

**Dr Andrew Goodall**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

6 December 2024

Dear Mr Isherwood,

Public Accounts and Public Administration Committee – Welsh Government Annual Report and Accounts 2021-22

Further to my letter of 12 February 2024 I am writing to provide an update on Recommendation 8:

### **Recommendation 8**

The Committee reiterates its predecessor Committee's recommendation on FReM requirements. The Welsh Government should notify the Committee of the FReM requirements it aims to comply with when preparing its accounts. It should also notify the Committee of any changes in its decisions, or in light of new FReM requirements, when the accounts are published. This information should be provided at the earliest possible opportunity ahead of the 2023-24 Accounts.

### **Accept**

The Welsh Government has been unable to provide the detail of the FReM requirements it aims to comply with when preparing its accounts previously to the Committee due to the impact of Covid-19 and subsequent impact on the accounting timetables across the Welsh Public Sector. Resource has been prioritised to the accounts production process and the implementation of new accounting standards to the Welsh Public Sector.

The Welsh Government follows the FReM for the preparation of its accounts for most aspects of the FReM other than when requirements are specifically applicable to UK Government Departments only, or where there are exemptions for the Welsh Government from compliance - in recognition that Wales as a Devolved Administration



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has a different policy context and stakeholders. Principally this relates to performance analysis and sustainability reporting requirements.

The Welsh Government will provide this to the Committee in advance of the 2023-24 accounts, now the FReM for 2023-24 has been finalised in December 2023.

The Welsh Government has an Accounts Direction from HM Treasury which requires it to prepare accounts in accordance with the FReM. The Welsh Government Consolidated Account consists of three parts:

- The Performance Report
- The Accountability Report
- The Financial Statements

Other than where transactions are 'immaterial' and therefore not required for disclosures under FReM principles, Welsh Government applies the FReM requirements for:

- the Accountability Report, including the Remuneration and Staff Report, aligned to the governance requirements of Managing Welsh Public Money;
- the Financial Statements.

The FReM does not require the Welsh Government to follow the Performance Reporting requirements, including Sustainability Reporting.

Whilst the FReM is applicable to all UK public sector bodies within the Central Government classification, the primary scope of the FReM by volume and value is entities reporting to the UK Government. As such the requirements of the Performance Report and Sustainability Reporting are oriented towards the tracking of progress on agreed plans for UK Parliamentary reporting.

For this reason, exemptions are in place to ensure that Welsh Government is able to report in a manner that reflects its' Devolved Government status. Consideration is given annually to publications already in the public domain reporting upon Welsh Government performance and sustainability reporting requirements such as:

- The Welsh Government Annual Report
- Wellbeing of Wales reporting including National Indicators
- Welsh Government Budgets
- Welsh Government Out-turn reporting
- Welsh Public Sector carbon emissions reporting



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Where information is available in the public domain, rather than duplicate, signposting is used (consistent with the FReM guidance) to direct users to where information may be found. In particular, progress against the Welsh Ministers Programme for Government commitments for 2023-24 are reported in the Welsh Government Annual Report. Given relatively recent changes in First Minister and Cabinet, further discussion is required with regard to 2024-25 reporting to determine whether current reporting structures will remain as they are, which could impact upon the Consolidated Accounts content.

The content of the Performance Report therefore focuses upon the Welsh Government activity to support the First Minister and Cabinet to deliver their priorities and is determined annually in conjunction with the Principal Accounting Officer, being mindful of the FReM guidance of the need to consider how best to tell the 'story' of the financial year in review to achieve a fair, balanced, and understandable report.

Recommendations from the Committee are particularly taken into account, along with developments in the operating environment and Welsh Government itself to ensure that the scope and structure is appropriate. Presenting a balanced overview of a year's activities for Welsh Government given the breadth of work undertaken whilst maintaining a useable and accessible document is a matter of judgement.

I hope the Committee will welcome developments we have made for 2023-24 in the format of the Consolidated Accounts, the structure and flow of the Performance Report, the presentation of Grants expenditure and the presentation of corporate risks being just a few of the developments introduced with the aim of improving the accessibility and usability of the information.

Yours,  
Andrew Goodall

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