

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

2nd February 2016

Dear Darren,

Public Accounts Committee Report on the Scrutiny of Accounts 2014-15

Response to the report

Please find enclosed a copy of the response to the above report which will be laid before the Table Office.

I would like to thank you and the Committee for the careful and considered way in which you undertook the investigation and produced the report.

Yours,
Derek

Response to the Report of the National Assembly for Wales Public Accounts Committee Report on the Scrutiny of Accounts 2014-15

I welcome the findings of the report and offer the following responses to the five recommendations that relate to the Welsh Government Accounts for 2014-15

Recommendation 21. *In following up its recommendations from its scrutiny of the 2013-14 accounts, the Committee considered the Welsh Government's approach to improving the presentation of its accounts to ensure that information is readily understandable and accessible to the public. The Committee notes that the Welsh Government has not yet made any major changes to the presentation of its accounts but note its intention to deliver on its commitment to do so. The Committee recommends that the Welsh government focus on streamlining its accounts to meet its commitments to produce a simpler set of accounts with a stronger narrative by the next account period. The Committee expects to see significant changes arising from the Welsh Government's streamlining project and recommends that more detail, in appendices if necessary, is needed within the accounts regarding expenditure analysis and that future accounts should include more details of grants awarded by the Welsh Government listed under programme expenditure. (Page 68)*

The Welsh Government remains committed to producing simplified and streamlined accounts in line with the new accounting guidelines issued in December 2015 by HM Treasury and is working closely with the Wales Audit Office to agree and deliver the necessary changes. Regarding details of grants awarded, the Welsh Government produces an annual Grants Report which contains substantial details on grants. Links to this report will in future be included in the Annual Accounts.

Recommendation 22. *In terms of improving public accessibility to and transparency of the Welsh Government's Accounts, the Committee recommends that the Welsh Government give consideration to adding links to its online accounting documentation that demonstrate the flow of funding from Welsh Government to other public sector organisations to enable the public to be able 'to follow' the money and identify how the Welsh Government allocates funding. (Page 68)*

The Welsh Government will add links and supplementary content to its online accounting documentation to demonstrate the flow of funding to other public sector bodies.

Recommendation 23. *The Committee gave consideration to the Welsh Government's approach to sustainability and note that while the majority of indicators contained within the Welsh Government's accounts show a continued reduction in carbon emissions or waste tonnage, apart from a large fall in electricity consumption, energy consumption has not been reduced in recent years. Although the committee were told that waste figures contained in the accounts were reasonable we believe additional work should be*

undertaken to ensure that the Welsh Government is operating sustainably. We recommend that Welsh government review its approach to reducing energy consumption across its estate and explore innovative options to achieving this. (Page 68)

The Welsh Government is driving an ambitious carbon management strategy for the whole of our administrative estate which includes a wide range of activities aimed at reducing our energy use and carbon footprint. Our Strategy is implemented by means of explicit annual action plans each year designed to target areas of inefficiency.

The approach has proved very successful to date. As at 1 April 2015, a 32% reduction in carbon emissions had been achieved since 2010/11; a significant contribution to the delivery of this Government's Climate Change objectives. Electricity and gas consumption have also reduced significantly since 2010/11. We anticipate further reductions in carbon and energy consumption by the end of 2015/16. Our principal activities include a robust system of collecting and analysing energy/carbon data; adopting a sustainable approach to the design of all building refurbishment projects, incorporating energy efficient measures and renewable technologies in our improvement schemes and further rationalisation of our estate. Examples of current initiatives include:

- Incorporation of energy efficient design in refurbishment/upgrade schemes including more efficient lighting and lighting controls.
- Implementation of heating/cooling temperature set point policy across the administrative estate designed to deliver energy, emissions and cost savings.
- Renewables installed on the administrative estate including biomass and solar panels.

The efficiency and performance of the Welsh Government's administrative estate is demonstrated through the annual publication of our State of the Estate report, which includes data on energy/carbon emissions performance within the context of our wider environmental achievements. The latest State of the Estate Report (2014/15) was published in November 2015.

The Welsh Government also remains committed to continually improving its waste management performance and further reducing the amount of waste it sends to landfill year-on-year. Notably waste production from our estate decreased by approximately 348 tonnes in the last four years, and we will look to further improve the management of our waste through 2015/16 and beyond.

Recommendation 24. *The Committee raised concerns regarding the Welsh Government's approach to project management and specifically issues relating to the processes it has in place for reviewing contracts prior to their expiration to ensure the best value for money options are identified and taken forward. The Committee notes that the Welsh Government has established a work stream under the 'Preparing for the Future' programme to establish and identify issues within the Welsh Government's procurement processes and to*

ensure best value for money is achieved. However, we agree with the Welsh Government that the work is ongoing and is an area where improvement is necessary. The Committee recommends that the Welsh Government provides the Committee with regular updates on the progress of this work. (Page 69)

The Commercial Governance work stream of the Preparing for the Future programme has recommended and already actioned the introduction of a live contract database that is being used to ensure that the Welsh Government regularly reviews contracts prior to expiration as a means of identifying efficiencies and cost saving opportunities. We will be training our contract managers and Corporate Procurement Services to ensure that they work together to plan re-procurements/exit strategies for contracts at least 12 months prior to expiry. The Welsh Government will be pleased to provide regular updates and is considering how this can be achieved.

Recommendation 25. *The Committee considered the Welsh Government's approach to Grants Management and believes that there are still examples where grant management processes need improving. The Committee will continue to monitor the Welsh Government's approach to Grants Management. (Page 69)*

The Welsh Government welcomes the Committees continued interest in grants management. Grant funding is an essential vehicle to deliver Welsh Government priorities as laid out in the Programme for Government.

The Welsh Government remains committed to improving grants management and improvements made will be reported in the Annual Report on Grants Management. The 2015 report was published in January 2016.