

## **Response to the Report of the National Assembly for Wales Public Accounts Committee Report on the Scrutiny of Accounts 2013-14**

I welcome the findings of the report and offer the following response to the three recommendations contained within it that relate to the Welsh Government Accounts for 2013-14.

**Recommendation 4.** If the current funding relationship continues, the Welsh Government should communicate its decision at an early stage on the funding available to the Commissioners. These budgets should then be protected from later in year departmental reductions. (Page 31)

The spirit of the recommendation is accepted. As its financial powers develop the Welsh Government is in the process of reviewing budget processes and timetable to provide an appropriate budget process for Wales. The PAC will be aware of the ongoing work with the Finance Committee in this area and that Committee's Inquiry into Best Practice Budget Processes. The Welsh Government has always respected Commissioners' need for operational independence and would therefore seek to provide as much certainty as possible for them. Responsible Ministers have the flexibility to agree budgets for any bodies which they fund, however whilst it is not the wish to reduce any budget after it has been allocated, it is not possible to provide absolute guarantees. While the situation will be avoided where possible, there may be instances where the pressures and uncertainties within the overall Budget necessitate this action.

**Recommendation 7.** The National Assembly for Wales's Commission and Welsh Government should set out in their budgets and accounts their approach to financial management – in particular their target for underspends. (Page 42)

The recommendation is accepted. The general approach to the Welsh Government's financial position in any year is clearly set out in its budgetary documentation. These contain details of the allocations and budgetary cover the Welsh Government holds in reserve to help manage the financial position. Supplementary Budgets build on this providing details of the levels of underspend managed within, as part of the UK Government's Budget Exchange System, and reserves held at the year end. Finally, a separate report on outturn, which the Welsh Government provides the Finance Committee, describes performance against the both budgets agreed by the National Assembly and against UK Government controls. The report for 2013-14 detailed underspends of 0.1% against Fiscal Resource and 0.7% Capital budgets as approved in the Second Supplementary Budget for that year. The Welsh Government annual accounts comply in full with the Financial Reporting Manual (FReM) which prescribes the information to be published by all central government bodies within the UK.

**Recommendation 9.** The Committee encourages organisations funded by public money to consider how they present information to ensure that it is readily understandable for the public, and that shows the organisation's priorities and the level of resource committed to those priorities. (Page 47)

The recommendation is accepted. The annual accounts for central Government Departments including the Welsh Government are prepared using the UK Financial Reporting Manual (FReM). The 'simplifying and improving project' has been considering the contents of the FReM with the sole purpose of ensuring that the format and content of the accounts are made more understandable for the reader. The Welsh Government supported by the Wales Audit Office has fully engaged with this work and, in line with other central Government Departments, will introduce the recommended changes at the end of 2015-16. The Welsh Government is also leading a pilot project alongside other public sector bodies in Wales, including the Wales Audit Office, aimed at exploring how financial and non-financial information is presented together in a more coherent and accessible way. This project (Integrated Reporting or IR) is part of a wider piece of work being undertaken across organisations within the UK and is being supported by the accountancy body CIPFA. An integrated report should be able to deliver a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The potential changes in the way public bodies present performance information are substantial and, therefore, the pilot is not due to complete until 2017-18.