

**Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group**

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

Mr Adrian Crompton
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

11 January 2019

Dear Adrian

Response to the Report of the Wales Audit Office on Welsh Government Financial Support for Business

I welcome publication of the report and I am pleased to set out the Welsh Government's response to the four recommendations at Annex A.

With best wishes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', written over a faint, illegible printed name.

**Andrew Slade
Director General Economy, Skills and Natural Resources**

Parc Cathays/Cathays Park
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Recommendation 1

We recommend that the Sectors and Business Team confirm and implement an approach to its risk management and risk appetite to inform overall programme management and individual project selection.

Response: Accepted

Following discussions with Welsh Government Internal Audit Service, a draft risk appetite options paper has been prepared for consideration by senior management.

A workshop, facilitated by Internal Audit Service, to consider the options and finalise is to be arranged by February 2019 with this recommendation to be completed by May 2019. An update on new arrangements will be sent to AGW following the completion of this work.

Recommendation 2

We recommend that the Sectors and Business Team produces regular and timely comprehensive management information, reconciled to all systems, to support the delivery of its programme of financial support to business. This management information should include:

- *Projects with approval information*
- *Original budgeted allocation*
- *Expenditure to date*
- *Current year forecast expenditure*
- *Current year expenditure*
- *Outcome information*

Response: Accepted

Following the launch of the Economic Action Plan, the delivery of financial support for business is being reorganised to facilitate a regionally-led approach.

Accordingly, management information processes will be addressed to facilitate the regional approach. From within the departmental reorganisation, it is intended that management information will be produced on a monthly basis, covering the recommended elements reconciled to all systems.

Recommendation 3

We recommend that the Sectors and Business Team develop future budgets to provide greater clarity on anticipated expenditure, including both known commitments and estimates of the additional funding available to support new projects.

Response: Accepted

In an environment in which Welsh Government budgets are under significant pressure, it is difficult and problematic to budget for specific projects where there is no guarantee that they will actually occur. However, Welsh Government will endeavour wherever possible to develop future budgets that include known commitments and estimates of additional funding requirements.

Recommendation 4

We recommend that the Sectors and Business Team produce comprehensive and timely performance reports that facilitate internal and external monitoring and scrutiny at both project and programme level.

Response: Accepted

Following the publication of the Economic Action Plan, a review of performance monitoring and reporting is being undertaken. This will enhance the current performance systems and Welsh Government aims to have delivered a more comprehensive reporting capability by the start of the financial year 2020-21.