

Scrutiny of Accounts 2017-18

March 2019



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the National Assembly website: www.assembly.wales/SeneddPAC

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

**Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA**

Tel: **0300 200 6565**

Email: **SeneddPAC@assembly.wales**

Twitter: **@SeneddPAC**

© National Assembly for Wales Commission Copyright 2019

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

Scrutiny of Accounts 2017-18

March 2019



About the Committee

The Committee was established on 22 June 2016 to carry out the functions set out in Standing Orders 18.2 and 18.3 and consider any other matter that relates to the economy, efficiency and effectiveness with which resources are employed in the discharge of public functions in Wales.

Committee Chair:



Nick Ramsay AM
Welsh Conservatives
Monmouth

Current Committee membership:



Mohammad Asghar AM
Welsh Conservatives
South Wales East



Neil Hamilton AM
UKIP Wales
Mid and West Wales



Rhianon Passmore AM
Welsh Labour
Islwyn



Adam Price AM
Plaid Cymru
Carmarthen East and Dinefwr



Jenny Rathbone AM
Welsh Labour
Cardiff Central



Vikki Howells AM
Welsh Labour
Cynon Valley

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



Jack Sargeant AM
Welsh Labour
Alyn and Deeside

Contents

Chair’s foreword	5
Recommendations	7
1. Introduction.....	13
Key Themes.....	13
2. Assembly Commission	19
Background	19
Financial and Operational Performance	19
Staffing	22
Sustainability	27
ICT Development and Digitalisation	28
Procurement.....	28
3. Welsh Government	30
Publication of the Accounts	30
Welsh language.....	32
Financial and Operational Performance	36
Staffing	45
Savings and Efficiencies	48
The Welsh Government Civil Service Competency Framework.....	49
The Role of Non-Executive Directors	51
A review of arrangements of arm’s-length bodies	52
Grants Management.....	54
EU Structural Funds	57
4. Public Services Ombudsman for Wales.....	61
Background	61
Financial and Operational Performance	61
Staffing	62
Savings and Efficiencies	64

ICT Development and Digitalisation 65

Governance and Internal Control 66

5. National Museum Wales 71

Background 71

Financial and Operational Performance 71

Staffing 72

Savings and Efficiencies 76

Annex: Witnesses 80

Chair's foreword

As the Public Accounts Committee, we seek to ensure that the expenditure of public finances is done efficiently, effectively and economically thereby delivering value for money for the people of Wales.

Over recent years, we have scrutinised the accounts of a number of public bodies. We have seen an improvement in the presentation of the accounts of those appearing before us, with more streamlined financial reporting, making accounts easier to use and understand. However, we think there is more work to be done.

Annual Reports and Accounts need to set out how taxpayers' money has been used by those who are both entrusted to spend it and accountable for its use. Annual Reports and Accounts need to present clearly the organisation's aims, activities, functions and performance. They should explain how funding has been used to achieve objectives, aligning its use with outcomes and linking to the areas of income and expenditure reported in the financial statements. This is crucial to enable members of the public and us to challenge how effectively and efficiently taxpayers' money is being spent and also how well public sector bodies are delivering services for the citizens they serve.

Our concerns about transparency do not end there. We acknowledge that the current disclosure of information in the Annual Reports and Accounts may meet financial reporting requirements. However, we are concerned about the lack of transparency around the reporting of some areas of actual or potential expenditure. Information is often withheld on grounds of commercial sensitivity. While this may be appropriate in some cases, public bodies need to balance this with the requirement for open disclosure in the public interest.

For a long time we have been concerned about the use of confidentiality agreements. Their potential to act as a significant barrier to whistleblowing and contribute to the cover up of issues mean they might be warranted only in exceptional circumstances.

In order to promote transparency in the broadest sense, we believe that there is much to be gained from the approach taken by the health boards in Wales as set out in *Managing Welsh Public Money* which publish financial information routinely and include – in their board papers – copies of their in-year management accounts and other reports relating to the annual report and accounts. We believe that better scrutiny could be achieved if a fuller picture – facilitated by making

such material publicly available – could be considered by all public bodies in Wales.

This report reflects on a number of recommendations. Whilst aiming to improve transparency and the information in the Annual Reports and Accounts, we have also sought to identify development areas that we seek to revisit in the future.

I would like to take the opportunity to thank all those who gave evidence to the Committee as part of this year's accounts scrutiny work.

Nick Ramsay AM
Committee Chair

Recommendations

Recommendation 1. The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11)..... Page 17

Recommendation 2. The Committee recommends that the Assembly Commission's targets include alternative measures, for its financial performance, ensuring rigour in the management of its finances. These could reflect the separation of the resources available for its use and for the Remuneration Board.Page 20

Recommendation 3. The Committee recommends that the Assembly Commission sets a broader and more ambitious target for cost savings or efficiencies that reflects the full range of its activities rather than it relate solely to the contracts it is due to renew in the year. Performance against the target should be reported each year in the Assembly Commission's accounts..... Page 21

Recommendation 4. The Committee recommends that the Assembly Commission provides to the Committee, when more detail is known, an update on the operation and the outcome of its Voluntary Exit Scheme, including how it was informed by its Capacity Review..... Page 23

Recommendation 5. The Committee recommends that the Assembly Commission includes a breakdown of staff absence data in its internal monitoring reports, as well as its annual accounts, to differentiate absences due to mental health issues from other illnesses/reasons..... Page 24

Recommendation 6. The Committee recommends that the Assembly Commission provides the Committee with information on how staff turnover rates have changed over the last four years from 2015-16 to 2018-19..... Page 24

Recommendation 7. The Committee recommends that the Assembly Commission provides to the Committee details of the changes it has made to its performance management system, together with an assessment of their effectiveness in strengthening arrangements..... Page 25

Recommendation 8. The Committee recommends that the Assembly Commission builds on the work to engage with Black, Asian and Minority Ethnic Communities and leads the way across the Public Sector by including, in its annual report and accounts, disclosure of the ethnicity pay gap.....Page 26

Recommendation 9. The Committee recommends that the Assembly Commission ensures there is sufficient investment in other sustainability measures, including charging points, to promote the use of electric vehicles and increase its environmental credentials.Page 28

Recommendation 10. The Committee recommends that the Assembly Commission works with the Welsh Government to share more widely any relevant learning from its own efforts to increase its Welsh supplier base.....Page 29

Recommendation 11. The Committee recommends that the Welsh Government publishes its timetable for the production publication of its accounts and annual report on an annual basis to aid transparency and understanding of the process.Page 32

Recommendation 12. The Committee recommends that the Welsh Government provides an update to the Committee in respect of its discussions with the Wales Audit Office, including the agreed actions to address the issues encountered during the preparation and audit of the 2017-18 accounts.....Page 32

Recommendation 13. The Committee recommends that the Welsh Government clarifies for the Committee the resources it has in place for the process, as well as explain how it ensures it has sufficient skills and capabilities for the delivery of its annual accounts.....Page 32

Recommendation 14. The Committee recommends that the Welsh Government makes more detailed financial and performance information, such as analyses of annual expenditure within each MEG and how these programmes are delivering against planned outcomes. This should include information to allow the public to see how decisions are made and also reports about its in-year performance to increase transparency and accountability.....Page 32

Recommendation 15. The Committee recommends that the Welsh Government puts measures in place to ensure that it complies with the Welsh Language Standards to publish simultaneously its accounts in English and Welsh.....Page 36

Recommendation 16. The Committee recommends that the Welsh Government updates the Committee on the timetable for taking the Welsh Government’s policy on the internal use of the Welsh language to the Board and shares the outcome along with any accompanying papers considered by the Board.

..... Page 36

Recommendation 17. We recommend that Welsh Government considers how to comply with best practice in financial reporting by including information about its performance, and adopting this practice for the preparation of next year’s annual report and accounts, before issuing further guidance to its sponsored bodies. As a minimum, the annual report and accounts should set out how the money has been spent and what it has achieved, with reference to the targets set by Welsh Ministers and the Welsh Government, as well as performance against them. This should include an analysis of spend against the aims of “Prosperity for All” (and the subsequent programmes) and other organisational targets in the accounts, aligned to the expenditure reported in the financial statements..... Page 41

Recommendation 18. The Committee recommends that the Welsh Government makes clear the requirements with which it aims to comply when preparing its annual report and accounts. It should also be clear about the Welsh requirements for Annual Reports and ensures that all bodies comply with this guidance, including themselves. This will help to provide sufficient and appropriate information is disclosed enabling effective scrutiny..... Page 42

Recommendation 19. The Committee recommends that Welsh Government considers what information can be included in its accounts to promote transparency in respect of the support provided for business without deterring potential investors..... Page 44

Recommendation 20. The Committee recommends that the Welsh Government liaises with its counterparts in the Scottish Government to enhance its understanding of the potential merits of introducing a Whole of Government Accounts for Wales and provides an update to the Committee..... Page 45

Recommendation 21. The Committee recommends that the Welsh Government shares with the Committee its action plan for reducing the gender pay gap.
..... Page 46

Recommendation 22. The Committee recommends that, to aid transparency and facilitate scrutiny, the Welsh Government considers whether more information could be included in its future accounts to explain the purpose of exit packages and/or severance schemes..... Page 48

Recommendation 23. The Committee recommends that the Welsh Government includes in its annual report and accounts information about the efficiency activities across its organisation. This should include outturn against the targets set, with an explanation where performance goals are not met.Page 48

Recommendation 24. The Committee recommends that the Welsh Government provides, in advance of the Committee’s scrutiny of its 2018-19 accounts, an update in respect of the work of the Improving Efficiency Board and in particular, the actions implemented as a result of the independent review of its corporate services.....Page 49

Recommendation 25. The Committee recommends that the Welsh Government clarifies why and how the “future proofing initiative” differs from “Fit for the Future”, the scheme introduced by the former Permanent Secretary. This should set out how the new programme is working not only to improve the efficiency of the organisation but also advance its capacity and agility.Page 51

Recommendation 26. The Committee recommends that the Welsh Government clarifies for the Committee its position in respect of adopting the UK Civil Service’s Success Profiles and how these will work in the Welsh context, including the relationship - or otherwise - between this approach and that of the standards and values for internal promotion at gateway grades developed with the input of Future Generations Commissioner and which framework has pre-eminence.Page 51

Recommendation 27. The Committee recommends that, to ensure they are able to provide independent oversight and challenge of the Executive and avoid conflicts of interest (actual or perceived), the Welsh Government should not commission its Non-Executive Directors to undertake work beyond the scope of their non-executive roles.Page 52

Recommendation 28. The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the “calling in procedure”Page 54

Recommendation 29. The Committee recommends that the Ombudsman’s accounts more clearly and effectively report his performance. This should comply with best practice for financial reporting, setting out the Ombudsman’s performance against his objectives, including those in his Operational and Three-Year Strategic Plans, as well as setting out his future plans and targets.Page 62

- Recommendation 30.** The Committee recommends that the Ombudsman sets targets for cost savings to reflect the full range of his activities. The performance against these targets should be reported each year in the Public Services Ombudsman for Wales Annual Report and Accounts.....Page 65
- Recommendation 31.** The Committee recommends that, to promote independence, the Ombudsman appoints an independent member to his Advisory Panel who does not sit on the Audit and Risk Assurance Committee.
.....Page 69
- Recommendation 32.** The Committee recommends that, in the interest of transparency, the Ombudsman considers whether more information could be included in the accounts in respect of the future reporting of his potential liabilities and other aspects of his financial statements.....Page 70
- Recommendation 33.** The Committee recommends that the Ombudsman explains to the Committee his reasons for making special payments in 2017-18 to former members of staff. This should also set out why such payments were subject to a confidentiality clause.....Page 70
- Recommendation 34.** The Committee recommends that the Museum complies with best practice in reporting its performance against aims and objectives, using infographics to improve communication and understandability.Page 72
- Recommendation 35.** The Committee recommends that the Museum continues to monitor carefully its staff absence rate, analysing staff absence levels to identify the causes of sickness absence. To enable wider comparison, the Museum should ensure that it calculates and reports its sickness absence rate in line with the wider public sector, disclosing the rate in days as well as percentage terms.
.....Page 75
- Recommendation 36.** The Committee recommends that the Museum complies, at the earliest opportunity, with its statutory requirement to produce an annual strategic equalities report.....Page 76
- Recommendation 37.** The Committee recommends that, to promote transparency, the Museum provides to the Committee an update in respect of its progress in implementing its commercial strategy and its performance against it in the 2018-19 accounts.Page 77
- Recommendation 38.** The Committee recommends that the Museum keeps its current environmental measures under review, and seeks to explore other ways to improve its sustainability whilst maximising value for money.....Page 78

Recommendation 39. The Committee recommends that the Museum provides an update in respect of its current backlog maintenance plan , in particular in addressing any issues identified as high/significant risk.Page 79

Recommendation 40. The Committee recommends that the Museum includes sufficient information in its accounts to improve understanding and facilitate scrutiny, particularly in respect of its potential future liabilities.....Page 79

1. Introduction

1. The Public Accounts Committee (the Committee) undertakes scrutiny of several publicly funded bodies in the autumn of each year following the publication of organisations' Annual Reports and Accounts (or 'Accounts'). This work is important ensuring the expenditure of public funds is subject to robust scrutiny and provides assurance.
2. Alongside its annual scrutiny of the Welsh Government's and Assembly Commission's Accounts, the Committee considers a selection of those laid at the National Assembly by organisations from across the public sector.
3. For the period 2017-18, the Committee revisited the accounts of the Public Services Ombudsman for Wales and National Museum Wales. During the 2018 autumn term, we also considered Natural Resources Wales's (NRW) Accounts 2017-18 since the Auditor General for Wales provided a qualified regularity opinion on them. The Committee reported separately on the qualification matter in our Report, "Natural Resources Wales: Scrutiny of Annual Report and Accounts 2017-18"¹, published in November 2018.
4. The Committee also considered the Welsh Government Grants Management Report for 2017-18 and the management of EU structural funds during its scrutiny. The Committee's observations on this are recorded in Chapter 3.
5. As a then Member of the Assembly's Commission, Adam Price AM was excluded under Standing Order 18.9 from considering issues before the Public Accounts Committee relating to the Assembly Commission. He absented himself from the Committee's evidence session with the Assembly Commission, and has not participated in the Committee's discussions of the Commission's Accounts.

Key Themes

6. There were several key issues emerging from the organisations' accounts:

Links to Performance.

7. In our scrutiny of several organisations this year, and indeed in previous years, the Committee has noted that improvement is needed in the reporting of performance.

¹ Public Accounts Committee Report, [Natural Resources Wales: Scrutiny of Annual Report and Accounts 2017-18](#). (November 2018)

8. The Annual Reports and Accounts should provide a clear picture of the organisation's aims, activities and functions, as well as narrative about its performance over the last year that links to the income and expenditure for the same period. Guidance is set out for the Reports content and examples of good practice are included in Excellence in reporting in the Public Sector, which is awarded annually by PricewaterhouseCoopers and the National Audit Office.²

9. The Committee is particularly disappointed with the progress made by the Welsh Government in this area. Despite having made previous recommendations, it appears that little or no action has been taken by the Welsh Government to improve the reporting of performance against its objectives and targets.

10. We want the Welsh Government to be an exemplar in setting standards in financial reporting and in doing so, reflect best practice and wider organisational performance as well as reporting on matters particular to Wales, such as the requirements of the Well-being of Future Generations Act 2015.

Transparency

11. The Committee has a number of emerging concerns about transparency relating to the production of, and information within, the accounts of public bodies.

Availability of information

12. The Welsh Government's Annual Report and Accounts for 2017-18 were not published until October 2018, which seems late in relation to the financial year and is much later than other public bodies who typically laid their accounts in July 2018.

13. Section 4.13 of Managing Welsh Public Money sets out requirements on the transparency for central government and NHS bodies. It states:

“4.13.2 All public sector organisations should adopt a publication scheme routinely offering information about the organisation's activities. They should also publish regular information about their plans, performance and use of public resources.

4.13.3 The published information should be in sufficient detail, and be sufficiently regular, to enable users and other stakeholders to hold the

² National Audit Office, [Excellence in reporting in the Public Sector \(April 2017\)](#)

organisation and its Ministers to account. Benchmarks can help local users to evaluate local performance more easily.”³

14. The Committee felt the Welsh Government was not meeting this requirement while at the same time, placing more prescriptive requirements on other bodies, such as the Health Boards.

Financial Assistance to Businesses

15. The Committee queried with the Welsh Government whether information was provided in its accounts in respect of the financial assistance it provided to business, and whether the Welsh Government had entered into any agreements, such as that with Aston Martin, with other businesses. We did not receive a response on this at the meeting, due to commercial confidentiality. Subsequently, the Permanent Secretary wrote to the Committee to confirm that the Welsh Government has guarantee arrangements in place in relation to three projects, including Aston Martin, and these were all included as contingent liabilities in the 2017-2018 Consolidated accounts, although the other two projects did not wish to have their information disclosed.

16. The withholding of financial information on grounds of commercial sensitivity has long been of concern to us. There needs to be a wider discussion of what information can be published to fulfil a legitimate desire for transparency about how public money is being spent.

Special Payments and Exit Packages.

17. In two sets of accounts considered by the Committee, we noted that departure payments had been made to staff:

- Public Services Ombudsman for Wales: Note 19 of the Annual Report and Accounts reported three payments totalling £94,000 were made to staff who left the Ombudsman’s employment during 2017-18.
- Natural Resources Wales: Note 2 to the Remuneration Report disclosed that Dr Emyr Roberts, had held the post of Chief Executive until 31 October 2017. The salary figure reported included a payment of £35,000 to £40,000 which had been made under the terms of a settlement agreement.

³ Welsh Government, *Managing Welsh Public Money*, January 2016

- 18.** We noted that the accounts did not include any other information about these payments.
- 19.** In its evidence, the Welsh Government acknowledged that its reporting of exit packages to staff could have been clearer.
- 20.** The lack of information about exit packages and special payments does not aid transparency. It means we are not able to scrutinise whether they represent value for money. This is not acceptable.
- 21.** We did not obtain any information about special payments in response to our questions to witnesses, who told us that nothing could be discussed because of legal agreements. This is a concern as confidentiality agreements have the potential to act as a significant barrier to whistleblowing and the cover up of issues within the culture of the organisation.
- 22.** The use of disclosure agreements has been an issue of concern to the Public Accounts Committee, and its predecessor the Audit Committee since the inception of the Assembly. In 2003 our predecessor Committee reported that:

“We welcome the Welsh Assembly Government’s intention to re-issue instructions to all Assembly Sponsored Public Bodies on the use of confidentiality clauses. We are reassured to learn from the Permanent Secretary that this will include a revision of the Financial Memoranda issued to these bodies, explicitly disallowing such clauses. **We recommend** that this is done as soon as possible.”⁴

- 23.** Following this recommendation, the then Permanent Secretary wrote to all Assembly Sponsored Public Bodies. Subsequently, following the publication of *Managing Welsh Public Money*, the following requirement was included in annex 4.12:

“Ensure any undertakings about confidentiality leave severance transactions open to adequate public scrutiny, including by the Wales Audit Office and the Public Accounts Committee.”⁵

⁴ National Assembly for Wales, First Assembly (1999-2003) Audit Committee The Annual Accounts of the National Council for Education and Training for Wales for the period ending 31 March **[Published 2003]**

⁵ Welsh Government, *Managing Welsh Public Money*, January 2016

24. The Committee is concerned that despite asking questions of these payments, we were unable to establish the full details around these payments. This raises questions about what that clause in A4.12.11⁶ means in practice.

25. We recognise that it is reasonable and lawful to impose a confidentiality requirement on a departing employee in respect of information that they have been privy to in the course of their employment, but this cannot legally over-ride the whistle-blowing provisions of the Public Interest Disclosure Act. Given that the use of a confidentiality clause to prevent disclosure of the existence, or financial terms, of a departure settlement is not permitted under Managing Welsh Public Money, we believe more needs to be done to enforce this.

Recommendation 1. The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11).

Efficiency/savings targets

26. In some instances there was a lack of information about saving targets and performance against them in the Annual Report and Accounts of the bodies scrutinised.

27. The Public Services Ombudsman for Wales noted that he did not have a target. While both the Assembly Commission and Welsh Government appeared to lack a big picture approach to savings. The evidence we received seemed to point towards small figures on particular areas such as the location strategy in the case of the Welsh Government, and contract renewal for the Commission.

28. While noting pressures on budgets, we believe that true savings will only be achieved through a strategic approach.

Governance

29. A number of issues around governance at board level arose out of this year's scrutiny:

- The Welsh Government commissioned one of its Non-Executive directors to undertake a Ministerial task and finish group; and

⁶ Welsh Government, *Managing Welsh Public Money*, January 2016

- The Public Services Ombudsman for Wales's Audit and Risk Assurance Committee lacks an independent member, as its membership is comprised from the Advisory Panel.

30. While we were told that the necessary safeguards had been employed in these instances, the Committee is keen to stress the importance of maintaining the actual and perceived independence of the persons undertaking these roles. The Committee has made recommendations in both cases to promote independence.

2. Assembly Commission

Background

31. The National Assembly for Wales Commission (the Assembly Commission) is one of the two bodies whose annual report and accounts are subject to annual scrutiny by the Public Accounts Committee. The Annual Report and Accounts, 2017-18 (the Accounts) were laid at the National Assembly for Wales on 17 July 2018 and scrutinised by the Committee at its meeting on 8 October 2018.

Financial and Operational Performance

Outturn target

32. The Assembly Commission receives its funding direct from the Welsh Consolidated Fund and is required to operate within the budget set. It has been customary for the Assembly Commission to set a Key Performance Indicator (KPI) for its outturn.⁷ The KPI was set for outturn to be within 1 per cent of the budget until 2016-17 when it was reduced to 0.5 per cent.

33. The Public Accounts Committee in the Fourth Assembly considered the setting of an outturn target by the Assembly Commission. The Committee reported that it was unconvinced that the approach was delivering maximum efficiency in the use of resources. It recommended that the Assembly Commission carefully monitor the approach and where significant efficiencies were found, these resources should be returned to the public purse.⁸

34. For 2017-18, the Assembly Commission reported an aggregate underspend of £593,000 against its total net budget of £54,445,000, which is 1.1 per cent of the budget. When Members' Pensions costs were excluded, the Assembly Commission's underspend was £389,000, or 0.7 per cent of the budget. This means that although the Commission operated within the resources made available to it, its outturn did not meet its KPI to operate within 0.5% of its budget for 2017-18.

⁷ The actual amount spent at the end of the accounting period, rather than those that were initially estimated in the budget.

⁸ Public Accounts Committee Report, [Scrutiny of Accounts 2014-15](#), (December 2015)

35. When asked by the Committee about the consequences of not achieving the KPI, Manon Antoniazzi, Chief Executive and Clerk of the National Assembly for Wales said:

“I think there would be consequences for me as an accounting officer if we went over our budget, and the imperative to not go over our budget at all is obviously a very strong thing that drives us. But we manage the finances very closely. We monitor and report on the budget on a monthly basis, and therefore we try, through that means, to minimise any under-utilisation. However, from next year onwards we will be committing to return any unspent parts of the determination, or rather not drawing down any parts of the determination that we don’t need. So, this becomes a less useful KPI from then on.”⁹

36. Suzy Davies AM, Assembly Commissioner for Budget and Governance, was asked whether the Committee viewed the outturn target as a useful KPI. She said that the Assembly Commission was undertaking a review of the KPIs and the Committee’s view would be useful to inform these considerations.¹⁰

The Committee’s view

37. The Committee notes that there are no consequences for the Assembly Commission when it does not achieve the KPI. It is our view that this, together with the Assembly Commission’s commitment from 2019-20 to return unspent monies to the Welsh Consolidated Fund, means that it is timely to undertake a review of the KPI.

38. We do not consider that adopting a KPI for outturn, over and above the requirement on the Assembly Commission to operate within its budget, necessarily indicates successful financial management or value for money. However, we believe that it is important that the Assembly Commission’s targets include appropriate measures for its financial performance, ensuring rigour in the management of its finances. These targets could reflect the separation of the resources available for the Assembly Commission’s use and for the Remuneration Board.

Recommendation 2. The Committee recommends that the Assembly Commission’s targets include alternative measures, for its financial performance, ensuring rigour in the management of its finances. These targets also need to

⁹ Record of Proceedings (RoP), 8 October 2018, Paragraph 28

¹⁰ ROP, 8 October 2018, Paragraph 25

reflect the separation of the resources available for the Assembly Commission's use and for the Remuneration Board.

Savings target

39. The Assembly Commission's 2017-18 Accounts stated that it achieved savings of £138,000 against a target of £100,000.

40. The Committee questioned whether the target of £100,000 was adequate in the context of the Assembly Commission's overall net budget, which was £37 million¹¹ in 2017-18. Nia Morgan, Director of Finance Assembly Commission, explained:

“For many years, it [the savings target] was set at around £500,000, but in more recent years—so, last year and the current year—we've reduced it down to £100,000 because of the nature of the contracts that we've got coming up, and a number of them have been through one cycle already, so they're coming up for the second renewal and fewer opportunities to make those savings. So, it's a realistic target.”¹²

The Committee's View

41. The Committee recognises that the Assembly Commission is setting what it considers to be a realistic target for savings in respect of contracts. However, we are concerned that it appears the savings targets for the Assembly Commission is largely dictated by the contracts it is due to renew in the year. We believe that a broader and more ambitious target for achieving cost savings or efficiencies across all areas of its work is needed. This should be quantified and performance against it reported each year in the Assembly Commission's accounts.

Recommendation 3. The Committee recommends that the Assembly Commission sets a broader and more ambitious target for cost savings or efficiencies that reflects the full range of its activities rather than it relate solely to the contracts it is due to renew in the year. Performance against the target should be reported each year in the Assembly Commission's accounts.

¹¹ The Assembly's net budget of £54.4 million includes resources in respect of the Remuneration Board's decisions (£15.5 million) and Annually Managed Expenditure (£1.9 million), as well as resources for use by the Assembly Commission (£37 million)

¹² ROP, 8 October 2018, Paragraph 138

Staffing

Staffing levels

42. The Assembly Commission initiated a Capacity Review in autumn 2017 to analyse how resources are allocated and evaluate whether resources can be deployed more efficiently and effectively. The initial findings were reported in January 2018. A second phase followed, the purpose of which was to consider the findings in more detail and develop approaches to delivering services more efficiently and effectively.

43. Members discussed the on-going capacity review and whether this process had sufficiently tested staffing levels to identify where resources could be reassigned to priority areas, such as Assembly Reform and Brexit. Manon Antoniazzi explained that the review had not flagged any areas of significant over resource but had identified a series of economies. This had resulted in the Commission being able to:

“...respond in a more flexible way to emerging demands—notably, of course, Brexit and Assembly reform—where we have had to move staff resource from areas where it could be spared to this more urgent need, and that’s worked out quite well in terms of freeing posts and enabling us to stay within our establishment post cap of 491, which we committed to do in discussion with the Finance Committee last year.”¹³

44. The Committee also noted that the Commission’s Draft budget 2019-20 documentation stated that a Voluntary Exit Scheme (VES) is being “seriously considered” in the final quarter of 2018-19, potentially funded from operational business savings from 2018-19 and 2019-20 staff budgets¹⁴. The Committee heard that the VES would be used as a:

“...method of refreshing skills. Because we’ve committed not to increase the staff establishment number for now, then we do have to find the new skills to meet the new demands in this way. So, if it goes ahead, it’ll be closely targeted on that basis.”¹⁵

45. In our report on the Scrutiny of Accounts 2016-17, we recommended that the Assembly Commission provides details of how its capacity review had tested staffing levels and explain how staff are deployed to deliver the Assembly

¹³ ROP, 8 October 2018, Paragraph 47

¹⁴ Written Evidence, ~~PAC(5)-31-18.PTN3~~, 26 November 2018

¹⁵ ROP, 8 October 2018, Paragraph 64

Commission's priorities. The Committee notes that the VES was launched by the Commission in December 2018 and the outcomes were announced in late February 2019.

The Committee's view

46. Building on the Committee's recommendation in the Scrutiny of Accounts report 2016-17, the Assembly Commission's VES should have been informed by this Capacity Review and the need to prioritise resources.

Recommendation 4. The Committee recommends that the Assembly Commission provides to the Committee, when more detail is known, an update on the operation and the outcome of its Voluntary Exit Scheme, including how it was informed by its Capacity Review.

Staff Absences

47. The Assembly Commission's Accounts 2017-18 reported that its staff absence rate for 2017-18 was 3.77% (or 8.29 days) which was an increase from the previous year, which was 3.54% (or 7.78 days). The target was 3%.

48. Manon Antoniazzi explained:

"Our absence figures have rather overshoot our target, as you'll see in the annual report for the last year. In an organisation the size of ours, a relatively small amount of absences can make a big difference and that's certainly borne out."¹⁶

49. She added that it had been a "turbulent year", noting that "it would be naïve to think that such pressures do not have a knock-on effect in terms of stress and mental health".¹⁷ The Assembly Commission told the Committee that it had put measures in place to support its staff in light of such pressures:

"We've been supporting the Time to Change Wales campaign and we will be marking Mental Health Day this month with activities, as we did last year. We've established a network to support people who wish to talk about their mental health."¹⁸

¹⁶ ROP, 8 October 2018, Paragraph 105

¹⁷ ROP, 8 October 2018, Paragraph 106

¹⁸ ROP, 8 October 2018, Paragraph 107

The Committee's view

50. The Committee welcomes the work done by the Commission in terms of supporting the Time to Change Wales campaign and Mental Health Day. We recommended in our report on the 2016-17 Accounts that the Assembly Commission:

“... continues to carefully monitor staff absence levels including analysis of the causes of sickness absence to ensure these are managed appropriately.”¹⁹

51. To ensure there is adequate and appropriate support for staff, the Committee believes the Assembly Commission should include a breakdown of data in its internal monitoring reports, as well as its annual accounts, to differentiate absences due to mental health issues from other illnesses. The publication of turnover rates and regular staff surveys would also help to understand underlying trends. At the time of scrutiny, the most recent staff satisfaction survey results were those published in May 2017 from the survey in 2016-17 period. The Committee is surprised that the Commission did not choose to run a survey in this period when other indicators are showing potential negative impacts on staff well-being and to measure the impact of the Commission's initiatives in this area.

52. The Committee notes the links between staff wellbeing, turnover rates; staff satisfaction, the Finance Committee's recommendation²⁰ in relation to increases in staff turnover and the Commission's subsequent response. The Committee would like to see how turnover rates have changed over the last four years.

Recommendation 5. The Committee recommends that the Assembly Commission includes a breakdown of staff absence data in its internal monitoring reports, as well as its annual accounts, to differentiate absences due to mental health issues from other illnesses/reasons.

Recommendation 6. The Committee recommends that the Assembly Commission provides the Committee with information on how staff turnover rates have changed over the last four years from 2015-16 to 2018-19.

¹⁹ Public Accounts Committee Report, *Scrutiny of Accounts 2016-17*, Recommendation 18 (February 2018)

²⁰ Assembly Commission's response to the Report on the Scrutiny of the Assembly Commission Draft Budget 2019-2020: Recommendation 6 (6 November 2018)

Staff performance

53. The Assembly Commission told the Committee that it had reviewed its performance management system, which had been informed by a consideration of “best practice”. As a result, the Assembly Commission had implemented changes to the related documentation requirements for its staff and was considering making further amendments. It had:

“... changed the form ... and we’re probably moving towards a regime where the mid-year performance review is a bit more light touch. But, by and large, we find that the system, as many other organisations find, gives us an assurance that line management is being carried out properly and rigorously, and that people have a line of sight between their personal objectives and the high-level priorities of the organisation.”²¹

The Committee’s view

54. The Committee notes the importance of a robust approach to performance management, particularly at a time when there are pressures on resources and staff numbers. It is critical that there are measures in place to drive continuous development, encourage productivity, efficiencies and staff engagement.

55. The Committee notes that the Assembly Commission reviewed its performance management system. We would welcome an assessment of the effectiveness of the changes it has introduced in strengthening its performance management system.

Recommendation 7. The Committee recommends that the Assembly Commission provides to the Committee details of the changes it has made to its performance management system, together with an assessment of their effectiveness in strengthening arrangements.

Equality and diversity

56. The Assembly Commission’s Diversity and Inclusion Report 2017-18²² sets out statistics in respect of the composition of its workforce. These show that most staff from a Black, Asian and Minority Ethnic (BAME) backgrounds, were in the team support and junior management band grades, which attract an annual salary of

²¹ ROP, 8 October 2018, Paragraph 124

²² National Assembly for Wales Assembly Commission **Diversity and inclusion report 2017-18** (July 2018)

£17,804 to £28,154. Only 2 of 265 (or 0.8%) Assembly Commission employees in middle and senior roles, for which the annual salary ranges from £26,917 to £153,785,²³ were from BAME groups.

57. Manon Antoniazzi told the Committee “I think we can do better in terms of BAME representation, particularly in order to better reflect the diversity of the communities we serve”.²⁴ She added that the Assembly Commission was focussing on increasing BAME representation across the grades and has:

“...established a mentoring scheme, we have a network for people from black and minority ethnic backgrounds within the staff team, and as you suggest and was implicit in your question, we’re very conscious of the fact that the BAME staff we have at the moment tend to be in more junior roles and that is a concern as well. So, once we’ve got them in, we want to work hard to retain them and progress them through the organisation and get some visible role models.”²⁵

The Committee’s view

58. The Committee commends the Commission on their action to ensure they engage with BAME communities to encourage applicants to the apprenticeship scheme. The Committee notes the intention of the Commission to progress BAME representation in its middle and senior management grades. Given the ongoing consultation by the UK Government about whether to mandate the reporting of the ethnicity pay gap,²⁶ the Committee believes that there would be value to the Commission leading the way and reporting on this in the Annual Report and Accounts. This would help to build an understanding about what barriers are in place to staff from ethnic minorities joining and progressing through the organisation.

Recommendation 8. The Committee recommends that the Assembly Commission builds on the work to engage with Black, Asian and Minority Ethnic Communities and leads the way across the Public Sector by including, in its Annual Report and Accounts, disclosure of the ethnicity pay gap.

²³ National Assembly for Wales Assembly Commission Diversity and inclusion report 2017-18, [Pay Scales](#) (July 2018)

²⁴ ROP, 8 October 2018, Paragraph 77

²⁵ ROP, 8 October 2018, Paragraph 81

²⁶ [BBC News Article, Ethnicity pay gap: Firms may be forced to reveal figures](#) (11 October 2018) [Accessed 15 February 2019]

Sustainability

59. The Assembly Commission's Accounts 2017-18 include a Sustainability Report, which sets out a summary of its greenhouse gas emissions and energy use in accordance with HM Treasury's Sustainability Reporting Guidance.²⁷

60. The Committee sought an update from the Assembly Commission in respect of its progress in encouraging lower carbon travel for staff commuting to and from the Assembly estates and on Assembly business. The Assembly Commission told the Committee:

“... there's probably more to do. We're on a journey here, and we certainly do encourage and promote sustainable travel modes. It is impacted, obviously, from year to year by business need. We have seen an increase in air travel, and that's mainly Member-related need, but we will certainly continue to promote low-carbon travel for both business needs and for commuting. As well as electrical charging points, we've extended the bike shed and we're encouraging people to cycle to work and things like that as well.”²⁸

61. The Assembly Commission added it had incurred expenditure of around £13,000 for installing electrical charging points on the Assembly estate. In addition, the lease cost for the pool car was £4,500 per year but the Assembly Commission was expecting to achieve savings of around £1,000 per annum in respect of this.

The Committee's view

62. The Committee welcomes the installation of the charging points and recognises that there are currently a few users that benefit from this investment given the small number of car park users with electric cars. With increasing awareness of the need to reduce carbon emissions, the Committee believes that the presence of charging points on the Assembly Estate may encourage car park users to switch to an electric vehicle. However, we are uncertain whether the small number of charging points on the Estate are sufficient in terms of the Assembly Commission's environmental credentials and more should be done. We believe the Assembly Commission needs to lead the way and promote the use of electric vehicles and other sustainability measures.

²⁷ HM Treasury, [Public Sector Annual Reports: sustainability reporting guidance 2017-18](#) (October 2017)

²⁸ ROP, 8 October 2018, Paragraph 202

Recommendation 9. The Committee recommends that the Assembly Commission ensures there is sufficient investment in other sustainability measures, including charging points, to promote the use of electric vehicles and increase its environmental credentials.

ICT Development and Digitalisation

63. The Assembly Commission's Report and Accounts 2017-18 identified that one of the areas for development in 2018-19 is taking forward recommendations from the Digital and Information Task Force, promoting transparency, engagement and efficiency and improving access to the Assembly business data.

64. Manon Antoniazzi told the Committee that cyber security is:

“... a huge concern ...It's an issue that doesn't go away, because the bar is continually being raised, and we have to maintain our focus on this issue and our investment in the issue to stay ahead of the game ... We've upgraded our software to be proof against the latest types of attack. We've delivered awareness training to staff as well; that's very important, because, as we all know, the weakest link in the chain is quite often human error. So, we want to make people aware of the different ways in which systems can be hacked.”²⁹

The Committee's view

65. The Committee recognises the Commission's aim to secure the best possible cyber security for the organisation and the increase in staff awareness will assist in reducing the risk of data breaches.

66. The Committee hopes that the Commission continues to invest its resources effectively so that it remains at the forefront of any IT developments in this field.

Procurement

67. The Committee questioned the Assembly Commission about its proposed new corporate key performance indicator regarding supplier spend across Wales. Suzy Davies AM told the Committee that the Assembly Commission was to introduce a new KPI for procurement with the aim of increasing suppliers from Wales and ensure that its longer term suppliers' supply chains also involve Welsh suppliers. She explained:

²⁹ ROP, 8 October 2018, Paragraph 152

“We’re reaching a stage now where, actually, adherence to the frameworks has turned out to be a bit of a problem for trying to get Welsh suppliers involved. So, there is going to be a new KPI, as you say. We’re going to try and get 43 per cent of our suppliers from Wales, but also making sure that our longer-term suppliers’ supply chains involve a lot of Welsh suppliers as well, because not everybody can be from Wales, obviously.”³⁰

The Committee’s view

68. The Committee noted in our Scrutiny of Accounts 2015-16 Report³¹ the progress made by the Welsh Government with the policy aim of procuring more from within Wales, while at the same time maximising value for money. This work had included ensuring that frameworks are tailored to allow smaller businesses to compete for contracts awarded by the Welsh Government.

69. The Committee notes with interest the progress that has subsequently been made by the Assembly Commission with the same aim.

Recommendation 10. The Committee recommends that the Assembly Commission works with the Welsh Government to share more widely any relevant learning from its own efforts to increase its Welsh supplier base.

³⁰ ROP, 8 October 2018, Paragraph 128

³¹ Public Accounts Committee Report, Scrutiny of Accounts 2015-16, (December 2015)

3. Welsh Government

70. The Welsh Government is one of the two bodies whose Annual Report and Accounts are subject to annual scrutiny by the Committee.

71. The Welsh Government's Accounts 2017-18 were laid at the National Assembly for Wales in English only on 2 October 2018 and scrutinised by the Committee on 15 October 2018.

Publication of the Accounts

72. As noted above, the Welsh Government Accounts were laid at the National Assembly for Wales on 2 October 2018. The Welsh Government informed the Committee in August 2018 that it planned for the Accounts to be laid in mid-September, which was later than the Accounts for 2016-17 (laid on 31 August 2017).³²

73. The Committee sought an explanation from the Permanent Secretary why the Welsh Government had not met the planned date for laying its 2017-18 Accounts. She apologised for the delay and explained:

“The preparation time this year, actually, continued about five weeks beyond the start date that we'd agreed with the Wales Audit Office.

We had tried a new approach this year to try and bring together the core and the consolidated accounts ... unfortunately, we came across teething problems with that process. To be honest, it was a combination of illness and accidents, plus some technical problems with the spreadsheets, which meant that the main consolidation spreadsheet actually became corrupted. So, as you can imagine, there were a lot of difficulties in resolving that.”³³

The Committee's view

74. The Committee has significant concerns relating to the delay of publication of the Welsh Government's Accounts 2017-18. We believe this could be illustrative of the lack of priority placed on its preparation within the Welsh Government. The production of the Annual Report and Accounts needs to be timely. The explanation that the delay was due to the introduction of a new process suggests

³² Written Evidence, PAC(5)-27-18, Paper 3, 15 October 2018

³³ RoP, 15 October 2018, Paragraphs 21 and 22

there are questions about the capability of, and possibly the resources assigned to, the team responsible for the production of Welsh Government's accounts. This is particularly concerning since, in our view, the Welsh Government should be setting an example for financial reporting for the rest of the public sector in Wales.

75. The Committee notes that Welsh Government officials planned to meet with staff at the Wales Audit Office to reflect on the process. We welcome the Permanent Secretary's assurance that the Welsh Government will learn lessons from this and would welcome an update that the "wash up" meeting has taken place, together with confirmation that officials and auditors have agreed an action plan.

76. The Committee is particularly concerned that there is no cohesive information publicly available about the in-year performance of the Welsh Government until the publication of the annual accounts. This is a stark contrast to those requirements placed on other public sector bodies, such as Health Boards in *Managing Welsh Public Money*.

77. The Local Health Boards Model Standing Orders, are issued by Welsh Ministers using powers of direction provided in section 12 (3) of the National Health Service (Wales) Act 2006. Paragraph 6.1.1 of the Model Standing Orders state:

"The LHB's business will be carried out openly and transparently in a manner that encourages the active engagement of its citizens, community partners and other stakeholders."

78. They also include a direction that the papers for board meetings should be publicly available, in English and Welsh languages and in accessible formats.

79. As a result of this, papers, such as the in-year management accounts, ISA 260 reports, are available to the public since they are considered by Members at public board meetings.

80. Paragraph 6.5.1 also states:

"The LHB shall encourage attendance at its formal Board meetings by the public and members of the press as well as LHB officers or representatives from organisations who have an interest in LHB business. The venue for such meetings shall be appropriate to facilitate easy access for attendees and translation services; and shall have appropriate facilities to maximise accessibility such as an induction loop system."

81. This encouragement of public or open Board meetings distinguishes health boards from other “central government” bodies, and is a good example of increasing transparency. We want the Welsh Government to work with other bodies to review what information they make publicly available to ensure a consistent standard, and allow the public to see how decisions are made. We believe this will promote openness and transparency, and demonstrate accountability of the bodies to Welsh taxpayers.

Recommendation 11. The Committee recommends that the Welsh Government publishes its timetable for the production publication of its Accounts and Annual Report on an annual basis to aid transparency and understanding of the process.

Recommendation 12. The Committee recommends that the Welsh Government provides an update to the Committee in respect of its discussions with the Wales Audit Office, including the agreed actions to address the issues encountered during the preparation and audit of the 2017-18 accounts.

Recommendation 13. The Committee recommends that the Welsh Government clarifies for the Committee the resources it has in place for the process, as well as explain how it ensures it has sufficient skills and capabilities for the delivery of its annual accounts.

Recommendation 14. The Committee recommends that the Welsh Government makes more detailed financial and performance information, such as analyses of annual expenditure within each MEG and how these programmes are delivering against planned outcomes. This should include information to allow the public to see how decisions are made and also reports about its in-year performance to increase transparency and accountability.

Welsh language

82. The Welsh and English versions of the consolidated accounts were not laid concurrently, with the Welsh language version published on 15 October 2018.

83. Gawain Evans, Director of Finance Welsh Government, apologised for the delay in the publication of the Welsh language version of the accounts. He told the Committee:

“The Welsh-language version is being published today [15 October 2018], because we were so late with the accounts this year ...we had the

English version to sign off a couple of weeks ago ... We had a couple of typos that we needed to go through with the Welsh language version.”³⁴

84. Alongside the specific issue around the publication of the Welsh language version of the accounts, the Committee raised wider concerns about the Welsh Government’s commitment to promote and facilitate the use of the Welsh language in its internal arrangements.

85. Specifically, the Committee referred to documents released under the Freedom of Information Act which show that a working group of senior Welsh Government officials was set up by the previous Permanent Secretary to look at this issue in the summer of 2016. According to the working group’s terms of reference as highlighted in the published documents:

“The task and finish group’s objective is to consider the Welsh Government’s vision for developing, promoting and facilitating the use of the Welsh language within the organisation. The role of the group is to oversee this work, and provide a draft form of words for the Permanent Secretary and the Welsh Government’s Board to consider and agree. The agreed vision will inform our policy on the internal use of Welsh in the organisation and an action plan on promoting the Welsh language internally.”³⁵

86. The Committee raised concerns that despite the documents appearing to show that the working group of senior civil servants had finalised and submitted its report for the Permanent Secretary’s consideration in March 2017, the paper had yet to go before the Welsh Government Board. The Permanent Secretary confirmed that she had delayed publishing the final report of the Welsh Government’s working group for the facilitation and promotion of the Welsh language since there was, in her view, further work to be done. She informed the Committee that she had asked for reviews to be undertaken in respect of the definition of bilingualism, best practice in Welsh language standards and the Welsh language training available to Welsh Government staff.

87. The Permanent Secretary also indicated that she had discussed this with the Welsh Government’s Minister for the Welsh language who wanted to see “progress in this area”.

³⁴ RoP, 15 October 2018, Paragraph 108

³⁵ Welsh Government, [Freedom of Information response](#), Welsh Government staff Welsh Language requirements, 18 September 2018

88. In her correspondence to the Committee following her evidence session, the Permanent Secretary noted:

“The paper was submitted to me during the very early days of my tenure, with the aim of prompting a discussion at Board level to advise me on a recommended approach to developing in an internal policy. The Welsh Language Standards had been in place for a matter of months at the time, and there were strategic changes to language policy underway, including the publication of Cymraeg 2050. In those circumstances, therefore, I thought it prudent to take time to understand more about the issue and reflect.”³⁶

89. The Permanent Secretary later added:

“Lessons learnt from the Assembly Commission, South Wales Police, Rhondda Cynon Taf Council Ynys Môn Council are of great interest to me and form a key part of the further work that I have commissioned.”³⁷

90. In the same correspondence, on the issue of procedural involvement of the political leadership of the Welsh Government in relation to the Cymraeg 2050 Strategy, the Permanent Secretary noted:

“As with all staffing matters, this is ultimately a decision that will be taken by me in my role as Permanent Secretary of the Welsh Government, with consideration given to the advice of my senior team and the Welsh Government’s Board. However, I am also very aware of both the legislative and political context of this issue, and the clear commitment set out in Cymraeg 2050 by the First Minister to see an increase in the use of the language by the Welsh Government’s workforce. I will be working closely with Ministers to ensure that our next steps in terms of policy and ambition closely align with their priorities.”³⁸

The Committee’s view

91. The Committee is particularly concerned about the failure to publish a Welsh Language version of the accounts alongside the English language version. It is

³⁶ Written Evidence, PAC(5)-32-18.PTN3, 3 December 2018

³⁷ Written Evidence, PAC(5)-32-18.PTN3, 3 December 2018

³⁸ Written Evidence, PAC(5)-32-18.PTN3, 3 December 2018

particularly disconcerting that senior Welsh officials suggested the delay was a result of typographical errors.

92. Failure to publish simultaneously the accounts in English and Welsh contravenes the standards set out in the The Welsh Language Standards (No. 1) Regulations 2015. These require that, in the conduct of public business in Wales, the English and Welsh languages should be treated on a basis of equality.

93. The Committee's view is that the publication of the Welsh language version of the accounts on the day of the evidence session, approximately two weeks after laying the English version, is not acceptable. As such, the Committee brought this to the attention of the National Assembly for Wales's Culture, Welsh Language and Communications Committee and will write to the Welsh Language Commissioner.

94. The Welsh Government must ensure that it complies with statutory requirements in respect of the production and publication of documents in both English and Welsh.

95. The Committee is concerned about the delay in bringing forward the "Internal use of the Welsh language: report prepared for the Welsh Government Board by a task and finish group of senior officials" paper, which was finalised in March 2017, to the Welsh Government Board.

96. It appears to the Committee that the task and finish group report was a detailed piece of work, and the Permanent Secretary's latest round of reviews seem to be addressing the same issues.

97. The Committee notes that Cymraeg 2050: A million Welsh speakers Work programme 2017-21 contains the following commitment:

"Ensure that the Welsh Government leads by example by promoting and facilitating increased use of Welsh by our own workforce."

98. The Committee also notes that 2018-19 Action Plan for implementing the 2017-21 Work programme states that:

"We will agree upon an internal use policy for the Welsh Government and implement a policy action plan."³⁹

99. The Committee is therefore concerned by the suggestion that the Welsh Government's policy on promotion and facilitation of the Welsh language in the

³⁹ [Welsh Government Cymraeg 2050: A million Welsh speakers 2018-19 Action Plan](#)

government's internal administration and developing the use of the language on the part of the government's workforce is a decision that will ultimately rest with the Permanent Secretary. It is a key part of the Welsh Government's strategy in relation to the Welsh language, and should be decided on a ministerial level.

100. Furthermore the Permanent Secretary's comments about the commitments by the then First Minister to Cymraeg 2050, highlights potential issues around ministerial accountability and scrutiny. We believe that the relationship between the political and administrative leadership of the Welsh Government more broadly warrants further investigation, and we intend to do a more detailed piece of work looking at governance in the Welsh Government later this year.

Recommendation 15. The Committee recommends that the Welsh Government puts measures in place to ensure that it complies with the Welsh Language Standards to publish simultaneously its accounts in English and Welsh.

Recommendation 16. The Committee recommends that the Welsh Government updates the Committee on the timetable for taking the Welsh Government's policy on the internal use of the Welsh language to the Board and shares the outcome along with any accompanying papers considered by the Board.

Financial and Operational Performance

101. In our Scrutiny of Accounts Report 2015-16, the Committee noted the new reporting requirements introduced following HM Treasury's Simplifying and Streamlining Accounts project. Specifically, this required bodies to reorganise their annual reports and accounts into three sections, focussing on performance, accountability and the core financial statements.

102. Since the requirements applied across much of the public sector, we recommended that all organisations worked to present information within their Annual Report and Accounts as simply as possible. We also made a specific recommendation in respect of the Welsh Government. While recognising that the Welsh Government's accounts were more readable and understandable, the Committee considered that there was room for improvement. We recommended that the Welsh Government undertook an evaluation of information contained within the accounts to ensure it told people what they needed and wanted to know, and that this should include information on expenditure against budget in each of the main expenditure groups.

103. In our Scrutiny of Accounts 2016-17 Report, the Committee examined the approach taken by each of the organisations appearing before us to making accounting documentation more transparent and accessible to the public. We also considered how public bodies reported on their performance and how clearly they outlined how public funding had been used to achieve objectives, including the extent to which they explained the alignment of funds and outcomes. Our scrutiny identified a range of practices.

104. We made the following recommendations in our report:

“We recommended that Welsh Government consider how to include information about its performance and adopt this practice for the preparation of next year’s annual report and accounts before issuing further guidance to Welsh Government Sponsored Bodies (WGSB).[Recommendation 1]

The Committee also recommended that the Welsh Government make clear the requirements with which it aims to comply when preparing its annual report and accounts and be clear about the Welsh requirements for Annual Reports, and ensure that all bodies comply with this guidance, including themselves. This would help to provide sufficient and appropriate information is disclosed enabling effective scrutiny. [Recommendation 2]”

105. In its response to our Recommendations contained in the Scrutiny of Accounts 2016-17 Report, the Permanent Secretary noted that Welsh Ministers make decisions on spending priorities which they report separately. Also, that, prior to 2016-17, the consolidated accounts cross referenced performance reporting by linking to an annual report produced on the “Programme for Government”. The Permanent Secretary reported that, in future, the performance reporting element would be cross referenced to the new Well-being of Future Generations Report, which would be produced in the summer of 2018.

106. In response to Recommendation 2, the Welsh Government noted:

“ as a devolved Government, the Welsh Government is the relevant authority for defining what additional information should be contained within the annual report and accounts and those of its arms-length bodies....the Welsh Government communicates its annual accounts

requirements to the its sponsored bodies through Accounts Directions.”⁴⁰

107. The Committee wrote to the Permanent Secretary following its consideration of her response to our report since it was not clear what, if any action, the Welsh Government planned to take in light of some of our recommendations.⁴¹

108. In responding to the correspondence, the Permanent Secretary reiterated her view that reporting performance against objectives is a matter for Welsh Ministers. She also noted:

“I do appreciate that the Committee has made the point on a number of occasions that they feel that there is scope for the provision of more information in the Annual Accounts on progress towards delivery of the Government’s objectives.”⁴²

109. In its scrutiny of the 2017-18 Accounts, the Committee noted that - consistent with the approach adopted in prior years - the Welsh Government’s organisational performance was not clearly identifiable in the accounts, nor was any information provided in respect of targets.

110. The Committee questioned the Welsh Government on its reporting of organisational targets and performance against them. The Permanent Secretary told the Committee that she believed that the accounts struck the right balance between the ministerial reporting of objectives and governmental objectives. She asserted:

“I think the annual accounts that we have here look at how we spent the money ... that includes both an explanation of where the money has gone over the course of that particular year and detailed financial statements explaining that. And, within it, it also includes a number of, if you like, organisational targets—administrative targets of one sort or another.”⁴³

⁴⁰ Written Evidence, [PAC\(5\)-10-18.Paper 8](#), 16 April 2018

⁴¹ Written Evidence, [Letter from the Committee Chair to the Permanent Secretary, Welsh Government](#), 1 May 2018

⁴² Written Evidence, [PAC\(5\)-27-18.Paper 3](#), 15 October 2018

⁴³ RoP, 15 October 2018, Paragraph 33

111. In his valedictory session with this Committee in July 2018,⁴⁴ the former Auditor General for Wales told us:

“...you have to scrutinise what the Welsh Government is doing, and I have to say that I don’t believe that the Government is as open as it should be.”⁴⁵

112. The Permanent Secretary told the Committee that she did not agree with the former Auditor General for Wales on this issue. While the Financial Reporting Manual (FReM) sets out the required format for parts two and three of the accounts, the Permanent Secretary acknowledged that the Welsh Government had flexibility in terms of part one.

113. However, the Permanent Secretary did undertake to consider the presentation of information under part one of the accounts for future years, but stressed to the Committee that she did not consider it:

“...really appropriate to make a comparison between the Welsh Government and Whitehall, because we’re obviously a Government with a very wide span of responsibilities, rather than a single department. I think, within the annual accounts, we have a very clear picture about how we spend the money.”⁴⁶

114. The Permanent Secretary emphasised that she believed that the information provided in the accounts, together with the annual report on “Prosperity for All” and the annual Well-being of Future Generations (Wales) Act 2015 report, provided an in-depth and wide-ranging picture for Wales. She said while Wales did:

“... not only do we provide the same level of information, just in a different format, in a number of different reports, but actually having the Well-being of Future Generations (Wales) Act 2015 means that we have a much broader span of things to report on, to think about, and that is something genuinely innovative that nobody else has. So, I think, add all of the reports together. I really don’t believe that we are not transparent. We do things differently. I believe that we do things clearly and coherently, but across, essentially, three different documents.”⁴⁷

⁴⁴ RoP, 16 July 2018, Paragraph 382

⁴⁵ RoP, 16 July 2018, Paragraph 382

⁴⁶ RoP, 15 October 2018, Paragraph 24

⁴⁷ RoP, 15 October 2018, Paragraph 26

115. The Permanent Secretary noted that the Welsh Government would consider how to present performance information:

“We have currently under way a review of the Welsh Government’s business planning process, which covers the whole of the Welsh Government, and it is being reviewed by the board over the rest of this year, and I think it would be worthwhile to include, as part of that review, a look at whether we could, in future annual reports, perhaps pull together the current targets and standards and other, sort of, administrative elements and organisational targets that are contained throughout the whole document.”⁴⁸

The Committee’s view

116. The Welsh Government approach to reporting relies on the three reports, to which the Permanent Secretary referred in her evidence, being published concurrently. If this is not the case, it limits their usefulness in enabling the public to understand how public funds have been used and what has been achieved. This approach requires people to locate and read three documents and utilise this information to pull together a picture of the Welsh Government’s performance. The Committee’s view is that this is unhelpful, obstructive and does not make for transparent reporting.

117. The Committee does not agree with the Permanent Secretary’s view that reporting performance against policy objectives should not be included in the accounts on the grounds that it is a matter for Welsh Ministers. The accounts report the expenditure incurred in the pursuance of Welsh Ministers’ objectives. As such the Committee believes that the Welsh Government’s accounts should set out how the money has been spent and what it has achieved, with reference to the targets set by Welsh Ministers and the Welsh Government, as well as performance against them. This should include an analysis of spend against the aims of “Prosperity for All” (and the subsequent programmes) and other organisational targets in the accounts, aligned to the expenditure reported in the financial statements. The Committee therefore welcomes the review of business planning processes.

118. Aside from our concerns on presentation, the Committee does not agree with the assertion from the Permanent Secretary that the accounts set out a “very clear picture about how we spend the money”. For example, the Welsh Government’s Accounts 2017-18 do not set out any analysis of its £2.4 billion

⁴⁸ RoP, 15 October 2018, Paragraph 42

annual spend on education or the £1.3 billion on economy and transport reported in its Summary of Resource Outturn. The accounts should set out information about the policies or services provided by Welsh Government so that members of the public, and those with a scrutiny role, are able to ascertain how taxpayers' money has been spent. It also enables those who are accountable for public funds to demonstrate that they have discharged their related responsibilities. Without this information, there is a lack of transparency; it is not possible for the public to assess how effectively public funding has been used; and it hampers scrutiny.

119. As a devolved administration, the Welsh Government has an opportunity to do things differently and include in its accounts information about matters that are particular to Wales, such as the requirements set out in the Well-being of Future Generations (Wales) Act 2015. This is particularly important given the objectives of the Act relate to decision-making. It is also vital that the accounts prepared by the Welsh Government, and the rest of the public sector in Wales, reflect best practice. This includes the examples of good practice set out in the annual Excellence in reporting in the Public Sector.⁴⁹

120. We believe that Wales has opportunity to lead the way in terms of the presentation of financial reporting. In setting the accounts direction to supplement HM Treasury's Financial Reporting Manual (FRoM) and, where appropriate, the financial reporting requirements for charities, the Welsh Government can ensure such standards are adopted by its sponsored bodies. This would ensure that the accounts prepared across the central government sector meet the principle of transparency⁵⁰ and best practice in financial reporting.

121. The Committee reiterates the recommendations set out in its report on the Scrutiny of Accounts 2016-17:

Recommendation 17. We recommend that Welsh Government considers how to comply with best practice in financial reporting by including information about its performance, and adopting this practice for the preparation of next year's annual report and accounts, before issuing further guidance to its sponsored bodies. As a minimum, the annual report and accounts should set out how the money has been spent and what it has achieved, with reference to the targets set by Welsh Ministers and the Welsh Government, as well as performance against them. This should include an analysis of spend against the aims of "Prosperity for All" (and the subsequent programmes) and other

⁴⁹ National Audit Office, [Excellence in reporting in the Public Sector](#) (April 2017)

⁵⁰ Welsh Government, [Managing Welsh Public Money](#), Paragraph 4.13.3 (January 2016)

organisational targets in the accounts, aligned to the expenditure reported in the financial statements.

Recommendation 18. The Committee recommends that the Welsh Government makes clear the requirements with which it aims to comply when preparing its annual report and accounts. It should also be clear about the Welsh requirements for Annual Reports and ensures that all bodies comply with this guidance, including themselves. This will help to provide sufficient and appropriate information is disclosed enabling effective scrutiny.

Transparency

122. The Committee queried with the Welsh Government whether information was provided in its accounts in respect of the financial assistance it provided to business. Specifically, we noted the written response to a question tabled at the National Assembly for Wales on 27 September 2018⁵¹ in respect of the support provided by Welsh Government to Aston Martin.

123. As part of this, the Welsh Government provided a guarantee in respect of the payment of rent for the Superhanger at St Athan, Vale of Glamorgan over a 30-year term from 2016 if Aston Martin Lagonda ceased to operate from the site. In his response, the then Cabinet Secretary for Economy and Transport confirmed that this had been disclosed by way of a contingent liability in the Welsh Government's Accounts 2017-18.

124. The Permanent Secretary told the Committee that the Welsh Government's potential future liability in the event that it was required to pay the rent - or its contingent liability - had been included in the accounts. It was reported in the amount set out for contingent liabilities for "other legal and contractual claims", which also reflected the Welsh Government's other potential liabilities.

125. The Committee sought additional information from the Permanent Secretary in respect of the amount of the guarantee to Aston Martin and whether the Welsh Government had entered into any such agreements with other businesses.

126. The Committee also noted, in respect of Aston Martin, that the then Cabinet Secretary for Economy and Transport's response to the written question stated that "the Office of National Statistics has not been notified of the guarantee as this was only necessary if the guarantee is called upon". We noted that this seemed at

⁵¹ [Assembly Written Question \(WAQ72217\)](#) (5 October 2018)

odds with the approach taken in respect of the Circuit of Wales, where the existence of the guarantee was the “deal breaker”.

127. The Permanent Secretary declined at that time to provide any more details of both matters on grounds of commercial confidentiality. However, she agreed to seek legal advice on what, if any, information, could be shared with the Committee.

128. In subsequent correspondence,⁵² the Permanent Secretary noted:

“I can confirm that the Welsh Government has guarantee arrangements in place in relation to three projects, including Aston MartinI can also confirm there are no headleases in the contingent liabilities section of the Welsh Government’s accounts.

The arrangement with Aston Martin is the only guarantee that relates to rental payments and it is the only guarantee that extends over a 30-year term. The other two are loan guarantee arrangements over shorter terms, with both expected to come off our accounts as contingent liabilities by no later than July 2024.”⁵³

129. The Permanent Secretary also stated:

“We have consulted the companies with whom we have guarantee arrangements and they have requested that we do not publish full details of the arrangements as they consider them to be commercially sensitive. On that basis, I do not intend to provide any further information in this letter. However, I would be willing to explore the possibility of lead officials briefing members of the Committee on these arrangements in a private session, so that we are able to give the Public Accounts Committee greater clarity in confidence on the sums involved and how these guarantees are accounted for.”⁵⁴

The Committee’s view

130. The Committee acknowledges that the current disclosure of information about the support provided by Welsh Government to businesses in its accounts may strictly meet its financial reporting requirements. However, as also noted in

⁵² Written Evidence, PAC(5)-02-19 PTN2, 28 January 2019

⁵³ Written Evidence, PAC(5)-02-19 PTN2, 28 January 2019

⁵⁴ Written Evidence, PAC(5)-02-19 PTN2, 28 January 2019

our report “The Welsh Government’s relationship with Pinewood”⁵⁵, the withholding of financial information on grounds of commercial sensitivity has long been of concern to us. We note the need for a wider discussion of what information can be published to fulfil a legitimate desire for information about how public money is being spent. We recommended, in that report, that, as well as sharing information with this Committee, Welsh Government officials should consider what information can be included in its accounts to ensure transparency without deterring potential investors. We will be look at this in more detail as part of our forthcoming inquiry into Welsh Government’s support for business.

Recommendation 19. The Committee recommends that Welsh Government considers what information can be included in its accounts to promote transparency in respect of the support provided for business without deterring potential investors.

Whole of Government Accounts for Wales

131. The former Auditor General for Wales advised us in his valedictory session with this Committee in July 2018⁵⁶ that Welsh Government should produce a Whole of Government Account for Wales⁵⁷, stating “there’s every reason why Wales should” and that it was “essential” to know the total state of assets and liabilities and their effect on future generations.

132. The Committee explored the possibility of producing a Whole of Government Account for Wales. The Permanent Secretary told the Committee that this was not something which had been widely requested but she “would certainly be very happy to consult other stakeholders on whether that would be something worth doing”.

133. The Committee noted that the Auditor General for Scotland produces a report annual report on the audit of the Scottish Government Consolidated Accounts⁵⁸ and had recently called for more transparency in the Scottish Government’s annual accounts, suggesting that:

⁵⁵ Public Accounts Committee Report, [The Welsh Government’s relationship with Pinewood](#), (February 2019)

⁵⁶ RoP, 16 July 2018, Paragraph 423

⁵⁷ A whole of Government account consolidates audited accounts of all relevant public sector organisations, for instance, this would include local authorities (the current Welsh Government consolidated accounts does not).

⁵⁸ Auditor General for Scotland, [The 2017/18 audit of the Scottish Government Consolidated Accounts](#), (September 2018)

“A consolidated account covering the whole public sector needs to be published to support Parliamentary scrutiny and enable better decision making. The account should include key assets and liabilities such as capital borrowing and pensions.”⁵⁹

The Committee’s view

134. The Committee believes there would be value in the Welsh Government preparing a Whole of Government Accounts for Wales. It would help to build a picture of the Nation and be an important source of information for achieving the aspiration of the Well-being of Future Generations (Wales) Act 2015. We suggest that, in considering this, the Welsh Government liaise with its counterparts in the Scottish Government to enhance its understanding of the potentials merits for introducing a Whole of Government Accounts. This is particularly important considering its new taxation and borrowing requirements, which we understand was a key driver for the Scottish Parliament’s request for a Whole of Government Accounts for Scotland.

Recommendation 20. The Committee recommends that the Welsh Government liaises with its counterparts in the Scottish Government to enhance its understanding of the potential merits of introducing a Whole of Government Accounts for Wales and provides an update to the Committee.

Staffing

Equality and Diversity

135. The Welsh Government produces several corporate plans relating to diversity and equality, which include targets for increasing representation in the organisation. The 2017-18 Accounts report that the organisation’s gender pay gap is 8.08%, which Welsh Government noted as being lower than the ONS published Civil Service gender pay gap figure of 12.7%⁶⁰ (based on average salaries). Members questioned the Welsh Government about what steps were being taken to address under-representation in their workforce. The Permanent Secretary explained:

“Basically, what we’ve been doing is taking forward an action plan that is designed to attract and recruit senior women into the senior levels of the civil service of the Welsh Government. There’s a whole range of

⁵⁹ Audit Scotland Press Release, “[Reporting of government accounts should be ‘more transparent’](#)”, Audit Scotland.

⁶⁰ The most recent ONS statistics (published 3 August 2018) state that the gender pay gap in the civil service as 12.2% as at 31 March 2018.

things we're doing, from outreach, headhunting for jobs, but also making sure that our adverts are inclusively worded, that our panels, for interviews are properly made up, and are, essentially, gender friendly. We've also signed up to Chwarae Teg's Fair Play employer benchmarking service, and that's helping us develop an action plan to reduce the gender pay gap."⁶¹

The Committee's view

136. The Committee welcomes the steps being taken to address these issues. We believe that the action plan would benefit from scrutiny to ensure it is sufficiently ambitious.

Recommendation 21. The Committee recommends that the Welsh Government shares with the Committee its action plan for reducing the gender pay gap.

Staff Absences

137. Over the period covered by the 2017-18 Accounts, the rate of sickness absence in the Welsh Government rose to an average of 8.0 working days lost per employee (from 7.8 working days in 2016-17). This compares with an Average Working Days Lost (AWDL) per staff year of 7.0 days across the UK Civil Service, 8.5 days for the public sector and 5.2 seen in the private sector.⁶²

138. The Committee asked about the reasons for the increase, which the accounts explained was down to a rise in short term absences, which the Welsh Government largely attributed to "extreme weather conditions".

139. The Permanent Secretary explained this had occurred due to staff taking sick leave following the snowfall. She added:

"It's something that I am very concerned about. We've put in place a health and well-being strategy to try and tackle that ... we're encouraging people to carry out physical or other activity that is going to help improve their well-being; we've also been carrying out a lot more outreach and direct personal contact with, particularly, people who have been on long-term sickness...We're drawing on best practice. We'll continue to review that. It continues to be a priority for me, and

⁶¹ RoP, 15 October 2018, Paragraph 95

⁶² Civil Service Sickness Absence Data for the year ending 31 March 2017 [Accessed 15 February 2019]

saying that it was partly due to extreme weather conditions isn't in any sense an underestimation of the seriousness with which we take it."⁶³

The Committee's View

140. The Committee is concerned to hear that the Welsh Government's staff sickness level is above the average for the UK Civil Service. The Committee recognises the Welsh Government's actions in addressing this issue. We note the importance of managing the position, including analysing the causes of sickness absence, while ensuring the well-being of staff.

Exit Packages

141. The Committee noted that the 2017-18 Accounts reported a significant increase in exit packages and costs associated with this. For 2017-18, 156 exit packages had been agreed, compared to 21 in 2016-17. 44 (almost 30%) of these packages cost between £50,000 and £100,000, with the remainder under £50,000. The total cost of exit packages, all of which were voluntary, was £5.9 million, compared to £709,000 in 2016-17.

142. The Permanent Secretary acknowledged that the accounts could have been more explicit with regards to the scheme, but that its aim was:

“...to both reduce overall staff costs within the Welsh Government, because we were coming up against our limit, but also, just as importantly, to create headroom to take on people with new skills—digital, Brexit policy related, those kinds of skills, and also, importantly, apprentices ...It looked very carefully at who we could afford to lose to make sure that we weren't losing people with the kinds of skills that we were then going to be recruiting for the future. ... So, by the end of May this year, we had actually covered the cost and created a bit of headroom so that we could recruit some more people with the skills that we're looking for the future.”⁶⁴

The Committee's view

143. Given the use of public money, it is essential that the Welsh Government makes sufficient and adequate disclosures in its accounts to explain the purpose

⁶³ RoP, 15 October 2018, Paragraph 80

⁶⁴ RoP, 15 October 2018, Paragraph 63

of such schemes. It should ensure that the information is clear in setting out the purpose and values, thereby improving the transparency of its accounts.

Recommendation 22. The Committee recommends that, to aid transparency and facilitate scrutiny, the Welsh Government considers whether more information could be included in its future accounts to explain the purpose of exit packages and/or severance schemes.

Savings and Efficiencies

144. The Welsh Government's 2017-18 Accounts identify its location strategy as a key efficiency project, with £3.46 million of future savings identified.

145. The Permanent Secretary explained that the Welsh Government does not have efficiency targets. However, she noted that an Improving Efficiency Board, had been established by the then Cabinet Secretary for Finance. This had four projects or strands - one of which was a review, led by Deloitte, of corporate services, looking at HR, finance, corporate governance and facilities management systems.

The Committee's view

146. The Committee is concerned that, in the current financial climate, the Welsh Government does not have an organisation wide efficiency target. The Committee is particularly concerned that the Welsh Government's cost / efficiency targets reported in the accounts relate solely to its location strategy. We would expect it to set a savings target that reflected the broad range of the Welsh Government's activities and that are held and monitored at a corporate level to ensure there is a joined-up, cross government approach to delivery.

147. The Committee notes the establishment of an Improving Efficiency Board and would welcome an update in respect of its work, in advance of its scrutiny of the Welsh Government's 2018-19 accounts, This should include its remit, objectives and progress made in achieving them. We also request that, in preparing its future accounts, the Welsh Government include a picture of efficiency activities across the organisation, which the Permanent Secretary undertook to provide during the session.

Recommendation 23. The Committee recommends that the Welsh Government includes in its annual report and accounts information about the efficiency activities across its organisation. This should include outturn against the targets set, with an explanation where performance goals are not met.

Recommendation 24. The Committee recommends that the Welsh Government provides, in advance of the Committee’s scrutiny of its 2018-19 accounts, an update in respect of the work of the Improving Efficiency Board and in particular, the actions implemented as a result of the independent review of its corporate services.

The Welsh Government Civil Service Competency Framework

148. The Committee also noted that the Permanent Secretary has established a “futureproofing initiative”, which is described in the accounts as:

“A long-term approach to build the capability and skills of the Welsh Government civil service to support the delivery of ‘Prosperity for All’.”⁶⁵

149. The drivers for this initiative appear to be focused on staffing arrangements, such as skills and performance. Furthermore, the Welsh Government’s Annual Report 2017-18 mentions that the priorities of the Welsh Government Civil Service increasingly derive from the Well-being of Future Generations Act 2015 and are given effect through Prosperity for All and the Future Proofing initiative. The accounts also refer to a new internal staff promotion procedure introduced from July 2018 against this backdrop.⁶⁶

150. The Committee asked the Welsh Government about the plans for its new promotion procedure and whether it would move towards the UK Civil Service’s new system, “Success Profiling”. The Permanent Secretary said:

“We are part of the UK civil service and we operate within the framework of the UK civil service, but that framework gives flexibility in a number of areas, and we use what we think is best for Wales and for this organisation. But we definitely operate within the framework provided by the Cabinet Office, but we have had a very good look, over the last year or so, at where we think it really works for Wales and where we think we could do something better.”⁶⁷

151. She went on to highlight that:

“In tandem, we have also been looking at our promotion system. This year, this autumn, we’re introducing an assessment centre for a particularly important grade that is a kind of gateway to the future and

⁶⁵ Welsh Government Consolidated Accounts 2017-2018 Page 19

⁶⁶ Welsh Government Consolidated Accounts 2017-2018 Page 20

⁶⁷ RoP, 15 October 2018, Paragraph 117

for that we have set out the kind of qualities we're looking for in people. We've also put out to the organisation the values and standards we expect. I got Sophie Howe, the Future Generations Commissioner for Wales, to give her views on the sorts of things that we were talking about in terms of values and standards for the organisation. So, a lot of messages about who are the people who are going to prosper in the future, who are the people we want at different grades throughout the organisation. There will be a very intensive process of assessment this autumn for one particular grade that is a really key one and we will continue to roll out that kind of programme across the other key grades."⁶⁸

152. In her subsequent correspondence to the Committee,⁶⁹ the Permanent Secretary noted:

"We are under no statutory requirement to follow the Success Profiles approach as responsibility for civil service staffing matters in the Welsh Government (with the exception of the Senior Civil Service) has been delegated. However, the Welsh Government's Capability & Talent Board has recently made the decision, in principle and subject to engagement and consultation with trade unions, to adopt Success Profiles. The UK Government's Cabinet Office is responsible for the phased rollout of the new approach across the civil service and Welsh Government officials are currently engaging with Cabinet Office on implementing this next calendar year. We will require a slightly longer timeframe for implementation due to our need to develop all materials bilingually and to ensure an effective period of engagement and consultation with trade unions and staff networks within the Welsh Government."⁷⁰

The Committee's view

153. The Committee notes that the "future proofing initiative" does not seem dissimilar to a scheme run by the previous Permanent Secretary, "Fit for the Future". The Committee is unclear how this initiative fits into the efficiency programmes operated by the Welsh Government. These programmes should be

⁶⁸ RoP, 15 October 2018, Paragraph 121

⁶⁹ Written Evidence, [PAC\(5\)-32-18.PTN3](#), 3 December 2018

⁷⁰ Written Evidence, [PAC\(5\)-32-18.PTN3](#), 3 December 2018

working together to not only improve the efficiency of the organisation, but to advance its capacity and agility.

154. The Committee is also not clear whether the Welsh Government intends to adopt the UK Civil Service’s Success Profiles. The Permanent Secretary’s evidence to the Committee suggested a possible departure from UK practice to ensure it is something that works for Wales. However, in her later correspondence, the Permanent Secretary seems to suggest that the Welsh Government intends to adopt Success Profiles approach and an assurance these will work for Wales. The Committee would welcome clarification of this matter.

Recommendation 25. The Committee recommends that the Welsh Government clarifies why and how the “future proofing initiative” differs from “Fit for the Future”, the scheme introduced by the former Permanent Secretary. This should set out how the new programme is working not only to improve the efficiency of the organisation but also advance its capacity and agility.

Recommendation 26. The Committee recommends that the Welsh Government clarifies for the Committee its position in respect of adopting the UK Civil Service’s Success Profiles and how these will work in the Welsh context, including the relationship - or otherwise - between this approach and that of the standards and values for internal promotion at gateway grades developed with the input of Future Generations Commissioner and which framework has pre-eminence.

The Role of Non-Executive Directors

155. The Remuneration Report, included in the 2017-18 Accounts, notes that payments were made to one of the Board’s Non-Executive Directors for “commissioned work within the Welsh Government”.

156. The Committee queried whether this represented a conflict of interest given that the role of Non-Executive Directors is to provide independent oversight and challenge of the Executive.

157. The Permanent Secretary told the Committee that the Non-Executive Director had:

“... led a task and finish group for the Cabinet Secretary for Education, and it was felt that she had very strong credentials for doing that. She’s a former Her Majesty’s chief inspector and she has real expertise, real credibility. So, she led that group that was advising on the new National Academy for Educational Leadership. The academy got off the ground

and she stood back from it, but I think we have benefited enormously from her expertise.”⁷¹

158. She added:

“... it was very specifically commissioned work with a clear remit, a clear time limit, and, as such, we managed it outside of her role as a non-exec director.”⁷²

159. Gawain Evans, Director of Finance, Welsh Government, added:

“... the secretariat for the board is responsible for making sure that they’re aware of any interests that are declared by NEDs, because we ask all our non-executives to declare all their interests, and then the board secretariat is vigilant. Should somebody be coming to a board meeting that might actually represent a conflict, then it will discuss how they handle it with the member concerned.”⁷³

The Committee’s view

160. The Committee notes the reasons given for the commissioning of work by the Welsh Government to one of its Non-Executive Directors and the measures in place to mitigate any conflicts of interest. However, we believe that it is important that, to ensure their actual and perceived independence, the Welsh Government should not commission its Non-Executive Directors to undertake functions beyond their core role.

Recommendation 27. The Committee recommends that, to ensure they are able to provide independent oversight and challenge of the Executive and avoid conflicts of interest (actual or perceived), the Welsh Government should not commission its Non-Executive Directors to undertake work beyond the scope of their non-executive roles.

A review of arrangements of arm’s-length bodies

161. The Permanent Secretary conducted an internal review of arrangements relating to Arm’s-length Bodies, resulting in an action plan published in January 2018.

⁷¹ RoP, 15 October 2018, Paragraph 84

⁷² RoP, 15 October 2018, Paragraph 86

⁷³ RoP, 15 October 2018, Paragraph 87

162. Correspondence from the Permanent Secretary to the Committee in September 2018 provided further information on the review, amongst other “new arrangements in hand”, the letter notes:

“The removal of the ‘Calling-in Procedures’ i.e. a requirement for our Arm’s-length Bodies to refer to us for approval for particular categories of decision, such as single tenders above a specified threshold or issues which are novel and contentious. This will result in an efficiency saving to the Welsh Government in time spent providing advice and approvals and allow Chief Executives to take decisions which are properly their responsibility in their roles as Accounting Officers.”

163. The Permanent Secretary explained that this review was:

“...of the relationship between the arm’s-length bodies and the Welsh Government, not of the arm’s-length bodies themselves, and the conclusion was that we needed to move to a much more strategic and mature relationship with them, partly through better communications but also giving much clearer accountability to the CEO of each arm’s-length body, and that we also needed to spread best practice. We’ve set up a senior leaders forum to do that. It will meet three times a year. I attended the first one, and there was a great deal of enthusiasm for the opportunity to meet all the chief executives and chairs of the different arm’s-length bodies, to get together and talk about best practice, priorities, concerns and so forth.”⁷⁴

164. The Committee questioned the Welsh Government further about the removal of the “Calling-in Procedure” and how issues such as those which occurred within Natural Resources Wales would be identified in the future. The Permanent Secretary said:

“... that has been one of the positive outcomes of the arm’s-length body review, to make sure that we are giving very clear guidance and more support to them. We are communicating more regularly with them, we’re setting out very clear guidance about expectations that we have, and, as I said, bringing them together three times a year for this forum to talk through priorities and share best practice, basically, on how we can manage public money most effectively.”⁷⁵

⁷⁴ RoP, 15 October 2018, Paragraph 166

⁷⁵ RoP, 15 October 2018, Paragraph 182

The Committee's view

165. The Committee has serious concerns about how the new approach would work. The removal of the calling in mechanism will reduce the opportunities to provide assurance around the actions of arm's length bodies. The requirement to report novel, contentious or repercussive decisions provides protection for the Welsh Government and arm's length bodies. The Committee is not clear why this decision has been taken at this time.

Recommendation 28. The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the "Calling in Procedure".

Grants Management

166. The Committee considered the Welsh Government's Annual Report on Grants Management 2017-18 as part of its accounts scrutiny. For 2017-18, the Welsh Government aligned the publication of its annual Grants Management Report with its accounts.

167. The Grants Management Report (the Report) sets out how the Welsh Government used hypothecated grants during the period of 2017-18. These grants totalled around £2.8 billion (total investment in grants was £14 billion).

168. The Report notes that 323 (269 of which were hypothecated) schemes were made new offers in 2017-18. The 2016 report noted that new offers were made to 418 grant schemes (of which 354 were hypothecated). The Committee queried whether there was any concern around the reduction in offers. The Permanent Secretary said that no concerns had been raised and that numbers do fluctuate. Gawain Evans explained:

“... 323 is the total number of schemes where offers were made, so, effectively, the live schemes we had in 2017-18. There were another 43 grant schemes actually on our systems, because we have a grants recording system, but there were no offers made and we go through a cleansing arrangement with the policy teams, and because there were no— There were no grant offers made, there weren't expected to be any made, so we actually cleansed those off the system.”⁷⁶

⁷⁶ RoP, 15 October 2018, Paragraph 241

169. The Welsh Government detailed a pilot being undertaken to “refocus” the grant certification process in its 2016 Grants Management Report. This noted:

“The current proposal is to refocus transactional level audits by undertaking a rolling programme of work rather than having to test every grant, every year in all Local Authorities. There will also be an element of output/outcome testing, as informed by specific grant scheme requirements and associated reporting tools.”⁷⁷

170. The Committee questioned the Permanent Secretary on the progress of the pilot which had taken place in Neath Port Talbot and Wrexham Local Authorities. She explained:

“... the overall aim of that pilot was to test out how to get the right balance of assurance versus use of resources by both ourselves, WAO and local authorities in fact—you know, what was the right balance. We reviewed the outcome of those pilots and that approach that we took in the pilot has now been rolled out across all 22 local authorities for the 2017-18 financial year. Once we have the audit statements for that year, we will review very carefully to make sure that we’re content with that process. But it seems to us to be a useful way of really focusing on the essentials without putting undue burdens on the local authorities.”⁷⁸

171. The Welsh Government set out the proposals for a Target Operating Model to the Improving Efficiency Board. This Model proposes two new functions relating to Grants:

- A Grants and Assurance Panel; and
- A Central Due Diligence Function.

172. The Report details that the Grants Centre for Excellence is working to develop as central due diligence function. A Due Diligence Hub is in operation, which is well established and used by staff across Welsh Government, with 5,300 records created in 2017-18 and over 360 staff involved. The due diligence function will provide a corporate role and checks in terms of governance and due diligence. This is aimed avoiding duplication and improving consistency.

⁷⁷ [Welsh Government Annual Report on Grants Management 2016](#)

⁷⁸ RoP, 15 October 2018, Paragraph 243

173. The Grants and Assurance Panel will bring together key stakeholders across the Welsh Government to “provide advice, challenge and assurance at the outset of grant scheme development”.

174. The Report details that the implementation of the both the assurance panel and central due diligence function was planned for autumn 2018.

175. The Committee asked for clarification on the role of the Grants Assurance Panels and the relationship with other groups, such as the Good Governance Group. The Permanent Secretary explained:

“The grants assurance panel is there really to give advice and support, bringing together expertise from across the Welsh Government to people who are developing new grant schemes—not just the individual applications for an existing grant, but new schemes. So, it’s a panel that will give advice, it’s chaired by David [Richards], it brings together the grants centre of excellence, state-aid team, legal services, internal audit, tax experts and our Cabinet office, as well as the relevant policy teams.”⁷⁹

176. The Committee also queried how the central due diligence function will work alongside project due diligence within policy teams. The Permanent Secretary confirmed that she had followed up the previous PAC recommendation to understand the due diligence function more, and explained that:

“What we’re doing is pulling together a team so that the due diligence work that protects Welsh Government from fraud and so forth is streamlined into one location. That due diligence function brings together experts who are then able to feed into the process of an application, and they will provide checks on organisations and give advice on the quality of the organisation that is claiming funding. But you’re quite right: there will remain due diligence functions in each policy team. We don’t want to strip that out totally, we want to centralise and streamline as far as possible but without taking away individual responsibility.”⁸⁰

The Committee’s view

177. The Committee notes that the Report did not set out any significant issues of concern and that the Welsh Government was introducing several measures to

⁷⁹ RoP, 15 October 2018, Paragraph 251

⁸⁰ RoP, 15 October 2018, Paragraph 253

improve the grant management process. We will monitor the progress of these developments and expect an update in the next reporting round on grants.

178. We welcome the confirmation from the Permanent Secretary that she had spent time with those responsible for the due diligence function and would encourage all accounting officers to undertake similar development.

179. This was the first year that the production of the Grants Management Report was aligned with the Annual Report and Accounts. The Committee considers it useful to have the information published at the same time as it increases readability and transparency. During the evidence session, the Permanent Secretary suggested that, if the Committee felt it would be useful, this information could be incorporated into the annual report.

180. The Committee believes that the information in the grants management report is of wider public interest but also recognises that there is some overlap with issues already covered in the Annual Report and Accounts. We would be content to see the grants management report built into the Annual Report and Accounts in some way provided that there is at least an equivalent level of transparency about the Welsh Government's grants expenditure, key organisational developments relevant to grants management and notable evidence in respect of the adequacy (or otherwise) of internal controls.

181. The Committee noted the information provided by the Permanent Secretary around the Grants and Assurance Panel, which sounds like a reasonable development to increase assurance. The Committee remains unclear about the ongoing role of the wider Good Governance group and how this works with the grants assurance panel.

EU Structural Funds

182. One of the major impacts on Wales of Brexit is in relation to the funding received via the Welsh European Funding Office through Structural Funds. Under the 2014-20 Programme Wales is to receive approximately £2.1 billion of funding from the EU through its Structural Funds.

183. The Welsh Government's 2017-18 Annual Report on Grants Management sets out the current position in relation to Structural Funds in Wales under the 2014-20 Programme. The Report describes the position at the end of 2017-18 and highlights the impact on Structural Funds in Wales of the UK leaving the EU. In August 2018, the Auditor General for Wales (the Auditor General) published a

report⁸¹ that considered whether the Welsh European Funding Office (WEFO) was effectively managing the risks and opportunities for Structural Funds posed by Brexit. The Auditor General's Report provided a more up to date position on the Structural Funds and the impact of Brexit.

184. Overall, the Auditor General's Report found that:

- Despite WEFO's positive efforts to commit all EU funding before Brexit, Wales faced a significant risk of losing some funding in a no deal scenario without the UK Government amending the terms of its guarantee;⁸²
- WEFO has maintained robust checks and balances despite the intention to increase the pace of project approvals and spending ahead of Brexit; and
- It is not yet clear what will replace Structural Funds post-Brexit but WEFO and the Welsh Government are trying to shape debate.

185. Whilst the Report did not make any formal recommendations, it highlighted key issues for WEFO and the Welsh Government to manage:

- Keep in view wider economic changes, including in relation to Brexit, and adapting the programme where necessary in response;
- Increase the rates of commitment, working with potential project sponsors to address concerns, including around the availability of match-funding;
- Increase the rate of spending by encouraging projects to submit their claims for EU funding more promptly;
- Work with project sponsors to minimise project underspends that could result in funding being lost to Wales;

⁸¹ Auditor General for Wales Report, [Managing the impact of Brexit on EU Structural Funds](#), (August 2018)

⁸² When the Auditor General started this work, the UK Government's guarantee was limited to projects that had been agreed before the point of Brexit. Under this guarantee there was a significant risk of Wales losing funding. However, in late July 2018, after the Auditor General shared his draft report with HM Treasury to confirm factual accuracy, the UK Government extended the guarantee to cover Wales' (and the rest of the UK's) allocation for Structural Funds under this EU budget period to 2020.

- Recruit and retain staff at a time where there is significant uncertainty about some of the roles within WEFO and potentially increased workload because of an increase in the pace of project assessments;
- Sustain robust checks and balances; and
- Ensure that during the transition to any replacement for structural funds, WEFO's expertise in robust project appraisal and oversight is retained either in the replacement programme or in the wider Welsh public service.

186. The Auditor General's Report highlights some uncertainties about the exact nature of the UK Government's expenditure Guarantee covering the allocation for Structural Funds under this EU budget period to 2020. The Committee explored the nature of this guarantee and how certain we should be that the funds will be available. Peter Ryland, Deputy Director, Programme Performance and Finance at the Welsh European Funding Office, said:

"The Treasury guarantee at the moment tells us that they will honour any commitments that we have made—any contractual commitments, effectively, made by the date of their cut-off, which was originally March next year and is now December 2020. That is our main concern, actually, in respect of this guarantee: that it is in respect of those individual commitments. Now, whether there's a transition deal or not, we actually have until the end of December 2023 to deliver all of these projects that have been approved."⁸³

187. He went on to explain that the difference between a transition deal and a no deal was whether:

"... we will be able to retain some flexibility to manage those projects as a coherent programme beyond the end of December 2020 or we won't. If we have to rely on the Treasury guarantee, the expectation is that each of those projects will be frozen as it is at that point, which gives us no room to manoeuvre if some of those projects are underperforming or if we find other opportunities to do other things elsewhere, and all of the usual programme management tools will no longer be at our disposal. That increases the risk, effectively, of not being able to deploy all of the potential funding that we will have

⁸³ RoP, 15 October 2018, Paragraph 268

because if there is a project that runs into trouble for one reason or another, we can't then redeploy that funding somewhere else."⁸⁴

188. At the Committee's session in October 2018, Peter Ryland highlighted the big outstanding question as:

"...when will they set a value on the guarantee, and what mechanism will they use to establish what that value should be, because rather than just plucking a figure out of thin air, what are they going to use and at what point will that decision be made."⁸⁵

The Committee's view

189. The Committee welcomed the evidence from WEFO on EU structural funds, which we found to be informative and useful.

190. We remain concerned about the ongoing ambiguity about the precise terms of this guarantee, and the uncertainty that results from this. During the evidence session, Peter Ryland summed up the issues as

"... are they going to support the overall value of the programmes, or are they just going to support the individual projects as they stand at the end of December 2020? Where is the funding coming from for this guarantee exactly? Does it have other impacts on the Welsh block and so on?"⁸⁶

191. The Committee considers this to be a very unsatisfactory position and is concerned about the impact this may have had on potential projects being developed. It is frustrating that uncertainty exists around the terms of the guarantee, and would be a matter of real disappointment if it is not fulfilled in the terms implied in treasury announcement in July 2018. The Committee intends to write to Her Majesty's Treasury to seek the necessary clarity around the ambiguity of this guarantee.

⁸⁴ RoP 15 October 2018, Paragraph 269

⁸⁵ RoP, 15 October 2018, Paragraph 333

⁸⁶ RoP, 15 October 2018, Paragraph 264

4. Public Services Ombudsman for Wales

Background

192. This is the second time that the accounts of the Public Services Ombudsman for Wales (the Ombudsman) have been scrutinised by the Committee. The accounts were first were scrutinised by the Committee in 2013-14 during the Fourth Assembly.

193. The Ombudsman's accounts were laid at the National Assembly for Wales on 17 July 2018 and scrutinised by the Committee on 8 October 2018.

Financial and Operational Performance

194. The Committee noted that the Ombudsman's performance report focused on the Ombudsman's caseload; the number of complaints; the time taken to handle cases (or "decision times"); and closed complaints. It was not clear whether the targets against which performance is quantified and reported are the Ombudsman's key performance indicators (KPIs) or, if not, the basis on which they have been included in the Performance Report.

195. In exploring these concerns, the Committee asked the Ombudsman what steps he had undertaken to ensure that his accounts are easily understandable to the public. Nick Bennett, Public Services Ombudsman for Wales, explained:

"I hope that we've been very open and upfront in terms of our KPIs, and in particular on casework. But that's not to say that we haven't made progress in other areas, including the strategic plan, which will be coming to an end towards the end of this year."⁸⁷

The Committee's view

196. The Committee notes the work undertaken to develop the Ombudsman's three-year strategic plan. However, we believe that the Ombudsman's accounts could more clearly and effectively report his objectives and performance against them. Linking to the expenditure incurred and reported in the financial statements, it should report performance report against the targets set in the Ombudsman's Operational and Three-Year Strategic Plans, as well as set out his

⁸⁷ RoP, 8 October 2018, Paragraph 255

future plans and targets. The performance report should also explain why any targets were not met and provide information about the actions to address them.

Recommendation 29. The Committee recommends that the Ombudsman's accounts more clearly and effectively report his performance. This should comply with best practice for financial reporting, setting out the Ombudsman's performance against his objectives, including those in his Operational and Three-Year Strategic Plans, as well as setting out his future plans and targets.

Staffing

Staff Performance

197. Given his comments about this increasing caseload, the Committee sought the Ombudsman's view on his staffing structure and vision for developing his office.

198. The Ombudsman recognised that his office is actively working on performance targets, aiming to work smarter and "ripping out unnecessary bureaucracy".⁸⁸ He also explained that he is taking steps to ensure that all staff feel supported both formally and informally, whilst also being clear about what is expected of them in managing the Ombudsman's increasing caseload.

199. The Committee was told that, during 2017-18, the Ombudsman had undertaken a review of his performance management system. Katrin Shaw, the Ombudsman's Director of Policy, Legal and Governance, explained that changes had been introduced because of this review. These had shifted the focus onto individual staff members to take ownership of their own development rather than being manager-led. She explained that they will track progression through the office when future opportunities arise. In doing this, they hope to see an improvement in output performance, particularly relating to their casework.

The Committee's view

200. The Committee notes that it is critical that performance management is robust and that there are measures to drive continuous development, encourage productivity, efficiencies and staff engagement. We welcome the Ombudsman's review of his performance management system. We hope that it continues to be effectively monitored and evaluated.

⁸⁸ RoP, 8 October 2018, Paragraph 333

Staff Survey

201. The Ombudsman explained that his office seeks to encourage staff involvement through its working methods and by implementing an annual staff survey. The Ombudsman told the Committee that results of the latest survey showed that 93 per cent of staff responded to say they were proud to work for the Ombudsman; 89 per cent said it is a good place to work; and, similarly, 89 per cent were committed to the corporate goals.

202. For areas that scored less positively or highly, the Ombudsman explained that his office understands;

“... that there’s pressure on increasing case load, but we’re trying to support people through that. We need to look at resources.”⁸⁹

203. The Ombudsman also told the Committee that his office seeks to do this through investing effectively in IT systems and by supporting staff in dealing with difficult, aggressive or abusive complainants.

The Committee’s view

204. The Committee recognises the benefits of conducting a staff survey to gather information and welcomes the Ombudsman’s intention to address the issues identified. Given the evidence shared in respect of the pressures on staff arising from the increasing caseload, we encourage the Ombudsman to make productive use of the survey results and emphasise the importance of using resources effectively in responding to the key issues identified.

Equality and Diversity

205. The Ombudsman’s 2017-18 Accounts include his Annual Equality Report, which sets out data in respect of the composition of his workforce. This showed that over 70% of the 65 members of the Ombudsman’s staff (including those on maternity/adoption leave) are female.

206. In his 2017-18 Accounts, the Ombudsman reported that he has not set a specific equality objective for gender and pay because:

“...females are very well represented at the higher pay scales within my office.”⁹⁰

⁸⁹ RoP, 8 October 2018, Paragraph 357

⁹⁰ [Public Services Ombudsman for Wales Annual Report and Accounts 2017-18 \(Page 37\)](#)

207. The Committee noted that the full-time equivalent salary for an equal number of male and female staff (2 members of staff) is £60,000 or more. The Ombudsman said:

“In terms of equality, I think we’re performing well, in the sense that, of the six highest earners in the office, 50 per cent are women and 50 per cent are men. I haven’t checked these figures out with the rest of the public sector, but looking over at colleagues there, I would say that I would be surprised to find that level of balance anywhere else in the public sector.”⁹¹

The Committee’s view

208. The Committee recognises that the Ombudsman has achieved, in absolute terms, equality between the highest earners in his office. However, given the balance of staff by gender, this represents a much greater proportion of male staff (male: 12%, female: 4%). This is also the case when considering the full-time equivalent salary more than £50,000: 5 (or 29%) of male members of staff earn more than £50,000, compared with 3 (or 6%) of female members of staff. This means 94% of female staff have a full-time equivalent salary of less than £50,000, compared to 71% of male staff.

209. The Committee notes that, in disclosing the reason for not setting an objective, the Ombudsman complies with the requirements of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. However, the Committee encourages the Ombudsman to keep this under review and consider what actions can be undertaken to ensure gender balance across all pay grades.

Savings and Efficiencies

210. Considering the Ombudsman’s claim in the 2017-18 Accounts that “great strides have been made over recent years in improving efficiency”, the Committee asked for details and queried how the efficiencies achieved had been measured.

211. The Committee was surprised to hear that the Ombudsman does not have a savings target. Whilst it noted reference to financial pressures over the last few years, the Committee believes that true savings will only be achieved by a strategic approach.

⁹¹ RoP, 8 October 2018, Paragraph 339

212. We heard how the organisation is embracing technology through working towards becoming a paperless organisation and reducing electricity use and cost through installing LED lights. The Ombudsman explained:

“I think we’re down to £9 a square foot for our office costs, so we’re very efficient, very economically efficient, in terms of our rate per square foot of office space.”⁹²

213. The Committee welcomes the work undertaken by the Ombudsman in improving efficiencies through the use of technology and hopes that the organisation continues to make progress in this area. We are however concerned that, in the current financial climate, the Ombudsman does not have any targets in place to promote future savings and efficiencies. We would expect the Ombudsman to set a savings target that reflects the broad range of his activities, which are monitored at a corporate level to ensure there is a joined-up approach to delivery.

Recommendation 30. The Committee recommends that the Ombudsman sets targets for cost savings to reflect the full range of his activities. The performance against these targets should be reported each year in the Public Services Ombudsman for Wales Annual Report and Accounts.

ICT Development and Digitalisation

214. The 2017-18 Accounts reported the Ombudsman had “invested substantial resources” in renewing and “future proofing” his casework management system and developing a new website and intranet. The Committee questioned the extent of this investment. David Meaden, the Ombudsman’s Financial Accountant, explained:

“We have a new supplier for our IT support at a saving of about £20,000 to £25,000 a year, which is based locally, rather than in Scotland as it was before. We awarded our case management system contract to our existing supplier, despite a full European tender. Our main expenditure in the annual report and accounts was on the new website. We spent approximately £70,000 on a new website, new intranet—a complete rebuild of our system.”⁹³

215. He added that such developments were not a cost saving initiative. Rather, through enhancing links to other fact sheets and advocacy bodies and having a

⁹² RoP, 8 October 2018, Paragraph 279

⁹³ RoP, 8 October 2018, Paragraph 383

new interactive online complaint form, the Ombudsman hoped to improve the accessibility of his website.

The Committee's view

216. The Committee is concerned about how the Ombudsman will actively “reach out” to those who may not have access to technology. However, the Ombudsman assured the Committee that, while the investment improved the administrative efficiency, existing methods of communication would remain and facilitate access to the Ombudsman’s services for all members of the public.

Governance and Internal Control

Risk Management

217. The Committee explored the Ombudsman’s risk management arrangements. The 2017-18 Accounts stated that no significant areas of internal control weaknesses had been identified and the overall level of risk was considered to be “relatively low and generally static”.⁹⁴ However, seemingly in contradiction, the 2017-18 Accounts also set out three risks which have been classified as “red” or high risk. Katrin Shaw explained:

“The three that have been identified are probably very similar, I think, to many other public organisations ... We’re certainly always managing those risks and ensuring that our processes are in place and our ARAC committee was very keen on that, that we have these safeguards in place.”⁹⁵

218. She added:

“The other serious risk at the moment is the casework function that we’ve spoken about. It certainly is very pressurised at the moment. We are monitoring that monthly. It’s fairly unusual for us to feel such a pressure on our case load as a result of the health impact we’ve been talking about. We’ve got the action plan in place and we hope that improvements will develop. You know, we’ve already seen ... some improvements in that. So, it may be that we’ll review that.”⁹⁶

⁹⁴ Public Services Ombudsman for Wales Annual Report and Accounts 2017-18 (Page 57)

⁹⁵ RoP, 8 October 2018, Paragraph 374

⁹⁶ RoP, 8 October 2018, Paragraph 375

The Committee's view

219. Given the identification and reporting of significant risks, the Committee is surprised that the Ombudsman states, in his 2017-18 Accounts, that the overall risk is low. It is important that the overall assessment, as set out in the accounts, is an accurate reflection of the risks identified. As such, we note and welcome the suggestion – during the evidence session – that this was something that the Ombudsman's office would wish to review.

Governance Arrangements

220. The Ombudsman's Annual Governance Statement sets out governance arrangements that were in place for 2017-18.⁹⁷

221. The Corporate Governance Report included a brief description of the Advisory Panel and the Audit and Risk Assurance Committee (ARAC). The Advisory Panel's remit included assisting the Ombudsman in establishing governance arrangements and with the monitoring review of risk and control. The Annual Governance Statement stated that ARAC is responsible for supporting the Ombudsman to review the "comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report".

222. The Ombudsman has reported⁹⁸ that, while he continued to attend meetings of both Committees, he was no longer a member of the Advisory Panel and did not Chair meetings: it was now Chaired by Jonathan Morgan, who also Chairs the Ombudsman's Audit and Risk Assurance Committee. The Ombudsman reported that the change to the arrangements for Chair "makes clear the independence of both as sources of scrutiny, challenge and advice to the Ombudsman".

223. The Committee questioned whether it was appropriate that the Membership of the Advisory Panel and Audit and Risk Assurance Committee were essentially the same. Katrin Shaw explained that the Ombudsman had:

"...recently undertook a review of the governance arrangements. They are now stand-alone committees, but the independent members are members of both those committees. In terms of the scrutiny role versus

⁹⁷ [Public Services Ombudsman for Wales Annual Report and Accounts 2017-18](#) (Pages 52 to 63)

⁹⁸ Written Evidence, PAC(5)-26-18.P5, 8 October 2018

the advisory role, they are very different, but we do have safeguards in place in terms of their audit and risk assurance committee roles.”⁹⁹

224. These governance arrangements were identified as being an issue by the Public Accounts Committee in the Fourth Assembly, which questioned whether they reflected sufficient independence. The Ombudsman’s then Policy and Communications Manager told Members that the job description made clear that the Chair of ARAC had access to the National Assembly for Wales “if anything untoward arises”. Despite this evidence, the Committee recommended that this arrangement was formalised. When asked by the Committee if this had been undertaken, Katrin Shaw said:

“... the chair of the ARAC and advisory attends good-practice workshops—they know they can report directly to the Chair of the Finance Committee or, indeed, this committee if they have any concerns. They’re also a named point of contact under our whistleblowing policy. So, staff know they can report any concerns directly to the chair as well. So, we feel that that does provide a safeguard for the corporation sole status of the ombudsman.”¹⁰⁰

The Committee’s view

225. The Committee welcomes the change to the Chair for the Ombudsman’s Audit and Risk Assurance Committee. However this alone does not address all our previous concerns about the independence of these arrangements.

226. We are not clear how the Ombudsman obtains the necessary assurance that the ARAC discharges its remit given that its membership is drawn from the Advisory Panel. This means that its Members are responsible for both assisting the Ombudsman in establishing governance arrangements and for supporting the Ombudsman to review whether the arrangements are comprehensive and reliable.

227. We believe that the governance arrangements within the Ombudsman’s Office would be strengthened by the inclusion of an independent member on the Audit and Risk Assurance Committee that does not also sit on the Advisory Panel.

⁹⁹ RoP, 8 October 2018, Paragraph 364

¹⁰⁰ RoP, 8 October 2018, Paragraph 372

Recommendation 31. The Committee recommends that, to promote independence, the Ombudsman appoints an independent member to his Advisory Panel who does not sit on the Audit and Risk Assurance Committee.

Special Payments

228. The 2017-18 Accounts state that the Ombudsman made three payments totalling £94,000 to staff who left his employment during 2017-18. No other information is set out in the 2017-18 Accounts in respect of these payments.

229. The Committee sought information in respect of the payments. The Ombudsman told the Committee that, due to a “contractual obligation”, he was not able to go into any detail about the payments but assured the Committee that they had received “proper legal and HR advice and sign off”.

230. The Committee understands that the amount disclosed related to three separate payments and that each had been subject to a confidentiality clause.

The Committee’s view

231. The Committee notes the Auditor General’s opinion that the accounts were prepared in accordance with financial reporting requirements. However, we believe that - in the interest of transparency and open disclosure in the public interest - it is important that public bodies provide sufficient information in their accounts to explain the position taken in relation to special payments, thereby improving understanding and facilitating scrutiny. The Committee notes that, in making such disclosures, public bodies need to be mindful of matters that are confidential or commercially sensitive. However, this should not be used as grounds for not providing any information at all.

232. This is particularly important in the case of the Ombudsman since, being independent of government, he is not required to seek Ministerial or any other approval for payments that are outside the normal course of business (or “special payments”).

233. The Committee believes that, in the interest of transparency and without breaching confidentiality, more information could have been included in the accounts to enable users and other stakeholders to hold the Ombudsman to account. For example, it is not clear from the Accounts whether these payments were three separate payments to different people.

234. We are also concerned to hear that these payments were subject to confidentiality clauses or agreements. These may be appropriate in exceptional

circumstances where, for instance, a need to protect confidentiality could be fully justified. However, the practice does not allow the openness and transparency required in the public sector. They should not be used as a matter of course to prevent former employees from disclosing the facts surrounding the termination of their employment or to deter them from raising issues about the services provided by their former employer (or “gagging” them).

Recommendation 32. The Committee recommends that, in the interest of transparency, the Ombudsman considers whether more information could be included in the accounts in respect of the future reporting of his potential liabilities and other aspects of his financial statements.

Recommendation 33. The Committee recommends that the Ombudsman explains to the Committee his reasons for making special payments in 2017-18 to former members of staff. This should also set out why such payments were subject to a confidentiality clause.

5. National Museum Wales

Background

235. The National Museum Wales's (the Museum's) Accounts 2017-18 were laid at the National Assembly on 17 July 2018 and scrutinised by the Committee on 22 October 2018. This was the second time the Committee considered the Museum's accounts. They were first scrutinised by the Public Accounts Committee in the Fourth Assembly.

Financial and Operational Performance

236. The Committee asked the Museum what it saw as the main purpose of its accounts and what steps had been taken to promote their understandability.

237. The Museum told the Committee that it saw the Well-being of Future Generations (Wales) Act 2015 as an "enormous opportunity". It had, over the last couple of years, tried to align how it operated and reported under the Act. For example, it had sought to do this through the review of its vision, its contribution to the Welsh Government's Fusion Programme and its work around health and well-being. The Museum stated it now operated more effectively with the Welsh Government as a benefit of the Act.

238. The Museum saw the preparation of its accounts as "an opportunity for us to review progress"¹⁰¹ on its targets. It had also sought to make the accounts more accessible and clearer. However, Neil Wicks, Deputy Director General and Director of Finance and Corporate Resources, noted that the Museum's scope for making changes was limited since:

"...the format of these accounts is actually prescribed—so, first of all, through a statement of recommended practice and also the accounts direction that we receive from the Government. So, in essence, a lot of the content of it is prescribed."¹⁰²

The Committee's view

239. The issue regarding the prescribed format highlights the earlier point in this report that the Welsh Government needs to lead the way and set direction to its Sponsored Bodies to improve the clarity, accessibility and transparency in

¹⁰¹ RoP, 22 October 2018, Paragraph 10

¹⁰² RoP, 22 October 2018, Paragraph 29

financial reporting. While the Museum has been working on making their Annual Report and Accounts more accessible through including a range of performance information, it is not clear how these fit with the aims of its 10-year strategy and the remit letter issued to it by the Welsh Government.

240. The Committee welcomes the steps taken by the Museum to align its accounts with the Well-being of Future Generations (Wales) Act 2015. However, we note that the accounts do not set out the Museum's main objectives and its key programmes. Nor do they set out the Museum's performance against the objectives set by Welsh Government in its remit letter or how recommendations from the Thurley Review¹⁰³ (a review commissioned by the Cabinet Secretary for the Economy and Infrastructure, to look at the success, resilience and sustainability of Amgueddfa Cymru) are being addressed.

241. The Committee notes the Museum's evidence that, for the most part, the format and content of its accounts is prescribed by the Charities Statement of Recommended Practice and the Accounts Direction, issued by the Welsh Government. This further emphasises the Committee's recommendation to the Welsh Government that it make clear the requirements for reporting performance to ensure sufficient and appropriate information is disclosed, which will enable effective scrutiny (Recommendations 17 and 18 of this Report refers).

242. We are disappointed there is still little or no use of infographics in the Museum's accounts to better communicate its performance. We recommend that the Museum considers how it can reflect best practice in this regard. We would also expect any guidance issued by Welsh Government to set out aspects of best practice in financial reporting, including the use of infographics.

Recommendation 34. The Committee recommends that the Museum complies with best practice in reporting its performance against aims and objectives, using infographics to improve communication and understandability.

Staffing

Staff Survey

243. In December 2015, the Public Accounts Committee in the Fourth Assembly published its report on the Scrutiny of Accounts 2014-15. In this, the Committee recommended that the Museum address issues raised in its previous staff survey regarding bullying and harassment, which had been undertaken in September

¹⁰³ Welsh Government, Thurley Review of Amgueddfa Cymru, 7 September 2017 [Accessed 15 February 2019]

2014. In February 2016, the Museum responded to this recommendation,¹⁰⁴ stating that it had developed a detailed action plan and would undertake a further staff survey in 2017.

244. The Museum explained to the Committee that it did not undertake a staff survey in 2017 as originally planned but, in 2018, had instead undertaken an Investors in People diagnostic questionnaire. The Museum shared its results with the Committee prior to its evidence session.

245. The Committee explored what the Museum had done to engage with, and obtain feedback from staff. We noted that the results of the Museum's Investors in People diagnostic questionnaire, conducted in June 2018, showed that almost half (47%) of the Museum's workforce disagreed to some extent with the statement, "I trust the leaders of my organisation". We asked how the Museum was responding to this, and the other results of its Investors in People diagnostic questionnaire.

246. David Anderson, the Museum's Director General, explained that the Museum had been in a very difficult situation of conflict two years ago but had subsequently invested time, energy and effort rebuilding relationships.

247. The Museum told the Committee its Trustees met regularly with representatives of the trade unions and its Human Resources departments to ensure that its Board Members are kept informed of the views, which they feed directly into the Board's considerations.

248. Nia Williams, the Museum's Director of Learning and Engagement, explained that the questionnaire has been a useful tool to benchmark and identify the areas for improvement. She explained its findings were consistent across the Museum's sites.

249. She acknowledged that trust in leadership was an area for development and the Museum had established a strategic group to lead on addressing issues. The membership of his group included members from every Museum site and each tier of its organisational structure, as well as Trade Union Representatives.¹⁰⁵

250. We queried why the response rates to the Investors in People diagnostic survey had been lower at the Museum's St Fagan's site (50% compared to the overall response rate of 69%) and were told that the survey coincided with significant redevelopment at the site and when staff overall were very busy. Nia

¹⁰⁴ Scrutiny of Accounts 2014-15, [Response from National Museum Wales](#), February 2016

¹⁰⁵ RoP, 22 October 2018, Paragraph 70-73

Williams explained that staff of different grades at St Fagan's had volunteered to be on a steering group looking at the survey results in detail including the low response rate.

The Committee's view

251. The Committee is concerned to hear about the issues highlighted by the Museum's workforce in its Investors in People diagnostic survey, particularly those in respect of leadership. However, we welcome the Museum's commitment to address them and note the work undertaken to date. We encourage the Museum to make productive use of the survey results and emphasise the importance of the effective use of its resources in responding to the key issues.

Staff Absences

252. The Museum's 2017-18 Accounts reported that its sickness absence rate for 2017-18 was 5.08%, which is less than in 2016-17 (2016-17: 5.5%). The Committee noted it was common practice for bodies to also report sickness absence in terms of the number of days lost per employee. This allowed comparison to be made with the wider public sector.

253. Since the 2017-18 Accounts did not set out the sickness absence rate in terms of the number of days lost, following the meeting, the Committee requested this information from the Museum. In its response, the Museum confirmed that the average number of days per employee lost through sickness in 2017-18 was 10.94 days. This compares with an Average Working Days Lost (AWDL) per staff year of 7.0 days across the UK Civil Service, 8.5 days for the public sector and 5.2 seen in the private sector.¹⁰⁶

254. The Museum told the Committee about the steps it had taken to reduce its sickness absence rate. The narrative also states that refresher training had been given to line managers to address "high rates of absence". It had also provided refresher training on attendance management to all line managers and implemented a Business Partner model where HR officers worked with managers to more proactively monitor and address attendance issues. In addition, the Museum had promoted several wellbeing initiatives targeted at improving the mental health of its workforce, which it noted as the most prevalent cause of absence. The Museum expected its absence levels to reduce during the current

¹⁰⁶ [Civil Service Sickness Absence Data for the year ending 31 March 2017](#) {Accessed 15 February 2019}

financial year, 2018-19, as a result of these actions. It reported that, during the first quarter of this year, its sickness absence rate had fallen from 5.08% to 3.4%.¹⁰⁷

The Committee's view

255. The Committee is concerned to hear that the Museum's staff sickness level for 2017-18 was significantly higher than the average reported for the UK Civil Service. Through the implementation of wellbeing initiatives and providing training for line managers, the Committee recognises the work that the Museum has carried out to address the issue. We emphasise the importance of keeping this under review to ensure that current processes are sufficient in managing the position and providing the most efficient and effective support for staff.

Recommendation 35. The Committee recommends that the Museum continues to monitor carefully its staff absence rate, analysing staff absence levels to identify the causes of sickness absence. To enable wider comparison, the Museum should ensure that it calculates and reports its sickness absence rate in line with the wider public sector, disclosing the rate in days as well as percentage terms.

Equality and Diversity

256. The Committee asked the Museum for information about the composition of its workforce. Specifically, how many LGBT, Black, Asian and Minority Ethnic people were involved with the Museum. We also asked whether the Museum produced an annual equality report in accordance with the requirements under the Equality Act 2010.

257. Neil Wicks told the Committee that it did not produce an annual equality report. He explained:

“...we measure annually the gender pay gap. We don't specifically produce a diversity report in that way...”¹⁰⁸

258. The Museum confirmed that, while it had set equality objectives, it would not be reporting on them until the following year. It reiterated its earlier evidence about how its recent work in this area had also sought to align its objectives to be coherent with the principles of the Well-being of Future Generations Act 2015.

¹⁰⁷ RoP, 22 October 2018, Paragraph 102

¹⁰⁸ RoP, 22 October 2018, Paragraph 44

259. The Museum explained that it had established a diversity forum with the aim of increasing the diversity of its workforce. It shared some recent examples where it had sought to broaden out its public programmes, such as working with Black History Month, its membership of Stonewall, and its support of Pride Cymru. The Museum identified that its mid-term objective was to become more diverse in terms of both its workforce and the programmes it carried out.

The Committee's view

260. The Committee notes the action undertaken by the Museum to address the issue of underrepresentation and understands the need to ensure progress through both its programmes and workforce.

261. Preparing an annual strategic equality report in accordance with regulation 16 Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 is a legal requirement under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011. The Committee is concerned that the Museum does not produce a report and hence, is not complying with its statutory responsibility.

262. The Committee recognises the action being taken by the Museum to address equality and diversity and ensuring they align with the Well-being of Future Generations (Wales) Act 2015. However, the Committee suggests that the Museum makes the necessary arrangements to fully meet its statutory duty to report on their equality objectives.

Recommendation 36. The Committee recommends that the Museum complies, at the earliest opportunity, with its statutory requirement to produce an annual strategic equalities report.

Savings and Efficiencies

263. Following its scrutiny of the 2014-15 Accounts, the Public Accounts Committee in the Fourth Assembly recommended that the Museum consider charging for specific services. However, the Committee believed that any charges should not impact on the Welsh Government's policy on free admission to museums in Wales. The Committee further recommended that revenue should not replace income the Museum might lose in the form of grant aid from the Welsh Government and that there should be transparency regarding how it was used.¹⁰⁹ In light of these recommendations and the findings of the Thurley

¹⁰⁹ Public Accounts Committee Report, [Scrutiny of Accounts 2014-15](#), (December 2015)

Review,¹¹⁰ the Committee asked how the Museum balanced its commitment to free admission and the charging for certain exhibitions.

264. David Anderson told the Committee:

“I think we regard free admission for the core services of the museum as an absolutely essential tool.”¹¹¹

265. He added that the Museum’s policy was to reinvest additional income “in those areas that are most significant from social benefit point of view”¹¹² and that income generation is used as a tool to assist the Museum in achieving its corporate goals.

266. The Committee heard how the Museum had worked with Welsh Government officials to work through the recommendations with a focus on those relating to income generation. The Museum also told the Committee that it had considered whether – given the pressures on public finances – it would be beneficial to acquire a customer relationship management system, as well as appoint a commercial director.¹¹³

The Committee’s view

267. The Committee notes the Museum’s evidence in respect of income, in particular its commercial strategy, given the potential future threat of a reduction in grant-in-aid funding. The Committee would welcome an update from the Museum in respect of its progress in implementing its strategy. This should be reported, along with its performance against its objectives and the findings of the Thurley review, in its future accounts.

Recommendation 37. The Committee recommends that, to promote transparency, the Museum provides to the Committee an update in respect of its progress in implementing its commercial strategy and its performance against it in the 2018-19 accounts.

Sustainability

268. The Museum shared its views on self-sufficiency. It informed the Committee that it had installed solar panels at some of its sites and switched to LED lighting.

¹¹⁰This recommended that that the Welsh Government moved to an ends based policy rather than a means based policy for the Museum

¹¹¹ RoP, 22 October 2018, Paragraph 122

¹¹² RoP, 22 October 2018, Paragraph 123

¹¹³ RoP, 22 October 2018, Paragraph 31

It also reported it had recently hosted an exhibition, as part of its young people forum, on the effects of the use of plastic. It reported that, following this, it had included, within its strategic objectives, a target to reduce its consumption of plastics.

The Committee's view

269. The Committee welcomes the installation of solar panels around various Museum sites, and its commitment to improve sustainability. However, we are uncertain whether these actions are sufficient and encourage the Museum to consider whether it could become self-sufficient and use its position to promote sustainability and efficiencies throughout Wales.

Recommendation 38. The Committee recommends that the Museum keeps its current environmental measures under review, and seeks to explore other ways to improve its sustainability whilst maximising value for money.

Backlog Maintenance

270. In time of continued financial pressure, the Committee questioned the Museum about the backlog maintenance programme and work was prioritised against it.

271. The Committee heard that the Museum's main priority was health and safety, followed by security, protection and safety of the public. It shared with the Committee some recent examples of urgent and unexpected work it had been required to carry out. These included repairs following a small fire on a circuit board and work to repair a leaking roof at the Cathays Park site.

272. When asked by the Committee whether it is satisfied that the works that need to be done are affordable in the medium term, Neil Wicks said:

"I think we're satisfied that we're using the funds that we've been given for the highest priorities that we have."¹¹⁴

The Committee's view

273. The Committee notes that the Museum has a backlog maintenance plan that it maintains in addition to keeping condition surveys of their buildings and infrastructure. The latter is collated on a five-yearly basis.

¹¹⁴ RoP, 22 October 2018, Paragraph 218

274. The Committee also notes how the Museum priorities its work, recognising there are instances where urgent work arises unexpectedly. However, we are concerned about the risk of not taking timely action to carry out other work. We would welcome an update from the Museum in respect of its backlog maintenance plan.

Recommendation 39. The Committee recommends that the Museum provides an update in respect of its current backlog maintenance plan, in particular in addressing any issues identified as high/significant risk.

Special Payments

275. In its 2017-18 Accounts, the Museum set out information in respect of its potential liability for six personal injury claims made against it. For three of these cases, estimates of the likely amount required to settle the claim have been included. However, the 2017-18 Accounts state that the potential liability for the remaining three is not known.

The Committee's view

276. As noted in an earlier section of this Report, the Committee believes that - in the interest of transparency - it is important that public bodies provide sufficient information in their accounts to explain the position, thereby improving understanding and facilitating scrutiny. The Committee notes that, in making such disclosures, public bodies need to be mindful of matters that are confidential or commercially sensitive. However, this should not be used as grounds for not providing any, or little, information.

Recommendation 40. The Committee recommends that the Museum includes sufficient information in its accounts to improve understanding and facilitate scrutiny, particularly in respect of its potential future liabilities.

Annex: Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

<http://senedd.assembly.wales/mgIssueHistoryHome.aspx?lId=15845>

Date	Name and Organisation
8 October 2018	Manon Antoniazzi, Assembly Commission Nia Morgan, Assembly Commission Suzy Davies AM, Commissioner for Budget and Governance Nick Bennett, Public Services Ombudsman for Wales Katrin Shaw, Office of the Public Services Ombudsman for Wales David Meaden, Office of the Public Services Ombudsman for Wales
15 October 2018	Shan Morgan, Permanent Secretary, Welsh Government David Richards, Welsh Government Gawain Evans, Welsh Government Peter Kennedy, Welsh Government Peter Ryland, Welsh Government
22 October 2018	David Anderson, National Museum Wales Neil Wicks, National Museum Wales Nia Williams, National Museum Wales