

Jane Hutt AC / AM
Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref LF/JH/0395/12
Darren Miller AM,
Chair Public Accounts Committee,
National Assembly for Wales
Cardiff Bay,
Cardiff,
CF99 1NA

31 October 2012

Dear Darren,

Thank you for your letter of 24 October in which you seek additional information following my attendance at Public Accounts Committee on the 22 October 2012.

I have attached at Annex 1 a comparison of the oversight and governance arrangements for the Police Authorities and Chief Constables in Wales and the proposals under the Bill for the WAO and AGW. I have also attached at Annex 2 some examples of other supervisory and executive board models operating in relation to key public functions in Wales.

With regards to the provisions in the Bill to allow the AGW's continued ability to put in place robust quality assurance arrangements that he or she considers necessary to remain compliant with International Auditing Standards, I can confirm that the interaction of clauses 8, 18, 20 and 25 provides for such compliance.

Clause 8 of the Bill makes provision for how the AGW's functions are exercised. Within the clause provision is given to the AGW to have complete discretion as to the manner in which the functions of the office are exercised. However where the AGW exercises functions, or where functions are exercised on his or her behalf, the AGW is required to have regard, as he or she considers appropriate, to the standards and principles that an expert professional provider of accounting or auditing services would be expected to follow.

Clause 18 provides for the AGW to delegate his or her functions. The AGW may ensure that the persons exercising functions on his or her behalf meet the relevant standards and principles in clause 8 because clause 18 provides that the function may only be delegated if that person is authorised to exercise the functions of the AGW under a scheme prepared by the AGW and approved by the WAO.

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Clause 20 places a duty on the AGW and the WAO to jointly prepare an estimate of the income and expenses of the WAO for the coming year. That estimate is to take account of the estimated resources required from the WAO by the AGW in the delivery of his or her functions.

Clause 25 makes provision for the development of an annual plan which is to take account of both the availability of resources and the requirements for the use of those resources throughout the year in delivery of the WAO's and AGW's work programmes.

In developing the cost estimates and the annual plan, the AGW and WAO should take account of the skills and expertise that will be required of staff throughout the year to deliver the functions of the office. In so doing, the AGW and the WAO should, in order to comply with the duty under clause 8, identify any gaps in skills of existing resources and take account of that in their annual planning, whether by way of time and costs for staff training or the costs of buying in relevant resources.

All of the above provisions allow the AGW to plan work and resources annually to ensure that work carried out by the AGW or persons acting on his or her behalf remain compliant with the International Auditing Standards.

With respect to the matter of transfer of staff, the Welsh Government's view is that the transfer falls within one of the exceptions to the TUPE Regulations. However it has always been the policy intention that principles of TUPE will be applied and that staff will be treated no less favourably as a result of the transfer. I consider that Schedule 3 of the Bill ensures that. It provides for continuity of employment in that staff transferring will be treated as if they had always been employed by the new WAO. Those employees will continue to be employed on their current terms and conditions and will not be adversely affected by the transfer.

On the issue of whether there will be any additional tax liabilities, my officials are obtaining specialist legal advice and I will let you know as soon as we have clarified the position.

I can confirm that there is nothing in the Bill that will prevent or inhibit the AGW from participating in the National Fraud Initiative. Clause 18 will enable the AGW to delegate any of his or her functions. The effect of a delegation will be that staff or contractors will be able to exercise the same functions as the AGW, including those in Part 3A of the Public Audit (Wales) Act 2004.

Yours sincerely



Jane Hutt AC / AM

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Minister for Finance and Leader of the House

COMPARISON OF OVERSIGHT & GOVERNANCE FUNCTIONS OF THE POLICE AUTHORITIES AND CHIEF CONSTABLES WITH THE PROPOSALS FOR THE AGW AND WAO IN THE PUBLIC AUDIT (WALES) BILL

	Police Authorities	Chief Constables	WAO	AGW
Constitution and remit of Organisation	<p>Police Authorities are bodies corporate charged with securing efficient and effective policing within the given Authority's area. Most Police Authorities have 17 members, 9 elected from the local authority force area and 8 independent members appointed from the community by the Policy Authority itself. At least 3 of the independent members must be magistrates. Police Authorities set the strategic direction for police forces and exercise oversight of service performance.</p>	<p>Chief constables are the chief police officer of every territorial police force in the United Kingdom except for the City of London Police and the Metropolitan Police and some special forces. Chief Constables are responsible for delivering police services within a given area and are responsible to their local Police Authority. Chief Constables have a deputy Chief Constable and an assistant Chief Constable. The size of each force will vary depending upon location.</p>	<p>The WAO will be a body corporate. The WAO is to have 7 members, 5 persons who are not employees of the WAO (non-executives), the Auditor General and one employee of the WAO. Appointment of the chair will be made by the National Assembly from within the non-executive members. The WAO may employ staff. The WAO must provide resource for the exercise of the AGW's functions as required by the AGW.</p>	<p>The Office of the Auditor General for Wales will continue but the AGW will be the chief executive of the WAO and will act as the accounting officer for the WAO. The AGW will sit on the WAO board as an executive member and must have regard to any advice that the WAO provide to them in respect of their functions.</p>

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	Police Authorities	Chief Constables	WAO	AGW
Strategy and Plan setting	<p>Police Authorities are responsible for setting a 3 year plan, which sets out the policing strategies for the coming 3 years. The plan is developed in consultation with the Chief Constables of the authority's forces and is agreed by the Secretary of State. Any modifications that the Police Authority wishes to make to the 3 year plan must be agreed by the secretary of state and must be discussed with the Chief Constable. The Police Authorities also issue an annual Local Policing Plan that includes the policing priorities, objectives, resources and performance targets of</p>	<p>The Chief Constable contributes to the development of the 3 year Strategic Plan by proposing the priorities for policing to the Police Authority. Each Chief Constable is responsible for drafting a Local Policing Plan for their area which is then submitted to the Police Authority for consideration. The Police Authority has the right to change the proposed plan but must consult with the Chief Constable if they intend to do so. In preparing the plan the Chief Constable must have regard to any guidance that the Secretary of State has published in respect of the discharge of their functions.</p>	<p>The AGW and the WAO must agree upon an annual plan which sets out their work programmes, the resources available and that may become available throughout the year and the allocation of those resources to the WAO and the AGW in order to delivery their work programmes. The WAO in receipt of the annual statement (see AGW's planning responsibilities) from the AGW can agree it or reject it, in part or in full, and ask the AGW to submit a new or amended statement. The WAO can only reject the statement if it or any part of it is unreasonable.</p>	<p>The AGW must prepare a statement for the WAO that outlines their work priorities for the coming year in exercising their functions and outlines the maximum amount of resources he/she will require to deliver his/her work programme.</p>

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	Police Authorities	Chief Constables	WAO	AGW
	<p>the Authority for the coming year. The Police Authority in developing the 3 year and annual policing strategies and plans, must have regard for any guidance and codes of practice that the Secretary of State issues in respect of the discharge by police authorities of their functions.</p>		<p>The statement is then used to form part of the Annual Plan. The agreed annual plan must be laid by the chair of the WAO and the AGW before the National Assembly.</p>	
Objectives & Target setting	<p>In consultation with Chief Constables, the Police Authority set annual policing priorities and performance targets for each police force within an authority's area. These are set out in the Local Annual Plan. In developing Priorities, Objectives and performance targets</p>	<p>The Chief Constable has to have regard for the Local Policing Plan in delivering police services. The Chief Constable has discretion as to the manner in which the functions of the force are exercised.</p>	<p>The work programmes for both the WAO and the AGW, as outlined in the Annual Plan, sets the work priorities for the coming year. The WAO and AGW are not bound by the annual plan but must have regard for it in exercising their functions.</p>	<p>The AGW will have complete discretion as to the manner in which the functions of his office are exercised but must aim to carry out the functions efficiently and cost-effectively.</p>

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	Police Authorities	Chief Constables	WAO	AGW
	consideration must be given to any objectives outlined by the Secretary of State in the National Policing Plan, published annually.			
Resource Allocation	<p>The annual budget for Police Authorities in Wales is derived from three sources, money from the Home Office, money from the Welsh Government and money derived from Council Tax precepts. The Police Authority having received their overall budget, sets the annual budgets for its individual forces. The budgets are published in the annual Local Policing Plan.</p>	<p>The Chief Constable is responsible for delivering services, in line with the priorities set out in the Local Policing Plan, utilising the budget allocated to him by the Police Authority.</p>	<p>WAO and AGW must jointly prepare an estimate of the income and expenses of the WAO and lay the estimate before the national assembly at least 5 months before the beginning of the financial year to which it relates. The National Assembly may make any modifications to the estimate which it considers appropriate. The WAO must provide the AGW with the resources required throughout the year to</p>	<p>The AGW must provide the WAO with an estimate of the maximum amount of resource required to undertake the programme of work for the coming year.</p>

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	Police Authorities	Chief Constables	WAO	AGW
Reporting arrangements	<p>The Police Authority is responsible for ensuring that policing provision delivers value for money through the commissioning of audits.</p> <p>Police Authorities are responsible for producing annual reports on delivery against the Local Policing plan and the 3 year Strategic Plan.</p> <p>These must be published and a copy sent to the Secretary of State.</p> <p>The Police Authority is responsible for publishing the annual accounts for their allocated budget.</p> <p>This includes the</p>	<p>The Chief Constable has a duty placed upon him to submit a general report on the policing during the year, as soon as possible after the end of the financial year.</p>	<p>undertake his/her functions.</p> <p>The WAO must prepare an annual report on the exercise of the functions of the WAO and the AGW during the year.</p> <p>The chair of the WAO must, jointly, prepare two interim reports on the exercise of the functions of the WAO and the AGW and achievement against priorities outlined in the annual plan.</p> <p>The chair of the WAO and the AGW must jointly lay the annual report and the two interim reports before the National Assembly.</p>	<p>The AGW must work with the Chair of the WAO to prepare the annual report on the exercise of his/her functions during the year. The report must consider how the exercise of functions has been consistent with the annual plan and outline the progress achieved against the priorities of the plan.</p> <p>The AGW must also work with the Chair of the WAO to prepare two interim reports and lay all three reports before the National Assembly.</p> <p>As accounting officer for the WAO the AGW</p>

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	Police Authorities	Chief Constables	WAO	AGW
	expenditure of individual forces within an authority.			is responsible for preparing the annual statements of accounts for the WAO in accordance with directions given by Treasury.

Governance Arrangements of Welsh Public Bodies

Welsh Government Sponsored Bodies (WGSBs)

The Higher Education Funding Council Wales (HEFCW) along with the National Museums & Galleries of Wales (NMGW) are both examples of Welsh Government Sponsored Bodies (WGSBs).

WGSBs are executive bodies established to exercise functions in their own right using public money. WGSBs are headed by boards that have responsibility for the day to day operations of the body but which are accountable to Welsh Ministers.

Board members are appointed by the Welsh Ministers in accordance with the Code of Practice for Ministerial Appointments to Public Bodies.

Each WGSB has a sponsor department that exercise a degree of control and supervision over the body. The Welsh Government sets the strategic direction and agenda of individual WGSBs and set the strategic framework within which the bodies operate.

The framework document sets out the relationship between WGSBs and Ministers, the detail of the roles and responsibilities of the Minister, the sponsor department and the board, accountability and audit arrangements of the board, the management arrangements of the body including staff management, business, budget and review planning and the financial responsibilities of the body. The framework is agreed between the body and their Minister and is signed by both parties and reviewed periodically.

A remit letter is issued annually to individual WGSBs by the relevant Minister which sets out the high level targets and deliverables for the coming financial year and includes details of the level of funding allocated for said year.

The content of the remit letter informs the development of the operational plan against which annual performance is monitored. The plan should be developed in consultation with the WGSB.

The Welsh Government and WGSB accounting officers remain jointly accountable for public funds spent through WGSB sponsorship. However financial responsibility will be delegated as far to the extent possible.

Higher Education Funding Council Wales (HEFCW)

HEFCW was established under statute and is responsible for funding higher education in Wales.

HEFCW is headed by a council of up to 12 members, whom, except for the Chief Executive Officer, who must sit on the council, are non-executive members.

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Members are appointed for an initial term of 3 years but can be re-appointed for a further two terms provided performance is satisfactory.

The Council has 7 committees that serve it some in an advisory capacity and others taking on responsibility for key operational functions of the body.

Representatives of the Welsh Government are entitled to attend Council meetings or meetings of any Committee of Council.

National Museum & Gallery of Wales (NMGW)

The NMGW was established under Royal Charter.

The NMGW has a board of trustees comprising 9 persons appointed by the National Assembly for Wales, including the President and Vice-President, 7 persons appointed by the trustees, including the Treasurer, and the past president or past Chairman of Trustees, who is also appointed by the Trustees.

Trustees can be appointed for up to 4 years and can be re-appointed up to a maximum consecutive term of office of 9 years. The past president or past chairman of trustees is appointed for a maximum period of one year.

The Trustees prepare the annual accounts of the Museum and prepare an annual report on the affairs and position of the Museum during the preceding year.

National Health Service Wales

The NHS Wales constitutes 7 Local Health Boards and 3 Trusts. LHBs and the Trusts in Wales are governed by executive boards.

The Minister for Health & Social Services has responsibility for setting the policy and strategic framework within which the health services in Wales operates. The Minister also has responsibility for the overall resource framework for the NHS in Wales and determines its strategic distribution. The Minister sets the standards and performance framework for the NHS Wales and holds NHS leader to account. Her functions in setting standards, monitoring performance and holding leaders to account is supported by the National Advisory Board.

The National Advisory Board exists to provide independent advice to the Minister for Health and Social Services in the discharge of their functions in meeting accountabilities for the NHS in Wales. The Board constitutes a mix of executive and non-executive members including the Chief Executive of the NHS Wales, representative from local government, the third sector and trade unions and is chaired by the Minister for Health and Social Services.

The Minister for Health and Social Services is also served by the National Delivery Group, a group of mainly senior Welsh Government Health Officials, chaired by the Chief Executive, NHS Wales. The group is responsible for providing strategic leadership and management of the NHS in Wales and

provides policy advice to the Minister whilst overseeing the development and delivery of NHS services by the LHBs and Trusts, in accordance with direction set by the Minister.

The 7 LHBs are formally accountable to the Minister through the Chief Executive of the NHS and the Chief Executive delegates accounting officer responsibilities to the individual chief executives of the LHBs.

The LHBs are responsible for planning, designing, developing and securing the delivery of health services for the citizens in their respective areas. This model ensures the emphasis remains on co-operation and engagement with local partners, particularly in relation to the Health, Social Care and Well-being Strategies and Children and Young Peoples plans.

Local Health Boards

Local Health Boards must operate within the wider governance framework set for the NHS in Wales. At a local level, LHBs in Wales must agree Standing Orders (SOs) for the regulation of their proceedings and business. These standing orders are designed to translate the statutory requirements set out in related NHS regulations into day to day operating practice, and, together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others; and Standing Financial Instructions (SFIs), they provide the regulatory framework for the business conduct of the LHB and define its ways of working.

Each Local Health Board constitutes officer and non officer members. Officer members include the Chair, Vice-Chair and Chief Officer and up to 9 additional officers. Executive members represent key professions and health services.

There can be up to 9 non-executives on the board and members include representatives from the local authority, trade unions, the voluntary sector and a university educating in health related subjects. Non-Officer members are appointed by Welsh Ministers through the public appointments procedure for an initial term of up to 4 years. Members can be re-appointed for a further term but only up to a maximum term of 8 years.

NHS Trust Wales

There are 3 NHS Trusts in Wales that operate nationwide agencies and services.

The NHS Wales Trusts' boards have a broadly similar structure to that of the LHBs.

The boards consist of a mixture of executive and non-executive members with a Chair, Chief Executive and 5 executive directors and 6 non-executive directors.

Non-executive directors have representatives from the local authority, trade unions or other employee representative body representing the staff of the

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trust, the voluntary sector and a University educating in health related subjects.

Executive Directors are represented by the chief officer, the chief finance officer and 3 other directors appointed by the trust.

Non-executive Directors of the Trust are appointed by the Welsh Ministers through the public appointments procedure for a term of 4 years.

Executive directors of the board are appointed by the relevant committee.

Local Health Boards

Local Health Boards must operate for the NHS in Wales. At a local level, the NHS is divided into Local Health Boards (LHBs) for the regions of Wales. The LHBs are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions. The LHBs are appointed by the Welsh Ministers through the public appointments procedure. The LHBs are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

Each Local Health Board consists of a number of members. The members include the Chief Executive, the Chair, and up to 9 other members. The members are appointed by the Welsh Ministers through the public appointments procedure. The members are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

There can be up to 8 non-executive directors on the board. The non-executive directors are appointed by the Welsh Ministers through the public appointments procedure. The non-executive directors are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

NHS Trust Wales

There are 3 NHS Trusts in Wales. The NHS Trusts are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

The NHS Wales Trust consists of a number of members. The members include the Chief Executive, the Chair, and up to 9 other members. The members are appointed by the Welsh Ministers through the public appointments procedure. The members are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

The board consists of a mixture of executive and non-executive directors. The board is responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.

Non-executive directors have a number of responsibilities. They are responsible for the day-to-day running of the NHS in their regions. They are also responsible for the strategic planning of the NHS in their regions.