

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Dirprwy Ysgrifennydd Parhaol • Deputy Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mr Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

7 August 2017

Dear Huw,

**Response to the Report of the Wales Audit Office on the Welsh Government's
Funding of Carmarthenshire Energy Limited**

The Welsh Government strongly supports the development of community energy schemes and is proud to have been involved in helping this and other communities to start taking control of their energy. These projects can play a large part in delivering our energy vision whilst ensuring local people benefit.

We welcome the findings of the report and I am pleased to offer the following response to the five recommendations contained within it at Annex A. I hope that this is helpful.

Yours sincerely

James Price

Annex A

Recommendation 1

The Welsh Government should satisfy itself that its delivery partners are equipped to operate effective risk identification and mitigation arrangements.

Accepted.

Welsh Government fully accepts that the implementation of appropriate due diligence on prospective delivery partners is crucial in understanding their risk identification and mitigation arrangements. Where existing delivery partners are in place the need to fully understand risk identification and mitigation arrangements that are being implemented will be emphasised as part of the monitoring process. The importance of the due diligence process and the implementation of proportionate monitoring will be communicated to officials across Welsh Government. Where necessary, additional training will be provided.

Timescale and Lead

Dean Medcraft, Director, ESNR Finance & Operations
31st October 2017

Recommendation 2

Welsh Government should encourage the Energy Saving Trust to share good practice in financial governance with recipients of support under the Local Energy Service programme.

Accepted.

Welsh Government will encourage the Energy Saving Trust to share good practice in financial governance with recipients of support under the Local Energy Service programme.

Officials are already in the process of reviewing the WAO report with the Energy Saving Trust and WCVA. This will include consideration of guidance provided to applicants through the current toolkit and by staff. Governance guidance currently available in the Local Energy Service toolkit is found at:

<http://localenergy.gov.wales/workspace/uploads/files/local-energy-toolkit-established-568e766f5a7c1.pdf>

A specific section will be added to the guidance on governance issues and links will be provided to any new sources of good practice in financial governance.

Timescale and Lead

Prys Davies, Head of Decarbonisation and Energy
31st October 2017

Recommendation 3

The training provided to Technical Development Officers acting on behalf of the Welsh Government should be widened to include financial governance and the identification and management of conflicts of interest.

Accepted.

Training provided to Technical Development Officers acting on behalf of the Welsh Government will include financial governance and the identification and management of conflicts of interest.

We hold regular meetings with Local Energy service managers and Development Officers. These meetings cover a variety of topics including the financial and governance requirements of the programme as well as wider continuing professional development. All Development Officers have been made aware of the WAO report and its recommendations to reinforce the importance of financial governance and management of conflicts of interest.

Suitable additional training will be provided to all Development Officers and programme staff by the end of October 2017.

Timescale and Lead

Prys Davies, Head of Decarbonisation and Energy
31st October 2017

Recommendation 4 and 5

The Welsh Government should ensure that all Ministerial Submissions contain all material information. For example; where conflicts of interest have been identified, Ministerial Submissions should refer to them and set out how the associated risks are to be mitigated/managed.

Where project outcomes are quantifiable, but uncertain or subject to significant variation, Ministerial Submissions should set out the bases of the forecasts used and, where appropriate, describe the full range of potential outcomes based on a sensitivity analysis.

Accepted

The submission referenced in this report is dated 12th August 2015 and therefore predates the Ministerial Advice system currently in place. The submission process was changed in the autumn of 2015, and each Ministerial Advice now includes an explicit statement of assurance by the lead Deputy Director or Head of Division. The statement of assurance asks the Deputy Director or Head of Division to confirm that they are satisfied that the recommended decision or action, if agreed, would be lawful and affordable.

The declaration includes a checklist, which sets out a number of issues that the Deputy Director would need to consider before endorsing the MA. This includes financial implications, matters of regularity or propriety or anything that may appear to be novel or contentious. The Deputy Director or Head of Division is also asked to confirm that the advice is based on a robust analysis of evidence.

Furthermore, the guidance that supports the MA process includes links to comprehensive material on how to deal with financial and governance implications (where risk management including the identification and handling of conflicts of interest, whether real or perceived, are referenced). There is also an Evidence Guide for policy makers, which sets out the need to base advice and decisions on a rigorous analysis of the evidence and provide the necessary information to help make well targeted and cost effective decisions. Where appropriate, such information will include the results of sensitivity analysis.”

A Corporate update to Deputy Directors within the ESNR Group will be issued to remind them of the need to follow this guidance in providing accurate and balanced advice. An all staff notice will also be issued to remind staff of the need to follow the Ministerial Advice guidance in the form of an internal news story at the start of the autumn term.

Timescale and Lead

Dean Medcraft, Director, ESNR Finance & Operations
31st October 2017