

Shan Morgan
Ysgrifennydd Parhaol
Yr Ysgrifennydd Parhaol



Llywodraeth Cymru
Welsh Government

Nick Ramsay AC
Cadeirydd y Pwyllgor Cyfrifon Cyhoeddus
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
CF99 1NA

16 Hydref 2017

Aauwyl Mr Ramsay,

Diolch i chi am y cyfle i ymddangos gerbron y Pwyllgor yn gynharach y mis hwn i graffu ar Gyfrifon Blyneddol Llywodraeth Cymru. Roedd llofnodi Cyfrifon Blyneddol 2016-17 yn yr haf yn garreg filltir o bwys imi fel Ysgrifennydd Parhaol a Phrif Swyddog Cyfrifyddu Llywodraeth Cymru. Rwyf yn gobeithio bod y sesiwn graffu wedi bod o fudd i'r Pwyllgor.

Yn dilyn y sesiwn mae'r Pwyllgor wedi gofyn am dair eitem:

1. Amgaeir copi o'r llythyr trosglwyddo a roddwyd imi gan fy rhagflaenydd, Syr Derek Jones.
2. Gofynnodd y Pwyllgor am ffigurau ar newidiadau i enillion unigol dros £100,000 yn y cyfnod adrodd. Gweler tabl yn Atodiad 1 sy'n nodi'r manylion. Ar ddiwedd y cyfnod adrodd roedd dau neu ragor o aelodau o staff yn ennill dros £100,000; yn y ddau achos mae'r rhain yn ymwneud â dyrchafiad neu symud i swyddi gwag sy'n gofyn am lefel uwch o gyfrifoldeb.



Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel : 0300 025 8289
PS.PermanentSecretary@gov.wales
Gwefan • website: www.gov.wales

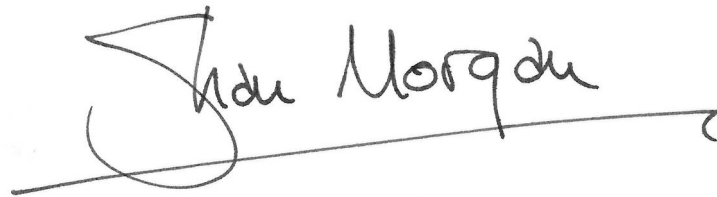
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

3. Ac yn olaf, gweler dolen i Ddatganiad Llywodraeth Cymru ar Bolisiau Tâl:
<http://gov.wales/about/civilservice/how-we-work/facts-figures/ourfinance/PayPolicyStatement/?skip=1&lang=cy>

Gobeithio y bydd yr adnoddau hyn o gymorth i'r Pwyllgor. Mae croeso ichi gysylltu â mi os oes gennych unrhyw gwestiynau am y deunydd amgaeedig.

yu qywir,

A handwritten signature in black ink that reads "Shan Morgan". The signature is written in a cursive style and is positioned above a horizontal line that extends across the width of the signature.

Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government

Handover Note from Sir Derek Jones to Shan Morgan on Principal Accounting Officer Issues

We have discussed informally the immediate challenges which you will face as Principal Accounting Officer for the Welsh Government, but I also thought that it might be helpful if I were to set down for you the live issues, as they seem to me, which you are taking over; and the general context of PAO business within which you will do so.

This does not, of course, include a definitive list of all the challenges which you will face in the role – you will be fully briefed on those in due course – but reflects my own view on the more immediate issues to which I suggest you will need to give your attention.

Context

The organisation is well-placed in terms of governance, audit and accountability processes; the teams involved in operating them; and their leadership. (Internal Audit recently received a very positive report from an external peer-professional benchmarking exercise.) The procedures for financial control and risk management are also generally very sound, as are the processes for supporting the Audit and Risk Committees; and indeed the Committees themselves – see below.

You also have available to you a strong cohort of Additional Accounting Officers. The PAO role is unique - the overall accountability that goes with it is essential to your authority, even if that makes it a lonely place at times! But in practice you can also rely on your AAOs for carrying out a range of business on your behalf, including where appropriate at the PAC.

Establishing constructive relationships

I cannot stress too highly how much it has helped me in the role to have established positive and professional relationships with both the Public Accounts Committee and with the Auditor General for Wales. I have always given high priority to my appearances in front of the Committee and sought to take a positive and open approach to the encounters. I have also benefited enormously from a constructive and candid “no surprises” regular dialogue with the AGW. I know that you are determined to establish the same relationships.

Another key relationship of course will be between yourself and the Chair of your Audit and Risk Committee, where I have been extremely well supported by the current Chair, who has always been a wise source of counsel and advice. When the time comes to appoint a new Chair you will want to consider how you fill this important role very carefully.

Arms-Length Bodies

You will have seen that shortly before your arrival the Wales Audit Office published a very helpful discussion paper on governance of Arms-Length Bodies. We had a constructive and illuminating seminar with the senior teams of the Welsh Government and the Wales Audit Office which fed into the final version of the paper. So there are important strategic issues about our relationship with our Arms-Length Bodies which you will want to consider moving forward. Related to this issue, and arising from recent experience with some of them, I think that there is more which can be done to ensure that our sponsorship and oversight role is being discharged as effectively as it can. Work to take this forward is in the early stages and you will want to satisfy yourself that it is rigorous and that improvements are being implemented.

Grants Management

You will soon have the latest annual grants management report to the Public Accounts Committee to sign off and the Committee will no doubt invite you to give evidence on the report. This is an annual occurrence and the Committee can ask you some quite wide-ranging questions. We have been focussed on improving our procedures for managing grants for some years, following a series of WAO reports which highlighted some shortcomings. With the assistance of the WAO we have been making steady progress but there are still areas where we can improve – and of course, given the sheer volume and variety of the grants that we make, there will always be a small number of cases where things go wrong.

The challenge here is accepting that those cases which do go wrong need to be considered carefully and lessons learned where appropriate, but without over-reacting to the publicity and criticism – keeping the right balance of risk appetite. A lot more goes right than goes wrong.

Tackling Fraud

Related to grants management, there has been some interest recently from the PAC about our counter-fraud measures and you will wish to consider how we should move forward on this front. The arrangements which we have for combatting fraud and for taking action where we have concerns about specific cases are sound and have improved steadily over the last few years but I am sure that there will be further improvements which we can make moving forward. Not least, because there have been a small number of high profile cases which I anticipate the Committee will keep in mind.

Legacy Issues

There have been a few high-profile cases which have arisen in the last few years where the PAC has been quite critical of the way in which we have handled them. Although the specific issues arising from each case individually have largely been dealt with, I think that the PAC will expect you to familiarise yourself, broadly, with the main issues for each one and the

lessons which came out of them, to help us avoid having similar issues in the future. The cases which I have particularly in mind are AWEMA, RIFW, Life Sciences, Senior Public Sector Pay and the furniture contract.

Brexit and Austerity

These are – of course – very major policy issues with which Welsh Government Ministers are wrestling. But they also bring their own challenges for the Accounting Officer going forward. The Audit and Risk Committee quite rightly took a strong interest in how I was approaching these issues as Permanent Secretary and Accounting Officer and I am sure that they will continue to do so with you. The medium and long-term prospects for replacing European funding (including funding which currently pays for permanent staff) remain very uncertain.

Audit and Risk Committees

When I restructured my senior management team in 2015 I also took the opportunity to set up a new system of Audit and Risk Committees to support the new Additional Accounting Officer arrangements. These new arrangements will soon have been in place for two years and you might feel that that would be a good time to take stock, to review their effectiveness, and to see what improvements you might want to make. I told my last meeting of the ARC Committee that in my view the Committees in future should concentrate upon management focus on Value for Money and simplification of processes to ensure capability and resourcing within the organisation are managed effectively, particularly in view of significant current and future pressure on resources. I would expect these strains to increase with the ongoing impact of the European Transition process.

Tax

Finally, as well as the challenge of spending money wisely, there is the new challenge of raising revenues efficiently and effectively. Our plans for the management of devolved taxes are well advanced (and recently positively reviewed by the WAO). But I am sure that the PAC and WAO will want to keep a close watching brief on this process up to and beyond the first switchover of taxes in 2018.

Sir Derek Jones

March 2017

Atodiad 1**Newidiadau i gyflogeion Llywodraeth Cymru sy'n ennill dros £100,000 yn ystod 01 Ebrill 2016 – 31 Mawrth 2017**

Grwp Llywodraeth Cymru	Teitl y Swydd	Ystod Cyflog £,000 01-Ebrill-2016	Ystod Cyflog £,000 31-Mawrth- 2017	Rheswm dros newid cyflog
Iechyd a Gwasanaethau Cymdeithasol	Prif Swyddog Meddygol	0	190-195	Ymunwr
Swyddfa'r Prif Weinidog a Swyddfa'r Cabinet	Yr Ysgrifennydd Parhaol	0	160-165	Ymunwr
Iechyd a Gwasanaethau Cymdeithasol	Prif Swyddog Deintyddol	0	125-130	Ymunwr
Yr Economi, Sgiliau a Chyfoeth Naturiol	Dirprwy Ysgrifennydd Parhaol	135-140	135-140 (*)	Cynnydd
Addysg a Gwasanaethau Cyhoeddus	Dirprwy Ysgrifennydd Parhaol	135-140	135-140 (*)	Cynnydd
Addysg a Gwasanaethau Cyhoeddus	Prif Arolygydd	95-100	120-125	Cynnydd

Atodiad 1

Newidiadau i gyflogeion Llywodraeth Cymru sy'n ennill dros £100,000 yn ystod 01 Ebrill 2016 – 31 Mawrth 2017

Yr Economi, Sgiliau a Chyfoeth Naturiol	Cyfarwyddwr Trafnidiaeth a Seilwaith TGCh	95-100	100-105	Dyrchafiad
Y Prif Weinidog a Swyddfa'r Cabinet	Yr Ysgrifennydd Parhaol	165-170		Ymadael
Iechyd a Gwasanaethau Cymdeithasol	Prif Swyddog Meddygol	185-190		Ymadael
Iechyd a Gwasanaethau Cymdeithasol	Cyfarwyddwr Cyllid	130-135		Ymadael
Addysg a Gwasanaethau Cyhoeddus	Prif Arolygydd	125-130		Ymadael
Iechyd a Gwasanaethau Cymdeithasol	Uwch-swyddog Meddygol dros Ofal Sylfaenol	105-110		Ymadael

(* Cynnydd gwirioneddol yn y cyflog o fewn y bandio gwreiddiol o £5k.