

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Mr N Ramsay MS Chair,  
Public Accounts Committee  
Welsh Parliament  
Cardiff Bay  
CF99 1NA

6 November 2020

Dear Mr Ramsay,

The 2019-20 Consolidated Accounts for the Welsh Government have been qualified on the basis of a difference of opinion between officials from the Welsh Government and the Auditor General on the interpretation of accounting standard IAS37 – provisions, contingent liabilities and contingent assets; and its application in respect of grant support for small businesses and the leisure, hospitality and retail sectors.

The key issue in terms of the Welsh Government Consolidated Accounts for 2019-20 is whether a liability for these grant schemes should be recognised as at 31 March 2020. There is a difference of views on this. The Welsh Government and the Auditor General have assessed the grant schemes against IAS37. The Welsh Government concluded that there was no need to provide for a liability in the 2019-20 accounts. The Auditor General does not agree and has given a qualified true and fair opinion of the accounts on the basis of a material omission of expenditure in the 2019-20 accounts. Furthermore, had the Welsh Government provided for the liability, it would have exceeded its authorised net expenditure limit approved by the Senedd for 2019-20. Consequently, the Auditor General has also qualified his regularity opinion.

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. In



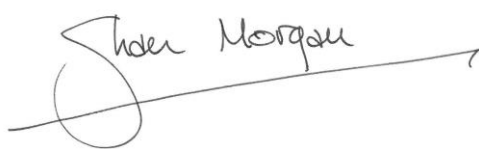
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many ways it is unfortunate that we have been unable to agree on an outcome as despite the Covid crisis we have seen further improvements in the preparation and audit of the 2019-20 accounts, with deadlines by both teams being fully met. Nevertheless, we both recognise the seriousness of a qualification of the accounts and will be ensuring that our teams work closely together to consider any wider potential implications and work through what is now needed in terms of the qualification on the Accounts. The Auditor General will update you separately to set out the requirements in regard to the qualification on the Accounts.

Yours,  


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



**Adrian Crompton**  
Archwilydd Cyffredinol Cymru/  
Auditor General for Wales  
Archwilio Cymru/Audit Wales



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