

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

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

1 June 2020

Dear Mr Ramsay,

## Covid-19

Thank you again for the time the committee was able to devote to the important matter of how the Welsh Government is responding to the Covid-19 crisis. As agreed I have attached:

- Details of the role and remit for the ExCovid group which oversees and co-ordinate the actions of the Welsh Government civil service in responding to the current crisis – annex A.
- The processes and proposals Internal audit have/will carry out in financial years 2019-20 and 2020-21 – annex B; and
- The diagram outlining the Welsh Governments governance framework for dealing with all things Covid-19, which I referred to during the PAC but was not able to share via video link – annex C.

I will write separately to Committee members as soon as I am able to do so on the report into letters sent to incorrect addresses from the Information Commissioners Office and the results of the Crisis Survey Response.



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Yours,

Shan Morgan

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Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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### **ExCovid Terms of Reference Role**

To oversee and co-ordinate the actions of the Welsh Government civil service to ensure delivery of key policy and operational objectives and so provide effective support to Ministers to assist them in dealing with the Covid-19 crisis. This includes;

- Providing assurance to the Permanent Secretary that the civil service is doing all it can to help manage the Covid-19 crisis and is meeting the expectations of Ministers
- Ensuring delivery of the Welsh Government's critical policy and operational priorities
- Overseeing and reviewing the wider portfolio of policy delivery to ensure it meets the needs of the Covid-19 crisis and is delivered effectively;
- Ensuring clear prioritisation of work on Covid19 and identifying and removing areas of duplication of effort and activity: and
- Developing clear strategic vision for policy evolution, including into the recovery phase

The requirement for speed of decision-making means that sometimes the Permanent Secretary or other senior staff will need to take decisions outside of meetings of ExCovid. In these cases, the decisions will be reported back to ExCovid at the next possible opportunity.

ExCovid is the strategic decision making forum on Covid-19 Policy response that supports the Permanent Secretary as Principal Policy Advisor to the First Minister, Principal Accounting Officer and Head of the Welsh Government civil service to monitor and lead the Welsh Government response to the Coronavirus – Covid-19.

#### **Membership**

Normal ExCo members plus Reg Kilpatrick or representative; CMO or representative; Toby Mason or representative; Tim Render; Head of COVID-19 Project Team or representative.

#### **Frequency of Meetings**

Meetings will normally take place at least once a week and as often as necessary. Members will be given the opportunity to attend remotely.

#### **Secretariat**

The Secretariat will be provided by the COVID-19 Project Team



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### INTERNAL AUDIT POSITION

#### Financial Year 2019/20

The programme of audit work for 2019/20 had been modified to allow Internal Audit to take account of changes arising from Brexit preparations. Due to Brexit uncertainties in policy/business areas, a decision was taken to undertake more advisory assurance work on an agile basis as risks became clearer over the year and, instead, to focus audit work on core corporate finance systems and business processes. A sufficient body of work was completed to allow the Head of Internal Audit to deliver an assurance for the year, despite the constraints on audit work during the final month of the financial year due to Covid19.

#### Financial Year 2020/21

##### 1. Background

Before March 2020, Internal Audit had undertaken a significant update of its “Audit Needs Assessment” to identify the areas of WG activity it wished to review during 2020/21. However, following the outbreak of Covid19 and the significant impact this has had on all aspects of WG activity, the proposed plan of work has been revisited.

##### 2. Revised Audit Approach

Most of the IAS resource has been redeployed to support aspects of emergency response across different parts of the organisation, on the basis it is no longer possible to carry out audit work as planned. However, a core team of internal auditors has been left in place to carry on with audit and assurance activities during the Covid emergency.

The objective of this IA “Core Team” is to support and advise on new measures arising from the Covid-19 crisis and to gain assurance on the changes being made to the frameworks for governance, risk management and internal control. These include new structures/forums being established, modifications to existing systems or processes, changes to delegations and controls and new funding arrangements.

The Core Team will provide assurance on the various new initiatives to tackle different aspects of the crisis and also provide assurance whether the measures taken are designed and managed with full regard for propriety, regularity and value for money in respect of public spend. Our key focus will be on the identification and management of risk.



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In term of audit approach, “observation” has long been a valid tool for auditors to use to obtain assurance. Its use has reduced the more processes and controls have become computerised and then digitised. However, this is absolutely the correct audit tool to deploy during an emergency situation. The core IAS team can generate assurance on the changes agreed to address Covid-19 by “observing” the audit trail for major decisions, including new documentation being generated and corporate messages being circulated to give direction and set expectations. It can also obtain assurance by observing key committees and by undertaking business process reviews on new arrangement put in place. In effect, this generates “real time” assurance.

It also provides the opportunity for Internal Audit to identify “lessons learned” which are being captured as they are identified. When necessary, recommendations are being made by Internal Audit as issues are identified. Other lessons are being captured for later lessons learned exercises to contribute to the improvement of processes and procedures.

In addition to observation, at the appropriate opportunity, we will also deploy a more “transactional” approach (supported by data analytics) to check retrospectively the application of modified delegations and internal controls and to identify any anomalies or concerns. Some of this work may require data sharing with other public bodies and we are already engaged with the WAO to explore how this might be achieved via the expansion of the National Fraud Initiative data share.

The WG anti-fraud capability is being maintained and the Counter Fraud service has already produced a pro-active fraud awareness guide and is contributing currently to a new Security Bulletin focusing on cyber-based fraud and other cyber risks arising during Covid19.

We are also keeping in close contact with the WAO, our professional institute (the IIA), the Internal Audit Standards Advisory Board (IASAB) which is responsible for Public Sector Internal Audit Standards (PSIAS) and the Government Internal Audit Profession (GIAP) for “head of profession” guidance and to share our respective approaches to assurance. To date we are in reasonable alignment with our GIAP colleagues.

We recognise:

- The IAS redeployments are in an “executive” capacity so we cannot maintain our usual level of independence and objectivity as auditors – this can only be done by the remaining Core Team – but we already have protocols in place to manage any such conflicts of interest effectively and will use these experiences to contribute to any future lessons learned exercises.



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- The remaining Core Team is very small and we cannot be sure, at this stage, whether it will be sufficient to maintain effective oversight of all governance and control changes but we will keep this under constant review.
- We may struggle to keep our “business intelligence” about new measures up-to-date. We will rely on senior officials and decision-makers to let us know about key changes to governance and control arrangements. However, by keeping in close contact with Finance and Governance colleagues and the Operations Directors, we do not expect this to be a significant challenge based on our experience to date.

### 3. “Business as Usual”

Now IAS has organised its response to the Covid19 emergency and we have an understanding how the organisation is responding, we intend to undertake a review of the work we would otherwise have done during 2020/21 to identify:

- any regulatory audits which we must still undertake (such as the annual pensions audit review);
- key areas of “normal” activity which are still continuing which were flagged for audit during 2020/21 and which still warrant inclusion in this year’s audit programme.

We will need to ensure audits on these areas can still form part of the audit programme for the year, in order to provide a competent audit opinion at the end of the current financial year.



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