



24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

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

Reference: 0427.mju.kancoat

Date issued: 27th April 2017

Dear Nick

The Welsh Government's funding of Kancoat Ltd

As the Auditor General is currently away from the office, I am writing in his absence to provide advice to the Public Accounts Committee regarding the Welsh Government's responses to the recommendations set out in the Committee's recent report on the Welsh Government's funding of Kancoat Ltd.

I am pleased to see that the Welsh Government has accepted in full 10 of the 11 recommendations made by the Committee, and has set out the timescales within which appropriate actions will be taken against each of these.

We have also obtained a copy of the Welsh Government's additional guidelines on risk assessment, which are referenced in its response to **Recommendation 6**. These guidelines will doubtless feature in the Auditor General's future audit work, and so we will have opportunities to reflect on their effectiveness.

As the Committee is aware, the Auditor General has recently commenced a wider value for money examination of how the Welsh Government provides financial support to businesses in Wales. That examination will provide an opportunity to consider the Welsh Government's progress in developing and publishing clearer guidelines for 'repayable business finance'. I also note the Welsh Government's intention to review its approach to providing financial support to businesses in Wales as part of the development of the new 'Prosperous and Secure Strategy' that it intends to

publish later this year. We will have regard to this review as part of the wider context to our value for money examination.

In response to **Recommendation 7** 'that the First Minister ensures the Ministerial Code requires the consideration of perceived conflict of interests and that the outcome of such consideration is formally fully documented', we note that the Welsh Government has only accepted this recommendation in principle. The Welsh Government asserts in its response that paragraphs 1.3 and 4.4 of the Ministerial Code provide sufficient safeguard in the context of the Welsh Government's reputation. However, the Committee had found that, in the case of Kancoat, these existing safeguards were insufficiently robust given the absence of any documentary evidence to support how the then Minister had considered the perception of any conflict of interest.

We consider that such evidence, had it been available to the Welsh Government, would have been effective in rebutting subsequent suggestions in the media that the conduct of the then Minister had breached the Ministerial Code. We therefore suggest that the Committee may wish to press for further assurances from the Welsh Government regarding the future handling of perceived conflicts that may arise beyond the actual boundary of a Minister's own constituency.

I hope that these comments are helpful to the Committee.

Yours sincerely,



MIKE USHER
Sector Lead - Health & Central Government