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Llywodraeth Cymru  
Welsh Government

**Welsh Government**  
**Accounting Officer System Statement**  
**November 2020**

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*This Accounting Officer System Statement will be reviewed, as a minimum, on an annual basis as part of the process to produce the Welsh Government's Annual Governance Statement (AGS).*

*In the event there are significant changes within the Welsh Government's accountability arrangements, the production of this statement will be updated and published accordingly.*

## 1. Introduction

- 1.1 In 2016 the National Audit Office and Public Accounts Committee (of the House of Commons) expressed concerns over the lack of clarity over accountability arrangement for the increasingly complex delivery models being used within Government.
- 1.2 A 2017 Public Accounts Committee (PAC) report 'Accountability to Parliament for Taxpayer's Money' recommended that:  
*"The Treasury should ensure all departments prepare accountability system statements with their next annual report and accounts. Each statement should cover all of the accountability relationships and processes within that department, making clear who is accountable for what at all levels of the system from the Accounting Officer down."*
- 1.3 In October 2019, DAO 04/19 provided an update to Managing Public Money which included amending the Governance Statement section to reflect the introduction of Accounting Officer System Statements. The Welsh Government is planning an update to Managing Welsh Public Money commencing in 2020-21 and the introduction of Accounting Officer System Statement (AOSS) will be included in the revision, though work has been delayed during the COVID crisis.

### Current Status

- 1.4 Within the Welsh Government the details relating to the accountability for the funding that is distributed are currently included within the governance statement, which has formed part of the annual report and accounts since 2011. The annual report and accounts, and its governance statement, look back over a completed financial year, an AOSS should be a current statement of the system which exists at the time of publication and looking forwards. The subsequent governance statement will then be able to report on how well those systems have worked.
- 1.5 Recognising the increasing complexity and number of delivery mechanisms within the Welsh Government, this AOSS has been developed to provide a clear map of those accountability arrangements. This will sit alongside the Governance Statement and remain extant until it is necessary to be revised. This would usually occur following a change to accountability arrangements. The AOSS will be reviewed on an annual basis as part of the Annual Governance Statement Process.

## **2. Scope of my Accounting Officer System Statement**

### **Accounting Officer Responsibilities**

- 2.1 As Permanent Secretary, I was appointed by HM Treasury as the Principal Accounting Officer (PAO) for the Welsh Ministers. This System Statement sets out all of the significant accountability relationships and processes within the Welsh Government, making clear who is accountable for what at all levels of the system.
- 2.2 The Welsh Senedd has the right to pass laws (known as Acts of Senedd Cymru) in areas not reserved to the UK Parliament by the Government of Wales Act (GOWA) 2006, as amended by the Wales Act 2017. The Welsh Government has a responsibility for implementing most of the laws of the Welsh Senedd.
- 2.3 The First Minister is accountable to the Senedd in respect of the policies, actions and conduct of the Welsh Government. As Principal Accounting Officer I am accountable to the First Minister and it is from him I derive my authority. This authority includes, Principal Policy Adviser to the First Minister and his Cabinet and Head of the Welsh Government Civil Service. I am also Principal Accounting Officer with responsibility to ensure that the Welsh Government's money and resources are used effectively and properly and for ensuring the effectiveness of the governance framework, including the system of internal control. Under the terms of my appointment by Cabinet Office, my formal line management arrangement is into the Head of the UK Civil Service, who prepares my annual performance report with input from the First Minister, the Welsh Government Non-Executive Directors and an element of 360 degree feedback. I agree my priorities and focus with the First Minister.
- 2.4 As Principal Accounting Officer, I am personally responsible for safeguarding the public funds for which I have been given charge under GOWA 2006 section 133. Where I have appointed Additional Accounting Officers under section 133 (2) of GOWA 2006 as Additional Accounting Officers, their responsibilities are also set out in this System Statement.
- 2.5 I also designate the Chief Executive of the NHS as Accounting Officer of the National Health Service in Wales. The work of Local Health Boards in Wales is governed by a separate authority and the Chief Executives of each of the Local Health Boards are appointed Accountable Officers by the Chief Executive of the NHS Wales. These appointments do not detract from my overall responsibility for the Welsh Government Accounts.

- 2.6 This Statement covers the Welsh Government, its arm's length bodies and other arm's length relationships. It describes accountability for all expenditure of public money authorised by the Senedd for use by Welsh Ministers, all public money raised as income and publically owned assets for which I have responsibility, and for payments into and out of the Welsh Consolidated Fund.
- 2.7 This System Statement helps me ensure I am fulfilling my responsibilities as an Accounting Officer, in accordance with the Memorandum for the Principal Accounting Officer for the Welsh Ministers, the guidance set out in Managing Welsh Public Money and in the English equivalent document, Managing Public Money.

**Shan Morgan**

### 3. Welsh Government Accountability and Governance

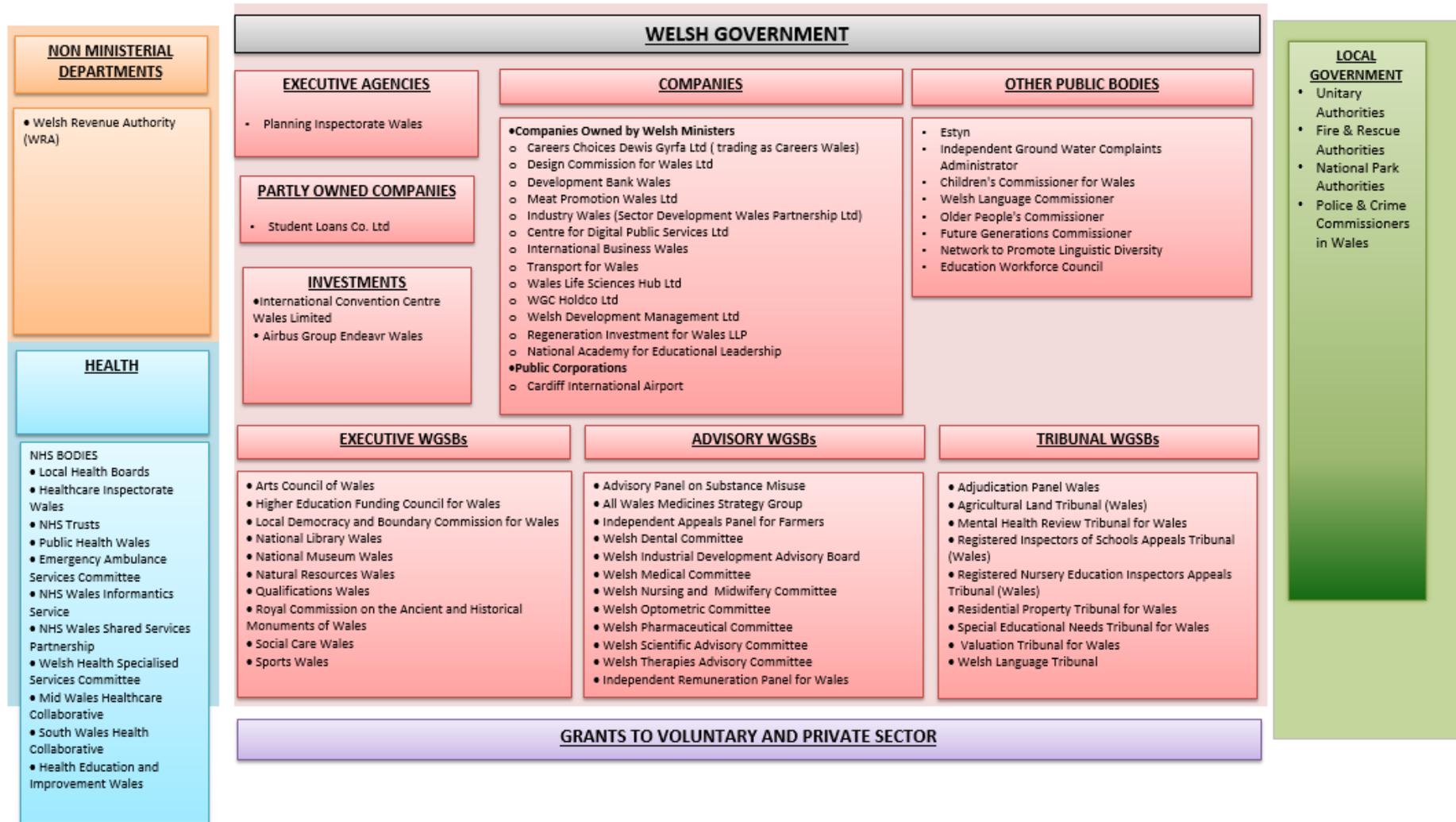


Figure 1

## **The Government of Wales Acts**

- 3.1 The Government of Wales Act 1998 provided for the establishment of the National Assembly for Wales following the affirmative devolution referendum in September 1997. The Act also provided for the transfer of almost all the powers of the Secretary of State for Wales to the new Assembly.
- 3.2 The Government of Wales Act 2006 fulfilled HM Government's commitment to move the Welsh devolution process forward. It has 2 key elements, which were implemented in May 2007:
- Formal separation between the Senedd and the Welsh Government to provide clarity of the respective remit and role of the legislature and the executive, and to improve effective scrutiny; and
  - Enhanced legislative powers for the Senedd through a new category of legislation called Assembly Measures so that legislative priorities for Wales are secured more quickly and easily than through provisions in bills passed by Senedd.
- 3.3 The 2014 Wales Act devolved powers to legislate for Welsh taxes to replace UK taxes for stamp duty and landfill. It also gave new borrowing powers to Wales and provided for further taxes to be devolved at a later date.
- 3.4 The 2017 Wales Act includes:
- A declaration that the Welsh Senedd and the Welsh Government are permanent parts of the UK's constitutional and political landscape;
  - Introduces a new model of devolution: a reserved powers model (similar to that in place in Scotland);
  - Gives the Welsh Ministers new powers in areas such as energy, planning, roads and harbours;
  - Gives the Senedd new powers over its own internal, organisational and electoral arrangements; and
  - Establishes the concept of Welsh tribunals and a President of Welsh tribunals.

## **Well-being of Future Generations (Wales) Act**

- 3.5 The Well-being of Future Generations (Wales) Act is about improving the social, economic, environmental and cultural well-being of Wales. It gives a legally-binding common purpose – the seven well-being goals – for national government, local government, local health boards and other specified public

bodies. The Welsh Government is one of the 44 public bodies subject to the Act.

- 3.6 The Act provides for better decision-making by ensuring that those public bodies take account of the long-term, help to prevent problems occurring or getting worse, take an integrated and collaborative approach, and considers and involves people of all ages.

## **Programme for Government: Taking Wales Forward**

- 3.7 Taking Wales Forward is our five year strategic plan for the Welsh Government, setting out what Ministers want to deliver over the next term (2016-21). It is a bold, strategic and ambitious programme that focuses on delivering real improvements in the every-day lives of people in Wales.
- 3.8 Prosperity for All: the national strategy - takes those commitments, places them in a long-term context, and sets out how they will be delivered by bringing together the efforts of the whole Welsh public sector.
- 3.9 Alongside the national strategy, we have also published a well-being statement explaining how we have used the Future Generations Act to support the development of the national strategy and identify a single set of government objectives and steps.

## **Funding**

- 3.10 HM Treasury controls the overall level of public expenditure in the UK each year. A portion of the total funds raised throughout the UK and earmarked for public expenditure is allocated to Wales and this portion, known as the 'block grant', is the basis of the Welsh Government's annual budget.
- 3.11 The amount of the block grant is determined as part of the UK Government's Comprehensive Spending Review, in accordance with the policies set out in HM Treasury's "Statement of Funding Policy" for the devolved administrations.
- 3.12 As a block grant, the funding allocated to Wales can be spent as the Welsh Government sees fit; it is not tied to being spent on particular functions. When the UK Government reviews its spending plans, changes in the allocation to Wales are determined by changes in planned spending on

comparable services in UK Government departments. The actual change is calculated using the population-based Barnett formula.

- 3.13 Thus, Wales receives the amount allocated in the previous year, plus or minus a population-based share of changes to comparable UK Government spending for England. The Barnett formula operates an incremental system, in that the allocation in one year is based on that in the previous year.
- 3.14 The block grant is paid initially to the Secretary of State for Wales, who retains the funding needed to run the Wales Office and transfers the balance to the Welsh Government. The monies are placed in the Welsh Consolidated Fund (essentially Wales' bank account) and the Welsh Government must then prepare its draft Budget setting out how it will use the funds. The Welsh Senedd Committees and other interested parties then scrutinise and comment on the draft Budget before it is finalised, and approved by the Welsh Senedd in the annual Budget motion. The Budget may be varied through a supplementary Budget motion approved by the Welsh Senedd.
- 3.15 The Welsh Government, the Senedd Commission, Audit Wales and the Public Services Ombudsman for Wales each receive allocations from the Welsh Budget (Figure 2). A significant proportion of the Budget is allocated to the public bodies which the Welsh Government sponsors and funds, including local authorities, the NHS in Wales and the Welsh Government sponsored bodies. This is the money used to provide public services in Wales.

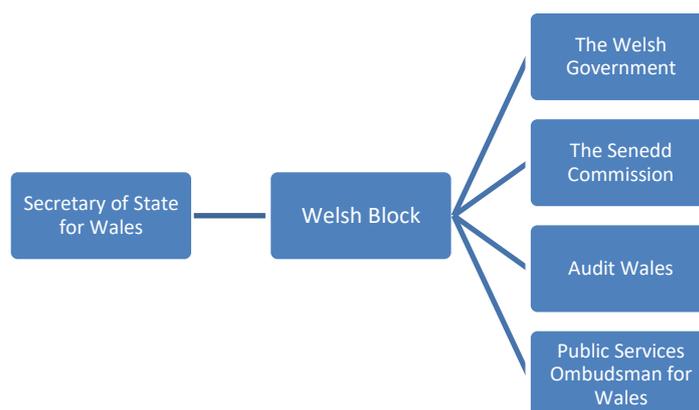


Figure 2

- 3.16 The Welsh Government is accountable to the Welsh Senedd for the way in which it applies and manages the Budget. The Welsh Ministers are required to produce accounts recording the financial affairs of the Welsh Government and payments into and out of the Welsh Consolidated Fund. The Auditor

General for Wales reports on those accounts, and has a role in checking that expenditure has been incurred lawfully, and checking that if funds were made available for a particular purpose, they were in fact used for that purpose.

## Welsh Taxes

- 3.17 The Wales Act 2014 and Wales Act 2017 devolved taxation and borrowing powers to the Welsh Government and Welsh Senedd.
- 3.18 There are two fully devolved taxes: Land Transaction Tax (LTT) and Landfill Disposals Tax (LDT). LTT and LDT were introduced on 1 April 2018, replacing the UK taxes Stamp Duty Land Tax (SDLT) and Landfill Tax (LfT) in Wales. They are fully devolved taxes, which means the Welsh Government has complete control over their design. The Welsh Revenue Authority (WRA) was established in October 2017 to collect these taxes.
- 3.19 The Welsh Rates of Income Tax (WRIT) was introduced on 6 April 2019, is partially devolved to Wales, enabling Welsh Ministers to vary the rates paid by Welsh basic, higher and additional rate taxpayers. Her Majesty's Revenue and Customs (HMRC) retains responsibility for most aspects of the tax, including the collection and administration, setting the personal allowance and income thresholds, and taxing income from savings and dividends.
- 3.20 In return for the tax revenue generated by the Welsh taxes, the UK Government has reduced the block grant funding it provides to Wales by an equivalent amount. It is essential that Welsh taxes are operated efficiently and effectively, to generate the revenue needed to fund Wales' vital public services - such as health, social services, education, and transport infrastructure.

**The Welsh Government 2nd supplementary budget for 2020-21 is:**

<b>SUPPLEMENTARY BUDGET MAIN EXPENDITURE GROUP (MEG)</b>			
<b>Components of the Welsh Government Budget</b>			
			<b>£000s</b>
<b>MAIN EXPENDITURE GROUP (MEG)</b>	<b>2020-21</b>		
<b>Resource and Capital (Excluding AME)</b>	<b>Resource</b>	<b>Capital</b>	<b>Total</b>
Health and Social Services	9,716,060	407,488	10,123,548
Housing and Local Government	4,816,063	765,590	5,581,653
Economy and Transport	2,197,331	722,575	2,919,906
Education	1,597,297	219,255	1,816,552
International Relations and the Welsh Language	216,670	48,513	265,183
Environment, Energy and Rural Affairs	438,915	120,192	559,107
Central Services and Administration	382,907	28,446	411,353
<b>Total Resource and Capital (Excluding AME)</b>	<b>19,365,243</b>	<b>2,312,059</b>	<b>21,677,302</b>
<b>MAIN EXPENDITURE GROUP</b>	<b>2020-21</b>		
<b>Annually Managed Expenditure (AME)</b>	<b>Resource</b>	<b>Capital</b>	<b>Total</b>
Health and Social Services	217,667	0	217,667
Housing and Local Government	828,255	0	828,255
Economy and Transport	29,525	0	29,525
Education	-123,801	863,631	739,830
International Relations and the Welsh Language	3,013	0	3,013
Environment, Energy and Rural Affairs	2,400	0	2,400
Central Services and Administration	2,999	0	2,999
<b>Total Annually Managed Expenditure (AME)</b>	<b>960,058</b>	<b>863,631</b>	<b>1,823,689</b>
<b>TOTAL ALLOCATIONS TO WELSH GOVERNMENT MEGs</b>	<b>20,325,301</b>	<b>3,175,690</b>	<b>23,500,991</b>

## 4. Responsibilities within the core Groups

4.1. The Welsh Government is made up of five Groups headed by the Permanent Secretary and Four Directors General who have been appointed Additional Accounting Officers.



## Welsh Government Governance Structure

4.2. Within the Welsh Government, the governance framework comprises of the processes and structures which inform, direct, manage and monitor the activities of the Welsh Government towards the achievement of its objectives.

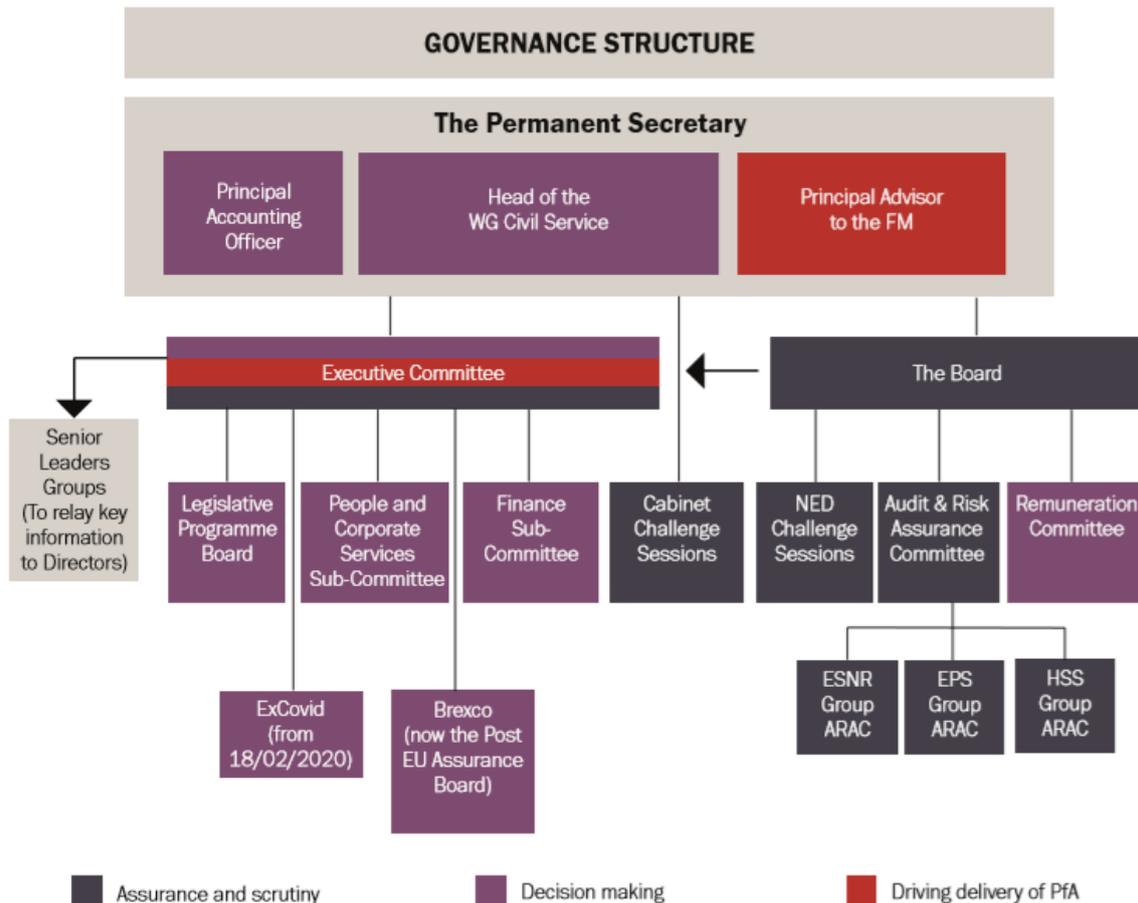


Figure 3

## Board & Committee Details

Principal Accounting Officer	The Permanent Secretary is the PAO for the Welsh Ministers by virtue of Section 129 (6) of the Government of Wales Act 2006. In addition the PAO is accountable to the Welsh Ministers for the resources of the Welsh Government and its Arm's Length Bodies (ALBs).
Additional Accounting Officers	<p>The PAO of the Welsh Government is granted powers under Section 133(2) of the Government of Wales Act to appoint Additional Accounting Officers (AOs) as she chooses. Section 133 (3) of the 2006 Act allows the PAO to specify the responsibilities of the Additional Accounting Officers she appoints. The PAO has designated all Director Generals as Additional Accounting Officers. Certain specific Directors are also designated as AOs to further clarify corporate governance and accountability arrangements, both for the use of public funds and in accounting to the Public Accounts Committee, these Director designations are reviewed to ensure their ongoing relevance.</p> <p>An AAO is also the senior sponsor for Welsh Government Sponsored Bodies.</p>
The Board	<p>The Board supports, challenges and advises the Permanent Secretary in discharging her role. Board members are appointed by the Permanent Secretary in line with Civil Service best practice.</p> <p>The role of the Board is to provide :</p> <ul style="list-style-type: none"> <li>• Assurance to the Permanent Secretary in discharging her role as Principal Accounting Officer. The Board should support her to ensure that the organisation operates to the highest standards of governance, financial management, management of risks and processing of the annual accounts;</li> <li>• Strategic advice on the delivery of the Government's priorities in line with the objectives of the Wellbeing of Future Generations Act. These include the First Minister's Manifesto Commitments; <i>Taking Wales Forward</i> and the national strategy, <i>Prosperity for All</i>; and</li> <li>• Challenge to the organisation and advice to the Permanent Secretary on organisational strategy, design and workforce planning to ensure the organisation continues to be fit for purpose, adequately resourced and promotes equality and diversity throughout the organisation.</li> </ul>
The Executive Committee (ExCo)	The Executive Committee is the strategic decision making forum of the Welsh Government at official level. It provides support to the Permanent Secretary as Principal Policy Advisor to the FM, Principal Accounting Officer and Head of the Welsh Government Civil Service and acts under her authority.
Board Sub Committees – Audit and Risk Assurance Committee	The purpose of this Committee is to provide support and advice to the Permanent Secretary in her capacity as Accounting Officer on risk management, control and governance and on the Governance Statement. This sub-committee is chaired by a Non-Executive Director and attended by the Permanent Secretary.
Board Sub-Committee – Remuneration Committee	This sub-committee is responsible for oversight of the organisation's pay strategy for the Senior Civil Service (SCS), SCS recruitment processes, and for overseeing the process of assessment and moderation for SCS

	members. The sub-committee is chaired by a Non-Executive Director and attended by the Permanent Secretary.
People & Corporate Services Sub-Committee	This sub-committee supports ExCo with the internal running of the organisation on an operational level with workforce management, staffing matters, IT security and data management.
Finance Sub Committee	This sub-committee supports ExCo with the internal running of the organisation on an operational level with respect to the management of finances and resources, allowing ExCo to maintain a strategic cross-organisational focus. This Committee is also responsible for reviewing any risks that are to be escalated to the corporate risk register and review the corporate risks on the register.
<u>ExCo: Covid-19 (ExCoVid)</u>	Time has been put aside for ExCo to meet regularly for the sole purpose of focusing on Covid-19. This is a temporary arrangement which will remain in place for as long as required.
<u>Post EU Assurance Board</u>	Time has been put aside for ExCo to meet regularly for the sole purpose of focusing on European Union (EU) exit preparedness issues. This is a temporary arrangement which will remain in place for as long as required.
Prosperity for All – Directors Group	This sub-committee supports ExCo by monitoring the progress of the delivery of the priorities identified in “Prosperity for All”.
Legislative Programme Board	This Programme Board co-ordinates and oversees at official level the delivery of the Government’s programme of legislation.
Non-Executive Challenge Sessions	To support the Permanent Secretary this forum allows the Non-Executive Directors to provide assurance on the delivery of key areas of work chosen by the Director Generals which focus on the First Minister’s priorities.

## Social Partnerships

- 4.3. The Welsh Government has well established social partnership structures, to support our effective working with public and private sector employers and trade unions. These structures have a long history of allowing us to work collaboratively in our shared interests.

## Assurance

- 4.4. The Welsh Government’s assurance framework, shown in figure 4 has been developed to give sufficient, consistent, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved, cost effective, public services.

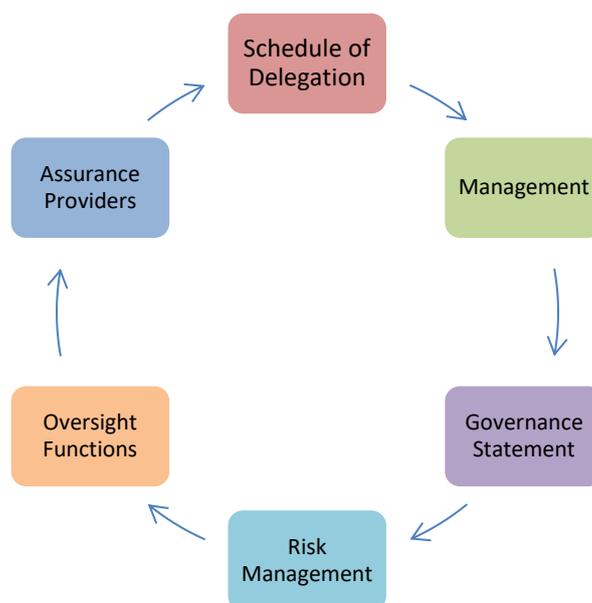


Figure 4

Common Control Framework	<p>The Welsh Government’s “Schedule of Delegation” is an integral part of the organisations internal control system and provides a mechanism to support:</p> <ul style="list-style-type: none"> <li>• Swift, agile and flexible responses to changes in need and priority;</li> <li>• Simple and clear procedures;</li> <li>• Clarity of responsibilities for decision-making, and ensuring those responsibilities are at the right level within the organisation; and</li> <li>• Providing appropriate delegations and clear accountabilities.</li> </ul>
Management	<p>Management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.</p>
Governance Statement	<p>The governance statement is a key feature of the Welsh Government’s annual report and accounts. It covers the accounting period, providing an understanding of the organisation’s internal control structure and its management of resources. The statement is informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the Welsh Government’s risk profile and its responses to identified and emerging risks.</p>
Risk Management	<p>The risk management process is designed to identify and prioritise the risks to the achievement of the Welsh Government’s policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and then to manage them efficiently, effectively and economically. The Welsh Government adheres to the Main Principles for risk management in government set out in H M Treasury’s <i>The Orange Book; Management of Risk – Principles and Concepts (2019)</i>.</p>
Oversight Functions	<p>This is represents the Welsh Government’s compliance and risk functions, which provide a review function.</p>
Assurance Providers	<p>Within Welsh Government this includes a variety of independent assurance providers including:</p> <ul style="list-style-type: none"> <li>• Internal Audit;</li> <li>• External Audit; and</li> <li>• Gateways Reviews.</li> </ul>

## Three Lines of Defence

- 4.5. The Welsh Government’s assurance framework is built upon the three lines of defence model to ensure that the different sources of assurance are clearly identified and understood; whilst avoiding gaps in assurance or duplication.
- 4.6. The table below shows an example of where assurances are obtained within the Welsh Government, aligning them to the model. This is not an exhaustive list of the assurances available in the organisation.

“First Line” of Defence	“Second line” of Defence	“Third line” of defence
<p><b>Management Controls</b></p>	<p><b>Management oversight</b>  <b>“The people that don’t mark their own homework.”</b></p>	<p><b>Independent and Objective Reviews</b></p>
<ul style="list-style-type: none"> <li>• Schedule of Delegation</li> <li>• Internal Control Questionnaire</li> <li>• Directors General Assurance Statements</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Compliance Functions such as:                             <ul style="list-style-type: none"> <li>○ Health and Safety</li> <li>○ Fraud Risk Assessments</li> <li>○ Integrated Assurance Hub - PPM</li> <li>○ Equality &amp; Diversity Monitoring</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit Opinion</li> <li>• External Audit (Wales Audit Office)</li> <li>• HMRC reviews</li> <li>• PPM Gateway Reviews</li> <li>• ISO18001 Accreditation</li> </ul>

## **5. Relationships with Welsh Public Bodies**

- 5.1 As PAO of the Welsh Government, I have to satisfy myself that each public body funded by Welsh Government has systems adequate to meet the standards outlined in Managing Welsh Public Money.
- 5.2 The Welsh Government delivers its aims and objectives, in part, through a number of Public Bodies, including Welsh Government Sponsored Bodies (WGSBs), subsidiary companies and other government-funded public bodies. Accounting Officers are appointed for each body with executive functions, and are responsible for an organisation's management of public finances and delivery of its objectives. Accounting Officers are required to sign a governance statement which is published in their body's annual accounts. The relationship with the Welsh Government is defined in written documentation for each body. The Public Bodies Unit has been established to improve engagement with, and the governance of, the Public Bodies for which the Welsh Government is responsible. The Public Bodies Unit is responsible for the delivery of an action plan which is designed to support that improved engagement, and more effective governance arrangements between the Welsh Government and Public Bodies in Wales, and has, inter alia, put in place templates for consistent Arms-Length Body Framework Documentation, Term of Government Remits, and a Risk Assurance model which will inform the five-year cycle of Tailored Reviews.

## **6. NHS Wales**

- 6.1 The NHS receives the majority of its funding from the Welsh Government to cover the day-to-day running costs of health services in Wales during each financial year. The NHS delivers services through seven Health Boards and three NHS Trusts in Wales.
- 6.2 This takes the following forms:
- Revenue allocations to local health boards to secure hospital, community and primary care services for their resident populations including GP's, General Dental Practitioners and Pharmacists;
  - Capital allocations to local health boards and NHS Trusts for operational and strategic capital developments; and
  - Targeted funding for health improvement and other Welsh Government initiatives.

- 6.3 The Welsh Government's Director General for Health and Social Services is also Chief Executive of NHS Wales. As Chief Executive, NHS Wales, he is accountable to the Minister for Health and Social Services, and is responsible for providing him with policy advice and exercising strategic leadership and management of the NHS.
- 6.4 Each NHS organisation in Wales has a Chief Executive who is appointed Accountable Officer, through an Accountable Officer Memorandum issued by the Chief Executive, NHS Wales. This Memorandum outlines the responsibility of the Accountable Officer in each NHS organisation for financial management/performance.
- 6.5 The Memorandum clearly states that the Accountable Officer is directly accountable, for all financial performance issues (and all other performance issues) delegated to the organisation, and to the Chief Executive, NHS Wales as Additional Accounting Officer for Health and Social Services.

## **7. Local Government**

- 7.1 Grant funding is provided to Unitary Authorities, Fire and Rescue Authorities, National Park Authorities and Police and Crime Commissioners in Wales. The largest single component of grant funding is the Revenue Support Grant (RSG) paid to Unitary Authorities, which may be used for any purposes in delivering the services for which those Authorities are responsible.
- 7.2 The amount of RSG to be paid to an individual council is determined by its Standard Spending Assessment (SSA), taking account of the amount of Non-Domestic Rates (NDR) it will receive and also assuming the amount of council tax it is able to raise. The SSA is intended to reflect the variations in the need which might be expected if all authorities responded in a similar way to the demand for services in their area.
- 7.4 Funding is also provided to authorities through grants which can be used only for the specific purposes for which they are provided. Additionally, Unitary Authorities receive some specific grants from UK Government Departments for non-devolved functions, from locally-set council tax, fees, charges and other sources of income. Unitary Authorities also receive Welsh Government grants for capital spending and support for borrowing. This is complemented by the authorities' own borrowing capacity, grants from other bodies and capital receipts.

- 7.5 Similar arrangements apply to the revenue provision for Police and Crime Commissioners, who are funded through a mix of RSG and non-domestic rates income from the Welsh Government, Police Grant from the Home Office, specific grants and from council tax. Other authorities are funded through arrangements such as specific grants, levies and precepts.
- 7.6 Each authority is accountable for how it uses the available funding in delivering the functions for which it is responsible. Unitary Authorities, police bodies and Fire and Rescue Authorities must have an appointed officer under section 151 of the Local Government Act 1972 who has statutory duties to ensure there is proper administration of financial affairs. Authorities are held to account through their scrutiny functions and through direct accountability to their local electorate. Their financial affairs are governed by a statutory accounting and audit framework and their accounts are subject to full annual external audits. They are currently also subject to annual improvement audits conducted by the Auditor General for Wales, covering value for money as well as governance and capacity matters.
- 7.7 In respect of funding provided for specific purposes, individual grant terms and conditions are the responsibility of the relevant policy departments. It is a requirement of these terms and conditions to have due regard to the Grants Centre of Excellence Minimum Standards for Grant Funding. Adherence to these standards should ensure compliance with the Welsh Government's governance and financial arrangements, relevant law, policy and good practice. With regard to funding provided by the UK Government in respect of non-devolved functions, the arrangements for accountability will be agreed between the Local Authorities and the relevant UK Government Department.

## **8. Third Party Delivery Partnerships**

- 8.1 The Welsh Government has developed partnerships with 3<sup>rd</sup> parties to deliver its policy objectives, however none are so significant that the Welsh Government is dependent on them to deliver core parts of its business and they are generally managed through with grant funding or commercial arrangements.

## **9. Grants to Private and Voluntary Sector Bodies**

- 9.1 Grants and funding form one of the Welsh Government's most important mechanisms for delivering Ministerial priorities and making a difference to the

lives of people in Wales. The management of grants and other non-procured funding is a core activity undertaken in almost every Department within the Welsh Government.

9.2 Within the Welsh Government there is a Grants Centre of Excellence who are there to provide support with all aspects of the end to end grant process. This includes:

- Comprehensive suite of guidance/templates;
- Standard award letter template;
- Grant Minimum Standards;
- Central Mailbox for queries; and
- Face to face support.

9.3 In order to provide practical advice and challenge to Grant Managers when developing a new grant scheme, the Welsh Government has established a Grants Assurance Panel. This panel consists of key officials from the Grants Centre of Excellence, state aid, legal services, internal audit, Tax Expert Services, Cabinet office and relevant policy team. Grant Managers are able to present their grant scheme proposals and receive advice and practical recommendations from a number of sources, to help improve the proposed grant scheme and ensure that the grant scheme is consistent with wider Welsh Government policy.

9.4 In 2019-20 the Welsh Government provided grant funding totalling £16.4bn. The grant funding provided can be divided into two distinct categories. Un-hypothecated grants are those payments provided to local health bodies and local government and account for £12.0bn of the £16.4bn total. Hypothecated grants represent payments where there are clear deliverables and criteria surrounding the purpose of the grants and account for the remaining £4.4bn of funding.

## **10. Major Contracts and Outsourced Services**

10.1 The Welsh Government utilises contract and framework agreements to secure value for money by applying a proportionate, risk-based approach to contract management. The use of frameworks enables Welsh Government officials to buy goods and/or services from suppliers with pre-agreed contract terms, prices and levels of service, defined to meet the organisation's needs. These provide a simple way to purchase the best value and most appropriate

products and services, without having to conduct a full EU procurement process.

- 10.2 The Welsh Government's Corporate Procurement Services are responsible for developing the Welsh Government's procurement strategy, policies and procedures. It offers advice and guidance on behalf of the Accounting Officer, to ensure that all Welsh Government procurement is carried out in accordance with its responsibilities for regularity, propriety and value for money.
- 10.3 The National Procurement Service (NPS) is hosted by Welsh Government on behalf of the wider public sector in Wales and is responsible for awarding contracts and frameworks through a series of categories of 'common & repetitive' spend areas. The Welsh Government, as a buying organisation, is an NPS customer and has committed to utilise these agreements when they become available. It is the responsibility of Corporate Procurement Services (CPS) to establish contract management arrangements and the working relationship between Welsh Government and NPS.

## **11. Investments, joint ventures and other assets**

- 11.1 The Welsh Government has five wholly owned subsidiaries whose accounts are consolidated into the Welsh Government Accounts. These are:
- Development Bank of Wales PLC
  - Regeneration Investment Fund for Wales LLP
  - WGC Holdco Limited
  - Careers Choices Dewis Gyrfa Limited
  - Transport for Wales

### **Other minor subsidiaries and interests**

- 11.2 The following Welsh Government Joint Ventures are included in the consolidated accounts:
- International Convention Centre Wales Limited – The Welsh Government owns 50% of the issued share capital of the International Convention Centre Wales Limited, with the other 50% being held by The Celtic Manor Resort Limited.
  - Airbus Group Endeavr Wales (formerly EADS Foundation Wales) – a joint interest in a company limited by guarantee. Joint ownership is held with Airbus Defence and Space Ltd (formerly Cassidian Holdings Limited) and Cardiff University.

The following Welsh Government interests are not included in the consolidated accounts:

Welsh Government – Non Ministerial Departments – subject to a designation order but immaterial for consolidation:

- Welsh Revenue Authority

### **Welsh Government Subsidiaries**

These bodies are subject to a designation order but immaterial for consolidation:

- Design Commission for Wales Limited (Design Commission for Wales/Comisiwn Dylunio Cymru)
- Meat Promotion Wales Limited/Hybu Cig Cymru Cyf
- Sector Development Wales Partnership Limited
- Life Sciences Hub Wales Limited
- Centre for Digital Public Services Limited (formerly Innovation Point Limited)
- National Academy for Education Leadership
- International Business Wales Limited

Welsh Government Subsidiaries – not subject to a designation order and immaterial for consolidation:

- Welsh Development Management Limited

### **Student Loans Company Limited**

The Welsh Government holds one share with a nominal value of £1. Joint ownership is held with the Department for Education, Scottish Government and Northern Ireland Government. The share gives the Welsh Government 5% holding in the company.