

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

16 July 2019

Dear Mr Ramsay,

PAC SCRUTINY OF ACCOUNTS 2017-18

Further to my letter dated 30 April 2019 in connection with the above report, I agreed to provide further information on the following recommendations:

Recommendation 1

The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11 of Managing Welsh Public Money.

As I said in my initial response, I entirely share the view of the Committee that the Welsh Government and its arms-length bodies should be as open and transparent as possible in their accounts and with the Committee itself. I am very aware of the specific responsibility upon myself as Principal Accounting Officer for the Welsh Government, and upon other appointed Accounting Officers, to assist the Committee in its work. I think that the arrangement which we arrived at in relation to details of guarantees given to companies included in the contingent liabilities note, by addressing concerns through a closed session, worked well. I hope that the Committee found it helpful and that we can continue with such arrangements in future where appropriate.

I also appreciate the concerns of the Committee about the need for as full a disclosure as possible in relation to severance payments. I will write to all the Welsh Government arms-length bodies to remind them that such agreements should not be matter of

course, and all endeavours should be made for disclosure; that where the use of such agreements is necessary on legal advice, that legal advice is obtained to ensure disclosures are made as far as possible; and that, as we did in relation to contingent liabilities, where there are obstacles to public disclosure that they can offer to the Committee a closed session to discuss such agreements, to enable the Committee to exercise its scrutiny role properly. I will be sending this letter shortly and I will provide the Committee with a copy of the letter.

Recommendation 28

The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the 'calling in procedure'.

- a) For 2019/20 we have agreed with the First Minister transitional arrangements to provide assurance to him and the Permanent Secretary that the removal of the calling-in procedures with Arms-length bodies does not pose an unacceptable risk to the Welsh Government or the effective delivery of the Government's Programme. These are interim arrangements to provide the Welsh Government with baseline data by which it can assess the volume of issues where responsibility is being transferred and to be sighted on the approach each body is taking to the new arrangements.
- b) The intention of the transitional arrangements is to keep the Welsh Government informed of how the new process is working in practice, rather than the continuation of a mechanism for approval by the Welsh Government. The Welsh Government will still have the power to intervene in decisions where they have concerns.
- c) We have agreed with the First Minister that for this year we will put in place **Approval, Pre-notification** and **Notification** arrangements for decisions previously the subject of these calling-in arrangements. These are set out in Annex A to this letter.
- d) Accounting Officers in Public Bodies will be wholly accountable for the decisions requiring pre-notification and notification to the Welsh Government. Officials within the Welsh Government may give advice on issues it has been notified about, but it is ultimately for the Chief Executive to take the decision. The exception will be the decisions requiring approval, where the Welsh Government will be responsible and accountable for the decision.
- e) The Public Bodies Unit continues to engage with Public Leaders, Sponsors and other stakeholders e.g. Wales Audit Office, as we are refining our approach and will continue to do so during these transitional arrangements. The Public Bodies Unit will prepare a lessons learned report at the end of December 2019 so I may form a view on the efficiency and effectiveness of these new arrangements. I will



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share the report and my conclusions with the Committee.

I will provide a response on the other recommendations requiring actions nearer to the agreed dates.

Yours,


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



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Public Bodies Calling-in Procedures – Approval, Pre-notification and Notification Assurance Arrangements

Table A Approvals

| Decision | Approval |
|---|--|
| Appointment of Chief Executive | Additional Accounting Officer Minister |
| Term of Government Business Plan | Minister |
| Redundancy arrangements based on the Civil Service Compensation Scheme (bodies with Civil Service Pension) | Welsh Government Head of Pay and Remuneration who will seek advice of the Minister as appropriate. |
| <p>For Public Bodies classified as central Government organisations for accounting purposes:</p> <ul style="list-style-type: none"> a) Cash carry-over in year in excess of 4% of total annual gross budget b) Cash carry-over end of year in excess of 2% of total gross annual budget c) Establishing new subsidiary companies/joint ventures d) Any borrowing, lending, grants, guarantees, indemnities or investment related to public money e) Retention of receipts over and above set out in remit letter. <p>Any decision set out in legislation as requiring consent of Welsh Ministers e.g. GOWA Section 83; The Natural Resources Body for Wales (Establishment) Order 2012 etc</p> | Welsh Government Finance Director or Minister, as appropriate |



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Table B Pre-notification Arrangements

CEOs should notify their sponsor of any proposed decisions falling under the following categories as and when they arise. These decisions should also form part of a 'stocktake' discussion at quarterly monitoring meetings:

| Decision | Pre-notification Action | Further Advice |
|---|---|---|
| Novel, contentious or repercussive proposals in line with Managing Welsh Public Money, including special severance payments | Sponsor, in conjunction with the appropriate policy teams, to prepare advice to discuss with Public Bodies Unit who will seek written advice of the Corporate Governance Centre of Excellence | Minister, as appropriate |
| Policy or practice change that has wide financial implications | Sponsor to prepare advice to Head of Budgetary Control copied to Public Bodies Unit | Minister, as appropriate |
| Staff remuneration & terms and conditions | Sponsor to submit proposed pay remit to Head of Pay and Remuneration, Public Bodies Unit | Ministerial approval required for changes falling outside WG pay principles |
| Anything that might affect the future level of resources required | Sponsor to consider | Welsh Government Finance Director, as appropriate |

Table C Notification Arrangements

During the transition period, CEOs should notify sponsors at their quarterly monitoring meetings of decisions they have made or are likely to make in the next quarter that would previously have been referred to the Welsh Government.



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