

Dr Andrew Goodall  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Chair  
Welsh Government

Mark Isherwood MS  
Public Accounts and Public Administration Committee  
Welsh Parliament  
Cardiff Bay  
CF99 1SN

05 September 2023

Dear Mr Isherwood

## Public Accounts and Public Administration Committee – Welsh Government Annual Report and Accounts 2020-21

Thank you for your further letter of 18 July concerning the Welsh Government Annual Report and Accounts 2020-21. I will respond to the queries in the order raised.

**Recommendation 1 - the Committee recognises the potential value of secondments, but remains concerned about longer-term appointments on that basis, due to issues around terms and conditions as well as the transparency of those arrangements. We note the Welsh Government's policy states secondments, even with an extension, should "never last for longer than 4 years". The terms of your appointment to the Welsh Government, initially as Director General for the Health and Social Services Group and Chief Executive of NHS Wales and now as Permanent Secretary, appear to contravene this policy.**

**In your response, you say your HR team is to "review and improve" the Welsh Government's Secondment and Loans policy and is "supporting Welsh Government processes" following internal audit work. We would welcome clarification if this is linked to the evidence you gave the Committee in March about Internal Audit issuing three limited assurance reports during 2021-22, one of which was on "secondments and broader arrangements". We would also welcome information about the timeframes for completing the review.**

Whilst I note the Committee's continued concern about the terms of my appointment, there is very little that I am able to add to my previous response where I set out our own policy, and the Cabinet Office approach to secondments, both of which provide provision for exceptions. HR policies provide a framework that cater for most scenarios,



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but they can never cover every different circumstance. Many secondments are put in place via a direct appointment, to bring specific expertise into the organisation but it means there hasn't necessarily been an open advertisement for that opportunity. That is where the four-year tenure becomes important and ensures we are not retaining people for an unduly long, uncompleted period. Even then, there is scope for extension if there is a justified case that can be made to the Civil Service Commission for doing so. There is more flexibility to extend secondments that have been put in place via a fair, open and on merit process (as my secondment was) and this is the flexibility that was applied to the secondment arrangements in place for my DG role. All secondments and extensions are approved in line with Commission principles and Cabinet Office requirements that are in place.

I can only seek to further re-assure PAPAC that all necessary approvals have been gained and statutory requirements for appointment on this basis have been followed for each of the senior appointments in question, including my own to Permanent Secretary. I am aware you are asking me about a process relating to my appointment that I did not oversee and which was managed by Cabinet Office at UK Government level, with the personal involvement of the First Civil Service Commissioner. My appointment and the secondment offer to me subsequently was cleared at the highest levels. I was appointed after a competitive Civil Service Commissioner-led process that is applied consistently to recruitment to senior roles in all Government departments; and it is not appropriate for me to personally explain the process. For this reason I suggest any further issues are explored directly with the Cabinet Office if you have outstanding questions.

I can confirm that the review of our secondment and loans policy was related to work undertaken by Internal Audit colleagues, and the limited assurances found as part of that work. The Internal Audit report and recommendations have been subject to ongoing internal monitoring to track progress against delivery deadlines - with the last report produced in June 2023. The next progress report will be finalised at the end of September and reported to the Chief Operating Officer and will reflect the status of all recommendations which are closed and including any subset actions which have a delivery deadline of August 2023 or beyond.

**Recommendation 4 - the Committee requests additional information about the terms of Judith Paget's appointment. We note that your response is dated 19 May, with the public announcement of Judith's appointment following on 1 June. The Committee was notified of the appointment in a letter dated 6 June that was not sent to the Committee until 12 June. Given our interest in this matter, we are disappointed to have been notified of the appointment 12 days after the announcement was made.**



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**In relation to your response to recommendation 4, you stated that it “would not be appropriate to comment on a live recruitment exercise apart from to outline that the process is currently at the assessment stages”. We believe that the Committee should, at the very least, have been provided with the basic details of when the job was advertised, the closing and interview dates, the job description, and the salary band. Please can you confirm at what salary band the Director General has been appointed?**

**We note that the recruitment was chaired by a Civil Service Commissioner and followed the external recruitment process set by the UK Cabinet Office as is the case for all Director General level appointments across the UK Civil Service. We have concerns that this is a recruitment process that suits a civil service need with NHS leadership a secondary concern.**

**Could you provide detail on the job advert and how and where it was advertised to alleviate these concerns? Please can you also clarify the terms of appointment including whether the Director General remains on secondment from Aneurin Bevan UHB?**

As requested, I have attached the advert and candidate pack for the role of Director General, Health and Social Services/ Chief Executive NHS Wales, Welsh Government.

[Director General, Health and Social Services/ Chief Executive NHS Wales, Welsh Government - Welsh Government \(tal.net\)](#)

The application period opened on 15 February 2023 and closed on 12 March with an advertised salary band of circa £180,000 (panels have discretion with Commissioner approval to appoint external candidates up to a range of 20% of the advertised salary). Details of the rigorous selection process and associated dates for each stage can be found in the advert and repeated in section 7 of the Candidate Pack.

The post was advertised on the Welsh Government recruitment portal and the Civil Service jobs board; we also engaged a global executive head-hunter company, with expertise in NHSs and healthcare recruitment, to act on our behalf and to conduct an international search.

With regards to your comments regarding the NHS leadership role being a secondary consideration, you will see from the candidate pack that this was not the case, and that responsibilities of both the Welsh Government Director General role and the leadership and oversight of NHS Wales have been very clearly set out. Appointing a candidate with the leadership capability and experience to manage the dual responsibilities of the role was the focus of the assessment. This was a very full part of the assessment, including panel members with NHS experience. The Panel was personally chaired by the First



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Civil Service Commissioner to guide the process and outcome. Noting members' views on NHS context, I would emphasise the process has to be civil service-led as, it is a substantive civil service post.

As you identify, Judith Paget's appointment to the role was published in the public domain on 1 June. We committed to informing PAPAC of the employment arrangements for senior officials (DG and above) within a reasonable timeframe, once due process for an appointment is concluded and announced, balancing the right to confidentiality for the individual and in line with aspects of appointment arrangements PAPAC has previously indicated an interest in. The letter from our HR Director provided further detail on the process and information about Mrs Paget's intention to leave her NHS employment which quite rightly had not been made public and we fully discharged our commitment to you in this matter. Judith currently remains on secondment with us whilst work on her final terms and conditions of service are still underway, and she completes her formal notice period from her previous NHS employer to join the civil service. Whilst we will be as transparent as we can be around the final details once these are confirmed, we can only disclose those details to you when it is appropriate to do so.

**Recommendation 7 – the Committee notes your response and your commitment to agreeing with the Committee the scope of the term “substantive changes”, for account disclosures or notifying the Committee of changes to working arrangements or remuneration. The Committee invites the Welsh Government to set out, in its response to this letter, its suggestion for what this would include.**

For 'substantive changes' disclosures for the Remuneration Report disclosures in the annual accounts, we suggest that this would include:

- Explanation of pension benefits disclosed in the Single Total Remuneration and if there are negative figures / unusual figures explanation of the factors causing such movements.
- For Senior Officials on secondment the start and end date of secondment terms, clarification what terms and conditions the secondee is employed upon, and if the secondment is extended details of the extension start and end date.
- Start dates for new appointments to Senior Official roles and whether appointment is substantive or Temporary Promotion Assignment.



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- End dates for cessation of Senior Official roles, and whether cessation is due to end of secondment, end of fixed term contract, retirement, resignation, organisational restructure etc.
- Details of pay awards applicable to Senior Officials for the financial year reported upon.
- Full-Time Equivalent salary for any staff who take up appointment part way through the year or who undertake a role part-time.
- A statement that an official is part-time and when part-time working commenced if in-year.
- Disclosure if an official has taken partial retirement, and confirmation whether their salary and their working hours have been reduced, and what their full-time equivalent salary would be.

For notification to the Committee of substantive changes to working arrangements or remuneration, we suggest this would involve a quarterly update to PAPAC and would include:

- HR team to inform PAPAC about future secondment arrangements for any role at SCS pay band 2 (Directors and above) when the secondment commences and where applicable, at the point any amendments to terms are made.
- Where the Remuneration and Staff Report in its Accounts and/or in its Pay Policy Statement disclose information about individual members of staff who are on secondment, we will report the term of office for the arrangements in those published documents.
- We will inform PAPAC of any changes to the Permanent Secretary's working arrangements at the point a decision is made.
- We will inform PAPAC of any changes made to the working arrangements of Director Generals at the point a decision is made.



**Recommendation 11 – We note the rejection of this recommendation. Whilst we acknowledge your explanation, the Committee’s recommendation related to the Welsh Government providing more information in its 2021-22 Accounts about its estimate of fraud and error than it did in its 2020-21 Accounts, as opposed to asking for inclusion.**

**The Welsh Government’s 2020-21 Accounts included its estimate of fraud and error, without accompanying narrative to explain the evidence on which it was based and its calculations. This information was provided in the Auditor General for Wales’ Memorandum for the Committee on COVID-19 business support in 2020-21 (October 2022).**

**The Committee acknowledges the Welsh Government provided commentary about its estimate of fraud and error in its 2021-22 Accounts. However, this does not appear to present the estimate of fraud and error which is comparable to, or updated from, the basis adopted for 2020-21. In addition, the statement in your 2021-22 Accounts that “no issues have been identified” from local authority returns for 2020-21 seems at odds with the supporting evidence for the 2020-21 estimate range, as noted by the Auditor General for Wales.**

**We would welcome further explanation and an update regarding the Welsh Government’s estimate of the overall level of fraud and error across its COVID-19 business support, whether for funding administered in 2021-22 only and/or the consolidated position covering all schemes. This should allow for comparison with the information to support the estimate of fraud and error for 2020-21.**

**We are also concerned that the wording of the recommendation in your letter of response does not match the wording included in the report, which could lead to confusion. We ask that the Welsh Government ensures that the full wording of future recommendations is included in responses in the future, if the Welsh Government intends to quote them.**

To further clarify, the estimated level of fraud and error contained in the 2020-21 and 2021-22 Welsh Government Consolidated Accounts was an estimate based on the evidence we had available at the time.

In 2020-21 the reported incidence of fraud and was less than 0.08% In 2021-22 the error/fraud rate remained below 1%.

This compares to the UK Government’s Department for Business, Energy and Industrial Strategy (BEIS) fraud and error rate, which was estimated in its Annual Report and Accounts 2020-21 at 8.9% (In 2021-22 this rate was 8.4%). Similarly, the fraud and error rate reported by the Scottish Government was between 1-2% in both 2020-21 and



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2021-22. Therefore both the UK Government and the Scottish Government reported higher fraud and error rates than those of the Welsh Government.

## 2020-21

### Local Authority Delivered Schemes

For Local Authority (LA) Delivered Schemes our post completion monitoring comprised of two exercises.

There was a requirement for the completion of “Audit Certificate, Annual Statement of Grant Expenditure” by each LA during 2020-21.

The LAs were accountable if they breached these conditions. In addition, S151 officers have a number of statutory duties including the requirement to ensure the proper administration of LA’s financial affairs and the need to ensure compliance with all statutory requirements for accounting and internal audit (including supporting records and all systems of internal checks and control). This aligns to an approach of partnership and joint delivery / accountability under normal operating with LAs.

Therefore each LA, as our agent, undertook the monitoring it felt was required in order to satisfy the conditions within the grant award letter and completed the Audit Certificate, Annual Statement of Grant Expenditure to provide assurance on this as required. The design of the system of monitoring and control is entirely the responsibility of the S151 officer.

For 2020-21, 19 out of 22 local authorities returned the Audit Certificate, Annual Statement of Grant Expenditure, a certification from the Local Authority Section 151 officer over how the scheme had been run and managed. A review of the Audit Certificate, Annual Statement of Grant Expenditure by Welsh Government officials considered the content and identified no areas of concerns or non-compliance. The returns received all indicated that controls were in place for the schemes in 2020-2021.

In addition, separate error/fraud returns were requested from each local authority, 16 were received and the results have been included below, providing the 0.08% error/fraud rate included in the 2020-21 accounts.

### 2020-21 Local Authority Delivered Schemes: Fraud/Error rate

Frauds notified by LA	142
No of LA's which responded	16
Total LA number	22
Gross up fraud number to extrapolate	195



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for all LA's	
Total LA grants Issued	246,127
Error/Fraud Rate	0.08%

### 2020-21 Welsh Government Delivered ERF Schemes: Fraud/Error rate

As the time of publishing the 2020-21 Welsh Government Consolidated Accounts, all PCM for Phase 1 and 2 had been issued but not all businesses had replied and were being chased.

Error/Fraud identified	1
Monitoring Undertaken (cases)	24
Estimated Error/Fraud Rate by case	4.17%
Error/Fraud identified by value	£60,000
Value of Funding Issued	£775,086
Error/Fraud Rate	7.74%

This gives an overall error/fraud range of 0.08-7.74%

#### Timing

It should be noted that due to the delays in the audit of the 2020-21 accounts, the accounts were not signed until August 2022. This enabled us to continue to collect data from LAs until the end of the 2020-21 audit process. The 2021-22 accounts were signed in December 2022, therefore very minimal additional evidence had been collected for 2021-22. We had received a further two returns from Local Authorities. This meant that the error/fraud data collected for the 2021-22 accounts was very similar to the 2020-21 accounts as shown below.

### 2021-22

#### Local Authority Grants

By 2021-22 we had all (22) of the Audit Certificate, Annual Statement of Grant Expenditure (Certification by LA's Chief Finance Officer) returns covering all or part of the LA administered grant funding, and no issues were identified.



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Of the 18 of 22 Local Authority 2021-22 fraud returns received, an additional six cases of fraud were identified:

Frauds notified by LA	6
No of LA's which responded	18
Total LA number	22
Gross up fraud number to extrapolate for all LA's	7
Total LA grants Issued	13,062
Error/Fraud Rate	0.05%

### 2021-22 Welsh Government Delivered ERF Schemes: Fraud/Error rate

As reported in the 2021-22 Consolidated Accounts as at December 2022 no cases of fraud had been detected through PCM activity.

### Welsh Government Approach

The approach taken by the Welsh Government was significantly different to that of the UK Government, who had much larger population of data to deal with so were reliant on statistical sampling, trend analysis and work by the Government Actuary Service. Whereas in the Welsh Government we were able to use primary evidence obtained directly from either grant recipients in the case of ERF or from Local Authorities (LA) in the case of the LA delivered schemes.

### Draft Results of 2022-23 Post Completion Monitoring

During 2022-23 comprehensive Post Completion Monitoring has been undertaken and the 2022-23 Annual Governance Statement will contain far more analysis on the results to date, taking into consideration the constructive comments made by this Committee in previous scrutiny sessions.

We are still finalising the results for the LA delivered schemes but the post completion monitoring results for Welsh Government delivered schemes as at April 2023 were:

- **Phases 1 to 8 – Survey based monitoring**

ERF Phase	Number of Surveys Issued	Surveys returned
Phases 1&2 MICRO	9,094	3,029



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Phases 1&2 SME (under £30,000)	1,257	421
Phase 3 Micro	1,205	690
Phase 4 -7	3,866	1,248
Phase 8	2,484	0
<b>Total</b>	<b>17,906</b>	<b>5,388</b>

• **Phases 1- 8 Post Completion Monitoring**

ERF Phase	Number of cases	Number of cases closed
Phases1& 2 SME (over £30,000)	1,270	585
Phases1 & 2 Non SME	52	51
Phase 3 SME/Non SME	804	189
Phases 4 to 7 SME/Non SME	425	76
Phases 8 SME/Non SME	40	0
<b>Total</b>	<b>2,371</b>	<b>901</b>

• **Phases 1-8 Recoveries**

Recoveries – Complete	Number of Cases	Value of Recovery
Phase 1 & 2	26	£1,641,384
Phase 3	15	£119,332
Phase 4 to 7	13	£216,743
Phase 8	0	£0
<b>Total</b>	<b>54</b>	<b>£1,977,459</b>

This data relates to funds repaid by the business due to non-compliance with the eligibility criteria or failure to achieve the outputs originally anticipated.



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- **Phases 1- 8 – Written Off**

Written off	Number of cases	Value of Write Off
Phase 1&2	4	£102,500
Phase 3	1	£15,310
Phase 4 to 7	0	£0
Phase 8	0	£0
<b>Total</b>	<b>5</b>	<b>£117,810</b>

This data relates to the amount of funding that has been written off due to the failure of the business to repay funds identified as owing, this will also include the insolvency of the business.

As at April 2023, there are no identified frauds and therefore no funds have been written off as a result of Fraud.

The Welsh Government will include the full wording of all recommendations in responses in the future.

I trust that this additional information helps the committee with its reflection upon the 2020-21 accounts and associated evidence sessions.

*Yours,  
Dr Andrew Goodall*

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