
**The Welsh Consolidated Fund
Receipts and Payment Account**

1 April 2020 to 31 March 2021

FOREWORD

Background

1. The Welsh Consolidated Fund (the Fund) was established on 1 April 2007 under the Government of Wales Act 2006 (the Act). The Act provided a formal legal separation between the National Assembly for Wales and the Welsh Government and created a new body, called the National Assembly for Wales Commission. The Fund holds the funds for the following:
 - the Welsh Government;
 - the Senedd Commission*;
 - the Public Services Ombudsman for Wales (PSOW); and
 - Wales Audit Office (WAO).

*Under the Senedd and Elections (Wales) Act 2020 the National Assembly for Wales is now called Senedd Cymru, or the Senedd. The National Assembly for Wales Commission therefore changed its name to the Senedd Commission from 6th May 2020.

2. The Auditor General for Wales (AGW) authorises payments out of the Fund. Each of the four bodies listed above is able to draw down funds from the Fund, provided they are in accordance with an approved Budget Motion. The total authorised by Budget Motion for drawdown from the Fund for 2020-21 was £24,022,894,000 (2019-20 was £17,379,905,000).

Scope of the Account

3. This Account has been prepared under Section 132(1) of the Government of Wales Act 2006 which requires the Welsh Ministers to prepare an account showing payments into and out of the Fund and in accordance with the Accounts Direction issued by HM Treasury, under that Act.
4. The Fund receives, from the Office of the Secretary of State for Wales (Wales Office), sums which have been voted by Parliament. Receipts received by the above mentioned bodies that are not authorised to be used to support their expenditure are also, by virtue of Section 120(1) of the Government of Wales Act 2006, payable into the Fund.
5. Under devolved powers from the Government of Wales Act 2006 (as amended by the Wales Act 2014 and 2017), the Senedd Cymru was granted authority to set a Welsh Rate of Income Tax (WRIT) from 2019-20 onwards. Income tax continues to be administered by H M Revenue and Customs, but income tax revenues from the Welsh rates are allocated to the Welsh Government. WRIT payover is drawn down from the UK Government via the Wales Office and paid into the Welsh Consolidated Fund.
6. Under devolved powers from the Wales Act 2014, devolved taxes in respect of Land Transaction Tax and Landfill Disposals Tax have been managed in Wales from 2018-19 onwards. The Welsh Revenue Authority (WRA) was established by the Tax Collection and Management (Wales) Act 2016 to administer and collect both taxes. The taxes collected by the WRA are paid into the Fund under Section 25 of the Tax Collection and Management (Wales) Act 2016.
7. The Devolved Tax Statement account is prepared and published separately and can be accessed at <https://gov.wales/welsh-revenue-authority-annual-report-and-accounts-2020-2021-html> .

8. Section 121 of the Government of Wales Act 2006 (as amended by the Wales Act 2014 and 2017) grants Welsh Ministers enhanced borrowing powers, with any sums borrowed and repaid (including interest) to be paid into and out of the Fund respectively. The first sums borrowed were in 2018-19, there was no new borrowing in 2020-21 or 2019-20.
9. Payments are made out of the Fund if they have been charged on the Fund by any enactment, or if they are authorised by a Budget Resolution of the Senedd. Budget Resolutions may be passed in respect of relevant persons, namely those mentioned in paragraph 1 above. Approval to draw funds must be obtained from the AGW in accordance with Sections 124 and 129 of the Act.
10. Those bodies that draw down funding from the Fund provide annual accounts reporting their stewardship of those funds.

Welsh Consolidated Fund Receipts and Payments

11. These accounts show the transactions relating to the statutory purposes set out above. The Fund had a brought forward balance of £3,480,000 as at 31 March 2020, with receipts totalling £23,520,019,000 paid in and payments of £23,508,078,000 made during the year, leaving the Fund with a closing balance as at 31 March 2021 of £15,421,000. During 2019-20 receipts paid into the Fund during the year totalled £17,052,818,000 with payments from the Fund of £17,049,384,000.

Audit

12. As Principal Accounting Officer (PAO), I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Fund's auditors are unaware.
13. The Account is audited by the AGW in accordance with Section 132 of the Government of Wales Act 2006.

Dr Andrew Goodall
Permanent Secretary and Principal Accounting Officer
12 April 2022

STATEMENT OF PRINCIPAL ACCOUNTING OFFICER'S RESPONSIBILITY

1. Section 132(1) of the Government of Wales Act 2006 requires the Welsh Ministers to prepare an account of the payments into and out of the Fund. The accounts are prepared on a cash basis and must properly present the Fund's transactions for the period 1 April 2020 to 31 March 2021. Section 132(5) of the Act requires the AGW to lay before the Senedd Cymru a certified copy of the account.
2. The responsibilities of the PAO, including their responsibility for the propriety and regularity of the public finances for which the PAO is answerable, and for the keeping of proper records, are set out in the Welsh Government's Accounting Officers' Memorandum, issued by HM Treasury.

**Dr Andrew Goodall
Permanent Secretary and Principal Accounting Officer
12 April 2022**

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

As Principal Accounting Officer, I am responsible for ensuring there is a high standard of probity in the management of public funds. I am responsible for maintaining a sound system of internal control that supports the management of the Welsh Consolidated Fund (the Fund) whilst safeguarding the public funds and assets for which I am personally responsible and which includes effective arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to: identify and prioritise the risks to the effective operation of the Fund; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2021 and up to the date of approval of the accounts and accords with HM Treasury guidance.

The Risk and Control Framework

The operation of the Fund is governed by the provisions of the Government of Wales Act 2006, the Wales Act 2014 and 2017, and the Tax Collection and Management (Wales) Act 2016 which set out the conditions for payments to be made out of the Fund and sums to be paid into the Fund. Approvals to draw on the Fund by Welsh Ministers must be approved by the Auditor General for Wales (AGW). Ministers are accountable for the Fund and requests for withdrawals are made on behalf of the Welsh Government, Wales Audit Office, the Senedd Commission and the Public Services Ombudsman for Wales, under authority of the Budget resolutions passed by the Senedd. The Welsh Government administers the Fund hence, the Principal Accounting Officer for the Welsh Government is also responsible for producing and signing the accounts for the Fund.

The Welsh Government is only able to draw funds with the approval of the AGW (under Sections 124 and 129) who must grant an approval to draw if the request relates to a valid amount charged on the Fund by any enactment (a direct charge) or if the amount requested has been authorised or has been deemed to be authorised by a budget resolution of the Senedd for the purposes of meeting expenditure of the Welsh Government, Senedd Commission, Wales Audit Office or the Ombudsman. The AGW may also grant an approval to draw in respect of an amount which has been paid into the Fund by mistake.

Before any money can be released from the Fund, Ministers must request, and the AGW must grant, an approval to draw. Section 129 allows Ministers and the AGW to agree on the form of such requests. In granting such approvals to draw, the AGW is merely verifying statutory authority exists to make such payments. This check does not amount to a pre-audit of the amount being requested.

The operation of the Fund is reliant on the core financial management systems of the Welsh Government to carry out its accounting and payment functions on behalf of the Welsh Ministers and, thereby, on the controls operating around those systems. To review the control environment, all Directors within the Welsh Government are required to complete an annual internal control questionnaire.

The Directors General also provide an Assurance Statement annually setting out their assessment of the effectiveness of their Group's internal controls frameworks. I have received satisfactory assurances, principally from the Director of Governance & Ethics and the Director of Finance, in respect of the operation of the central finance and corporate systems and services on which the operation of the Fund rely.

The Welsh Government's approach to risk management is set out in its Risk Management Policy and associated guidance documents. Risks are identified, evaluated and managed at different levels within the organisation. The Welsh Government adheres to the "Main Principles" for risk management in government set out in HM Treasury's The Orange Book; Management of Risk – Principles and Concepts (2019, updated 2020).

The Welsh Government Board is responsible for overseeing the implementation of the risk management policy and process and for oversight and scrutiny of the mitigations for key risks facing the Welsh Government which might otherwise prevent or hinder the organisation from achieving its strategic objectives. The Welsh Government Executive Committee (ExCo) is responsible for decision-making with respect to corporate-level risks including assessment, evaluation, inclusion on the Corporate Risk Register (CRR), corporate ownership and mitigation. ExCo is also responsible for setting and approving the corporate risk management framework. The Finance Sub Committee of ExCo has responsibility for reviewing any risks that are to be escalated to the CRR. No risks in relation to the management of the Welsh Consolidated Fund have been escalated to the CRR.

The CRR was reviewed twice during the financial year by the Board. Day-to-day management and mitigation of risk is a management responsibility and each Director General has been responsible for managing risk. Group risks were reviewed regularly by senior management teams and by the Group Audit and Risk Assurance Committees and were informed by risk registers maintained by projects and programmes, risk assessments and risk registers at Divisional level.

Given the way the Covid pandemic was evolving during 2020-21, with Welsh Government increasingly managing multiple issues, it was agreed from February 2020 onwards, ExCovid should have oversight of a corporate Covid-19 specific risk register. The Covid Corporate risk register follows a similar approach to that taken with the Welsh Government CRR, and includes significant/critical risks that impact on multiple parts of the organisation at the same time, requiring a "whole organisation" approach to deliver a single solution effective for all. The Covid risk register also includes for information, the most significant Covid risks being managed at group level.

With respect to the other bodies funded through the Fund, and the WRA for the remittance of taxation receipts to the Fund, their Accounting Officers are required to maintain effective systems of internal control and to ensure there is capacity to manage risk in an appropriate and proportionate manner within their organisations.

Information Governance

As PAO, I am responsible for ensuring appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments which require me to assess our risk and ensure appropriate mitigation strategies are in place. Welsh Government has policies and procedures in place to proactively manage cyber security risk, working with the National Cyber Security Centre to secure digital assets and ICT infrastructure.

I take assurance from the Welsh Government's Data Protection Officer concerning the ongoing progress being made in respect of GDPR compliance. The reprioritisation of resources to respond to

the Covid-19 pandemic has, unsurprisingly, delayed progress in addressing some of the areas for improvement identified by my DPO last year. Covid-19 also slowed the roll-out of induction training for all Information Asset Owners in this role but this task is now almost complete and further training needs will be identified over the coming year. While the pandemic has delayed some improvements, my DPO has also observed a good, and growing level of awareness amongst officials of the overarching data protection principles and requirements of UK GDPR.

There were no data incidents requiring reporting to the Information Commissioner's Office in relation to the Welsh Governments stewardship of the Welsh Consolidated Fund in 2020-21.

The Welsh rate of income tax (WRIT)

The Government of Wales Act 2006 (as amended by the Wales Act 2014 and 2017) gives the Welsh Parliament the power to set Welsh Rates of Income Tax (WRIT). This allows the Welsh Government to affect the amount of income tax that Welsh taxpayers pay and, as a result, the amount that the Welsh Government can spend in Wales. WRIT is calculated on a tax year basis and was introduced with effect from 6 April 2019.

The Welsh rates for the 2019 to 2020 and 2020 to 2021 tax years were set at 10% for each of the tax bands. This means that a Welsh taxpayer paid the same amount of total income tax as someone from England and Northern Ireland earning the same amount of income, but for the Welsh taxpayer 10 percentage points of each tax band was owed to the Welsh Government with the remainder owed to the UK Consolidated Fund.

The Fiscal Framework¹ sets out how WRIT will work based on estimates agreed for the year and a reconciliation 15 months after the year end to actual amounts collected, and how it interacts with the Block Grant settlement.

HMRC has responsibility for the collection of Income Tax in Wales and to remit this to the UK Consolidated Fund. The Welsh Block Grant is adjusted for WRIT based on the Office of Budget Responsibility autumn forecast through the Main Estimates process. A reconciliation is undertaken 15 months after the year end to actual amounts collected, and is the subject of a further adjustment to the block grant process in future years. The 'Payover' of the WRIT estimate is via the Wales Office, the payover happens alongside the normal block grant process and is received into the Welsh Consolidated Fund.

In order to ensure clarity of roles and responsibilities, there is a Service Level Agreement² in place between the Welsh Government and HMT for establishing and operating the WRIT. A Memorandum of Understanding³ is also in place setting out the principles of the arrangements between HMRC and Welsh Government for the Welsh rates of income tax, including the roles and responsibilities of WRIT Additional Accounting Officer, who is accountable to the PAO HMRC.

During the implementation of the WRIT, a cross government project board was established as the main governance arrangement. The project board comprised officials from Welsh Treasury, HMRC and the Department for Work and Pensions (DWP). The project ended in early 2020, however the Welsh Rates of Income Tax Board replaced that governance structure in order to oversee the business as usual delivery of the WRIT. Officials from the Welsh Treasury continue to be members of this Board to represent Welsh Government interests.

¹ <https://gov.wales/sites/default/files/publications/2018-11/agreement-on-welsh-government-fiscal-framework.pdf>

² <https://gov.wales/service-level-agreement-with-hmrc>

³ <https://gov.wales/welsh-rate-income-tax-memorandum-understanding>

The payover of the WRIT from the Wales Office is reconciled to the Wales Office statutory accounts providing me with assurance over the completeness, accuracy, validity and timeliness of the Welsh income tax payover into the Welsh Consolidated Fund.

Assurances

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework including the system of internal control relevant to the Fund.

With respect to the Welsh Government, I take assurance from a wide range of assurance providers, who have responsibility for the operation of key controls. I am informed principally by the work of Internal Audit and those Welsh Government officials with responsibility for the development and maintenance of the internal control framework. I also take assurance from management responses to issues identified by the External Auditor (the Auditor General for Wales) in his various reports on Welsh Government operations and activities. The Board and the Audit and Risk Assurance Committee have advised on the effectiveness of the system of internal control.

The Welsh Government has an Internal Audit Service (IAS), which operates in conformance with Public Sector Internal Audit Standards. It undertook a programme of work based upon an analysis of the major risks facing the organisation. The Head of Internal Audit (HIA) maintained the “agile” planning approach for 2020-21, recognising the organisation’s capacity to accommodate audits during the early phases of the pandemic would be very limited and so focused initially on the rapid completion of audits in progress. Planning for the new 2020-21 Audit Programme was subsequently suspended and IAS changed its mode of working from “assurance delivery” to “crisis advisory”, working with officials to deliver consistent advice and guidance on matters of governance, risk and control. This situation remained until August 2020 when Internal Audit Service was able to commence a programme of audit work designed to reflect the changed risk-profile of the Welsh Government, with particular focus on its critical Covid-19 interventions but with sometime also reserved for other areas of continuing Government activity.

The HIA, in her Annual Assurance report, provided “reasonable assurance” on the operation of the framework of governance, control and risk management.

With respect to the other bodies funded through the Fund, and the WRA for the remittance of taxation receipts to the Fund, their Accounting Officers are required to undertake their own review of the effectiveness of control within their own organisations, supported by the range of assurances available to them, and written confirmation has been sought that they have sufficient assurance as to the effectiveness of their own systems of governance, risk management and internal control in respect of matters affecting the operation of the Fund.

All Accounting Officers have confirmed that they have sufficient assurance in respect of matters affecting the operation of the Fund. In addition, assurance was provided from all Accounting Officers that the transition to remote working, necessitated by the Covid-19 pandemic, did not adversely affect the systems of internal control operated by the all the bodies.

The Public Services Ombudsman for Wales confirmed that a system of internal control operated during 2020-21 to ensure the propriety and regularity of the monthly drawdowns requested from the Fund and that these were audited by Wales Audit Office as part of their audit of the Annual Report and Accounts in July 2021. The Auditor General for Wales has issued an unqualified opinion for the Annual Report and Accounts for the year ended 31 March 2021.

With respect to the WRA, there is an Accounting Officer agreement in place with the WRA Chief Executive setting out the responsibilities both in regard of the WRA, and the Devolved Tax Statement.

I note from the assurance provided by the WRA Chief Executive that the tax statement for 2020-21, laid by the Auditor General for Wales, show the amounts receivable from the collection of taxes, penalties and other income, any deductions permitted, and amounts paid to the Wales Consolidated Fund in accordance with s.25 of the Tax Collection Management Act. The Auditor General for Wales provided an unqualified audit opinion on the tax statement and I received assurance that the system of internal control for the collection and remittance of Devolved Tax receipts was effective during the 2020-21 accounting period.

Specific assurances have been provided by the Chief Executive and Clerk of the Senedd in respect of the payroll processes operated by the Senedd Commission and an assurance in respect of the completeness, accuracy and validity of the figures in the accounts as Direct Charges against the Fund. The payroll system is the Senedd Commission's most material financial system and is subject to internal audit every 3 to 4 years. The most recent internal audit of the Senedd Commission's payroll was undertaken in January 2019. This recorded a 'Moderate Assurance' conclusion - the next internal audit of payroll is due to take place during the current financial year of 2021-22. Payroll expenditure is also subject to substantive annual testing by Wales Audit Office, as part of its annual external audit of the Commission's financial statements. No matters have been highlighted by Wales Audit Office on payroll during 2020-21. The regularity of Commission transactions has also been considered as part of the external audit of the Commission's financial statements. The Executive Director of Audit Services issued an unqualified audit opinion on the Commission's financial statements for the year ended 31 March 2021.

The Senedd Commission sought a specific assurance from the Auditor General for Wales in respect of the expenses of Chair of the Wales Audit Office during the year ended 31 March 2021. In responding to this request the Auditor General for Wales provided assurance to the Senedd Commission that the Chair of the Wales Audit Office did not incur any expenses during 2020-21.

The Senedd Commission also sought a specific assurance from the Auditor General for Wales that there are no claims for travel and subsistence incurred by the Auditor General for Wales for the year which should have been charged to the Fund, as no such claims had been received by the Commission. In responding to this request the Auditor General for Wales provided assurance to the Senedd Commission that no such claims were incurred in his capacity as Auditor General for Wales for the year ended 31 March 2021.

The Accounting Officer for Wales Audit Office has provided assurance that a sound system of internal control operated during the period ending 31 March 2021 in respect of drawing and surrendering to the Fund. The Wales Audit Office external auditor has issued an unqualified opinion for the Annual Report and Accounts for the year ended 31 March 2021.

The Auditor General for Wales has also provided assurance that Audit Wales processes of internal control operated over the approval of Welsh Ministers' requests to draw from the Fund.

HMRC uses the same systems to administer income tax whether it is received from a taxpayer in Wales or the rest of the UK. In addition HMRC also operates additional rules and procedures for Wales.

The Government of Wales Act 2006, as amended by the Wales Act 2014, requires the Comptroller and Auditor General (C&AG) to prepare a report which includes key controls operated by HMRC to

assess and collect income tax. This report 'HMRC Administration of Welsh rates of income tax 2020-21' was published on the 19 January 2022 and noted that HMRC had framed adequate regulations and procedures to secure an effective check on the assessment, collection, and proper allocation of revenue, and that they are being duly carried out."

Internal Control Issues

The positive assurances received provide confidence there are, in general, well-designed and sound frameworks of governance and internal control for the Fund. However, a control issue has been revealed in the course of the year which has been addressed and improvements made, which are set out below.

On 1 June 2020 Welsh Government officials drew £1.5 billion from the Welsh Consolidated Fund on behalf of Welsh Ministers. This funding was drawn at the request of the organisations funded directly from the WCF including the Welsh Government, in the main to cover their costs for the month.

Although the drawings were within the annual limits approved by the Annual Budget Motion passed by the Senedd on 3 March 2020, due to an administrative error Welsh Government officials omitted to request the Auditor General for Wales' approval to draw which is required by sections 124 and 129 of the Government of Wales Act 2006. In particular Section 124 of the Act requires that a sum may only be paid out of the Welsh Consolidated Fund if, as one of the conditions set out in that section, an approval to draw the payment is granted by the Auditor General for Wales. As the drawing was made without the Auditor General for Wales' approval being in place, exceptionally in this instance the requirements of s124 of GOWA 2006 were not complied with.

Upon checking their records prior to annual audit Welsh Government officials operating the fund discovered the error and informed the Audit Wales team responsible for the Auditor General for Wales authorisations who have confirmed, had the request been properly presented at the time, it would have been authorised.

All other drawings from the WCF in the year were properly authorised. Welsh Government have reviewed the process and have introduced additional separation of duties controls around the WCF payment request process, and will be working with all parties involved in the control arrangements for drawing from the Welsh Consolidated Fund to identify whether further control processes require amendment.

Conclusion

Based on my review of internal controls within the Welsh Government and the assurances available from the other bodies funded by the Fund, I can take reasonable assurance that arrangements to secure governance, risk management and internal control for the Fund are suitably designed and applied effectively and that where control matters have arisen, management action is being taken. These matters of governance and control are in accordance with the responsibilities assigned to the Principal Accounting Officer in HM Treasury's Welsh Government Accounting Officers' Memorandum.

Dr Andrew Goodall
Permanent Secretary and Principal Accounting Officer
12 April 2022

The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of the Welsh Consolidated Fund for the year ended 31 March 2021 under the Government of Wales Act 2006. These comprise the Receipts and Payments Account and the related notes. These financial statements have been prepared on a cash basis under Section 132 of the Government of Wales Act 2006.

In my opinion the financial statements:

- properly present the balances, receipts and payments of the Welsh Consolidated Fund for the year ended 31 March 2021; and
- have been properly prepared in accordance with Section 132 of the Government of Wales Act 2006 and HM Treasury directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effects of the matter described in the 'Basis for qualified opinion on regularity' section of my report, in all material respects:

- the sums paid out of the Welsh Consolidated Fund were in accordance with the authorities set out in Sections 124 or 130 of the Government of Wales Act 2006;
- money which is required to be paid into the Welsh Consolidated Fund has been paid into that Fund; and
- the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

I have qualified my opinion on the regularity of the Welsh Consolidated Fund's financial statements because on 1 June 2020 £1,511,223,936.79 was drawn down from the Welsh Consolidated Fund without appropriate approval. Further detail is set out in the Report below.

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other information

The other information comprises the information included in the account other than the financial statements and my auditor's report thereon. The Principal Accounting Officer is responsible for the other information in the account. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements

themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements. As legislation and directions issued do not specify the content and form of the Annual Governance Statement, I am not able to confirm that the Annual Governance Statement has been properly prepared; and
- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword has been prepared in accordance with the directions issued by HM Treasury.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the Principal Accounting Officer for the financial statements

As explained more fully in the Statement of Principal Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for the preparation of financial statements in accordance with the Government of Wales Act 2006 and HM Treasury directions issued thereunder and for such internal control as the Principal Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance on matters concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Welsh Government's framework of authority as well as other legal and regulatory frameworks that impact on the operation of the Welsh Consolidated Fund, focusing on those laws and regulations that had a direct effect on the financial statements.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Welsh Consolidated Fund's controls, and the nature, timing and extent of the audit procedures performed.

Responsibilities for regularity

The Principal Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am responsible for expressing an opinion on whether the receipts and payments have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

I am also responsible for expressing an opinion on whether the sums paid out of the Welsh Consolidated Fund were in accordance with the authorities set out in sections 124 or 130 of the Government of Wales Act 2006 and that money which is required to be paid into the Welsh Consolidated Fund has been paid into that Fund.

Report

Under section 124(1) of the Government of Wales Act 2006 *a sum may only be paid out of the Welsh Consolidated Fund if:*

- *It has been charged on that Fund by any enactment; or*
- *Its payment out is authorised or deemed to be authorised by a Budget resolution of the Senedd*

and an approval to draw the payment of the sum out of the Welsh Consolidated Fund is granted by the Auditor General for Wales.

On 1 June 2020 £1,511,223,936.79 was drawn from the Fund's bank account to provide funds for the Welsh Ministers, the Senedd Commission, the Wales Audit Office and the Public Services Ombudsman for Wales. The funds drawn were within the annual limits approved by the Annual Budget Motion passed by the Senedd on 3 March 2020, however due to an administrative error, Welsh Government officials omitted to request the Auditor General for Wales' approval to draw. As a consequence, the requirements of section 124(1) of the Government of Wales Act 2006 were not complied with and the payments are therefore irregular.

I have qualified my regularity opinion as a result.

Ann-Marie Harkin
For and on behalf of the Auditor General for Wales
13 April 2022

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RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

		2020-21	2019-20
<u>Receipts</u>	Note	£000	£000
Receipts from the Wales Office under Section 118(1) of the Government of Wales Act 2006	9	19,630,589	13,278,546
Non Domestic Rating receipts	2	118,850	103,408
Borrowing by Welsh Ministers	4	-	-
HMRC Distribution from National Insurance Fund in respect of Social Security	5	1,279,681	1,290,129
Welsh Rate of Income Tax	6	2,169,668	2,059,000
Devolved Tax Receipts	7	260,400	274,000
Receipts of Senedd Elections	12	-	49
Other receipts	8	60,831	47,686
Total Receipts		23,520,019	17,052,818
Payments			
Issues authorised under Senedd Budget Resolutions	10	23,429,387	16,966,746
Direct Charges:			
Salaries, related costs and pensions	11	775	761
Expenses of returning officers at Senedd elections	12	-	595
National Loans Fund repayments of Principal and Interest	3	4,836	3,622
Non Domestic Rating payments by Welsh Ministers	2	44,570	29,974
Surrender to the Secretary of State for Wales of receipts designated under Section 120(3) of the 2006 Act	8	28,510	47,686
Total Payments		23,508,078	17,049,384
Net (decrease) /increase in Fund balance		11,941	3,434
Balance brought forward at 1 April		3,480	46
Balance carried forward at 31 March		15,421	3,480

The notes on pages 15 to 24 form part of this account

Dr Andrew Goodall
Permanent Secretary and Principal Accounting Officer
12 April 2022

Note 1

STATEMENT OF ACCOUNTING POLICIES

These accounts are prepared on a cash basis under Section 132 of the Government of Wales Act 2006. In addition, balances to and from the Welsh Government are disclosed at Note 14 to assist preparation of the Whole of Government Accounts.

Note 2

NON DOMESTIC RATING

The Welsh Ministers receive non-domestic rates (NDR) collected from ratepayers by Billing Authorities or paid directly to the Welsh Ministers by ratepayers on the Central Rating list. The Welsh Ministers are required to redistribute the contributions to Receiving Authorities in proportion to the resident adult population (aged 18 or over) in each administrative area (Local Government Finance Report 2020-21 No's 1 and 2, Section 2 Chapter 4.1 & Amendment of the Local Government Finance Report No.1 2020-21 Chapter 4.1). The NDR received are thus pooled and redistributed. The operation of the pool is governed by Schedule 8 to the Local Government Finance Act 1988 and regulations made under Section 141 of that Act. Under the Government of Wales Act 2006 non-domestic rates income must be paid into the Fund and any related non-domestic rates expenditure is a direct charge on the Fund.

With the approval of HM Treasury, in order to avoid unnecessary cash transfers between the Welsh Government and authorities, local authorities are permitted to net off the NDR they collect against the funding they require, with differences from one year to the next being allowed for in determining the amount of Revenue Support Grant to be provided for any given year. During the period 1 April 2020 to 31 March 2021 gross NDR contributions into the pool totalled £1,050,758,000 (2019-20: £1,031,615,000).

The payments made through the Fund of £44,570,000 (2019-20: £29,974,000) represent payments to authorities and central list ratepayers as a result of the final recalculations of contributions for 2019-20 and previous years following receipt of billing authority audited claims and reductions in rateable values for central list ratepayers. This figure includes payments totalling £1,763,000 (2019-20: £2,000) to cover payments made by Welsh Government during 2019-20 to central list ratepayers as a result of recalculations.

Receipts into the Fund of £118,850,000 (2019-20: £103,408,000) include £104,092,000 contributions from central list ratepayers and additional receipts as a result of final recalculations of contributions for 2019-20 and previous years following receipt of audited claims from authorities and £14,758,000 for the surrender of the surplus gross NDR contributions over distributions made.

Further information on NDR is contained in the Welsh Government Consolidated Annual Report and Accounts 2020-21 and the Non-Domestic Rating Account (Wales) 2020-21.

Note 3

NATIONAL LOANS FUND

Included within these balances are loans from the National Loans Fund (NLF) lent onwards by the Wales Office originally to the Mid-Wales Development Corporation. They were then passed to the Development Board for Rural Wales (DBRW) in the 1980's; and to the Welsh Development Agency (WDA) when DBRW was abolished in 1998. Following WDA abolition in 2006, responsibility for the repayment of principal and interest falls on the Welsh Government. Payments of £1,745,192 were made by the Welsh Government to the Wales Office in 2020-21. As the repayment of both interest and principal to the NLF is a direct charge on the Fund, the Welsh Government received £1,745,192 from the Fund to fund the loan repayments (2019-20: £1,745,192).

Also included are the repayments of principal and interest for amounts borrowed under Section 121 of Government of Wales Act 2006 (See Note 4 for more details). Repayments of interest and principal in 2020-21 amounted to £3,090,485 (2019-20: 1,877,066) which are direct charges on the Fund.

Note 4

BORROWING BY WELSH MINISTERS

Under Section 121 of Government of Wales Act 2006 (as amended by the Wales Act 2014 and 2017) additional borrowing powers were conferred on Welsh Ministers with effect from 1st January 2017. Any sums borrowed and repaid under these provisions must be done via the Fund and therefore reflected in these accounts. The first sums borrowed from the NLF were received by the Fund in 2018-19.

A summary of the borrowing position is set out as follows:

	Principal £000	Accrued Interest £000	Total £000
At 1 April 2020	63,910	147	64,057
New Borrowing	-	-	-
Interest Incurred	-	881	881
Repayments	(2,204)	-	(2,204)
Interest Paid	-	(887)	(887)
At 31 March 2021	61,706	141	61,847

Note 4 cont.d

The repayment of borrowing is scheduled as follows:

At 31 March 2021	Principal £000	Interest £000	Total £000
Less than 1 year	2,234	856	3,090
1-5 years	9,256	3,106	12,362
More than 5 years	50,216	6,950	57,166
Total	61,706	10,912	72,618

	Principal £000	Accrued Interest £000	Total £000
At 1 April 2019	65,000	25	65,025
New Borrowing	-	-	-
Interest Incurred	-	909	909
Repayments	(1,090)	-	(1,090)
Interest Paid	-	(787)	(787)
At 31 March 2020	63,910	147	64,057

The repayment of borrowing is scheduled as follows:

At 31 March 2020	Principal £000	Interest £000	Total £000
Less than 1 year	2,203	887	3,090
1-5 years	9,128	3,234	12,362
More than 5 years	52,579	7,678	60,257
Total	63,910	11,799	75,709

Note 5

HMRC DISTRIBUTION FROM NATIONAL INSURANCE FUND IN RESPECT OF SOCIAL SECURITY

As of 2017-18 the HMRC distribution from National Insurance in respect of Social Security was paid in to the Fund. In previous years this was paid directly to Welsh Government. In 2020-21 the amount paid in to the Fund in respect of this was £1,279,681,283 (2019-20: £1,290,129,000).

Note 6

WELSH RATE OF INCOME TAX

The Wales Act 2014 and 2017 amended the provisions of the Government of Wales Act 2006 with regard to income tax. The amended Government of Wales Act 2006 Section 116D empowers the Senedd to set a Welsh Rate of Income Tax (WRIT) for Welsh taxpayer on non-savings, non-dividend income in each tax band with effect from 6 April 2019. The WRIT will be set each year through a Resolution passed by the Senedd on the basis of a proposal made by Welsh Ministers.

HMRC continue to collect Income Tax in Wales, including the WRIT under a Memorandum of Understanding with the Welsh Government, the amounts collected are paid into the UK Consolidated Fund. The amount of WRIT paid into the Welsh Consolidated Fund in the year is agreed with HMT and is calculated on a forecast and reconciliation basis as set out in the Fiscal Framework agreed between the UK and Welsh Governments.

The UK Government transfers the WRIT based on forecasts set out in the Main Estimates annually. This is done via the Wales Office as a WRIT Payover. The WRIT revenues are therefore drawn into the Welsh Consolidated Fund from the Wales Office alongside the normal block grant process. The reconciliation of forecast to actual WRIT revenues is the subject of adjustments to the block grant in future years.

The WRIT Payover for 2020-2021 to the Welsh Consolidated Fund is £2,169,668,000 (2019-20: £2,059,000,000)

Note 7

DEVOLVED TAXES

The Wales Act 2014 devolved a range of new financial powers to the Senedd Cymru, including in relation to taxation. Subsequently, the Tax Collection and Management (Wales) Act 2016 provided for the establishment of the WRA. Since April 2018 the WRA has collected and managed two devolved Welsh taxes - Land Transaction Tax and Landfill Disposals Tax - on behalf of the Welsh Government. Section 25 of the 2016 Act requires the WRA to pay the taxes collected into the Fund.

During the year 2020-21, the WRA paid £260 million (2019-20: £274 million) to the Fund in respect of the two Devolved Taxes:

	2020-21 £000	2019-20 £000
Landfill Disposal Tax	32,331	38,357
Land Transaction Tax	228,069	235,643
Total Devolved Taxes	260,400	274,000

Note 8

OTHER RECEIPTS

The Government of Wales Act 2006 (Designation of Receipts) Order 2007 designates certain receipts (designated receipts). Under the Government of Wales Act 2006 the Welsh Ministers must pay to the Wales Office sums equal to the amount of the designated receipts. Section 120(6) of the Act provides that sums required for the Welsh Ministers to make payments under this Order are charged on the Fund.

	Receipts paid into fund 2020-21 £000	Receipts surrendered to the Wales Office 2020-21 £000	Receipts paid into fund 2019-20 £000	Receipts surrendered to the Wales Office 2019-20 £000
Welsh Government	60,831	28,510	47,686	47,686
Total Designated Receipts	60,831	28,510	47,686	47,686
TOTAL	60,831	28,510	47,686	47,686

Total receipts paid into the fund for 2020-21 was £60,831k. During the year, the excess funding drawn not spent for 2019-20 of £32,320,779 by the Welsh Government was repaid to the consolidated fund – see Note 13. The remaining £28,510k of receipts were surrendered to the Wales Office

Note 9

Receipts from and Payments to the UK Contingencies Fund.

The UK Contingencies Fund is used to finance payments for urgent services in anticipation of UK Parliamentary provision for those services becoming available, and to provide funds required temporarily by government departments for necessary working balances, or to meet other temporary cash deficiencies. The Wales Office as the UK Department responsible for transferring funds for Wales into the WCF made two successful applications for a short-term Contingencies Fund advance of £856,557,000 and £3,800,000,000 based on the forecast Welsh Government cash required from the WCF in July 2020 and February 2021.

These amounts reflect the excess of cash required by the Wales Office over the remaining UK Vote on Account and Main Estimate cash requirement (available cash funding limit) for payment into the WCF. Advances were required due to the significantly increased levels of cash required from the WCF by the Welsh Government to support expenditure in 2020-21 as a result of the coronavirus pandemic and the delayed timing of the Main and Supplementary Estimates by the UK Parliament to provide revised cash funding limits to the Wales Office.

Cash drawn from the UK Contingencies Fund by the Wales Office was transferred into the WCF, and drawn against forecast cash need by Welsh Government in the normal manner.

The Wales Office repaid the UK Contingencies fund £856,557,000 in August 2020. However, this repayment was erroneously paid to the WCF instead of the Contingencies Fund by the Wales Office on 3 August 2020. This was identified immediately and was repaid to Wales Office from the WCF on the same day. Repayment to the Contingencies Fund was subsequently made on 3 August 2020.

Welsh Government drew £3,200,000,000 from the WCF in respect of the second contingencies fund advance made by Wales Office, £600,000,000 was not required to be drawn by Welsh Government from the WCF, and was returned from the WCF to the Wales Office on 24 March 2021. Receipts from the Wales Office shown in the receipts and payments account on page 14 are shown net of this £600,000,000 repayment. The Wales Office repaid the £3,800,000,000 Contingencies Fund advance in full once the Supplementary Estimate revised cash requirements were made available in March 2021. There were no Contingency Fund transactions in 2019-20.

Note 10

ISSUES AUTHORISED UNDER BUDGET MOTIONS

The Annual Budget Motion is passed under Section 125 of the Government of Wales Act 2006. For the period of this account the Senedd Cymru approved: The Annual Budget Motion 2020-21 (GEN-LD13052) as amended by the Supplementary Budget Motion(s) 2020-21 (GEN-LD13203 (First Supplementary Budget), GEN-LD13624 (Second Supplementary Budget), and GEN-LD14117 (Third Supplementary Budget)).

The following amounts were paid out of the Fund under the authority of the Budget Motions.

See also Note 13, which details amounts drawn down and unspent at 31 March 2021.

	2020-21	2019-20
	£000	£000
Welsh Government	23,363,501	16,900,822
Senedd Commission	55,000	53,250
Wales Audit Office	6,838	7,810
Public Service Ombudsman for Wales	4,048	4,864
Total	23,429,387	16,966,746

Note 11

SALARIES, RELATED COSTS AND PENSIONS 2020-21

	Senedd Cymru			Wales Audit Office		Ombudsman	Total £000
	Presiding Officer £000	Deputy Presiding Officer £000	Standards Commissioner * £000	Auditor General for Wales £000	Wales Audit Office Chair £000**	Public Service Ombudsman £000	
Salaries	111	90	38	150	25	155	569
National Insurance Contributions	14	11	4	19	2	20	70
Pension Costs	22	18	0	45	0	47	132
Apprenticeship Levy	1	1	0	1	0	1	4
TOTAL²	148	120	42	215	27	223	775

*The salaries above for the Standards Commissioner include reimbursement of expenses that are direct charge on the fund.

** These payments reflect a change of appointment in 2020-21. In respect of the Wales Audit Office Chair the balance of payments for the two post occupants in year is £14,809 and £12,452.

SALARIES, RELATED COSTS AND PENSIONS 2019-20

	Senedd Cymru			Wales Audit Office		Ombudsman	Total £000
	Presiding Officer £000	Deputy Presiding Officer £000	Standards Commissioner * £000	Auditor General for Wales £000	Wales Audit Office Chair* £000	Public Service Ombudsman £000	
Salaries	111	90	28	148	30	151	558
National Insurance Contributions	14	11	3	19	3	20	70
Pension Costs	22	18	0	44	0	46	130
Apprenticeship Levy	1	0	0	1	0	1	3
TOTAL	148	119	31**	212	33	218	761

*The salaries above for the Standards Commissioner and Wales Audit Office Chair include reimbursement of expenses that are direct charge on the fund. During 2019-20 changes were made to the processing of the Wales Audit Office Chair's expenses, becoming a direct charge on the fund. Further information is available in the 2019-20 Wales Audit Office published accounts.

**These payments reflect a change of appointment in 2019-20. In respect of the Standards Commissioner the balance of payments for the two post occupants in year is £ 17,900 and £12,898.

Note 12

EXPENSES OF RETURNING OFFICERS AT SENEDD ELECTIONS

There were no payments or receipts for the 2020-21 Financial Year.

Note 13

AMOUNTS DRAWN AND UNSPENT AND EXCESS OF INCOME OVER AMOUNTS AUTHORISED

The amounts drawn down and received by bodies covered by the Fund but unspent as at 31 March 2021, and receipts in excess of income authorised repayable to the Fund, are detailed below:

Welsh Government

Welsh Government Consolidated Annual Report and Accounts 2020-21 for the year end 31 March 2021 reported the following amounts due to the Fund:

Excess of funding drawn not spent – £ 411,097,214
Receipts in excess of income authorised – £nil

The excess funding drawn not spent for 2019-20 was £32,320,779 and the receipts in excess of income was £nil. These funds were repaid to the consolidated fund in 2020-21.

Senedd Commission

The Senedd Commission Resource Account for the year end 31 March 2021 reported the following amounts due to the Fund:

Excess of funding drawn not spent – £412,000
Receipts in excess of income authorised – £nil

The excess funding drawn not spent for 2019-20 was £60,000 and the receipts in excess of income of £nil were not repaid to the Fund but deemed as drawn against 2020-21 authorised grants.

Public Services Ombudsman for Wales

The Public Services Ombudsman for Wales's annual account for the year end 31 March 2021 reported the following amount due to the Fund:

Excess of funding drawn not spent – £20,000
Receipts in excess of income authorised – £nil

For 2019-20 the excess funding drawn not spent of £48,000 and the receipts in excess of income of £nil, were not repaid to the Fund but deemed as drawn against 2020-21 authorised grants.

Note 13 cont.d

Wales Audit Office

The Wales Audit Office annual account for the year end 31 March 2021 reported the following amounts due to the Fund:

Excess of funding drawn not spent – £1,270,000.
Receipts in excess of income authorised – £nil

For 2019-20 the excess funding drawn not spent of £1,573,000 and the receipts in excess of income of £31,000, were not repaid to the Fund but deemed as drawn against 2020-21 authorised grants.

Note 14

WELSH GOVERNMENT BALANCE

The accounts for the Fund are prepared on a cash basis under Section 132(1) of the Act. If this WCF account were to be prepared on a resource basis, the balance sheet would include a debtor for the Welsh Government made up as below, reflecting transfers arising from 2020-21 activity still to be made as at 31 March 2021.

	2020-21	2019-20
	£000	£000
Funding drawn not spent	411,097	32,321
Designated Receipts	8,653	3,239
TOTAL	419,750	35,560

Note 15

AUTHORISED FOR ISSUE

The Principal Accounting Officer has authorised these financial statements to be issued on the same day as the Auditor General for Wales signs the audit certificate.

Appendix

WELSH CONSOLIDATED FUND

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTIONS 132(2) AND (3) OF THE GOVERNMENT OF WALES ACT 2006

1. The account of payments into and out of the Welsh Consolidated Fund for the financial year ended 31 March 2008 and subsequent financial years shall properly present those payments.

2. When preparing the account of the payments into and out of the Welsh Consolidated Fund for the financial year ended 31 March 2008 and subsequent financial years the Welsh Ministers shall comply with cash (receipts and payments) accounting principles and the account will contain the following:
 - A Foreword (explaining the background and scope of the account);
 - A Statement of Accounting Officer's Responsibilities;
 - A Statement on Internal Control;
 - A Receipts and Payments Account; and
 - Such notes as are required to ensure a proper understanding of the account, including an explanation of the movement on financial year-end balances.

3. This direction shall be reproduced as an appendix to the statement of account.



DAVID WATKINS
Head of the Financial Reporting Policy Team, HM Treasury

04 January 2007