

# Scrutiny of Accounts – Welsh Government 2021-22

October 2023



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# **Scrutiny of Accounts - Welsh Government 2021-22**

October 2023



# About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:  
[www.senedd.wales/SeneddPAPA](http://www.senedd.wales/SeneddPAPA)

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Current Committee membership:



**Committee Chair:  
Mark Isherwood MS**  
Welsh Conservatives



**Adam Price MS**  
Plaid Cymru



**Natasha Asghar MS**  
Welsh Conservatives



**Mike Hedges MS**  
Welsh Labour



**Rhianon Passmore MS**  
Welsh Labour

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The following Member was also a member of the Committee during this inquiry.



**Mabon ap Gwynfor MS**  
Plaid Cymru

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## Chair's foreword

The Public Accounts and Public Administration Committee has undertaken its scrutiny of the Welsh Government Consolidated Accounts 2021-22. The Welsh Government publishes its consolidated accounts ("the Accounts") on an annual basis, which outline its finances and statutory obligations.

While they are compliant with reporting requirements and we acknowledge efforts to streamline them, we believe the Welsh Government should review the contents of its accounts, as well as how it presents them, to improve accessibility. Much of the focus of our scrutiny has been on the need for the accounts to more clearly tell the story about Welsh Government expenditure and what it has delivered. Many of our findings point to the need for additional information to be included in the accounts to aid understanding of this. In its Accounts, the Welsh Government refers to other reports it publishes about its, and the Civil Service's, delivery and activities. We share the view of our predecessor Committee that these should be published alongside the accounts and we call on the Welsh Government to action this where possible so that these documents can be considered together. This should provide stakeholders, including this Committee, with a clear oversight of how the information pieces together to present a broader overview of the Welsh Government's finances and activities.

Similarly, we repeat our previous calls and those of our predecessor Public Accounts Committee, for the Welsh Government to increase transparency by providing timely information about its Board meetings. We also ask for the publication of information about meetings of the Audit and Risk Assurance Committee. As a minimum, this should include the agenda together with an appropriate summary of the discussions and issues arising from those meetings.

Finally, it is regrettable that the Committee has felt the need to reiterate four recommendations made to the Welsh Government during previous accounts scrutiny. Our findings and recommendations are intended to support improvement and greater transparency in financial reporting. The Welsh Government must demonstrate with its actions respect for the scrutiny work undertaken by the Senedd and demonstrate more effectively how it is working to comply with the Committee's recommendations.

A handwritten signature in black ink, appearing to read 'Mark Isherwood', written over a horizontal line.

**Mark Isherwood MS,**

Chair of the Public Accounts and Public Administration Committee

## Recommendations

**Recommendation 1.** The Welsh Government reviews the content of its accounts to ensure it is properly telling the story about its expenditure and what it has delivered. The Welsh Government should, in particular, consider the information it includes about its grant funding, which accounts for a significant proportion of its expenditure but this not reflected in the balance of information in the accounts.....Page 28

**Recommendation 2.** The Committee recommends that the Welsh Government considers how it can present its accounts in a more accessible manner. This could be achieved through summary documents or interactive tools for presenting the information more clearly, as opposed to including only the PDF copy of the full account, as it does currently. ....Page 28

**Recommendation 3.** The Welsh Government should provide links to the publications and reports to which it refers in its accounts, as the Committee believes it is difficult to locate key documents on the Welsh Government’s website. The Welsh Government should also review its website to ensure it is easier for people to navigate and locate the information required.....Page 28

**Recommendation 4.** The Committee reiterates its predecessor Committee’s recommendation on the publication of the Outturn Report. While acknowledging practical barriers to publishing all financial reports concurrently, the Committee recommends that the Welsh Government aims to publish these documents either concurrently or as closely together as possible. Specifically, we recommend that the Welsh Government publishes its Outturn report as soon as possible following the laying of its accounts each year and in sufficient time to enable the Committee to consider its contents in its preparation for its accounts scrutiny sessions.....Page 28

**Recommendation 5.** To enable the reader to see the value of the range of different assets included in the category of assets and to facilitate scrutiny, the Welsh Government should include a breakdown of the ‘Other Financial Assets’ for its Core position in its accounts. ....Page 28

**Recommendation 6.** The Welsh Government should include information, in its accounts, about the impact of changes to the composition of its Group on its reported financial transactions and balances. ....Page 28

**Recommendation 7.** The Welsh Government should provide to the Committee, at the time the Permanent Secretary approves and signs the 2022-23 Accounts if not before, an update about the recommendations it and its predecessor Committee made following accounts scrutiny which it has yet to action. This update should include an explanation of why the Welsh Government has not yet acted on the Committee recommendation, as well as the proposed timeframe for implementation. ....Page 29

**Recommendation 8.** The Committee reiterates its predecessor Committee’s recommendation on FReM requirements. The Welsh Government should notify the Committee of the FReM requirements it aims to comply with when preparing its accounts. It should also notify the Committee of any changes in its decisions, or in light of new FReM requirements, when the accounts are published. This information should be provided at the earliest possible opportunity ahead of the 2023-24 Accounts. ....Page 29

**Recommendation 9.** The Committee requests that the Welsh Government provides information about who approved the Director of Propriety and Ethics’ request for partial retirement and assurance that the issues identified by the Committee in relation to the former Permanent Secretary’s working arrangements from 1 April 2018 do not apply in this instance. We request further information about this role and note that it is now being delivered on a part-time basis.....Page 38

**Recommendation 10.** The Welsh Government should ensure it publishes the Pay Policy Statement for the year to March by the time the Permanent Secretary approves and signs the Accounts for the same financial year. This should start with the Pay Policy Statement for 2023 and the Accounts for 2022-23. This will ensure the Committee is able to scrutinise each year the Pay Policy Statement, alongside the accounts. ....Page 38

**Recommendation 11.** The Committee recommends the Welsh Government provides information about how soon after each Board meeting it intends to

make the agenda and papers publicly available within a timely manner.

..... Page 51

**Recommendation 12.** The Committee reiterates its predecessor Committee’s recommendation on the publication of Audit and Risk Assurance records. We recommend the Welsh Government publishes, as a minimum, the agenda for its Audit and Risk Assurance Committee together with an appropriate summary of issues arising from those meetings. As such, the Welsh Government should ensure that this information is published retrospectively and promptly in the future..... Page 51

**Recommendation 13.** The Welsh Government should provide an explanation why it did not appoint a Non-Executive Director until March 2022 following the resignation of Jeff Farrar in August 2021. .... Page 51

**Recommendation 14.** The Welsh Government should share with the Committee the conclusions of its review of its conflicts of interest policy as soon as it is available, with a full explanation of any planned revisions and the extent to which they address the review and conclusions of its Internal Audit Services. .... Page 51

**Recommendation 15.** We recommend that the Welsh Government includes in its accounts additional information where the Head of Internal Audit provides limited or no assurance, as well as where Internal Audit Services identified fundamental weaknesses. This additional information should include a commentary about the management’s response to findings and how the Welsh Government plans to address the issues identified..... Page 51

**Recommendation 16.** The Committee reiterates its predecessor Committee’s recommendation on risk reporting. We recommend that the Welsh Government includes a summary of the principal risks and any changes to them during the period covered by the accounts. This should set out information about the potential impact of the risks and how these are being mitigated. Consistent with our predecessor Committee’s recommendation, we are not calling for the inclusion of the Welsh Government’s entire risk register in its accounts. .... Page 51

**Recommendation 17.** The Welsh Government should review the information it includes in the accounts about its Performance Framework, since without any targets for, and commentary about, specific measures, it is not possible to understand how the Welsh Government is performing..... Page 57

**Recommendation 18.** The Welsh Government should review the way it reports losses to the Senedd and provide an explanation of what it considers a “serious” loss, as per paragraph A4.9.6 of Managing Welsh Public Money. .... Page 63

**Recommendation 19.** We recommend the Welsh Government provides an update to the Committee following the completion of its impairment review to ascertain the retained value of data and other preparatory work for the Road Schemes. .... Page 63

**Recommendation 20.** The Welsh Government should provide information to the Committee about the timetable for updating Managing Welsh Public Money, along with an indication of when it is expected to be published. .... Page 63

**Recommendation 21.** The Committee requests further information about the ex-gratia payments made to Hardshell UK Limited and Surviva Limited, in addition to that provided by the Permanent Secretary in his letter of 6 April 2023. This should set out information about the governance arrangement around these payments, including the process adopted for considering the cases made and who approved the payments. The Welsh Government should also provide information about any other assurance work undertaken and the lesson it learned from this process. .... Page 63

**Recommendation 22.** The Welsh Government should provide details of the number of companies to whom it made ex-gratia payments for COVID-19 Personal Protective Equipment from budgets other than that for the Economy Main Expenditure Group, as well as the aggregate value of them. This should be provided by financial year..... Page 64

**Recommendation 23.** We recommend that work to implement a new Welsh Government workforce plan should continue apace, with a focus on the areas suggested by the Auditor General for Wales. The Welsh Government’s progress in this area should be shared with the Committee on a six-monthly basis until

the plan is finalised. The finalised workforce plan should be shared with the Committee once it is concluded.....Page 82

**Recommendation 24.** The Committee requests that six-monthly updates are provided on the implementation of the Delegation and Accountability Framework, given our concerns about the slow pace of implementation. We would also welcome confirmation that the Welsh Government intends to undertake a formal review of its impact, at the end of 2023-24. If so, a copy of this review should be shared with the Committee.....Page 82

**Recommendation 25.** The Welsh Government should update the Committee on the implementation of the new HR management information system. If there are any further delays in implementation, the Committee should be informed about this and provided with reasons for the delay.....Page 82

## 1. Introduction

- 1.** The Welsh Government publishes its consolidated Accounts (“the Accounts”) on an annual basis, which outlines its finances and statutory obligations.
- 2.** The 2021-22 Accounts were the second approved and signed by the current Permanent Secretary, Dr. Andrew Goodall, who took up post from 1 November 2021. The Welsh Government did not finalise its 2020-21 Accounts until August 2022 and it completed its 2021-22 Accounts some four months later, in December 2022. Dr Goodall’s predecessor was in post for the first seven months of the 2021-22 financial year.
- 3.** The 2021-22 Accounts were laid by the Auditor General for Wales (“AGW”) before the Senedd on 13 December 2022.
- 4.** The Committee also considered the AGW’s report on Welsh Government workforce planning and management<sup>1</sup>, published in September 2022, as part of its scrutiny of the 2021-22 Accounts.

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<sup>1</sup> Audit Wales, Audit Wales, Welsh Government workforce planning and management

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## 2. Auditor General for Wales opinions

**5.** For the third consecutive year, the AGW qualified both his “true and fair” opinion and regularity opinion on the Welsh Government Accounts. He qualified his opinions on the 2021-22 Accounts for the following reasons: :

- **Payment to the former Permanent Secretary** – In October 2021, the Welsh Government made a payment to the former Permanent Secretary on the termination of her employment. The payment, which totalled £80,519 (excluding an amount for the final month’s salary) comprised an extra-contractual payment (£39,123), a payment for untaken annual leave (£9,553) and a special severance payment (£31,843). The Welsh Government told the AGW £30,289 of the extra-contractual payment related to the 2020-21 financial year and had been included in the 2020-21 Accounts. The AGW stated he had been unable to obtain sufficient, appropriate, audit evidence about the former Permanent Secretary’s working arrangements from April 2018. Consequently, he had been unable to determine whether the expenditure in the 2020-21 Accounts was materially correct and he qualified his “true and fair” and regularity opinions on those Accounts. The other elements of the payment were within the scope of his audit of the Welsh Government’s 2021-22 Accounts and consequently, he also qualified his “true and fair” and regularity opinions on those Accounts.
- **Senior Clinicians’ Pension Tax** – expenditure relating to clinicians’ pension liabilities was omitted from the 2020-21 Accounts but an estimate of the related costs was included in the 2021-22 Accounts. Mirroring a similar action taken in England, the arrangement involves the Welsh Government restoring pensions at retirement, where senior clinicians’ had opted for the NHS Pension Scheme to pay their tax liabilities and, as a result, their pensions will have been reduced by those liabilities.

The AGW concluded the arrangement was a form of tax planning and consequently, contrary to the guidance set out in Managing Welsh Public Money. He therefore qualified his regularity opinion for 2021-22

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and, in his Report on the 2021-22 Accounts, the AGW described the arrangement as a “novel and contentious and potentially precedent setting”.

**6.** The Committee considered the payment to the former Permanent Secretary during its scrutiny of the 2020-21 Accounts, with conclusions summarised in the Committee’s report on those Accounts. This report only considers actions taken by the Welsh Government in relation to senior officer remuneration further to the findings about the payment.

**7.** The Public Accounts Committee of the Fifth Senedd considered the Ministerial Direction on senior clinicians’ pay in February 2020.

### 3. Accounts preparation

#### Publishing the timetable

**8.** The Welsh Government usually publishes its annual timetable for the production and publication of the Accounts, a practice that commenced following a recommendation made by the Public Accounts Committee ('PAC') following scrutiny of the 2017-18 Accounts. However, the Welsh Government did not publish the timetable for the 2021-22 Accounts but shared it informally with the Committee.

**9.** When asked to reflect on the main challenges in finalising the 2021-22 Accounts, the Permanent Secretary told the Committee:

*"... the accounts just get much more complex every year, and I think there is a unique configuration of the accounts that are overseen by the Welsh Government perhaps in contrast to UK Government departments. But equally, we are continually including a range of other organisations who are overseen in Wales, and there are changes of standards also happening".<sup>2</sup>*

**10.** The Permanent Secretary confirmed that the Accounts had been submitted in line with the statutory timetable<sup>3</sup>. When asked about the failure to publish the timetable, he went on to state:

*"I think, for last year, the timetables were genuinely altering as we were accommodating things... we were still dealing with some of the delays caused by the previous year's annual accounts".<sup>4</sup>*

**11.** At the time of the Committee's scrutiny, the Welsh Government had not yet published the timetable for the 2022-23 Accounts. The Permanent Secretary

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<sup>2</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p10

<sup>3</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p9

<sup>4</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p18

committed to do so, stating that it's "absolutely right that that should be in the public domain"<sup>5</sup>.

**12.** When asked about the likely timetable, the Finance Director told the Committee:

*"... we're looking to deliver the draft consolidated account for audit by the end of August. The final audit is going to start then on 1 September. We will be delivering the summary of resource outturn, which is probably the most complex element, by the end of September, and we'll be signing off accounts at the end of November. So, we'll actually be aiming to sign the accounts off in the same timescales as the statutory deadline actually requires us to produce the draft for audit, so we are well in advance of that deadline".<sup>6</sup>*

**13.** Before the 2019-20 Accounts and the onset of the COVID-19 pandemic, it was customary for the Permanent Secretary to approve and sign the accounts in August or September of the following financial year, with the AGW laying them before the Senedd shortly afterwards.

**14.** The Permanent Secretary described returning to such a timetable as a "difficult ask"<sup>7</sup>, albeit the Welsh Government, and other central government bodies, remain in discussion with Audit Wales about plans to accelerate this process.

**15.** At the time of preparing this report, the Welsh Government had not yet published the timetable for the 2022-23 Accounts.

## **Content**

**16.** The structure and content of the 2021-22 Accounts are similar to those prepared for the previous financial year, with some changes, such as the inclusion of an overview of the Welsh Government Group assets and liabilities.

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<sup>5</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p18

<sup>6</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p48

<sup>7</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p63

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**17.** When asked for his reflections on the appropriate level of information to include in the Accounts, the Welsh Government's Finance Director told the Committee about some of the new methods of conveying information, including:

*"... we've introduced case studies over the last few years. We've been presenting more information as infographics, which people say is a more useful mechanism for us to use, rather than just pages and pages of words. We also try to focus on, perhaps, key elements that impact the people of Wales at that particular point—things like the pandemic and, obviously, EU transition".<sup>8</sup>*

**18.** Whilst areas of the Accounts require a prescribed level of information, the Welsh Government noted that it had worked with Audit Wales to "improve the accessibility" of the information<sup>9</sup>.

**19.** During our scrutiny of the 2021-22 Accounts, we explored issues relating to specific items of expenditure, as well as certain balances reported in the financial statements, including but not restricted to the areas covered in paragraphs 20 - 33.

## **Grant Expenditure**

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**20.** As in previous years, the Welsh Government's core operating expenditure in 2021-22 was dominated by its grant expenditure: grant expenditure of £20.8bn out of its total operating expenditure of £21.4bn<sup>10</sup>.

**21.** With the exception of reporting during the pandemic, since 2018-19, the Welsh Government has included information about its grants management in Part 1 of its accounts. Prior to 2018-19, the Welsh Government produced a separate annual report on grants management.

**22.** In the section on administering grant funding in the 2021-22 Accounts, the Welsh Government provided a breakdown of grant expenditure by the two

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<sup>8</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p30

<sup>9</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p30

<sup>10</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p210

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categories of grants: unhypothecated grants (£13.9bn); and hypothecated grants (£6.9bn). The Welsh Government also included a table that provided a distribution of hypothecated grant expenditure by sector<sup>11</sup>. This was presented at a high level and did not include information about the schemes, the related deliverables and criteria surrounding the purpose of the grants..

**23.** On this, the Director of Finance stated:

*“... on the hypothecated grant funding, essentially, which is about £6 billion, within part 1 of the accounts we do produce a report around how that money is distributed between different sectors, and then that element of the accounts also goes into how we manage the process and the grants team that we have centrally looking at those policies. Obviously, that has developed over time. If the committee has views about perhaps what more we can share on the way that we manage grants, then we're more than happy to look at that for part 1 of the accounts”.<sup>12</sup>*

**24.** The Welsh Government said its unhypothecated grant expenditure included the payments to health bodies and local government<sup>13</sup> although it does not provide a breakdown of this or indeed any further information in the section on administering grant funding. However, it describes the related local accountability arrangements in its Accountability Report, within the Accounts<sup>14</sup>.

**25.** Separately in the Accounts, the Welsh Government included an infographic to set out its top 10 revenue budget areas<sup>15</sup>. However, it is not clear how this reads across to the figures for grant expenditure or the financial statements in Part 3 of the Accounts.

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<sup>11</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p88

<sup>12</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p227

<sup>13</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p88

<sup>14</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p155

<sup>15</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p82

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## Assets

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**26.** The Welsh Government's core total net assets were valued, for accounting purposes, at £25.0bn at 31 March 2022<sup>16</sup>, as shown in its Statement of Financial Position. This includes its "Financial Assets", which were valued at £8.2bn at 31 March 2022. These comprise its student loan book (valued at £5.5bn at 31 March 2022), along with "Other Financial Assets" (valued at £2.5bn at 31 March 2022)<sup>17</sup>.

**27.** 'Other Financial Assets' included financial instruments (including loans) to other public bodies in Wales and repayable finance and loans to businesses to support economic development. The figure also included the Welsh Government's investment in its subsidiary companies, including Cardiff International Airport Limited<sup>18</sup>. Whilst some commentary is provided about what 'Other Financial Assets' includes, the Accounts do not provide a breakdown of the value at year-end.

**28.** In response to a question about why this is the case, the Director of Finance noted this was a "balance between the streamlining exercise we went through a number of years ago and then providing sufficient information"<sup>19</sup>. The Director of Finance indicated to the Committee any recommendation on how the Accounts could be improved to provide more detail, would be welcomed.

## Welsh Government Group

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**29.** The Accounts provided information on the Welsh Government Group, as well as its core activities. The Group position reflects the transactions and balances of the Welsh Government, NHS organisations (including Digital Health and Care Wales from 1 April 2021) and Welsh Government subsidiaries (including Career Choices Dewis Gyrfa Ltd, WGC Holdco Ltd, Regeneration Investment Fund for Wales (RIFW), the Development Bank of Wales Group and Transport for Wales Group).

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<sup>16</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p212

<sup>17</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p228

<sup>18</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p232

<sup>19</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p230

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**30.** In its Accounts 2020-21, the Welsh Government noted that the Transport for Wales subsidiaries had not been included in the Group Accounts as they “did not meet the requirements of the accounting boundary”<sup>20</sup>. It added:

*“ONS classification of both entities is expected in the 2021-22 financial year which will further determine whether these entities are consolidated in the Welsh Government Group in future. The cost of funding the Wales and Borders service is included within these accounts as part of the expenditure of Transport for Wales”.*<sup>21</sup>

**31.** In a heading to the 2021-22 financial statements, the Welsh Government stated:

*“These Financial Statements include Transport for Wales Rail Limited, Transport for Wales Innovation Services Limited and Digital Health and Care Wales from 1 April 2021 as newly consolidated bodies”.*<sup>22</sup>

**32.** This is significant since, from 7 February 2021, Transport for Wales Rail Limited assumed responsibility for rail services in Wales and the Borders, succeeding Keolis Amey Operations/Gweithrediadau Keolis Amey Limited. As the operator of passenger rail services, Transport for Wales Rail Limited manages 248 stations and operates all mainline services wholly in Wales, as well as services connecting Wales with Chester, Shrewsbury, Liverpool, Manchester, Crewe, Bidston and Cheltenham.<sup>23</sup>

**33.** We did not locate any information in the 2021-22 Accounts to explain the impact on the financial statements as a result of the changes to the composition of the Welsh Government Group.

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<sup>20</sup> Welsh Government Consolidated Accounts 2020-21, Annual Report, p51

<sup>21</sup> Welsh Government Consolidated Accounts 2020-21, Annual Report, p51

<sup>22</sup> Welsh Government Consolidated Accounts 2021-22, Financial Statements, p210

<sup>23</sup> Transport for Wales Rail Limited Annual Report 2021-22

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## Compliance with HM Treasury Financial Reporting Manual

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**34.** The former Permanent Secretary told the PAC in October 2017 the Welsh Government was not required to comply with the HM Treasury Financial Reporting Manual (FReM) in preparing Part 1 of its Accounts, as it was a devolved government<sup>24</sup>. However, the Welsh Government requires its NHS organisations and Arm's Length Bodies to do so (where they prepare accounts in accordance with the FReM).

**35.** In its report on the 2017-18 Accounts, the PAC concluded Wales has opportunity to lead the way in financial reporting and recommended the Welsh Government made clear the FReM requirements with which it aimed to comply, as well as the corresponding Welsh requirements for annual reports prepared by its public sector bodies<sup>25</sup>. This would help to ensure sufficient and appropriate information is disclosed, enabling effective scrutiny. The recommendation was accepted by the Welsh Government<sup>26</sup>.

**36.** As part of its scrutiny of the 2019-20 Accounts, the PAC recommended:

*"In the interests of transparency, we recommend that the Welsh Government publishes annually details of how decisions have been made in terms of its compliance with the Financial Reporting Manual ..."* [Recommendation 2]<sup>27</sup>

**37.** In the Welsh Government's response, the former Permanent Secretary stated:

*"The Welsh Government will aim to provide the PAC with such an update from 2021-22 onwards. However, although the FReM is usually published in December, in order to support preparation of the accounts from the following April onwards, it is not uncommon for additions or HM Treasury additional guidance to be issued through*

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<sup>24</sup> RoP, Public Accounts Committee, 2 October 2017, p131

<sup>25</sup> Public Accounts Committee, Scrutiny of Accounts 2017-18: Welsh Government

<sup>26</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 30 April 2019

<sup>27</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government

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*the accounts preparation period, indeed for the 2020-21 cycle updated guidance was issued in May 2021. Therefore, any update to the PAC will only reflect the position as at that date”.*<sup>28</sup>

**38.** This Committee was not provided with this information prior to the publication of the 2021-22 Accounts.

### **Reporting progress and delivery against the Programme for Government**

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**39.** In respect of progress made in delivering the Programme for Government, Welsh Government officials previously described the Accounts as one of the four key reports providing a “comprehensive overview” of activity in Wales<sup>29</sup>. They also noted reporting performance against policy objectives is a matter for Welsh Ministers<sup>30</sup>.

**40.** The PAC raised concerns about the “incoherence of information publicly available about the in-year performance of the Welsh Government”<sup>31</sup> and noted some of the other reports identified at that time were not available when the Accounts were laid. As such, the PAC recommended the Welsh Government included information on its website to set out its overall approach to reporting, as well as the connections between the four key annual reports it produces.

**41.** The Welsh Government accepted the recommendation, confirming the information would be published on its website along with the 2019-20 Accounts<sup>32</sup>.

**42.** In its Accounts from 2019-20, the Welsh Government has included a table to set out its “key reports” albeit without links to where they can be located on its website. However, the Welsh Government has not included this information on its website for its consolidated accounts.

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<sup>28</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 15 October 2021

<sup>29</sup> RoP, Public Accounts Committee, 7 October 2019, p45

<sup>30</sup> RoP, Public Accounts Committee, 7 October 2019, p45

<sup>31</sup> Public Accounts Committee, Scrutiny of Accounts 2018-19: Welsh Government

<sup>32</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 17 July 2020

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## Outturn Report

**43.** The Welsh Government has also previously identified the Outturn Report as one of the four key reports. The Outturn Report includes detailed information about the outturn against budget, together with explanations for the variances. It is also the only place in which the Welsh Government reports its balance on the Wales Reserve.

**44.** Typically, the Outturn Report has not been available in time for scrutiny of the Welsh Government's Accounts, by PAC (now PAPAC). As such, the PAC made a recommendation, following its scrutiny of the 2019-20 Accounts, calling for the four reports identified by the Welsh Government (as noted in the previous paragraph) to be published concurrently<sup>33</sup>. In response, the Welsh Government stated:

*"The Welsh Government will aim to publish the outturn report for the prior year within 3 weeks of publishing the annual report and accounts. The outturn report is reliant upon the completion of the annual statutory audit".<sup>34</sup>*

**45.** Based on the statement above, we would have expected the Outturn Report to be published no later than late January 2023, accounting for the Christmas break. We noted in our report on the 2020-21 Accounts that the delay in its publication was disappointing and could be regarded as a step back in terms of the timeliness in reporting<sup>35</sup>.

**46.** When asked for an explanation of the delay during our scrutiny of the 2021-22 Accounts, the Permanent Secretary stated:

*"So, there was a knock-on effect of just our timings around the submission of the accounts, and a bit of a roll-over of it, but the real issue that's got in the way of staff who would normally be associated*

<sup>33</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government

<sup>34</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 15 October 2021

<sup>35</sup> Public Accounts and Public Administration Committee, Scrutiny of Accounts 2020-21: Welsh Government

*with doing the outturn report was that we've just, from a Government perspective, had to support Ministers with a very significant budget round... and we simply had to prioritise that work at that time".<sup>36</sup>*

**47.** The Outturn Report for 2021-22 was published on 27 February 2023 and hence too late to be scrutinised by the Committee along with the 2021-22 Accounts.

### **Implementing Committee recommendations**

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**48.** The delay in laying the 2020-21 Accounts had a significant impact on the timing of the Committee's scrutiny of them and, as such, the 2021-22 Accounts were published before the Committee had reported on its scrutiny of the 2020-21 Accounts. As a result, the recommendations made by the Committee in that report were not reflected in this set of Accounts.

**49.** In relation to the Welsh Government's implementation of Committee recommendations, the Finance Director noted that the next set of Accounts would:

*"... give us (the Welsh Government) an opportunity to look at the recommendations of committee, perhaps some of the previous recommendations that we might not have picked up, and actually try and build that into the 2022-23 accounts".<sup>37</sup>*

**50.** When asked about the Welsh Government's approach to tracking recommendations made by the Committee, the Permanent Secretary acknowledged that the "discipline" around this had "slipped a bit" during the pandemic<sup>38</sup>. He went on to say:

*"... there are mechanisms in place; we do track them, we do look at those that are outstanding, and of course, as Government terms come to an end, there are some opportunities for some of those areas to be*

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<sup>36</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p264

<sup>37</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p56

<sup>38</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p59

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*tidied up and understood. But I think some of the long-standing historical issues, certainly recommendations over years, do still apply to good accounts management as well. But we do have corporate and group-based processes in place”.<sup>39</sup>*

## Our view

**51.** We acknowledge the complexities involved in finalising the 2021-22 Accounts, particularly given the delays surrounding the completion of the 2020-21 Accounts. We recognise the hard work of officials and auditors in achieving this.

**52.** We welcome the Permanent Secretary’s commitment to annually publish the timetable for the preparation and publication of the Accounts. It is essential for transparency in financial reporting that this information is in the public domain and available on a timely basis.

**53.** However, we note the timetable for the 2022-23 Accounts had not been published when we scrutinised the 2021-22 Accounts. This remained the case at the time of preparing this report, a few months into the 2023-24 financial year. We call on the Welsh Government to publish the timetable as soon as possible.

**54.** We note the Permanent Secretary’s evidence that it will be a “difficult ask” for the Welsh Government to return to lay its accounts before the Senedd in August or September each year. We recognise the existing challenges and those ahead, such as implementing new accounting standards and bringing additional bodies within its accounting boundary.

**55.** However, as the Public Accounts Committee reported, the Welsh Government has an opportunity to lead the way in financial reporting and it is important it sets a high standard as an example for the rest of the public sector in Wales. We are encouraged the Welsh Government has agreed a three-year plan with the AGW, with a shared ambition to finalise its accounts in September.

**56.** While recognising the challenges and the resources invested in their preparation, it is our view that the Welsh Government could do more to improve

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<sup>39</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p59

the accessibility of its Accounts and better present them on its website. We note some other public sector bodies in Wales have changed how they do so, now including online summaries and highlights, as well as providing a link to the full document.

**57.** We note the Accounts do not include any information about where the “key reports” can be located on the Welsh Government’s website. Specific links should be provided where reference is made to other sources since, in the Committee’s view, it is difficult to locate information on the Welsh Government’s website. Along with providing specific links in the future, the Committee recommends the Welsh Government undertakes a review to ensure it is easier for people to navigate its website and locate the information required.

**58.** In terms of their content, we believe there is considerable interest in how the Welsh Government has spent public money and the outcomes this spending has delivered for the people of Wales. A significant proportion of the Welsh Government’s expenditure is spent on grants but, in the Committee’s view, this is not reflected in the balance of information in the Accounts.

**59.** We recommend the Welsh Government reviews the content of its accounts to ensure it is properly telling the story about its expenditure. In doing so, the Welsh Government should ensure consistency between expenditure figures reported across Part 1 through to Part 3 of its Accounts.

**60.** We also believe the Accounts should include a breakdown of the Welsh Government’s ‘Other Financial Assets’ for its Core position, which were valued in total at £2.5bn at 31 March 2022. This should allow the reader to see the value of the range of different assets included in this category, such as the loans and repayable finance to businesses to support economic development to the Welsh Government’s investment in its subsidiaries. While some information is included in the narrative to the note in Part 3 of the Accounts, in our view, this does not provide sufficient detail for scrutiny.

**61.** We noted the changes to the Welsh Government Group in 2021-22, including the consolidation for the first time of Transport for Wales Rail Limited. These represent significant changes to some of the transactions and balances of the Group and, as such, the Welsh Government should have included

information in its Accounts about their impact. The Welsh Government should ensure it does so in future where there are changes to its Group.

**62.** The Permanent Secretary told us the Welsh Government has a mechanism to track recommendations. We acknowledge that the timing of our report on the 2020-21 Accounts did not enable our recommendations, if accepted, to be reflected in the Accounts for the following year. However, our scrutiny highlighted that the Welsh Government has not yet implemented some recommendations made by our predecessor Committee, despite having accepted them. Some were made in PAC's report on the 2017-18 Accounts.

**63.** Our predecessor Committee recommended that the Welsh Government publishes, on its website for its accounts, information about the key reports that, when taken together, provide a "comprehensive overview" of its activity and delivery. While we note the Welsh Government includes information about these reports in its accounts, it has not explained its approach on its website alongside the accounts.

**64.** The Welsh Government has yet to set out for the Committee the FReM requirements with which it aims to comply when preparing its accounts, as well its requirements and guidance for other public sector bodies in their corresponding annual reports. Having accepted our predecessor Committee's related recommendations, we call on the Welsh Government to provide this information at the earliest opportunity for the 2023-24 Accounts, notifying the Committee annually of any changes to its decisions or in light of new FReM requirements.

**65.** The Welsh Government identified the Outturn Report as one of its key reports that provide a "comprehensive overview" of activity in Wales. We share the view of our predecessor Committee that this should be published in time for our scrutiny of the accounts. As such, we reiterate its recommendation.

**66.** We heard the Welsh Government has an opportunity, during its preparation of the 2022-23 Accounts, to implement recommendations it might not yet have actioned. We welcome this and recommend the Welsh Government provides an update to the Committee, at the time the Permanent Secretary approves and signs the 2022-23 Accounts, if not before.

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**Recommendation 1.** The Welsh Government reviews the content of its accounts to ensure it is properly telling the story about its expenditure and what it has delivered. The Welsh Government should, in particular, consider the information it includes about its grant funding, which accounts for a significant proportion of its expenditure but this not reflected in the balance of information in the accounts.

**Recommendation 2.** The Committee recommends that the Welsh Government considers how it can present its accounts in a more accessible manner. This could be achieved through summary documents or interactive tools for presenting the information more clearly, as opposed to including only the PDF copy of the full account, as it does currently.

**Recommendation 3.** The Welsh Government should provide links to the publications and reports to which it refers in its accounts, as the Committee believes it is difficult to locate key documents on the Welsh Government's website. The Welsh Government should also review its website to ensure it is easier for people to navigate and locate the information required.

**Recommendation 4.** The Committee reiterates its predecessor Committee's recommendation on the publication of the Outturn Report. While acknowledging practical barriers to publishing all financial reports concurrently, the Committee recommends that the Welsh Government aims to publish these documents either concurrently or as closely together as possible. Specifically, we recommend that the Welsh Government publishes its Outturn report as soon as possible following the laying of its accounts each year and in sufficient time to enable the Committee to consider its contents in its preparation for its accounts scrutiny sessions.

**Recommendation 5.** To enable the reader to see the value of the range of different assets included in the category of assets and to facilitate scrutiny, the Welsh Government should include a breakdown of the 'Other Financial Assets' for its Core position in its accounts.

**Recommendation 6.** The Welsh Government should include information, in its accounts, about the impact of changes to the composition of its Group on its reported financial transactions and balances.



**Recommendation 7.** The Welsh Government should provide to the Committee, at the time the Permanent Secretary approves and signs the 2022-23 Accounts if not before, an update about the recommendations it and its predecessor Committee made following accounts scrutiny which it has yet to action. This update should include an explanation of why the Welsh Government has not yet acted on the Committee recommendation, as well as the proposed timeframe for implementation.

**Recommendation 8.** The Committee reiterates its predecessor Committee's recommendation on FReM requirements. The Welsh Government should notify the Committee of the FReM requirements it aims to comply with when preparing its accounts. It should also notify the Committee of any changes in its decisions, or in light of new FReM requirements, when the accounts are published. This information should be provided at the earliest possible opportunity ahead of the 2023-24 Accounts.

## 4. Senior Officer Remuneration

### Background

**67.** The AGW qualified his “true and fair” and regularity opinions on the 2020-21 Accounts. The reasons included that he had not been able to obtain sufficient, appropriate audit evidence to determine whether expenditure in the 2020-21 accounts relating to a payment to the former Permanent Secretary was materially correct and properly authorised. At paragraph five we set out information about the other reasons why the AGW qualified his audit opinions on the Welsh Government accounts for 2020-21.

**68.** The AGW also qualified his “true and fair” and regularity opinions on the 2021-22 Accounts, which included expenditure relating to three elements of the payment to the former Permanent Secretary in October 2021, totalling £80,519.

**69.** Further information on the payment to the former Permanent Secretary can be found in the Committee’s report on the 2020-21 Accounts.

**70.** The AGW’s Public Interest Report, ‘Payment to the Welsh Government’s Former Permanent Secretary on Termination of Employment’ (September 2022), set out a series of actions to be undertaken by the Welsh Government in light of his findings. These included:

- Better documenting of agreements.
- Reviewing the terms of reference of its Remuneration Committee.
- Producing a document set of processes for dealing with significant HR matters relating to the Permanent Secretary or other very senior staff.
- Working with the UK Cabinet Office to develop specific guidance for the line management of permanent secretaries in the devolved context.

### Welsh Government response

**71.** In the Governance Statement in the 2021-22 Accounts, the Permanent Secretary noted:

*“SCS terms and conditions, including the pay remit are not delegated to the Welsh Government and Cabinet Office lead on Permanent Secretary recruitment and many aspects associated with DG recruitment. However Welsh Government recognises that it is important that when decisions are taken regarding SCS salary related decisions, they are transparent and supported by strong governance”.<sup>40</sup>*

**72.** He detailed the following planned improvements to the framework of delegations for SCS related decisions:

- Update SCS recruitment and resourcing guidance with clear process maps, delegations and approval routes in relation to SCS salaries including areas such as partial retirement and interaction with Welsh Government policies where there may be overlap between Cabinet Office and Welsh Government responsibilities.
- Review the terms of reference for the Remuneration Committee to bring greater clarity to the role and remit & review of Business Case template and process to enhance the clarity of HR advice provided to the Committee.
- Implement the Permanent Secretary Terms & Conditions framework, continue to work with Cabinet Office to better define the respective roles and responsibilities of Cabinet Office and Welsh Government and develop standard file notes to ensure arrangements with Cabinet Office involvement capture all relevant approvals and policy application.

**73.** When asked for an update on the implementation of these actions, the Deputy Director for HR Operations and Performance told the Committee the new Terms and Conditions framework had been signed off in September 2022,

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<sup>40</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p163

jointly with Cabinet Office, and had been implemented since<sup>41</sup>. She went on to explain:

*“We've looked at all of our SCS policies and also the policies that perhaps weren't clear whether they related to SCS members or not, and we've got an action plan in place to work through those. As you would expect, we focused on the key areas. So, on partial retirement, we've implemented a specific policy for our SCS, which was signed off in December via remuneration committee. It builds in the process of a business case to remuneration committee. So, there is a lot more governance and transparency around the arrangements, which I think was one of the key things that I'd certainly picked up from the discussion”.*<sup>42</sup>

## **AGW's Report 2021-22**

**74.** In his Certificate on the 2021-22 Accounts, the AGW noted the disclosures made by the Permanent Secretary in his Governance Statement about the weaknesses in the governance framework relating to senior officer pay, which the Welsh Government planned to address in 2022-23<sup>43</sup>.

**75.** In the Report on the 2021-22 Accounts, the AGW said he had identified:

*“... areas for improvement regarding the overarching framework and supporting processes and policies for Senior Civil Service (SCS) pay to improve governance and transparency”.*<sup>44</sup>

**76.** Whilst noting that not all SCS terms and conditions (including pay) are delegated to the Welsh Government, the AGW said:

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<sup>41</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p81

<sup>42</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p81

<sup>43</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p201

<sup>44</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p208

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*“... it is important that when SCS salary related decisions are made, they are transparent and supported by strong governance, including the need for a clear and documented framework of delegations”.*<sup>45</sup>

## Remuneration and Staff Report

### Consent Withheld

**77.** The 2021-22 FReM says that the Remuneration and Staff Report, included in the Accounts, is:

*“... fundamental to demonstrating transparency and accountability to Parliament and the public and therefore disclosure is expected in all but exceptional cases”.*<sup>46</sup>

**78.** However, in his Audit Certificate, the AGW noted one senior official “did not provide consent regarding disclosure of information specified by HM Treasury regarding remuneration and other transactions”. He went on to say:

*“Welsh Government accepted the senior official’s request and consequently the Remuneration and Staff Report does not include this information”.*<sup>47</sup>

**79.** The 2021-22 FReM states:

*“If a member does not agree to disclosure, the entity must consider whether to accept it. Under such circumstances the GDPR requires the entity to demonstrate compelling legitimate grounds for the disclosure which override the interests, rights and freedoms of the member or for the establishment, exercise or defence of legal claims. Entities are strongly advised to take legal advice in such a case, because a decision not to publish may be challenged under the*

<sup>45</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report p208

<sup>46</sup> HM Treasury, The Government Financial Reporting Manual: 2021-22

<sup>47</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p203

*Freedom of Information Act. This may also apply to other disclosures included in annual reports and accounts”.*<sup>48</sup>

**80.** In a footnote to its disclosure of pension details for senior officials, included in the Remuneration and Staff Report for 2021-22, the Welsh Government stated “certain disclosure, as required by Employer Pension Notice 647 has been omitted in accordance with Article 21 of UK GDPR”<sup>49</sup>.

**81.** When asked about this, the Finance Director explained the process followed by the Welsh Government:

*“... we looked at the financial reporting manual, and one of the aspects in the financial reporting manual is that we are required to, obviously, inform individuals, and it does cover their right to object under certain circumstances. We then looked at the GDPR rules, and article 21 covers the individual's right to object and how you can take that forward. We obviously spoke to the individual about their concerns. We consulted a data protection officer for the Welsh Government. We spoke to the senior case officer dealing with FOIs. We consulted legal services. At the end of all of that, we actually produced a detailed note, which we shared with audit colleagues, covering the issues that were raised”.*<sup>50</sup>

**82.** We noted the Welsh Government did not report the changes to the former Permanent Secretary’s working arrangements from 1 April 2018 and 1 April 2019 in its Accounts for 2018-19 and 2019-20, respectively. Given this omission, we asked what assurances could be given about the governance of the remuneration and other transactions omitted from the Remuneration and Staff Report for 2021-22. We also asked whether information would continue to be omitted in the Accounts for later years.

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<sup>48</sup> HM Treasury, The Government Financial Reporting Manual: 2021-22

<sup>49</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p178

<sup>50</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p87

**83.** The Permanent Secretary confirmed there were no other omissions for the year in question (2021-22) and looking forward he stated:

*“... inevitably, it's a case-by-case and an individual aspect. It's going to be quite a rare and exceptional event for those sorts of requests to emerge. So, I think we just need to deal with each one based on the individual circumstances”.*<sup>51</sup>

## Partial Retirement

**84.** The salary paid to the Welsh Government's Director of Propriety and Ethics ranged between £75k and £80k in 2021-22, compared with a salary of between £105k and £110k for 2020-21. In a footnote in the Remuneration and Staff Report, the Welsh Government said:

*“David Richards applied for and had approved partial retirement from 1 September 2021 from which date his salary and working hours have been reduced, his comparable Full Time Equivalent salary is £105,000 to £110,000”.*<sup>52</sup>

**85.** When asked about new arrangements for approving partial retirement, following changes made subsequent to the AGW's Public Interest Report about the payment to the former Permanent Secretary, the Deputy Director for HR Operations and Performance told the Committee the process had gone from having two stages to six<sup>53</sup>. She explained:

*“... it's based on an individual making a formal request in writing to their line manager, and a conversation about the request that's then documented. We've built in a stage where the manager would seek HR advice so that we can identify any potential issues that we need to be aware of, and then a business case would go to remuneration committee. There would be a discussion about the potential impact of*

<sup>51</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p90

<sup>52</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p176

<sup>53</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p97

*that request on not just the individual, but the whole organisation, and then the outcome of that would be relayed to the manager, the employee would be notified, and then they would fill out the forms, as they would have done previously”.<sup>54</sup>*

**86.** She noted these additional steps were to “ensure good governance and transparency”<sup>55</sup>. However, she noted that the number of requests for partial retirement were “very small” and they wanted to ensure that they maintained flexibility for all staff, regardless of grade.

### **Pay Policy Statement**

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**87.** In its Pay Policy Statement, the Welsh Government has customarily set out its approach to pay and the relationship between an employee’s pay and senior management remuneration. The 2021-22 Accounts stated:

*“In line with the ‘Transparency of senior remuneration in the devolved Welsh public sector’ principles published on 7 December 2015 the Welsh Government has published a pay policy statement on its website”.<sup>56</sup>*

**88.** At the time of the scrutiny session with officials, on 2 March 2023, the Welsh Government had not published the Pay Policy Statement for 2022. The Pay Policy Statement for 2021 had been published in October 2021.

**89.** When asked why the Pay Policy Statement had not yet been published, the Permanent Secretary explained the document had been prepared but was awaiting translation before publication<sup>57</sup>.

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<sup>54</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p97

<sup>55</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p97

<sup>56</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p167

<sup>57</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p99

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**90.** The Deputy Director for HR Operations and Performance explained that the Pay Policy Statement 2022 would be reporting on the disability pay gap and the ethnicity pay gap for the first time<sup>58</sup>.

**91.** The Welsh Government published its Pay Policy Statement for 2022 on 22 March 2023, almost a year after the period to which it related.

## **Our view**

**92.** We welcome the Welsh Government's acknowledgement that improvements are needed to the governance and transparency of SCS pay, following the AGW's findings about the payment to the former Permanent Secretary on the termination of her employment and his subsequent work.

**93.** It is important the work in this area is properly carried out and completed on a timely basis. We are assured the changes are to be implemented with oversight from the Remuneration Committee supporting the Permanent Secretary as Principal Accounting Officer. However, it is an area we will revisit during our scrutiny of the Welsh Government's 2022-23 Accounts. This will include consideration of the Welsh Government's response to our report on the 2020-21 Accounts, since a number of our recommendations also related to SCS pay.

**94.** We heard about the changes to the process for the approval of requests for partial retirement, subsequent to the AGW's Public Interest Report about the payment to the former Permanent Secretary. However, we did not receive the assurance we sought about the Director of Propriety and Ethics, who partially retired from 1 September 2021 under the former arrangements. We would welcome information about who approved this request and assurance that the issues identified in respect of changes to the former Permanent Secretary's working arrangements from 1 April 2018 (such as accruing leave) do not apply in this case. We would also welcome information about the arrangements for backfilling this post, since the role is now being delivered on a part-time basis.

**95.** We note the process taken by officials following the withdrawal of consent by an SCS to information being included in the Remuneration and Staff Report

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<sup>58</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p100

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for 2021-22. This is a rare occurrence and we welcome the Permanent Secretary's evidence that such omissions will be exceptional events. It is important that information relating to staff, paid by the public purse, is reported in accordance with guidance to demonstrate transparency and accountability.

**96.** We are not clear from the Permanent Secretary's evidence the reasons for the delay in the publication of the Pay Policy Statement for 2022. We are disappointed it was not available at the time of the Committee's scrutiny of the 2021-22 Accounts. We will consider it during our scrutiny of the 2022-23 Accounts. We also expect to consider the Pay Policy Statement for 2023 along with the Accounts. As such, we recommend the Pay Policy Statement for 2023 is published by the time the Permanent Secretary approves and signs Accounts for 2022-23, if not sooner.

**Recommendation 9.** The Committee requests that the Welsh Government provides information about who approved the Director of Propriety and Ethics' request for partial retirement and assurance that the issues identified by the Committee in relation to the former Permanent Secretary's working arrangements from 1 April 2018 do not apply in this instance. We request further information about this role and note that it is now being delivered on a part-time basis.

**Recommendation 10.** The Welsh Government should ensure it publishes the Pay Policy Statement for the year to March by the time the Permanent Secretary approves and signs the Accounts for the same financial year. This should start with the Pay Policy Statement for 2023 and the Accounts for 2022-23. This will ensure the Committee is able to scrutinise each year the Pay Policy Statement, alongside the accounts.

## 5. Transparency

### Board and other Committees

**97.** In its report on the Welsh Government’s Accounts for 2018-19, the PAC of the Fifth Senedd recommended the Welsh Government reviewed its approach to publishing papers for its Board and Audit and Risk Assurance Committee (ARAC) meetings<sup>59</sup>. The recommendation also asked the Welsh Government not to restrict this to agenda and summary minutes. These papers are publicly available for other public sector bodies, such as NHS organisations.

**98.** This recommendation was accepted by the Welsh Government which, in its response to the PAC report, confirmed agenda, full minutes and associated Board papers would be published “with the exception of those containing official sensitive information and the personal details of staff”<sup>60</sup>.

**99.** In relation to ARAC meetings, the former Permanent Secretary said:

*“... given the sensitive nature of many of the papers and the need to provide external members with an environment where they can challenge officials in an open and frank manner, it would not be appropriate to publish associated minutes or papers”.*<sup>61</sup>

**100.** The PAC considered the Welsh Government’s response as part of its scrutiny of the 2019-20 Accounts. Whilst it acknowledged the sensitivity of the information contained in the minutes of the ARAC meetings, it concluded the minutes, with redaction, could be published on the Welsh Government’s website<sup>62</sup>.

**101.** Accordingly, as part of its report on the 2019-20 Accounts, the PAC recommended the Welsh Government ARAC meeting agendas be published

<sup>59</sup> Public Accounts Committee, Scrutiny of Accounts 2018-19: Welsh Government

<sup>60</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 17 July 2020

<sup>61</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 17 July 2020

<sup>62</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government

with an appropriate summary of issues arising from the meetings, as a minimum<sup>63</sup>. This recommendation was accepted by the Welsh Government in its response to the report (sent to PAC's successor Committee, PAPAC, in October 2021), noting that the new practice would commence from their next meeting<sup>64</sup>.

**102.** As of 17 February 2023, the Welsh Government's website for its Board papers had last been updated in January 2022, with the latest available papers for the meeting in December 2021. At the time of the scrutiny session on 2 March 2023, only the papers for January 2022 and March 2022 had been published.

**103.** When asked about the gaps in publishing Board papers, the Permanent Secretary explained:

*"I do think that some of our corporate reporting through the pandemic probably just slipped, I'm afraid, which I apologise for. But I can confirm that the board minutes and the papers, and those appropriate papers aren't in the public domain. But, in my preparation, I've already made sure that they will be, that they will go on, they will also be translated and, although they will go on in sequence, we'll make sure that all of those are done by the end of May, including the 2023 board reports as well".<sup>65</sup>*

**104.** In relation to the publication of ARAC agendas and a summary of the issues under consideration, the Permanent Secretary expressed his opinion that these documents differed contextually from Welsh Government Board papers as they included "quite sensitive and difficult areas" from a risk perspective<sup>66</sup>. He went on to say:

*"I know that he (the Chair of the ARAC) is concerned about making sure that whatever we do, we respect the sensitivity of some particular*

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<sup>63</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government

<sup>64</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 15 October 2021

<sup>65</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p104

<sup>66</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p108

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*issues and items in there. I do think that having some awareness of the issues that are, in very broad terms, under consideration probably helps”.<sup>67</sup>*

**105.** The Permanent Secretary went on to confirm he would discuss the issue with the Chair of the ARAC, noting that he felt there was a way to give “confidence about the things that we're addressing without really revealing all of the detail”<sup>68</sup>. When challenged on the Welsh Government accepting a previous PAC recommendation on this, the Permanent Secretary responded:

*“... that was partly a reflection I was having with a Member about confirming that we had not put information from the audit and risk committee into the public domain, but just trying to find the right way of at least highlighting areas of interest. So, as I committed, I will talk to the chair of our risk and governance committee and just see whether there is some way to meet what still is an outstanding Public Accounts Committee recommendation from the predecessor committee, and just see if there is a way of steering that in a different way—as long as I can, with Members here, recognise that there clearly are some issues of sensitivity”.<sup>69</sup>*

**106.** In response to a point about transparency and the need for Board papers and associated materials to be easily accessible, the Permanent Secretary remarked:

*“... your point on openness and transparency is absolutely well made. I know it's not necessarily everybody who goes looking for these types of reports, but it's really important that they're there when they do”.<sup>70</sup>*

**107.** Subsequent to the Committee’s scrutiny, the Welsh Government updated its website to reflect the meetings up to and including the January 2023

<sup>67</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p109

<sup>68</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p112

<sup>69</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p118

<sup>70</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p106

meeting, with the papers for the following meetings published between 28 February 2023 and 28 March 2023 (at the time of preparing this report).

## Board Membership

**108.** In its 2021-22 Accounts, the Welsh Government reported Jeff Farrar, who had taken up post as a Non-Executive Director (NED) on the Board in February 2018, had left in August 2021 leaving three sitting NEDs<sup>71</sup>. The Welsh Government did not set out any information about the appointment of a new NED.

**109.** The Permanent Secretary told the Committee Reverend Aled Edwards had been appointed in March 2022, starting the role in the summer of 2022<sup>72</sup>. Reverend Edwards joined Meena Upadhyaya, Ellen Donovan and Gareth Lynn as NEDs. He went on to note that one of these NEDs (without specifying whom) was about to leave, after a four-year term. The Permanent Secretary noted a replacement, Carys Williams, had been appointed ahead of time, which provided a transition period, meaning there were five NEDs in place for a short period<sup>73</sup>.

## Conflicts of interest

**110.** In the Governance Statement, the Permanent Secretary said:

*“Ensuring effective management of any conflicts of interest is a key aspect of any effective governance framework and system of internal control”.*<sup>74</sup>

**111.** He noted the Welsh Government controls included corporate policies and procedures covering conflict of interest registers and an annual return from all staff published on their website.

**112.** The Civil Service conflicts of interest register was last updated in July 2022, with the equivalent for special advisers updated in September 2022. The register

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<sup>71</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p130

<sup>72</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p115

<sup>73</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p115

<sup>74</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p148

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of interests for senior officials, as at 14 February 2023, had not been updated since October 2021.

**113.** When challenged on the delay in publication, the Chief Operating Officer explained:

*“The registers we have, both the civil service register and the register of interest, serve different processes and there are different timetables associated with that... The register for special advisers was updated in September. The one for senior officials will be updated by the end of the month. It's been slightly delayed in terms of getting it out there, but that's just down to the individual involved and some of the workload issues around that”.*<sup>75</sup>

**114.** He went on to state the processes in place compared favourably with other organisations he had been a part of, describing the levels of transparency as being “much greater”<sup>76</sup>. We challenged Welsh Government officials on the timeframes for publishing these registers, drawing a comparison between the requirements for elected members and the arrangements in place for senior civil servants in the Welsh Government. We asked officials how they expected the register to be scrutinised and to ensure that the public has confidence in it if it takes so long to be published.

**115.** In response, the Permanent Secretary apologised for the delay in publication and assured the Committee the delay would be addressed<sup>77</sup>. In terms of governance processes, the Chief Operating Officer explained:

*“... there are clear responsibilities within the line management chain and with directors and directors general in terms of any potential conflicts that exist within their areas. There is internal scrutiny, and then there is external publication as well”.*<sup>78</sup>

<sup>75</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p132

<sup>76</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p132

<sup>77</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p141

<sup>78</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p142

**116.** It's to be noted some senior officials are included on both the civil service and senior officials registers, but in some cases the information, as at 14 February 2023, between the two registers was not consistent.

**117.** In the Governance Statement, the Permanent Secretary explained the Welsh Government had undertaken an "extensive review" of its policies and procedures following an Internal Audit Review<sup>79</sup>. This review was in response to UK Civil Service concerns about senior civil servants holding outside appointments that are incompatible with the Civil Service Code. He added the Welsh Government was "currently discussing revisions to the policy with our trade unions and in the light of additional guidance produced by the UK Cabinet Office".

**118.** When asked for reflections on the Internal Audit Review, the Chief Operating Officer stated:

*"I think the main findings of the review were a need to really review the policy and a robust review around that to take account of other changes that had gone in place, especially around the wider civil service; definitely to update the guidance and information for staff to make it easier to understand the requirements around that and make it clearer, giving examples of what this means in practice; and also to look at better ways to help staff to comply with the requirements there, especially around, maybe, a digital tool to help with it".<sup>80</sup>*

**119.** He noted another element of this work had increased emphasis on pre-employment checks, explaining:

*"... one of the things I was asked to do as part of my employment was to fill in a form before I joined, and that's now part of the way we do things. So, in all of that, it's looking to make sure that we get a much more consistent approach across the organisation, but also we're*

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<sup>79</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p149

<sup>80</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p125

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*looking to make sure that people understand the requirements and the importance of this”.<sup>81</sup>*

**120.** The Chief Operating Officer confirmed the new policy would be implemented in the first quarter of the next financial year<sup>82</sup>.

**121.** The Welsh Government updated the register of interest for senior officials following the Committee’s scrutiny, with the most recent update (at the time of preparing this report) on 6 April 2023.

## **Internal Audit**

**122.** In the Governance Statement, the Permanent Secretary reported the Head of Internal Audit had provided him with “reasonable assurance” on the operation of the framework of governance, control and risk management within the Welsh Government<sup>83</sup>. The Accounts included a summary of the internal audit reports issued by year and assurance opinion<sup>84</sup>.

**123.** This showed “Limited Assurance” had been provided for three of the 44 total internal audit reports for 2021-22, and no opinion is provided for two others, which are noted to be summary reports. The Welsh Government does not provide any information about the specific reviews in its Accounts but said:

*“Where significant weaknesses were identified, even when aggregated, they were not material to the overall opinion. Furthermore, no systemic or systematic concerns or weaknesses were identified from the body of audit work completed”.<sup>85</sup>*

**124.** The Welsh Government provided a series of examples of weaknesses which lead to a “Limited Assurance” opinion, including<sup>86</sup>:

<sup>81</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p128

<sup>82</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p128

<sup>83</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p142

<sup>84</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p143

<sup>85</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p143

<sup>86</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p143

- Lack of clear and unambiguous evidential trail detailing how decisions were made, the rationale for them and the authorisation process.
- Lack of grant offer letters to control funding relationships.
- Ineffective monitoring arrangements.
- Lack of visibility / poor management information.
- Guidance documentation not updated.
- Insufficient management information to demonstrate compliance.

**125.** When asked about the three Limited Assurance reports for 2021-22, the Permanent Secretary provided further information:

*“One of the three areas was some of the support that was provided to bus companies through the pandemic. I would reflect that a lot of the internal audit areas were simply about the speed of response needed at the time, and that those actions and the response, although they were exceptional in terms, were being addressed, and the actions actually taken forward with the help of the report... In terms of the two other areas, one was on agency workers and another one was on secondment and broader arrangements, which we were touching on in one of our previous committees as well.”<sup>87</sup>*

**126.** The Deputy Director for HR Operations and Performance told the Committee that the HR team had worked proactively with the internal audit team on these areas, as they were “likely to be areas that we needed to improve”<sup>88</sup>. The Permanent Secretary noted his satisfaction with the internal audit process, explaining that he meets regularly with the Welsh Government’s Head of Audit who provides him with “impartial views and advice on the organisation”, which helps to address “issues across the organisation”<sup>89</sup>.

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<sup>87</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p145

<sup>88</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p146

<sup>89</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p149

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**127.** In relation to the two summary reports published without an assurance opinion, the Permanent Secretary explained:

*“The previous Permanent Secretary commissioned two pieces of advice, not for assurance purposes, but for allowing us to understand the kind of governance implications in the organisations, the first one of which was a review of COVID and lessons learnt and reflections – really important that that was an open reflection across the organisation – and then secondly, an internal audit on COVID-19 governance arrangements”.*<sup>90</sup>

**128.** The Permanent Secretary noted both reports were helpful, as they were prepared during the pandemic and meant the organisation could “adapt and change around it”<sup>91</sup>.

## **Risks**

**129.** The FReM says that bodies should include information about risks in Parts 1 and 2 of the Accounts: the performance analysis in Part 1 should cover risks in relation to performance, what risks were faced and how these were mitigated; and the Governance Statement in Part 2 should report on the review of the risk management and the internal control system.

**130.** In the PAC’s report on the 2018-19 Accounts, it made clear it was not calling for the inclusion of the Welsh Government’s entire risk register in the Accounts, but it recommended that the Welsh Government included a summary of principal risks and any changes to them during the period covered by the Accounts<sup>92</sup>. The PAC explained this should set out information about the potential impact of the risks and how they are being mitigated.

**131.** In its response to the report, the Welsh Government accepted the recommendation and said it had “documented the principal risks but not

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<sup>90</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p156

<sup>91</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p157

<sup>92</sup> Public Accounts Committee, Scrutiny of Accounts 2018-19: Welsh Government

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necessarily detailed the potential impacts of mitigation actions”<sup>93</sup>. The response confirmed this would be addressed for the 2019-20 Accounts.

**132.** In line with previous years, the Welsh Government describes its risk profile for 2021-22 as “extensive and varied” in its Accounts<sup>94</sup>. It notes a specific risk register had been maintained for COVID-19. The Accounts lists four new risks that were added to the Corporate Risk Register during 2021-22 and described how these had been mitigated<sup>95</sup>:

- Preparations for the COVID-19 Public Inquiry in Wales;
- Business disruption due to cyber threats;
- Delays to the HR system upgrade;
- Wales as a Nation of Sanctuary.

**133.** In response to a question about the risks that are most likely to occur, with the biggest potential impact, the Permanent Secretary stated:

*“The main area of concern that was expressed in 2021-22 in respect of the areas, the highest scoring concern, was actually about workforce capacity. That probably isn't a surprise to us all, if you think about what we'd been living through at that time. The last six months of 2021-22 also were dominated by omicron. We even were manoeuvring into the first-step responses on Ukraine... at various points, we probably had four fifths of the organisation simply pointed towards the pandemic response, particularly through 2020 into 2021. But workforce capacity was the highest scoring risk”.*<sup>96</sup>

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<sup>93</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 17 July 2020

<sup>94</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p159

<sup>95</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p159-160

<sup>96</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p169

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**134.** In relation to the workforce capacity risk, the Permanent Secretary acknowledged there were limits to the Welsh Government’s ability to legislate because of capacity, but went on to note:

*“I would say that from a programme for government perspective, delivering legislation is actually at the top of the responsibilities and the functions of Welsh Government. That ability to discharge those law-making powers is really important. But I have been able, even in difficult budgetary terms, to put more resource towards our legal areas, whether that is Bill managers, whether it's on the policy side, or indeed whether it's some of our legal teams as well. I've been able to address, maybe, some of the residual concerns around that, but I don't see the capacity issues as a constraint”.*<sup>97</sup>

**135.** He described well-being of staff, issues around legislation, inflationary costs, cybersecurity and preparation for the public inquiry into the pandemic as being amongst the “next level of risks”<sup>98</sup>.

## **Our View**

**136.** It is important that Board papers are made publicly available and on a timely basis for accountability and transparency purposes. We note the delays during the pandemic. While it is disappointing the papers were not available at the time of our scrutiny of the 2021-22 Accounts, we note the Welsh Government has subsequently updated its website. We encourage the Welsh Government to maintain this and would welcome information about how soon after each Board meeting it intended to make the agenda and papers publicly available.

**137.** With the former Permanent Secretary having discussed and agreed a way forward following our predecessor’s recommendation, we are perplexed why information about ARAC meetings is not yet publicly available. We are not clear why the Permanent Secretary wants to discuss with the ARAC Chair, who agreed the way forward following a discussion with the former Permanent Secretary. We recommend the Welsh Government implements our predecessor Committee’s

<sup>97</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p174

<sup>98</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p170

recommendation at the earliest opportunity. In doing so, the Welsh Government should make publicly available information for meetings from January 2022 onwards.

**138.** We welcome the update from the Permanent Secretary about the NEDs appointed to the Board. However, we note this means there were only two NEDs on the Board from August 2021 to March 2022, rather than the usual three. We would welcome information from the Welsh Government why it took so long to replace one of the NED after his resignation in August 2021.

**139.** We were told the three registers of interests served different purposes and were completed to different timetables. We recommend the Welsh Government explains why this is the case. This should also explain why the entries on them may differ.

**140.** We are concerned the register of interest for senior officials, which was made publicly available, was not updated for 18 months (from October 2021 to April 2023). We accept the apology provided to us by the Permanent Secretary and are satisfied by the explanation given that internal governance processes were followed in terms of interests being declared. However, we recommend the Welsh Government regularly reviews the publicly available registers and ensures they are kept updated.

**141.** We heard about the Welsh Government's plans to revise its policy on conflicts of interest. We would welcome an update about this as soon as possible, following the completion of discussions with trade unions. This update should explain the changes the Welsh Government plans to introduce and the extent to which these address the findings from the review by its Internal Audit Services.

**142.** We sought information about the three reports for which the Welsh Government's Internal Audit Services concluded its work provided limited assurance. The Committee's view is that the Welsh Government should include, in its Accounts, more information about the audit reports issued where the Head of Internal Audit provided limited or no assurance, as well as any fundamental weaknesses that Internal Audit Services identified. This should include commentary about management's response to the findings and its plans to enhance the control framework and address the issues identified.

**143.** Despite accepting our predecessor Committee's recommendation, we note the Welsh Government does not summarise the principal risks it faced but mainly describes the new risks added in the year. We reiterate the recommendation made by our predecessor Committee.

**Recommendation 11.** The Committee recommends the Welsh Government provides information about how soon after each Board meeting it intends to make the agenda and papers publicly available within a timely manner.

**Recommendation 12.** The Committee reiterates its predecessor Committee's recommendation on the publication of Audit and Risk Assurance records. We recommend the Welsh Government publishes, as a minimum, the agenda for its Audit and Risk Assurance Committee together with an appropriate summary of issues arising from those meetings. As such, the Welsh Government should ensure that this information is published retrospectively and promptly in the future.

**Recommendation 13.** The Welsh Government should provide an explanation why it did not appoint a Non-Executive Director until March 2022 following the resignation of Jeff Farrar in August 2021.

**Recommendation 14.** The Welsh Government should share with the Committee the conclusions of its review of its conflicts of interest policy as soon as it is available, with a full explanation of any planned revisions and the extent to which they address the review and conclusions of its Internal Audit Services.

**Recommendation 15.** We recommend that the Welsh Government includes in its accounts additional information where the Head of Internal Audit provides limited or no assurance, as well as where Internal Audit Services identified fundamental weaknesses. This additional information should include a commentary about the management's response to findings and how the Welsh Government plans to address the issues identified.

**Recommendation 16.** The Committee reiterates its predecessor Committee's recommendation on risk reporting. We recommend that the Welsh Government includes a summary of the principal risks and any changes to them during the period covered by the accounts. This should set out information about the potential impact of the risks and how these are being mitigated. Consistent with

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our predecessor Committee's recommendation, we are not calling for the inclusion of the Welsh Government's entire risk register in its accounts.



## 6. Performance Reporting

### Progress

**144.** The PAC, in its report on the 2017-18 Accounts, disagreed with the former Permanent Secretary's view that reporting performance against policy objectives should not be included in the Welsh Government's Accounts as it was a matter for Welsh Ministers<sup>99</sup>. The PAC made related recommendations in its scrutiny reports for 2016-17 and 2017-18.

**145.** In response to PAC's report on the 2017-18 Accounts, the Welsh Government stated one of its Non-Executive Directors had been asked to lead a task and finish group to develop an "enhanced and systematic set" of Key Performance Indicators (KPIs)<sup>100</sup>. In response to the former Permanent Secretary's evidence in December 2020 that it wasn't time to include full details of the KPIs in the 2019-20 Accounts, as they were "an internal tool to the help the Welsh government improve its performance", the PAC said:

*"The Committee's view is that the Welsh Government should be exemplary in its approach to performance reporting. We strongly recommend that the Welsh Government sets out its performance against all the KPIs in its Annual Report. This should reflect best practice both on the content and presentation of this information".<sup>101</sup>*

**146.** In March 2021, the Welsh Government provided an update to the PAC about its KPIs, which were categorised under the themes of "attributes" and "functions"<sup>102</sup>. The update noted the Welsh Government had made most progress with its attribute KPIs, where they could "assemble the data most easily", with all seven of their attribute measures developed and reported to the Board in 2020. At that time, the Welsh Government had not completed the

<sup>99</sup> Public Accounts Committee, Scrutiny of Accounts 2017-18: Welsh Government

<sup>100</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 30 April 2019

<sup>101</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government

<sup>102</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 5 March 2021

development of all eleven of their function themes, save for that on tax which had been signposted to the Welsh Revenue Authority.

**147.** In October 2021, the former Permanent Secretary said work on the KPIs had progressed considerably, adding:

*“Andrew Goodall as my successor will want to consider whether this is an approach with which he wants to continue and develop further going forward, in consultation with the First Minister”.*<sup>103</sup>

**148.** In the 2021-22 Accounts, the Welsh Government stated:

*“The aim of the Welsh Government Framework is to drive improvements in the organisational effectiveness of the Welsh Civil Service by focusing on operational performance and the responsibilities of the Permanent Secretary in respect to the running of the organisation”.*<sup>104</sup>

**149.** When asked how the performance framework is driving improvement around organisational effectiveness, the Permanent Secretary stated:

*“I think it does provide us with a really wide range of information to tell us about the characteristics of the organisation. So, from a reporting process, we make sure that it can be looked at at a higher assurance level by the board, from a decision-making perspective, our executive committee, and... in the engine room of the organisation...”.*<sup>105</sup>

**150.** We asked the Permanent Secretary about how the Accounts reported improvements in organisational effectiveness and if the Welsh Government proposed changing these reporting practices in the future. In response, he described improved levels of engagement with the staff survey<sup>106</sup>, the use of

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<sup>103</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts Committee, 15 October 2021

<sup>104</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p65

<sup>105</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p182

<sup>106</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p190

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technology in areas such as smart working<sup>107</sup>, improvements on carbon emissions and other environmental factors<sup>108</sup> and around diversity, equality and inclusion<sup>109</sup> as being areas with improved organisational effectiveness.

**151.** The Committee requested further information about any further work to develop the Framework, in our letter of 26 March 2023<sup>110</sup>. The Permanent Secretary explained:

*“The Framework and the indicators within it are complete, although they are subject to ongoing revision to ensure alignment with current priorities and/or as other data sources become available as part of ongoing digitisation of organisational processes and other advancements”.*<sup>111</sup>

**152.** In his response, the Permanent Secretary goes on to explain one theme, Policy Making, had not yet been reported on within the Accounts as the “measures for this theme are still in development”.

## Reporting

**153.** In its Accounts, the Welsh Government reported its attribute themes were discussed by the Board in March 2022, when it considered the first report on the 2021-22 cycle<sup>112</sup>. The Board agreed reporting against the framework should be reviewed on an ongoing basis to ensure ongoing alignment with the Welsh Government’s strategy and “effective integration within wider organisational mechanisms”<sup>113</sup>.

<sup>107</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p191

<sup>108</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p192

<sup>109</sup> RoP, Public Accounts and Public Administration Committee, 2 March 2023, p193

<sup>110</sup> Chair of the Public Accounts and Public Administration Committee to the Permanent Secretary of the Welsh Government, 26 March 2023

<sup>111</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

<sup>112</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p67

<sup>113</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p67

**154.** In relation to its function themes, the Board considered the second report on this subject in July 2022. At the session, the Board agreed three key areas of focus for action:

*“... the Welsh Government should continue to enhance its work on delivering a high-quality legislative programme, should sustain its existing focus on programme and project management capability, and, although the indicators in this theme are still in development, should still ensure an ongoing focus on actions to enable the Welsh Government to deliver world-class policy development and advice”.*<sup>114</sup>

**155.** In his letter of 6 April 2023, the Permanent Secretary confirmed the Framework is managed and reported on by analysts in the Welsh Government’s Knowledge and Analytical Services, who “provide an independent assessment of performance”<sup>115</sup>. He stated:

*“It is important for the Framework to be reactive to emerging organisational priorities. There is ongoing work to align the framework with WG2025 and the four new values for the Welsh Government, which will be reported against for the 2022-23 cycle. We are not anticipating that this will impact on the reporting arrangements or governance as set out above”.*

## **Our view**

**156.** We welcome the inclusion in the 2021-22 Accounts of information about the Welsh Government Performance Framework, including the measures for the attribute and function themes. It is also helpful to note the considerations of the Executive Committee and Board about the Framework.

**157.** However, in our view, it is not clear from this information how the Framework is driving improvement and organisational effectiveness, since the narrative does not include any targets or commentary about performance

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<sup>114</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p69

<sup>115</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

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against specific measures. In the absence of this, it is not possible to ascertain if the Welsh Government is meeting, exceeding or not yet achieving desired performance levels. As such we recommend that the Welsh Government reviews the information it includes in its annual accounts about its Performance Framework.

**Recommendation 17.** The Welsh Government should review the information it includes in the accounts about its Performance Framework, since without any targets for, and commentary about, specific measures, it is not possible to understand how the Welsh Government is performing.

## 7. Losses, write-offs and special payments

### Losses and write-offs

**158.** Managing Welsh Public Money says the Welsh Government should “consider accepting losses and write-offs after careful appraisal of the facts (including whether all reasonable action has been taken to effect recovery...)”<sup>116</sup>. It goes on to say:

*“Losses should be brought to the attention of the [Senedd] at the earliest opportunity, normally by noting in the Welsh Ministers’ annual accounts, whether or not they may be reduced by subsequent recoveries. For serious losses, departments should also consider the case for a written statement to the [Senedd]”.*<sup>117</sup>

**159.** The Accounts reported 150 losses with an aggregate total value of £12.3m in 2021-22. Of these, six losses had an individual value of over £300k, including a constructive loss of around £9m relating to the write-off of costs for Junctions 14 to 16A of the A55.

**160.** In July 2020, the former Minister for the Economy, Transport and North Wales issued a written statement on the write-down of the value of assets relating to the M4 relief road around Newport<sup>118</sup> (£43.1m) and monies owed by the Heads of the Valley Development Company (£14.9m)<sup>119</sup>. These issues had been reported in the 2019-20 Accounts<sup>120</sup>.

**161.** The Committee wrote to the Permanent Secretary on 21 March 2023 to request more information about these losses and write-offs, including:

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<sup>116</sup> Welsh Government, Managing Welsh Public Money, January 2016, A4.9.1

<sup>117</sup> Welsh Government, Managing Welsh Public Money, January 2016, A4.9.6

<sup>118</sup> Welsh Government, Written statement: Managing Welsh Public Money - M4 - Write down of value of assets owned by the Welsh Government, 15 July 2020

<sup>119</sup> Welsh Government, Written statement: Managing Welsh Public Money – Write off of Monies owed to the Welsh Government the Heads of the Valley Development Company, 16 July 2020

<sup>120</sup> Welsh Government Consolidated Accounts 2019-20, Accountability Report, p94

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- The amount the Welsh Government had written-off and reported in its 2021-22 Accounts, by scheme, following the Roads Review, together with the value it would write-off in 2022-23.
- How the Welsh Government assesses the retained value of data and other preparatory work for these schemes.
- Whether the Welsh Government or Welsh Ministers informed the Senedd about the decision to write off £9m of expenditure relating to the A55 junction 14 to 16A.

**162.** In his response, the Permanent Secretary confirmed the Welsh Government's only write-off relating to roads schemes in 2021-22 was the £9m of costs for Junctions 14 to 16A of the A55<sup>121</sup>. He noted a full impairment review was being undertaken, in 2022-23, to ascertain the retained value of data and other preparatory work. In the event that no retained value was identified, the write-off could be as much as around £12m (excluding the £9m write-off already processed). The letter noted a series of criteria for assessing retained value.

**163.** The response also confirmed the aforementioned write-off was only reported in the Accounts, with no written statement made to the Senedd about it. The Welsh Government considered the write-off was not "serious"; it was a "legitimate decision taken by Ministers to stop a scheme", as opposed to being an instance of fraud or something similar<sup>122</sup>. The Welsh Government argued the level of expenditure had been reported and was in the public domain as part of the announcement to stop the scheme. Therefore, transparency had been demonstrated.

**164.** The letter also included information about what constituted a "serious" loss for these purposes, noting that there is no supplementary definition provided in Managing Welsh Public Money guidance.

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<sup>121</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

<sup>122</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

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## Clawback

**165.** The Committee wrote to the Permanent Secretary, on 21 March 2023 to request additional information about how the Welsh Government claws back monies from companies<sup>123</sup>. In his response, the Permanent Secretary confirmed the Welsh Government typically expects repayment within 30 calendar days of an invoice being raised, but that the Welsh Government is supportive of debtors “experiencing difficulties”<sup>124</sup>. He went on to say, when negotiating changes to the terms of repayment, the Welsh Government will reflect on “the size of the organisation, ability to pay and other related factors”. Adding:

*“Welsh Government policy states that it is essential all means of resolving disputes or working through a debtor’s financial difficulties are exhausted before any legal or court action is taken. The Welsh Government policy applies to loans and grants although the sum to be recovered can vary depending upon the Terms and Conditions of the grant, funding or loan”.*

## Special Payments

**166.** The Welsh Government reported 21 Special Payments were made in 2021-22, with an aggregate value of £1.4m<sup>125</sup>. Of these, two were for over £300,000 and described as “ex-gratia” payments. £325k was paid to Hardshell UK Limited and £330k to Surviva Limited. The Welsh Government reported these payments were made to “mitigate hardship experienced in response to the Covid PPE crisis<sup>126</sup>”.

**167.** In its Accounts, the Welsh Government explained it had “encouraged local businesses to develop capability to engage in public sector supply chains<sup>127</sup>” and

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<sup>123</sup> Chair of the Public Accounts and Public Administration Committee to the Permanent Secretary of the Welsh Government, 21 March 2023

<sup>124</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

<sup>125</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p166

<sup>126</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p166

<sup>127</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p151

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that these companies had developed capability to supply PPE to the public sector. However, the businesses:

*“... experienced distress as anticipated demand did not materialise. Both companies requested financial support to mitigate the distress caused and to implement a plan to survive. Based on the information provided, ex-gratia payments were approved to mitigate the hardship experienced. Hardshell UK Limited received £325,000 and Surviva Limited received £330,000”.<sup>128</sup>*

**168.** As with the losses and write-offs, the Committee wrote to the Permanent Secretary on 21 March 2023 to request further information about these payments.

**169.** In his response of 6 April 2023, the Permanent Secretary noted it was a “long standing Welsh Government objective to use public procurement to grow strong, local supply chains”<sup>129</sup>. He noted the payments were for financial support to mitigate hardship when demand for Personal Protective Equipment for the public sector didn’t materialise in business for Welsh companies. He added::

*“In cases like these the Welsh Government will consider on a case by case basis if an organisation has been disproportionality impacted if it had acted on representations from the Welsh Government and Welsh Ministers.*

*Any consideration for financial support must be made in accordance with the framework of Managing Welsh Public Money and the evidence and representations made by the business impacted”.*

**170.** He explained the amounts paid had been calculated from analysis of financial information provided by the companies to Welsh Government. No

<sup>128</sup> Welsh Government Consolidated Accounts 2021-22, Accountability Report, p151

<sup>129</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

further payments were made from the Economy budget for those purposes in 2021-22. However, the Permanent Secretary added:

*“Any ex-gratia payments form part of a disclosure of payments defined by Managing Welsh Public Money as ‘Special Payments’. Any payments over £300,000 are disclosed in the Governance Statement under Part 2 of the Welsh Government Consolidated Accounts.*

*No further ex-gratia payments required separate disclosure”.*<sup>130</sup>

## **Our View**

**171.** We note while the £9m write-off relating to the costs for Junctions 14 to 16A of the A55 was reported in the Welsh Government’s Accounts and included in the Welsh Government announcement about road schemes, it was not reported to the Senedd. The Permanent Secretary said the Welsh Government did not consider this case was “serious”. However, we note Managing Welsh Public Money does not define this term. It is our view that, due to the significant change in policy direction and the substantial related costs, this loss should have been reported to the Senedd in the interests of full openness and transparency.

**172.** We recommend the Welsh Government reviews the way in which it reports losses to the Senedd and explains to the Committee how it defines “serious” losses, as per paragraph A4.9.6 of Managing Welsh Public Money, to ensure that losses are reported appropriately to the Senedd.

**173.** We also recommend the Welsh Government provides a comprehensive update following the completion of its impairment review to ascertain the retained value of data and other preparatory work for the Road Schemes. This should set out how much the Welsh Government will write off in 2022-23.

**174.** On a wider point, we note Managing Welsh Public Money was last updated in October 2018. In its 2021-22 Accounts, the Welsh Government said its Corporate Governance Centre of Excellence began a refresh of Managing Welsh Public Money in April 2021. This work had been planned but not carried out in

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<sup>130</sup> Permanent Secretary of the Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 6 April 2023

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2020 due to the pandemic. We recommend the Welsh Government provides the Committee with the planned timetable for completion of this work and the expected publication of revised guidance.

**175.** We welcome the additional information about the ex-gratia payments to Hardshell UK Limited and Surviva Limited. However, this did not set out all information we requested. The response does not provide all the information we sought since it referred only to the Economy Main Expenditure Group and was not clear whether any such payments had been made from other areas of the Welsh Government's budget. We also note the response did not provide assurance over the governance arrangements around the payments, such as the process it adopted for its consideration of the cases and who approved the payments. Nor does it say whether the Welsh Government has conducted any other assurance work and what, if any, lessons it has learned from the process. We recommend the Welsh Government provide this information to the Committee.

**Recommendation 18.** The Welsh Government should review the way it reports losses to the Senedd and provide an explanation of what it considers a "serious" loss, as per paragraph A4.9.6 of Managing Welsh Public Money.

**Recommendation 19.** We recommend the Welsh Government provides an update to the Committee following the completion of its impairment review to ascertain the retained value of data and other preparatory work for the Road Schemes.

**Recommendation 20.** The Welsh Government should provide information to the Committee about the timetable for updating Managing Welsh Public Money, along with an indication of when it is expected to be published.

**Recommendation 21.** The Committee requests further information about the ex-gratia payments made to Hardshell UK Limited and Surviva Limited, in addition to that provided by the Permanent Secretary in his letter of 6 April 2023. This should set out information about the governance arrangement around these payments, including the process adopted for considering the cases made and who approved the payments. The Welsh Government should also provide information about any other assurance work undertaken and the lesson it learned from this process.

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**Recommendation 22.** The Welsh Government should provide details of the number of companies to whom it made ex-gratia payments for COVID-19 Personal Protective Equipment from budgets other than that for the Economy Main Expenditure Group, as well as the aggregate value of them. This should be provided by financial year.

## 8. Workforce planning

### Background

**176.** The Auditor General published a report on the Welsh Government's workforce planning on 8 September 2022<sup>131</sup>. The Committee agreed to take evidence on the report's contents, alongside scrutiny of the Accounts for 2021-22.

**177.** The Auditor General's report considered whether the Welsh Government had a sound approach to workforce planning, reflecting on operational workforce planning, the emerging approach to strategic workforce planning and the response to current workforce needs.

**178.** The report made a series of recommendations in relation to three areas of interest:

1. Strategy and planning - the Welsh Government should prioritise the development of its workforce strategy. In particular, this work needs to embed the sustainable development principle set out in the Well-being of Future Generations Act and cover:
  - (a) a clear assessment of long-term future workforce needs to deliver on policy priorities as well as core statutory functions;
  - (b) a clear roadmap to bridge any gaps between the current workforce size and capabilities and the future needs, including any plans for alternative delivery mechanisms;
  - (c) a clear and robust process for prioritising workload within available resource limits;
  - (d) succession planning to ensure that the next generation of civil servants has the opportunity to enter the workforce and develop;

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<sup>131</sup> Audit Wales, Welsh Government workforce planning and management, September 2022

- (e) alignment of the strategy with wider policy goals, notably to align the approach to recruitment with goals around equality, including reducing socio-economic inequality in Wales; and
  - (f) clear milestones for delivery and a robust system for monitoring and evaluating progress and updating the strategy in light of lessons learnt.
2. Management information – the Welsh Government should strengthen workforce data and underpinning systems to support workforce planning and day-to-day staff management, including enabling groups and managers to have better direct access to workforce data and reducing the reliance on manually collating workforce information.
  3. Operational workforce management – the Welsh Government should review the Workforce Delegation and Accountability Framework two years after its introduction to evaluate its effectiveness in enabling more flexible and responsive workforce management, and its contribution towards the objectives of the wider workforce strategy.

**179.** The report concluded:

*“The Welsh Government has faced significant operational workforce pressures. It has sought to contain staff costs and manage a reduction in staff numbers, while pursuing its policy programmes and responding to events, especially the COVID-19 pandemic. At times these workforce pressures have impacted the Welsh Government’s ability to deliver its objectives and some functions are not resilient”.*<sup>132</sup>

## Findings

### Staff costs

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**180.** The Welsh Government’s workforce increased significantly between 1999 and 2010, at which point the Welsh Government decided to reduce its running costs and staff numbers to reflect financial constraints affecting the wider public

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<sup>132</sup> Audit Wales, Welsh Government workforce planning and management, September 2022, p4

sector. Accordingly, staff numbers fell rapidly in the two years after 2010, due to voluntary exit exercises. Whilst there has been some fluctuation since, they were 9% lower in 2021-22 than in 2009-10<sup>133</sup>.

**181.** Staff costs fell in real terms after 2009-10 but have risen in the last few years to the same level as 2009-10 by 2021-22, meaning that the cost per employee has risen, given the smaller workforce in place<sup>134</sup>. Whilst salary rates have risen below inflation, increases in employer's pension and National Insurance contributions have raised non-salary costs substantially. In addition to this, the following elements have contributed to these increased costs:

- The payment of guaranteed salary increments to employees, until they reach the top of their pay scale (within two to six years). This policy was agreed with trade unions to maintain parity for staff of the same grade.
- A change in the mix of grades, with the proportion of staff in senior roles increasing over the past ten years.

**182.** When asked about the extent to which the staff cost budget was driven by need, rather than reflecting political imperatives to contain running costs and staff numbers, the Permanent Secretary told the Committee:

*"The budget is driven by a range of things. Of course it's driven by need. That need can be reactive because things simply arise. We saw that, of course, in the pandemic very significantly, but more recently we'll have seen it in terms of things like the Ukraine response, where we needed to respond.*

*There is a need driven by requirements that are set for the organisation, and they are absolutely a translation of programme for government expectations. I have a responsibility to lead the response of the organisation to those, although the programme for government is something to be delivered over a five-year period, so*

<sup>133</sup> Audit Wales, Welsh Government workforce planning and management, p10

<sup>134</sup> Audit Wales, Welsh Government workforce planning and management, p12

*there is an aspect of how we would interpret the staff needs based on the delivery timetables in place”.<sup>135</sup>*

**183.** He went on to note that the staff cost budget is also influenced by the need to manage budgets prudently<sup>136</sup>. When questioned about the increase in the proportion of staff at a higher grade between 2009-10 and 2021-22, the Chief Operating Officer told the Committee:

*“... if you look over that period of time, there have been significant shifts across the whole of the civil service, especially as more and more of our processes are online, there's more self-service, there's more automation, and you've seen a shift generally in the workforce from less of some of the more administrative grades up to more senior policy roles”.<sup>137</sup>*

**184.** He went on to explain that the Welsh Government maintains a system for job evaluation of senior posts, which evaluates role based on standard criteria as part of an industry standard process<sup>138</sup>. On the subject of incremental salary progression, and whether the UK Government operated the same system of incremental progression as the Welsh Government, the Chief Operating Officer stated:

*“I think that the underlying principle behind it is how do you ensure that you have a pay system that is fair and equitable for everybody, and minimises issues around gender pay gap and unfair pay systems. So, there are differences, but I think that there is good reason, and it links to the aims of what we're trying to do to ensure fairness”.<sup>139</sup>*

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<sup>135</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p37-38

<sup>136</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p39

<sup>137</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p43

<sup>138</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p45

<sup>139</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p48

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## Equality and diversity

**185.** The Auditor General's report outlines a series of relevant findings, including:

- The workforce is steadily ageing, with 40% of staff over 50 years old and only 9% aged between 16 and 29 years<sup>140</sup>.
- The proportion of staff with a disability rose from 4.4% to 5.9% between 2010-11 and 2020-21, meeting an internal target but below the figure of 22% in the working-age population of Wales<sup>141</sup>.
- The proportion of staff from non-white ethnic minorities rose from 2.2% to 2.8% over the same time period, below the national average of 4.9%<sup>142</sup>.
- The gender pay gap reduced from 7.0% in 2020-21 to 6.4% in 2021-22<sup>143</sup>.

**186.** The Accounts state that the Welsh Government met its targets for internal promotion, with more than 50% of promotions to the senior civil service to be women and to promote disabled and ethnic minority staff at a rate that exceeds their population share<sup>144</sup>. In 2021, 71% of internal promotions (up from 29% the previous year) and 56% of external appointments to senior civil service were women.

**187.** The Welsh Government has not yet met its target that 20% of externally recruited staff would be people with disabilities and from ethnic minorities, with the intention it will achieve this aim by 2026<sup>145</sup>. When asked about the Welsh Government's strategy for achieving this aim, with specific practical steps, the Deputy Director for HR Operations and Performance stated:

*"... one of the most positive things that we've done, particularly for disabled colleagues, has been around our recruitment adjustment process... that's very much linked to the social model of disability and is*

<sup>140</sup> Audit Wales, Welsh Government workforce planning and management, p15

<sup>141</sup> Audit Wales, Welsh Government workforce planning and management, p16

<sup>142</sup> Audit Wales, Welsh Government workforce planning and management, p16

<sup>143</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p111-112

<sup>144</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p110

<sup>145</sup> Welsh Government Consolidated Accounts 2021-22, Annual Report, p110

*candidate-led. So, what that means is it's very much around what the individual needs in terms of removing barriers".<sup>146</sup>*

**188.** She went on to note that they are working on their “outreach approach” around recruitment campaigns, working with community mentors and seeking advice from other organisations<sup>147</sup>.

**189.** On the Welsh Government’s progress on the gender pay gap, the Permanent Secretary stated:

*“I feel very close, and I would really hope that, over this next couple of years in particular, we would see ourselves going over that threshold, but I sort of feel that I'm slightly dependent on the colleagues who will look for other progression and other career opportunities as well... I'm really pleased that the DG composition is 50:50, because I think that's a really important statement”.<sup>148</sup>*

## **Staff resources, recruitment and deployment**

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### **Recruitment and resources**

**190.** The Auditor General’s report found<sup>149</sup>:

- That the Welsh Government has frozen external recruitment from outside the civil service for permanent staff for much of the period since 2009-10, other than for certain specialist roles and some senior posts.
- That even for specialist posts, managers struggled to obtain approval to recruit externally, meaning that areas such as ICT had struggled to fill vacant posts and had supplemented roles with expensive consultants.

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<sup>146</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p67

<sup>147</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p68

<sup>148</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p71

<sup>149</sup> Audit Wales, Welsh Government workforce planning and management, p15

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- Staff turnover (including from within the civil service) compared to the wider civil service and labour market trends was subdued, at only 5.3% in 2021-22, up from 3.4% the previous year.

**191.** The report also found that the Welsh Government had struggled to maintain sufficient staff numbers to deliver its planned workload within set timescales. Staff numbers have been below the headcount limits set centrally for each group of the Welsh Government<sup>150</sup>. It's noted that the periods around Brexit and the pandemic were particularly challenging.

**192.** The Welsh Government's staffing groups were restructured in April 2022 to make them more equal in size and to reflect ongoing needs<sup>151</sup>. The Welsh Government's response to the report noted:

*"The Welsh Government will continue to prioritise the alignment of our workforce to priorities set out by the First Minister in the programme for government and ensure the organisation is able to fulfil its statutory duties".*

**193.** Until the pandemic, each group made its own decisions around staff deployment, according to its own priorities, with decisions on external recruitment and resourcing for groups reserved to central control<sup>152</sup>.

**194.** Central control was reinforced during the pandemic with decisions on resource allocation and staff management made by the Executive Committee in cooperation with the groups<sup>153</sup>. Many staff were redeployed and around 80% were working on the pandemic, either in a new role or a substantially changed one<sup>154</sup>.

**195.** Much of this strengthened central control was relaxed by January 2022, as COVID-related pressures eased. By April 2022, the groups had largely regained their autonomy.

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<sup>150</sup> Audit Wales, Welsh Government workforce planning and management, p20

<sup>151</sup> Audit Wales, Welsh Government workforce planning and management, p18

<sup>152</sup> Audit Wales, Welsh Government workforce planning and management, p20

<sup>153</sup> Audit Wales, Welsh Government workforce planning and management, p21

<sup>154</sup> Audit Wales, Welsh Government workforce planning and management, p23

**196.** Prior to the pandemic, there was significant internal competition amongst Welsh Government staff, leading to considerable workforce churn. This was suspended during the pandemic but has now been resumed.

**197.** The Delegation and Accountability Framework was introduced in June 2022, albeit its implementation has not been instantaneous, with the Director of HR telling the Committee that these arrangements were being finalised between groups<sup>155</sup>. The Permanent Secretary, in his letter of 20 February 2023, expanded on the role of the framework, stating:

*“Groups can make decisions about workforce realignment and external recruitment now, with Director General oversight. This includes Heads of Profession who attract those with the required professional expertise by being able to recruit direct to the external market...*

*Our professions and specialist areas also have flexibility to adopt a recruitment and resourcing framework that meets their needs, this includes the option, where affordable, to recruit externally via the most appropriate route – some have annual external recruitment exercises for example.*

*Our HR team continue to provide advice and guidance on how to approach assessment methodology and advert creation to better attract a diverse pool of skilled candidates. Exploratory work and improvements relating to outreach, marketing and employer branding are also expected to support successful recruitment by better identification and attraction of candidates with the right skills”.*<sup>156</sup>

**198.** He went on to expand on the issues around autonomy to recruit externally, stating:

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<sup>155</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p96

<sup>156</sup> Letter from Permanent Secretary of Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 20 February 2023

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*“WG recognises the distinct challenges faced by some professions in attracting and retaining appropriately experienced candidates. We are committed to working closely with recruiting managers and professions to look at the whole package of attraction as well as the logistical elements to mitigate potential barriers and reach wider pools of candidates”.<sup>157</sup>*

**199.** When asked about the issues around filling specialist roles, the Permanent Secretary explained that they were seeking to achieve the right balance of corporate accountability, with appropriate budget management and controls in place, but also with the freedom for elements of the organisation to focus on the things that they need<sup>158</sup>.

**200.** In relation to skills gaps within the organisation, the Chief Operating Officer provided an example about how they were addressing the issue in respect of digital skills:

*“I’m working with our chief digital and data officer to understand the skill mix we’ve got, but also importantly what we need going forward and to have a clear strategy around what we need to do. As everyone knows, the marketplace for digital skills is incredibly competitive at the moment and very hot, and so we need to review what we need as an organisation, but also the way we recruit and reach out to that marketplace... I think there are a number of areas, especially in some of the specialist areas, where we look at how we attract the right people into the organisation”.<sup>159</sup>*

**201.** When asked about some of the Welsh Government’s risks, the Permanent Secretary identified the lack of specialist legal and policy expertise and how this

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<sup>157</sup> Letter from Permanent Secretary of Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 20 February 2023

<sup>158</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p73

<sup>159</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p93

could affect its delivery of the Programme for Government and was an issue he was monitoring closely<sup>160</sup>.

### **Temporary arrangements**

**202.** The Welsh Government has a series of measures available to alleviate temporary pressures, including Temporary Duties Allowances (TDAs), which pays staff a supplement to take on additional duties or work at a higher grade for up to 12 months, albeit in practice these arrangements have often continued for longer. Indeed, 13% of staff were working under a TDA, as of January 2020. Managers also have loans and secondments available to them from other UK Government departments and non-civil service employers<sup>161</sup>. If additional resources are required, managers can engage temporary staff and agency staff on fixed-term contracts<sup>162</sup>.

**203.** The Public Accounts Committee of the Fifth Senedd raised concerns about these internal arrangements in its report on the Welsh Government's 2019-20 Accounts, seeking assurances that weaknesses in this area had been addressed<sup>163</sup>. In their response<sup>164</sup>, the Welsh Government noted it was working with trade union on TDAs, noting that secondment arrangements had been strengthened by allocating a single team to provide oversight and a new policy on agency workers.

**204.** The Deputy Director for HR Operations and Performance explained that the TDAs had been a "crucial" part of its pandemic response, as they needed to use all of their "flexibility to the maximum effect" with TDAs playing a key role in that effort<sup>165</sup>.

**205.** The Welsh Government now operates a Temporary Promotion Allowance (TPAs) scheme, which has replaced TDAs. A revised policy and process has been

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<sup>160</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p228

<sup>161</sup> Audit Wales, Welsh Government workforce planning and management, p24

<sup>162</sup> Audit Wales, Welsh Government workforce planning and management, p23

<sup>163</sup> Public Accounts Committee, Scrutiny of Accounts 2019-20: Welsh Government, Recommendation 10

<sup>164</sup> Letter from Permanent Secretary of Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 15 October 2021

<sup>165</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p115

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agreed with Trade Unions. As the Welsh Government transitions from responding to the pandemic, the Deputy Director explained:

*“We have seen quite a drastic reduction in our reliance on temporary promotion allowance and TDA, obviously aligned to that work. Pre pandemic, we were running at just over 800 TDAs at any one time. We did peak at a higher level than that during the pandemic, but, in terms of our TPA arrangements, we currently have about 450 in the organisation, which feels like a much more realistic use of the TPA arrangements”.*<sup>166</sup>

**206.** She confirmed that the peak figure for TDAs was 1,100 during the pandemic<sup>167</sup>. The Permanent Secretary stated that an acceptable figure for this type of arrangement would be between 400 and 500<sup>168</sup>.

### **Staff welfare and staff survey**

**207.** The Welsh Government expanded its wellbeing support, offered staff flexible working options, and ran several surveys to assess the health and wellbeing of its staff, in response to increased pressures caused by the pandemic.

**208.** Despite these pressures, the results of the surveys remained broadly positive<sup>169</sup>:

- Scores for workload, work-life balance and access to learning and development in 2021 were broadly the same as 2018 and better than the scores for 2010.
- Indices relating to “employee engagement” and “leadership and managing change” were better than the results in 2010 and 2018, when the last pre-pandemic survey was done.

<sup>166</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p116

<sup>167</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p118

<sup>168</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p122

<sup>169</sup> Audit Wales, Welsh Government workforce planning and management, p28-29

- 21% of respondents disagreed with the statement that they had an acceptable workload.
- Annual rates of sickness absence have fluctuated since 2010, ranging between 6.9 and 8.1 working days per employee. The levels of sickness absence fell sharply to 5.1 days in 2020-21 during the lockdown period, but rose to 7.6 days as restrictions eased in 2021-22.

**209.** The Permanent Secretary told the Committee that the staff survey, even during the pandemic, had a high response rate, whilst remarking that their scores “typically remain higher than the civil service more generally”<sup>170</sup>.

### **Strategic workforce planning**

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**210.** The Welsh Government has never had a full workforce strategy, but work has been ongoing since 2019 to develop one<sup>171</sup>. Unfortunately, initiatives around this were delayed by the impact of the pandemic.

**211.** A baseline review was commissioned in August 2019, with a detailed analysis of the workforce undertaken as part of that exercise. Directors were asked to comment on a series of factors (including resourcing, priorities and external pressures) and raised concerns about a lack of resilience, gaps in specialist expertise and pressures created by both Brexit and a challenging policy programme<sup>172</sup>.

**212.** A strategic workforce planning reference group was established in November 2019 to take forward the findings from the baseline review and develop a workforce strategy for approval by Minister in March 2020. This work was paused for most of 2020 due to the pandemic and resumed in October 2020. A set of principles were finalised in March 2021. At around this time, a second baseline review was undertaken to update the first review. The Welsh Government also launched “Let’s Talk Reset”, a staff engagement exercise to reflect on staff feedback on their experiences during the pandemic<sup>173</sup>.

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<sup>170</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p165

<sup>171</sup> Audit Wales, Welsh Government workforce planning and management, p30

<sup>172</sup> Audit Wales, Welsh Government workforce planning and management, p30-31

<sup>173</sup> Audit Wales, Welsh Government workforce planning and management, p31-32

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**213.** The workforce strategy work was again paused in 2022, to allow the new Permanent Secretary to consult staff more broadly. At the time of the publication of Audit Wales’ report, the intention was to develop a strategy as part of Welsh Government 2025, the Permanent Secretary’s organisational development programme<sup>174</sup>.

**214.** In their response to the report, the Welsh Government stated they would publish their strategy and initial action plan “later in the year” as part of Welsh Government 2025, a broader programme of organisational change.

**215.** The response outlined a series of commitments relevant to specific aspects of the recommendation, including:

- To continue to prioritise the alignment of the workforce to priorities set out by the First Minister in the Programme for Government and ensure the organisation was meeting its statutory duties.
- That the strategy would set out capability priorities and a development plan for the workforce, including measures to embed the principles of the Well-being of Future Generations Act.
- Deliver improvements in workforce planning through the implementation of the Workforce Delegation and Accountability Framework.
- To build succession planning into the core approach for workforce planning and talent management from April 2023.
- To align with the UK Civil Service position on advertising vacant posts, by advertising externally by default for senior civil service posts filled on a permanent basis and to prioritise external recruitment for lower grades, where possible.

**216.** The Permanent Secretary told the Committee that various elements of the workforce plan were in place, but that there was no overarching document in place underpinning the strategy that considered what would be needed from

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<sup>174</sup> Audit Wales, Welsh Government workforce planning and management, p34

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and for the workforce in three, five or ten years' time<sup>175</sup>. He went on to say that they hoped to put this in place in the "next six months or so"<sup>176</sup>. On 'Welsh Government 2025', the Chief Operating Officer explained:

*"We just launched the delivery plan last week, which details the key things that we'll be doing over the next three to six months and also the ambition for the future. What we're looking to do is then-it's an interim plan and we'll then look to go back out to staff in three months' time and show them exactly what we have achieved, but also what the next steps are that we're looking to do. So, it's at that very early stage in terms of publishing the plan, but we delivered that on time, and then a number of those things are in train".<sup>177</sup>*

## Management information

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**217.** In response to the Auditor General's recommendation on management information the Welsh Government stated:

*"We are near completion of an upgrade to our management information systems that will put in place a stable platform with the capabilities required to improve the collection, analysis and use of HR management information at all levels. This programme will deliver an upgrade of two corporate systems - recruitment and HR Information System - by January 2023, with a programme of developments planned thereafter".*

**218.** The Welsh Government maintains a series of standalone information systems that are not integrated and have limited reporting functionality. As such, they rely on information from sources that are not maintained centrally. Some information is still held manually, most notably employees' annual leave records, whilst there is no central system for recording potential conflicts of interest<sup>178</sup>.

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<sup>175</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p190

<sup>176</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p191

<sup>177</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p217

<sup>178</sup> Audit Wales, Welsh Government workforce planning and management, p37-39

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**219.** Internal audit reports have noted weaknesses in information systems for overtime payments and records for continuing professional development for economists. Audit Wales concluded that the gaps in data and fragmented information systems makes the process of strategic workforce planning more difficult<sup>179</sup>.

**220.** The Welsh Government’s HR system, Snowdrop, is old and no longer supported by its developer. Contingency arrangements were in place as a new system was developed, with the new system to be completed and delivered by January 2023<sup>180</sup>. This has now been delayed to early summer 2023<sup>181</sup>. The Welsh Government has committed to keeping the Committee informed on their progress<sup>182</sup>. The Deputy Director for HR Operations and Performance explained:

*“We took a risk-based approach to the approach we've taken on our systems. So, although the HR system that we currently use is out of support, we have had that system for a number of years so we had quite a degree of in-house capability of using that system”.*<sup>183</sup>

**221.** In his letter of 20 February 2023, the Permanent Secretary expanded on this issue, stating:

*“HR systems upgrade projects have detailed plans which are subject to regular review. All delivery dates shared with Audit Wales previously and more recently with PAPAC, remain indicative in nature and represent the best estimate based on details held at that point in time. Whilst we implement the new systems, we continue to use our existing systems for continuity of service...”*

<sup>179</sup> Audit Wales, Welsh Government workforce planning and management, p39

<sup>180</sup> Audit Wales, Welsh Government workforce planning and management, p39

<sup>181</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p252

<sup>182</sup> RoP, , Public Accounts and Public Administration Committee, 2 February 2023, p256

<sup>183</sup> RoP, Public Accounts and Public Administration Committee, 2 February 2023, p266

*Several factors are affecting accurate planning. Delays have occurred due to resourcing and the delivery of essential pandemic work, which has impacted on priority activities across the Welsh Government”<sup>184</sup>.*

## Our View

**222.** The Committee welcomes the Auditor General for Wales’ report in this area, which makes a series of valuable recommendations. The Committee concurs with these recommendations and reaffirms their content.

**223.** The report outlines a series of positive developments within the Welsh Government around staffing, in particular its expanded well-being support schemes and support for employees during the challenging COVID-19 period. Indeed, it is encouraging to see that indices of staff welfare remained positive, despite the additional pressures faced by the organisation.

**224.** The Committee welcomes the Welsh Government’s commitment to equality and the progress made so far, however it is clear the organisation remains under representative in terms of both disability and ethnicity. It is vitally important that the Welsh Government demonstrated that it is representative of the Welsh population more broadly and should evidence its outcomes and actions in relation to its socio-economic duty.

**225.** The Committee agrees with the Auditor General that the Welsh Government should prioritise the development of its workforce strategy. Whilst delays during the pandemic are understandable, the development of the strategy should now proceed without delay. The Committee concurs with the Auditor General on the suggested areas of focus for the workforce plan and asks that the Welsh Government continues to keep the Committee updated on its progress.

**226.** Whilst the development of the Delegation and Accountability Framework is encouraging, the Committee remains concerned that the Welsh Government is

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<sup>184</sup> Letter from Permanent Secretary of Welsh Government to the Chair of the Public Accounts and Public Administration Committee, 20 February 2023

overly reliant on expensive temporary staffing solutions, including agency staff on fixed-term contracts, to meet staffing pressures.

**227.** The Public Accounts Committee of the Fifth Senedd raised similar concerns with the Welsh Government during its scrutiny of the 2019-20 Accounts, and whilst it is encouraging that the use of TDAs and TPAs is decreasing, as Wales emerges from the pandemic, more must be done to ensure that departments are able to be agile in their recruitment of suitable staff. The Committee hopes that the implementation of a substantive work plan can lessen the Welsh Government's reliance on temporary solutions, whilst appreciating that they will be necessary, and valuable, in some instances.

**228.** The Permanent Secretary's evidence that a lack of specialist legal and policy staff could affect the delivery of the Programme for Government is a troubling indication of the skill gaps within the organisation. Indeed, the Committee more generally is concerned about how the Welsh Government addresses these skill gaps within its workforce to ensure that the correct expertise is in place to deliver its functions.

**229.** On 22 June 2023, the Chair of the Children, Young People and Education Committee wrote to the Committee to raise concerns about civil service capacity and the pace of policy development and implementation. The Committee will continue to monitor these issues in future accounts scrutiny.

**230.** The workforce strategy and delivery plan needs to ensure that sufficient staffing, in terms of both skill and numbers, is in place to deliver the Programme for Government, whilst also meeting the organisation's statutory duties. Any plan must be realistic and transparent in its assessment of the resource and skill requirement to meet Ministers' expectations and deal with how shortfalls will be handed through prioritisation or efficiencies. The strategy should be clear about these specific requirements and not only focus on broader principles relating to leadership and culture.

**231.** The Committee concurs with the Auditor General's recommendation that the Workforce Delegation and Accountability Framework should be reviewed after two years, as evaluating its effectiveness is crucial in ensuring that the Welsh Government is being as flexible and responsive as possible.

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**232.** We are concerned by the delays in implementing a new HR management information system, however, it is acknowledged that it is important that the new system is secure and reliable by the time it is introduced. We appreciate the Welsh Government's commitment to keeping the Committee updated on their progress and would welcome a detailed update in response to this report.

**Recommendation 23.** We recommend that work to implement a new Welsh Government workforce plan should continue apace, with a focus on the areas suggested by the Auditor General for Wales. The Welsh Government's progress in this area should be shared with the Committee on a six-monthly basis until the plan is finalised. The finalised workforce plan should be shared with the Committee once it is concluded.

**Recommendation 24.** The Committee requests that six-monthly updates are provided on the implementation of the Delegation and Accountability Framework, given our concerns about the slow pace of implementation. We would also welcome confirmation that the Welsh Government intends to undertake a formal review of its impact, at the end of 2023-24. If so, a copy of this review should be shared with the Committee.

**Recommendation 25.** The Welsh Government should update the Committee on the implementation of the new HR management information system. If there are any further delays in implementation, the Committee should be informed about this and provided with reasons for the delay.