administration of the Civil Service

Permanent Secretary Accountability ---

122. There have been some recent changes at the UK Civil Service with a new Cabinet Secretary in post. The Permanent Secretary assured us her accountability arrangements were not affected by this change and, in her view, the new Cabinet Secretary ‘understands well the nature of devolution, and respects the responsibilities we have.’⁸⁶

Staffing Pressures ---

123. We have heard about the pressures on Welsh Government staff during the pandemic. In its Accounts for 2019-20, the Welsh Government reports more than 80% of its staff were engaged in Covid-19 related activity with a ‘significant proportion of staff either being moved to a new Covid-19 role or their current role changing substantially in response to the crisis’. It notes:

“Where additional capability and capacity has been needed, we have worked with colleagues from arm’s length bodies, other government departments or agencies in Wales and the wider Welsh public sector to

⁸⁶ RoP, 7 December 2020, paragraph 23

identify the capability needed and secure temporary agreements to bring people in quickly to support critical work.”⁸⁷

124. On 8 June 2020, the Director General of the Economy, Skills and Natural Resources Group at the Welsh Government (the ESNR Group) set out his assessment of the pressures around capacity:

“...the truth is, I don’t think any administration can cope with a massive pandemic, everything that that has for the economy and do everything that you want to do in Government, and do everything that you need to do, you want to do, in terms of delivering on a suite of Government commitments, and deal with Brexit, and on and on and on. So, it requires prioritisation.”⁸⁸

125. In his Commentary on the Accounts, the AGW reported the strain Brexit and Covid-19 has placed on the Welsh Government’s resources stating:

“Several of our own reports in recent years have highlighted staff shortages and/or turnover as a factor in slow progress against policy delivery ... The Welsh Government has undertaken some limited external recruitment in response to immediate or significant demands such as Brexit and Covid-19. But it has largely sought to address recent operational pressures through other mechanisms, such as moving people internally, temporary allowances for extra duties and secondments as well as through development and training in areas where there are skills gaps.”⁸⁹

126. The AGW also reported the ‘Welsh Government’s work to develop its first ever Strategic Workforce Plan, for 2020-2025, had been delayed by the Covid-19 pandemic’⁹⁰ adding:

“In 2019-20, the Welsh Government undertook a baseline review exercise of all posts in the organisation to try to better understand immediate resourcing pressures and inform longer-term plans for the size, shape and capability of the organisation. We understand that

⁸⁷ Welsh Government Consolidated Accounts 2019-2020, (November 2020), page 27

⁸⁸ RoP, 8 June 2020, paragraphs 224 – 225

⁸⁹ Audit Wales Commentary on the Welsh Government’s Consolidated Accounts 2019-20, (November 2020,) page 35 , paragraph 77

⁹⁰ Audit Wales Commentary on the Welsh Government’s Consolidated Accounts 2019-20, (November 2020), page 35, paragraph 75,

some of the baseline review data was used to identify staff with specific skill sets for essential roles in response to COVID-19.”⁹¹

127. The baseline review was carried out in September 2019 with the objective of taking a thorough look at how resources in the Welsh Government were lined up with Ministerial priorities and portfolios, as well as their statutory delivery responsibilities.⁹² It was also used as a way of identifying the deployment of professional and specialist staff in the organisation, and the areas of work to which they are aligned.

128. The AGW noted the Welsh Government’s intention to undertake a further baseline review later in 2020-21 and the end of the Brexit transition period in December would also ‘return many administrative functions to the Welsh Government that will need to be resourced’.⁹³

129. The Permanent Secretary said few staff within the Welsh Government had been ‘untouched’ by the need to respond effectively to Covid-19⁹⁴ and it had managed its response by ruthless prioritisation and redeployment of people within the organisation.⁹⁵ Therefore resourcing looked very different to how it did last September and showed that workforce planning is never static.⁹⁶

130. The Permanent Secretary confirmed that she has put in place three major pieces of work on future workforce strategy, namely:

- Making the best use of the estate and working methods particularly given the new default of working remotely;
- Moving to the future in post crisis world;
- Future digital strategy.⁹⁷

131. We noted the potential for cross working between public sector organisations in Wales particularly given the pandemic has proven the benefits of

⁹¹ Audit Wales. Commentary on the Welsh Government’s Consolidated Accounts 2019-20. (November 2020), page 35, paragraph 75,

⁹² RoP, 7 December 2020, paragraph 25

⁹³ Audit Wales. Commentary on the Welsh Government’s Consolidated Accounts 2019-20. (November 2020), page 35, paragraph 76

⁹⁴ RoP, 7 December 2020, paragraph 27

⁹⁵ RoP, 7 December 2020, paragraph 27

⁹⁶ RoP, 7 December 2020, paragraph 27

⁹⁷ RoP, 7 December 2020, paragraph 28

staff working across Welsh Government departments, local authorities and some of the Welsh Government's Sponsored Bodies. We heard that the Welsh Government has a strong tradition of secondment opportunities both in and out of the Welsh Government, with secondees working to the pay and conditions of their parent organisations, to help encourage people to move around.⁹⁸

132. We welcome the opportunities secondments bring to an organisation in terms of improving policy thinking and problem solving capacity and would like to see secondments embedded into the Welsh Government's approach beyond the pandemic.⁹⁹

133. We heard that remote working will help to embed a culture of secondments because it is far easier for people to work from different places and without the need to physically move location. The Permanent Secretary told us:

“...more and more, people are looking at wider opportunities than what might have been a traditional career path, and I think all of that will help embed the kind of permeability from which we benefit greatly, and which the First Minister is very keen to encourage”.¹⁰⁰

134. We note in responding to immediate or significant demands such as Brexit and Covid-19, the Welsh Government has largely sought to address these pressures through mechanisms, such as redeploying staff internally, introducing temporary allowances for extra duties and secondments as well as through development and training in areas where there are skills gaps.

135. Although we welcome these approaches, we are concerned that, as noted by the AGW in his Commentary on the Accounts, the Welsh Government's Internal Audit Service has identified weaknesses with some of these workforce management initiatives, giving 'limited assurance' judgements in reports on secondments and the use of agency workers in 2019-20 and in the earlier August 2018 follow up of Temporary Duty Allowances.¹⁰¹

⁹⁸ RoP, 7 December 2020, paragraph 86

⁹⁹ RoP, 7 December 2020, paragraph 93

¹⁰⁰ RoP, 7 December 2020, paragraph 93

¹⁰¹ Audit Wales, Commentary on the Welsh Government's Consolidated Accounts 2019-20, (November 2020), page 35, paragraph 77

Conclusion

136. The AGW's Commentary also sets out that progress with work that he had planned in the area of the Welsh Government's Workforce Planning and Management had been affected by the impact of the Covid-19 pandemic. He states that he expects to report to the Public Accounts Committee in more detail in 2021 on the main workforce issues facing the Welsh Government and its plans to address them. He notes that he has also touched on related matters through his work looking at preparations for the end of Brexit transition.¹⁰² We suggest that our successor Committee considers the findings of these reports.

Recommendation 10. We note the weaknesses identified by the Welsh Government's Internal Audit Service in relation to workforce management initiatives. We recommend the Welsh Government provide the Public Accounts Committee with assurances that these weaknesses have been addressed.

Welsh Language ---

137. During our scrutiny of the 2018-19 Accounts, the Permanent Secretary confirmed she was happy to share papers relating to the development of the Welsh Government's internal use of the Welsh Language Strategy.¹⁰³

138. On 28 July 2020, the Permanent Secretary wrote to the Committee about the launch of the Welsh Government's new strategy, "Cymraeg. It belongs to us all". The Permanent Secretary said:

"The Welsh Government's first ever formal strategy on the internal use of Welsh sets a challenge for us to gradually become a bilingual organisation over the next thirty years. Our aim is that the Welsh Government should be truly bilingual by 2050."¹⁰⁴

139. Adding:

"The strategy sets a long-term goal. But we will concentrate initially on the first five years, 2020-2025, during which we will aim to become an exemplar when compared to similar bodies in Wales."¹⁰⁵

¹⁰² Audit Wales, Commentary on the Welsh Government's Consolidated Accounts 2019-20, (November 2020), page 34, paragraph 72

¹⁰³ RoP, 11 November 2019, paragraph 197

¹⁰⁴ Letter from the Permanent Secretary, 28 July 2020

¹⁰⁵ Letter from the Permanent Secretary, 28 July 2020

140. In defining what is exemplar, we heard that the Welsh Government's key projection is to see an increase in the number of staff who speak Welsh at level 3 or above. The levels start with courtesy Welsh (level 1). The aim is to increase those who speak Level 3 Welsh or above from 22% to 24% and for the Welsh Government to lead the public sector by example.¹⁰⁶

141. The Committee noted that the Welsh Government's new strategy for its internal use of Welsh, 'Cymraeg. It belongs to us all' states:

"The reference to "no Welsh language skills required" when advertising posts no longer reflects the requirements or ethos of the organisation. This is to be replaced, as a minimum requirement for all posts, with wording emphasising that Welsh language skills are an asset to the Welsh Government".¹⁰⁷

142. Given this commitment, we were concerned that a recent Welsh Government job advertisement had been issued in error without courtesy level Welsh Language being a requirement and was rectified¹⁰⁸. Even though the error was corrected, it undermined our confidence in the Welsh Government's commitment to continuous improvement in this area.

143. The Permanent Secretary confirmed that courtesy level Welsh will be included in the induction programme for all new staff and she was trying to:

"generate enthusiasm for the language rather than create any anxiety or a sense that can't come here if you're not a fluent Welsh speaker. I want to encourage good people to come here and encourage them to learn Welsh".¹⁰⁹

One Wales Public Service

144. On 23 November 2020, we asked the Permanent Secretary about work commissioned by the First Minister before he took office [13 December 2018] relating to the 'One Wales Public Service'. This considered how the different roles of the civil service could be strengthened.

¹⁰⁶ RoP, 7 December 2020, paragraph 37

¹⁰⁷ 'Cymraeg. It belongs to us all'. Welsh Government. Action Point 6

¹⁰⁸ RoP, 7 December 2020, paragraph 51

¹⁰⁹ RoP, 7 December 2020, paragraph 62

145. We asked who wrote the papers, what was the status of the work and if the Permanent Secretary could share the content. The Permanent Secretary provided information to us on a restricted basis. She noted there ‘is a really strong personal commitment from the First Minister to develop a One Wales public service’.¹¹⁰

Part 3 – Governance

Board and Audit and Risk Assurance Committee (ARAC) Papers ---

146. Referring back to her correspondence with us in October 2020¹¹¹, we noted the Permanent Secretary’s concerns that publishing papers for the Welsh Government’s Audit and Risk Assurance Committee (ARAC) would dilute the quality of its deliberations. We also noted the difference between the Welsh Government’s approach to this compared with local health board’s audit committees who are required to make public their papers and minutes of their meetings.

147. In explaining the Welsh Government’s approach, the Permanent Secretary said that it was not standard practice for UK Government departments, devolved administrations, or state body ARACs to publish their papers.¹¹² There is specific guidance that relates to NHS bodies in Wales that require all their committees to meet in public and publish their papers on their websites in advance of meetings. The exception being any sensitive or confidential information.

148. The Permanent Secretary told us that the Welsh Government follows the HM Treasury’s Audit and Risk Assurance Committee handbook and therefore best practice for Central Government departments. She said:

“...ARAC membership has to be independent and objective, and that Members should be able to apply real open and constructive challenge to the works of an organisation and to be able to scrutinise all those issues in a very open and frank way. And, obviously, that means that, very often, sensitive and confidential areas of operational activity are discussed.”¹¹³

¹¹⁰ RoP, 7 December 2020, paragraph 64

¹¹¹ ~~Letter from the Permanent Secretary~~, 29 October 2020

¹¹² RoP, 7 December 2020, paragraph 106

¹¹³ RoP, 7 December 2020, paragraph 107

149. The minutes are made available to the Welsh Government's internal and external auditors, including Audit Wales, who are invited to all ARAC meetings and receive all papers.

Conclusion

150. We discussed the Welsh Government's reasons for not fully adhering to Recommendation 1 of our Scrutiny of the Accounts 2018-19 report. We appreciate that the minutes of Welsh Government ARAC meetings can contain sensitive information and are not deemed appropriate for full publication. We are of the view that minutes, with appropriate redaction, could be published on the Welsh Government's website.

Recommendation 11. We recommend that Welsh Government ARAC meeting agendas together with an appropriate summary of issues arising from meetings, are published as a minimum.

Job Support Wales

151. On 30 January 2020, the then Minister for Economy and Transport issued a written statement about employability support in Wales which reported:

"Following technical issues with a recent procurement exercise, including particular issues around the moderation process leading to final tender scores, we have had to revise our approach and the Job Support Wales Programme will now not go ahead as originally planned."¹¹⁴

152. On 8 October 2020, the Minister for Economy, Infrastructure and North Wales provided an update stating that the Minister for Finance and Trefnydd had commissioned a review of the 'difficulties' experienced with the procurement, the findings of which made number of recommendations to strengthen internal processes, and these were being taken forward by officials.¹¹⁵

153. As part of our ongoing inquiry into Public Procurement, the Welsh Government have provided us with an update¹¹⁶ on the procurement process for

¹¹⁴ Minister for Economy and Transport, Written Statement: Employability Support in Wales, 30 January 2020

¹¹⁵ Minister for Economy and Transport, Written Statement: Review of Job Support Wales Procurement – Up-date, 8 October 2020

¹¹⁶ Letter from the Director General for Economy, Skills and Natural Resources Group, 7 September 2020

Job Support Wales. We were also told by the Director General for the Economy, Natural Resources and Skills Group that he hoped to publish the findings of the review in full and if not would consider means by which to share these findings with the Committee.¹¹⁷

154. The Accounts report the Job Support Wales programme was:

“...curtailed before formal contract award as a result of legal advice which suggested the quality of the information provided to support the final decision was not strong enough to survive a legal challenge. QC advice indicated this course of action represented the ‘least worst option.’”¹¹⁸

155. The Accounts also note the independent review found “although the assessment of bids is a subjective process, the level of detail in the narrative to support the final decision was not sufficient”, later adding:

“Counsel determined that the standard Welsh Government procurement processes lacked sufficient robustness to defend this type of challenge. We have evidenced improvements to ensure the risk of successful challenge is mitigated in the future but more needs to be done to enhance the processes, especially improved guidance on the level of narrative required to support final decisions, within both procurement and policy teams across the Welsh Government.”¹¹⁹

156. Although not related specifically to Job Support Wales, we have previously written to the Permanent Secretary about the importance of documenting decisions. In correspondence with the Permanent Secretary about the Welsh Government’s response to Covid-19, we stressed the importance of Welsh Government recording full written analysis of its decisions.¹²⁰ In response, she said:

“I have already written to all of my additional accounting officers emphasising the importance of maintaining and retaining records of the need being met, the reason for the decision taken and any potential risks. Furthermore, any supplementary guidance we issue to

¹¹⁷ RoP, 14 September 2020, paragraph 154

¹¹⁸ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 65

¹¹⁹ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 65

¹²⁰ Letter to the Permanent Secretary, 17 April 2020

staff in relation to expenditure incurred in tackling Covid-19 is also used to reiterate this need for robust record keeping.”¹²¹

157. At our meeting on 8 February 2021, we asked the Director General for Economy Natural Resources and Skills for an update on the outcome of the Job Support Wales review. We heard that work was ongoing by the Welsh Government’s Internal Audit team to cross check the final report to ensure it is entirely fair to all the parties concerned, particularly given the high degree of sensitivity around it.¹²²

158. We asked whether the review outcomes are likely to enhance the Government’s procurement processes and improve the narrative required to ensure the correct decisions are being made.

159. We heard:

“At its heart, I think the issue with the JSW procurement was around how things were recorded, in particular how qualitative assessments of a panel were recorded, the degree to which those findings were set out and how they were set out, and that is a key area for us to learn from for the future. That would be my main takeaway from that work”.

160. We were assured a copy of the report would be published shortly.¹²³

Conclusion

161. We suggest that our successor Committee in the Sixth Senedd considers the outcome of the review of Job Support Wales given this Committee’s long term interest and concern regarding the documenting of decisions across the Welsh Government.

Fraud

162. In July 2019, the Committee convened a stakeholder event to discuss and share good practice on Counter Fraud in the Public Sector. We made two recommendations to the Welsh Government following this event:

- We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales

¹²¹ ~~Letter from the Permanent Secretary~~, 28 April 2020

¹²² RoP, 8 February 2021, paragraph 110

¹²³ RoP, 8 February 2021, paragraph 112

to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

- We ask that the Welsh Government consider how it can best provide stronger national leadership and better quality guidance on the sharing of information to help strengthen and improve the impact of counter fraud activities across the Welsh public sector.¹²⁴

163. The Permanent Secretary accepted both recommendations and noted officials would discuss including an item on the agenda for the Partnership Council and its Finance Sub-Committee.¹²⁵ She also confirmed her support to ‘increase the understanding of fraud and the consistent application of best practice techniques across the Welsh Public Sector’¹²⁶, noting the work of the Wales Fraud Forum. She explained:

“The introduction of the Digital Economy Act gives the Welsh Government and certain scheduled Welsh public bodies useful new powers to share data with each other compliantly to identify potential fraud. Officials are working on setting up the appropriate governance for taking forward the use of these new powers in Wales, and are aiming for a panel to be in place by the end of the financial year to consider potential uses of the powers.”¹²⁷

164. In July 2020, in his report, ‘Raising Our Game’ Tackling Fraud in Wales’, the AGW reported:

“...some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative.”¹²⁸

165. The Report recommended:

“The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating

¹²⁴ [Letter to the Permanent Secretary](#), 26 August 2019

¹²⁵ [Letter from the Permanent Secretary](#), 24 September 2019

¹²⁶ [Letter from the Permanent Secretary](#), 24 September 2019

¹²⁷ [Letter from the Permanent Secretary](#), 24 September 2019

¹²⁸ Audit Wales Report, [“Raising Our Game” - Tackling Fraud in Wales](#), 30 July 2020

role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.”¹²⁹

166. In October 2020, the AGW published his Report, *The National Fraud Initiative in Wales 2018-20*, which stated:

“The COVID-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud has increased as organisations become stretched and controls and governance are changing.”¹³⁰

167. In updating us on how it has responded to the AGW’s recommendation that the Welsh Government should enhance its leadership of counter fraud, we heard that the Head of Counter Fraud in the Welsh Government is the deputy chair of the Wales-wide fraud forum.¹³¹

168. We believe the Welsh Government should be an exemplar in its approach to counter fraud and welcome the approach taken by the Welsh Government to regularly raise awareness of fraud risks in its contact with public sector bodies in Wales. The Permanent Secretary explained that the Welsh Government also regularly meets with the UK Cabinet Office counter fraud team to ensure it is up to date on the latest developments, sharing intelligence and lessons learned. It does this through disseminating that learning and identification of potential fraud threats throughout the Public Sector in Wales. The Welsh Government also participates in the UK’s national fraud initiative to ensure it benefits from the information and best practice ideas that provides.¹³²

169. Looking to the future, and specifically the increased risk of fraud posed by the Covid-19 pandemic, there will be new challenges for the Welsh Government in ensuring it has governance mechanisms and the resources in place to counter these. We note the Permanent Secretary’s comments that she expects ‘there to be quite a lot of work on this next year when all of the UK Covid-19 funding is cross matched’.¹³³

¹²⁹ Audit Wales Report, “**Raising Our Game**” - Tackling Fraud in Wales, 30 July 2020, Recommendation 1, page 8

¹³⁰ Audit Wales Report, **The National Fraud Initiative in Wales 2018-20**, page 2

¹³¹ RoP, 7 December 2020, paragraph 140

¹³² RoP, 7 December 2020, paragraph 141

¹³³ RoP, 7 December 2020, paragraph 142

170. The Welsh Government is working closely with the UK Cabinet Office in terms of potential Covid-19 related fraud and its Head of Counter Fraud has established a post-Covid-19 counter fraud assurance group, which brings together internal audit and the grants centre of excellence to look at all Welsh Government-funded Covid-19 related grant schemes.¹³⁴

Conclusions

171. We note the importance placed by the Welsh Government and the AGW on counter fraud and that it is an issue that remains a priority given the increase in potential for fraud to occur. This will be a vital strand of the Public Accounts Committee's work in the sixth Senedd in a post Covid-19 climate.

172. We believe that counter fraud mechanisms will be of increased importance in the current pandemic and recovery period. We suggest that our successor Committee in the Sixth Senedd is provided with details of the work planned to cross match Covid-19 funding and any subsequent outputs.

Arm's-Length Bodies

173. The Welsh Government reports, in its Accounts for 2019-20, it will develop a full programme of reviews for arms-length bodies to take place after the Senedd elections in May 2021.¹³⁵

174. We heard previously that the tailored review process would be proportionate to the size of the Arm's-Length Body and will determine its value for money and efficiency. We asked the Permanent Secretary for her views on whether the tailored review of the National Library of Wales (NLW) achieved those objectives.

175. We heard that the review was successful and led to the development of an action plan to take forward the recommendations arising from the review. One of the noticeable successes was the collaborative approach to the review between the Welsh Government and the NLW.¹³⁶

176. In terms of how useful the review was in identifying the most pressing issues facing the NLW and the obligations of the Welsh Government, we were told that it highlighted the need for skills in the future that had not been identified before. It

¹³⁴ RoP, 7 December 2020, paragraph 142

¹³⁵ Welsh Government Consolidated Accounts 2019-20, (November 2020), page 52

¹³⁶ RoP, 7 December 2020, paragraph 161

also identified that the NLW had not prioritised the demands of their commercial activities going forward.

177. We agreed with the findings of the review and recognise the threat to the NLW's financial viability in the future particularly in the context of the pressures on public resources. These are all concerns we raised in our previous scrutiny of the NLW's accounts in 2016-17.

178. The future funding of the NLW is a matter for Ministers to consider but the review is a useful tool in objectively reporting on the challenges facing the NLW and will assist Ministers in their considerations. We note the recent statement by the Deputy Minister for Culture, Sport & Tourism on, *Funding for our national cultural institutions*, which announced a new funding package for the National Library of Wales.¹³⁷

179. The Covid-19 pandemic has delayed the planned programme of reviews of arms-lengths bodies but it is intended to roll out the programme on a risk-based approach in the new Senedd term. This risk based approach will be based on the size of the organisation, the issues being faced and the way future changes may be affecting them.¹³⁸

180. We note from our previous scrutiny the Welsh Governments approach to managing its Arm's Length Bodies since its removal of the calling-in procedure. We previously reported our concerns about the risks associated with this change in accountability.¹³⁹ We committed to monitoring the effectiveness of the Welsh Government's Public Bodies Unit in improving engagement and the governance arrangements between Welsh Government and Arm's-Length Bodies by following up on these matters in our future scrutiny.

181. We note from our scrutiny of the Accounts 2019-20, the role of the Public Bodies Unit in liaising with Welsh public bodies on common issues specifically in relation to Covid-19 related matters.¹⁴⁰ For example, the Unit has played a role in sharing experiences on remote working, fraud, and furloughing staff.

182. The Permanent Secretary has previously told us that the Public Bodies Unit would be preparing a lessons learned report, originally scheduled for the end of December 2019. She advised this would assist her in forming a view on the

¹³⁷ **Written Statement: Funding for our national cultural institutions**, 3 February 2021

¹³⁸ RoP, 7 December 2020, paragraph 172

¹³⁹ Scrutiny of Accounts 2018-19: Welsh Government, May 2020, paragraph 117

¹⁴⁰ RoP, 7 December 2020, paragraph 174

efficiency and effectiveness of these new arrangements, and that a copy of the report and her conclusions would be shared with the Public Accounts Committee.¹⁴¹

Conclusion

183. We understand that the Covid-19 pandemic has delayed the Welsh Government's planned programme of reviews of Arm's Length Bodies. We welcome that the intention to roll out the reviews, using a risk based approach, in the Sixth Senedd.

Recommendation 12. We recommend that the Welsh Government shares with the Public Accounts Committee the evaluation of the pilot review of the National Library and a commentary of any lessons learned. The Welsh Government should also publish timescales for evaluation reviews of other Arm's Length Bodies and details of how a risk based approach has been used to determine the order of priority for these reviews.

184. Noting the potential impact of the pandemic, we are yet to see a copy of the lessons learnt and details of the Permanent Secretary's conclusions in relation to the new arrangements since the removal of the calling-in procedure.

Recommendation 13. We recommend that the Welsh Government provides the Public Accounts Committee with an update on the timescales for the evaluation of the Public Bodies Unit and receives a copy of any report and conclusions.

¹⁴¹ Letter from the Permanent Secretary, 27 September 2019
