



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

Part 5 of the Government of Wales Bill: Finance

Abstract

This paper provides background briefing on part 5 of the Government of Wales Bill, which makes provision for finance and audit matters.

It describes the key changes arising from the arrangements proposed in the Bill for the administration of funding for Wales, and highlights the implications of the proposed changes for budget scrutiny in Wales.

March 2006



Part 5 of the Government of Wales Bill: Finance

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March 2006

Paper number: 06/0727/rk

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Executive Summary

Part 5 of the Government of Wales Bill makes provision for finance and audit matters. The arrangements proposed in part 5 of the Bill will have implications for the setting of budgets, access to funds, financial accountability of the Welsh Ministers and other public bodies to the National Assembly for Wales, and the arrangements for the preparation, audit and publication of accounts.

The changes proposed in part 5 are consequential on the separation of the Assembly's executive and legislative arms. To facilitate the new arrangements, the Bill will create a Welsh Consolidated Fund (WCF), and amounts may (with some exceptions) only be issued from the Fund if the Assembly has passed a budget motion to that effect. The Auditor General will be required to sanction all drawings from the fund by ensuring that they are in line with a properly authorised budget motion or other statutory cover. This brings arrangements in Wales into line with those in Scotland and Northern Ireland, and places control of resources firmly with the Assembly.

This paper identifies three main implications for budget scrutiny in Wales arising from the changes proposed in part 5:

- The changes proposed by the Bill will enhance accountability at the level of Wales;
- The content of a new budget motion will bring about a change in Assembly Members' role and responsibilities in relation to the budget; and
- The format of the budget documents will change to reflect the requirements of the Bill.

These implications are discussed in greater detail at section 2 of this paper.

Annex A and Annex B to this paper provide more detailed information on the origins and provisions of the clauses in part 5 of the Bill.

A Task & Finish Group has been established by the Welsh Assembly Government to discuss the issues arising out of the Bill for the budget planning and management system. Information on the membership and work of this group can be found at Annex C of this paper.

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Part 5 of the Government of Wales Bill: Finance

This paper explores part 5 of the Government of Wales Bill (hereafter referred to as the Bill), which makes provision for finance and audit matters. It describes the key changes arising from the arrangements proposed in the Bill for setting budgets, access to funds, financial accountability of the Welsh Ministers and other public bodies to the National Assembly for Wales, and the arrangements for the preparation, audit and publication of accounts. The implications of the key changes in part 5 for budget scrutiny in Wales are discussed, and the paper concludes with some information on the work of the Welsh Assembly Government's Task & Finish Group in preparation for the implementation of part 5.

1 Key Changes Proposed in Part 5 of the Bill

The changes proposed in part 5 are consequential on the separation of the Assembly's executive and legislative arms. The reconstituted Assembly will no longer have executive functions, as these will be conferred directly on Ministers. Ministers will be accountable to the Assembly for the exercise of those functions and will also be required to obtain Assembly approval for the use of resources. The Assembly will also be asked to approve the use of resources by bodies that are independent of Ministers – for example the Assembly Commission.

To facilitate the new arrangements, the Bill will create a Welsh Consolidated Fund (WCF) - a bank account held with the Paymaster General - into which the block grant from the Secretary of State will be paid. In general, amounts may only be issued from the Fund if the Assembly has passed a budget motion to that effect although there will be a number of exceptions¹. The Auditor General will be required to sanction all drawings from the fund by ensuring that they are in line with a properly authorised budget motion or other statutory cover.

This brings arrangements in Wales into line with those in Scotland and Northern Ireland, and places control of resources firmly with the Assembly. The other changes and modifications in part 5 and schedule 8 reflect the status and functions post separation of Ministers, the Assembly and the Assembly Commission.

2 Implications for Budget Scrutiny in Wales

The main implications for budget scrutiny in Wales of the changes proposed in part 5 of the Bill are set out below.

2.1 *The administration of the Welsh Consolidated Fund*

The public expenditure framework in the United Kingdom provides that payments into and out of the UK Consolidated Fund require parliamentary or legislative authority. At Westminster, the supply procedure culminating in the passing of annual Appropriation

¹ The exceptions are direct legislative charges on the fund such as the salaries of the Auditor General and the Ombudsman that are independent of Ministers and therefore should not be dependent on them tabling a budget motion. The Bill also provides for a proportion of the previous year's budget to be issued in the event of a motion not being passed by 1 April to enable the continuance of public services, and for the Welsh Ministers to authorise the use of resources without Budget authority up to a limited threshold in an emergency, where it is not reasonably practicable to move a Budget motion.

Acts is the method by which this occurs, while in Scotland and Northern Ireland local authorisation is achieved through the annual budget process and subsequent Budget Acts. At the end of the financial year, departments or bodies who received authority to consume resources or use cash account to the authorising body (Parliament or Assembly) for their use through their annual report and audited resource accounts, thus closing the accountability loop.

2.1.1 The Accountability Loop: Westminster

At present, the House of Commons votes resources to the Secretary of State for Wales following a request for resources (RfR) made in the Department for Constitutional Affairs Resource Estimates. This RfR consists of funding for the Wales Office, and a grant payable to the National Assembly for Wales (NAW).

The Department of Constitutional Affairs (DCA) accounts to the House of Commons for these resources in its annual audited accounts. Detailed information on funding against departmental objectives is provided in the resource estimate for Wales Office activities, and the DCA's annual report and the resource accounts report on performance and expenditure against these objectives. In this manner, the accountability loop is closed at the level of Westminster. However, as the funding for the NAW is in the form of a grant, the DCA's report and accounts only show the amount of grant voted and paid to the NAW - they do not include detailed information on the use of that grant by the NAW. This is a natural consequence of devolution, as within the Treasury control totals, the devolved administrations have discretion over the use of the grant and are primarily accountable to their local electorates rather than Parliament.

2.1.2 The Accountability Loop: Wales

Decisions about how to spend the grant for Wales are made by the National Assembly for Wales. Current practice is that the Assembly debates, agrees and adopts the budget proposals prepared by the Ministers of the Welsh Assembly Government, through the process set out in Standing Order 21. Although budget documents are presented as allocations across a series of Main Expenditure Groups (MEGs), delineated into Spending Priority Areas (SPAs) and Budget Expenditure Lines (BELs), these delineations do not strictly operate as control totals. Standing Orders 21.6 and 21.7 stipulate that only changes at the MEG level require approval by the Assembly. The key control totals² remain those voted by Parliament.

The NAW accounts to its elected Members for the use of these resources through the publication of the [annual report of the Office of the First Minister](#), and the [NAW annual resource accounts](#) that are audited by the Auditor General for Wales. There are two important points of note in relation to the NAW resource accounts.

- The Treasury has given the NAW dispensation from producing a Statement of Parliamentary Supply. This is a key element of the resource accounts that compares Outturn (actual expenditure) with the Budget or Estimate for both resource expenditure and the cash requirement, identifies variance and analyses any extra income. This dispensation is necessary because the budget is not presented in a form that is compatible with the resource accounting requirements. For example, the budget includes capital charges for the ASPBs and LHBs that are ultimately recorded in the accounts of those bodies rather than the Assembly.
- The Financial Reporting Manual (FRoM) requires resource accounts to include a Statement of Operating Costs by Aim and Objective. In most resource accounts the aims and objectives against which costs are analysed correspond to the Requests for

² The key control totals are the Departmental Expenditure Limit (including Capital DEL and Revenue DEL) and Annually Managed Expenditure (AME).



Resources (RfRs) used in the resource estimate or budget approved by Parliament / Assembly and the department's PSA targets. In the case of Wales, the format of the current budget does not use RfRs. In addition, the costs are analysed in the resource accounts, against six of the objectives in *Wales: A Better Country*. These objectives are treated in the resource accounts as broadly corresponding to the following MEGs: Health and Social Services; Social Justice and Regeneration; Environment, Countryside and Planning; Economic Development and Transport; Culture, Welsh Language and Sport; and Education and Training³. It is therefore problematic when trying to follow expenditure from budget allocation through to the resource accounts at a level below MEG / Department, or to establish what was achieved (performance against targets) with funding allocations.

2.1.3 Closing the Accountability Loop

For the reasons discussed above, it is difficult at present to gain full scrutiny benefit from the NAW resource accounts, as the information is not easily read across from the beginning (the Assembly Budget) to the end (the NAW resource accounts) of the process. The proposals in the Bill setting out the requirements for budget resolutions will require budget motions to be submitted in a form that will be comparable with the eventual resource outturn (thus enabling the preparation of the equivalent of an auditable Statement of Parliamentary Supply) and, subject to the content of Standing Orders, may also facilitate the preparation of a more informative Statement of Operating Costs by Aim and Objective. This would aid transparency in the public finances and strengthen accountability at the level of Wales.

2.2 Assembly Members' role and responsibilities in relation to the budget.

The creation of the WCF and the content of the budget motion proposed in the Bill will strengthen Assembly Members' formal powers in relation to the Budget. From the 2007-08 financial year onwards, Members will be asked to **authorise** the use of resources and drawing of cash from the WCF for purposes and services specified in the ambit of the resolution. This contrasts with current practice, where Members are asked to **adopt** the allocation of resources to Main Expenditure Groups (MEGs), Spending Programme Areas (SPAs) and Budget Expenditure Lines (BELs) proposed by the Government.

At present, Standing Orders provide for a main and supplementary budgets, and that the movement of planned expenditure between MEGs be adopted by the Assembly through a resolution in Plenary⁴. The proposals in the Bill do not specify that Assembly authorisation is required at more detailed levels than is already the case. However the strengthening of the Assembly's powers in the Bill provides an opportunity in the drafting of new Standing Orders, to increase the frequency with which this authorisation is sought and the detail in supporting information provided to the Assembly. The exact implications of the Bill in this respect cannot be identified until the arrangement of new Committees is decided, and new Standing Orders are agreed.

2.3 The format of the budget documents will change.

At present, tables setting out allocations to MEGs, SPAs and BELs support the budget motion. The provisions of the Bill stipulate that a budget resolution contains information on the amount of resources and income that can be used for specified services and purposes

³ See note 28 in the Notes to the Accounts of the NAW Annual Resource Accounts <http://www.wales.gov.uk/assemblydata/N0000000000000000000000000036924.pdf>

⁴ Standing Order 21

(the ambit), and how much cash can be issued from the WCF for the specified purposes and services. This format is similar in many ways to that of the resource estimates used in the Westminster parliamentary supply procedure.

2.3.1 The scope of the Ambit

The Bill does not stipulate the scope of the ambit, and there are a number of options that may be specified in Standing Orders.

- All Welsh Assembly Government activities could be covered in a single ambit;
- The preparation of an ambit for each MEG and / or SPA;
- The preparation of ambits corresponding to the priorities identified in *Wales: a Better Country*; or
- The preparation of ambits on another, different basis, as agreed by the Assembly.

The importance of the scope of the ambit lies in the fact that once authorised, resources and cash can only be used for the purposes and services specified in the resolution. To use or retain cash and resources for purposes outwith the ambit will require a supplementary budget resolution or will be irregular. Material irregular expenditure will result in a qualified audit opinion by the Auditor General on the accounts of the organisation concerned for which the accounting officer will be answerable to the Assembly's Audit Committee.

Any decision over the choices outlined above will represent a trade-off between the requirements of the Assembly for control and the desire of the Government to have operational level flexibility in its use of resources, and is a matter for debate in the development of new Standing Orders

Annex A below contains a full list of the clauses in part 5 of the Bill, and Annex B presents the key part 5 clauses in more detail.

3 The Progress of the Bill

At the time of writing, the Government of Wales Bill received [Second Reading](#) in the House of Lords on 22 March 2006. The Members' Research Service has produced a paper on the [Government of Wales Bill 2005-06](#), the [Second Reading Debate](#) on the Bill in House of Commons, and a paper on the [Committee Stage, Report and Third Reading](#). In Wales, the Bill was debated in the National Assembly for Wales on 17 January 2006, and considered in committee by the Assembly Committee on the Government of Wales Bill between 24 January 2006 and 6 March 2006. The [Report of the Assembly Committee on the Government of Wales Bill](#) was laid before the Assembly, and [debated](#) on 22 March 2006. Please click to follow links to further information on the [Government of Wales Bill](#), the [Committee of the Whole House Proceedings](#), the issues arising in the [National Assembly for Wales Debate](#), and the [record of proceedings](#) of the Assembly Committee on the Government of Wales Bill.

4 Next Steps

The next step for the Assembly is establishment of a Standing Orders Committee to draft revised Standing Orders to reflect the transitional arrangements where required, and new Standing Orders reflecting the provisions in the Bill as a whole.

Members' Research Service: Research Paper
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil



Cynulliad National
Cenedlaethol Assembly for
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On the Government side, the Assembly Government has established a Task & Finish Group to discuss the issues arising out of the Bill for the budget planning and management system. The group is co-ordinated by the Assembly Budget Planning and Management Unit (ABPM) of the Assembly Government Finance Department, and will liaise with the Separation Task & Finish Group. Further information on the Finance Department Task & Finish Group can be found in Annex C.

Annex A: List of Clauses in Part 5 of the Bill

Table 1: Breakdown of Clauses in the Government of Wales Bill

No.	Title	Notes	Origin
116	Welsh Consolidated Fund	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.64 SA.	SA
117	Grants	GOWA '98 s. 80 modified.	GOWA
118	Statement of estimated payments	GOWA '98 s. 81 modified.	GOWA
119	Destination of receipts	GOWA '98 s. 84 modified.	GOWA
120	Borrowing by Welsh Assembly Ministers	GOWA '98 s. 82 modified.	GOWA
121	Lending by Secretary of State	GOWA '98 s. 82 modified.	GOWA
122	Accounts relating to loans	GOWA '98 s. 83 modified.	GOWA
123	Payments out of Welsh Consolidated Fund	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.65 SA.	SA
124	Annual Budget Motions	Not in GOWA '98. New provision consequent on separation of executive and legislature.	
125	Supplementary Budget Motions	Not in GOWA '98. New provision consequent on separation of executive and legislature.	
126	Appropriation without budget resolution	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.59 NIA.	NIA
127	Contingencies	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.3 PFASA.	PFASA
128	Approvals to draw	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.5 PFASA.	PFASA
129	Payments in by mistake	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.6 PFASA	PFASA
130	Welsh Ministers' accounts	GOWA '98 s. 97 modified.	GOWA
131	Account relating to Welsh Consolidated Fund	Not in GOWA '98. New provision consequent on separation of executive and legislature, cf s.19(2) PFASA.	PFASA
132	Accounting officers for Welsh Ministers	GOWA '98 s. 98 modified.	GOWA
133	Accounts of subsidiaries of	GOWA '98 s. 99 modified.	GOWA



	Welsh Ministers		
134	Examinations into Welsh Ministers' use of resources	GOWA '98 s. 100 modified.	GOWA
135	Examinations by Comptroller and Auditor General	GOWA '98 s. 101 modified.	GOWA
136	Assembly Commission's accounts	GOWA '98 s.97 modified.	GOWA
137	Accounting officers for Assembly Commission	GOWA '98 s.98 modified.	GOWA
138	Accounts of subsidiaries of Assembly Commission	GOWA '98 s. 99 modified.	GOWA
139	Examinations into Assembly Commission's use of resources	GOWA '98 s.100 modified.	GOWA
140	Whole of government accounts: Welsh Ministers	GOWA '98 s. 101A modified.	GOWA
141	Functions of Auditor General (in relation to Whole of government accounts)	GOWA '98 s. 101A modified.	GOWA
142	Audit Committee reports	GOWA '98 s. 102 modified.	GOWA
143	Publication of accounts and audit reports	GOWA '98 s. 103 modified.	GOWA
144 and Schedule 8	Auditor General	GOWA '98 ss. 90-96, modified.	GOWA

Source: Constitutional Affairs Unit (2005)

Key to Abbreviations used in Origin Column:

SA = Scotland Act 1998

GOWA = Government of Wales Act 1998

NIA = Northern Ireland Act 1998

PFASA = Public Finance and Accountability (Scotland) Act 2000

Annex B: Key Clauses in Detail

Appendix A above contains a table of clauses illustrating the origins of the clauses in part 5 of the Bill. This Annex does not give detailed clause by clause discussion of the provisions in part 5. Rather, it focuses on those areas where there are modifications to existing arrangements, or where an enhanced role for the Assembly will arise from the provisions in the Bill.

B1 The Creation of the Welsh Consolidated Fund (clauses 116-121 and 123)

The UK Consolidated Fund (CF) is the government's "current account", kept by the Treasury at the Bank of England, through which pass most government payments and receipts⁵. The Bill provides in clause 116 for the creation of a Welsh Consolidated Fund (WCF) which will bring practice in Wales into line with that in Scotland and Northern Ireland. The WCF is to be held by the Paymaster General⁶.

The clauses in the Bill providing for a WCF have the following effects:

- Monies voted to the Secretary of State by Parliament, through the Westminster supply procedure, must be paid into the WCF, except as mentioned above.
- The Secretary of State must lay before the Assembly, at least four months before the beginning of each financial year, a Statement of Estimated Payments (SEP), including:
 - estimates of the total payments by the Secretary of State into the WCF for that financial year;
 - the amount provided by Parliament that the Secretary of State proposes not to pay into the WCF for that financial year (clause 118(3)); and
 - how much will be paid that financial year to the Welsh Ministers, the First Minister or the Counsel General by Ministers of the Crown, government departments or other persons (clause 118).
- With the exception of sums "charged on" the WCF by legislation, which are paid out of the WCF automatically without any need for budget authorisation⁷, and the rectification of sums paid into the WCF by mistake, payments out of the WCF may only be made when:
 - payment is authorised or deemed to be authorised by a budget resolution of the Assembly;
 - payment is to meet expenditure of a relevant person (the Welsh Ministers, the First Minister or the Counsel General, the Assembly Commission, the Auditor General for Wales or the Public Services Ombudsman for Wales); and
 - approval to draw the payment of the sum is granted by the AGW.

The proposed arrangements in clauses 123-128 mean that the Assembly, rather than the Welsh Ministers or others will control the use of resources by the Welsh Ministers and other bodies and officers funded by the WCF.

Loans from and borrowing by the Secretary of State

⁵ HMT Government Accounting 2000 (Amendment 4/05) <http://www.government-accounting.gov.uk/current/frames.htm>

⁶ The Paymaster General is a government Minister who has statutory responsibility for the government accounts held in his or her name at the Bank of England.

⁷ E.g. under clause 20(5) of the Bill, the remuneration of current and former Presiding and Deputy Presiding Officers

Clauses 120 and 121 make provision for the Welsh Minister to borrow from the Secretary of State to provide a working balance for the WCF, or to cover a temporary excess of payments out of the WCF over payments into the WCF.

The Treasury may issue, from the National Loans Fund to the Secretary of State, the sums necessary to make loans to the Welsh Ministers described above, up to an aggregate limit at any time of £500 million. This limit may be increased with the consent of the Treasury, and following the approval of a draft statutory instrument by the House of Commons.

The method, timing and rates of repayments and payments of interest on loans from the Secretary of State must be in accordance with Treasury determinations. Repayments and payments of interest on loans from the Secretary of State are charged on the WCF. Such repayments and payments of interest received by the Secretary of State must be paid into the National Loans Fund.

B2 The Administration of Expenditures and the Budget (clauses 124 – 129)

In parliamentary terms, for expenditure to be regular, it must be authorised in some manner. Both Scotland and Northern Ireland have powers to make primary legislation. As a result, the budget in Scotland and Northern Ireland, following a process of consultation, is approved by the Scottish Parliament / Northern Ireland Assembly through a budget motion and given legal effect through a Budget Act made by the Scottish Parliament / Northern Ireland Assembly. In Westminster, the Chancellor's Budget is given effect through the preparation and voting of Estimates (Main and Supplementary), and the relevant Appropriation Acts and Consolidated Fund Acts.

For expenditure from the WCF to be regular, the Bill provides that it must be authorised by a budget resolution passed by the Assembly, and authority to draw given by the AGW.

Budget resolutions (clauses 124 & 125)

There must be at least one budget resolution for every financial year. The First Minister or another Welsh Minister must move a budget motion in the Assembly before each financial year, seeking Assembly approval for:

- how much resources (and income)⁸ are planned to be used;
- what services and purposes these resources and income can be used for; and
- how much cash can be paid out of the WCF in the relevant financial year for use on those specified services and purposes.

Supplementary budget motions may be moved by the First Minister or another Welsh Minister to approve variations in the amounts of resources authorised to be used or retained, or the amount of cash to be issued out of the WCF, for the services and purposes specified in the main budget resolution. A supplementary budget motion may also specify new services and purposes and authorise additional resources to be used or retained, or the payment of cash out of the WCF, for those. Supplementary budget motions may be moved before, during or after the financial year to which they relate.

Exceptions to the need for a Budget resolution (clauses 126 & 127)

⁸ The Bill defines the "use of resources" as the expenditure, consumption or reduction in value of resources. Income here refers to how much accruing resources, from for example the disposal of assets, can be retained for use rather than paid into the WCF.

There are two situations provided for in the Bill where payments can be made from the WCF without a budget resolution. Such payments are treated as deemed authorisations

The first arises if the Assembly does not adopt a main budget resolution before the beginning of the financial year. The Bill provides in clause 126 for:

- the use of up to 75% of the resources approved for the previous financial year for services and purposes approved in the previous year;
- the retention of resources up to 75% of the retained resources approved for the previous financial year for services and purposes approved in the previous year; and
- the payment of cash up to 75% of the cash approved for the previous financial year for services and purposes approved in the previous year.

The percentage increases to 95% after the end of July, if no budget resolution has been approved for that financial year.

The Bill also makes provision for limited payments out of the WCF in situations of emergency, where immediate expenditure is considered to be in the public interest but it is not reasonably practical to put a budget motion before the Assembly. Should the Welsh Ministers use this power, clause 127 stipulates that as soon as possible, a report must be laid before the Assembly setting out the amount of resources and cash authorised and the reasons for using the provisions in clause 127.

Approval to draw (clause 128)

Having been authorised (or deemed to be authorised under clauses 126 or 127) by a budget motion, payments out of the WCF cannot be made until the AGW has granted an approval to draw. To do this, the AGW needs to be satisfied that the conditions set out in clause 123 are met: that is, if they are:

- for the purposes of meeting the expenditure of a relevant person; and
- to meet expenditure payable pursuant to a relevant enactment.

These arrangements provide an additional assurance that expenditure from the WCF is regular.

B3 The Preparation and Laying of Accounts (clauses 122, 131, 133, 136, and 140)

The Bill makes provision that accounts for each year be prepared in accordance with directions given by the Treasury, for the following individuals, bodies, loans and accounts:

- The Welsh Ministers;
- The Welsh Consolidated Fund (clause 131);
- Loans made by the Secretary of State;
- The Assembly Commission; and
- Whole of Government accounts for Wales

Accounts laid before the Assembly

The accounts of the Welsh Ministers, the Welsh Consolidated Fund, and the Assembly Commission must be submitted to the AGW no later than 30 November of the year following the financial year for which accounts are prepared.

The Bill also provides that, not later than four months following the submission of accounts, the AGW shall lay before the Assembly a certified copy of the accounts together

with the his / her report. To certify the accounts, the AGW must be satisfied that the expenditure covered by the account has been incurred lawfully and in accordance with the authority which governs it, and expended only for the purposes for which it was provided.

Whole of Government Accounts: Welsh Ministers

Provision is made in clause 140 and 141 of the Bill for the preparation and submission to the Assembly, via the AGW, of Whole of Government Accounts for Wales. These clauses broadly mirror current provisions in the Government of Wales Act 1998.

The Welsh Ministers are required to submit Whole of Government accounts to the AGW by 30 November in the year following the financial year for which accounts are prepared. The Welsh Ministers, following consultation with the Treasury and the AGW, may by order stipulate a date other than the date specified in clause 140(7) – 30 November.

The AGW is required to lay a certified copy of the accounts, together with the AGW's report on them, before the Assembly no later than four months after they are submitted to the AGW.

Loans by the Secretary of State

Clause 122 requires the Secretary of State to prepare accounts, in the form and manner laid down by the Treasury, for loans made (or under the transitional arrangements, treated as made) to the Welsh Ministers, and repayments and payments of interest to the Secretary of State.

Accounts relating to loans by the Secretary of State must be submitted to the UK Comptroller and Auditor General (C&AG) no later than 5 months (September) after the end of the financial year to which they relate. The C&AG must examine, audit and report on such accounts and lay copies of these accounts and any reports on such accounts before both Houses of Parliament.

B4 The Audit and Accountability Arrangements (clauses 132, 134 – 135, 137-139, and 141-144)

The Audit and Accountability arrangements in the Bill centre on:

- the separation of accounting officer arrangements for the Assembly Commission from those of the Welsh Ministers,
- the role of the AGW in financial and value for money audit of the Assembly Commission and the Welsh Ministers and Subsidiaries of the Welsh Ministers;
- the role of the Audit Committee; and
- the arrangements for the audit of the WCF.

Accounting Officers

The Bill makes provision for the Permanent Secretary of the Welsh Assembly Government to be principal accounting officer for the Welsh Ministers, and the Clerk of the Assembly to be the principal accounting officer for the Assembly Commission. The responsibilities of the principal accounting officer are set down by HM Treasury, but may be summarised as responsibility for the propriety and regularity of the finances of, and the economy, efficiency and effectiveness of the resources used by, the body for which they hold that office. The separation of powers between the Assembly Commission and the Welsh Ministers gives rise to the creation of the principal accounting officer role for the Clerk to the Assembly in relation to the Assembly Commission.

The Auditor General for Wales (AGW)

The AGW will exercise a number of important roles in the audit and accountability arrangements proposed in the Bill. These include:

- providing approval to draw expenditure from the WCF (see section 2 above);
- financial audit of the accounts of the Welsh Ministers and their subsidiaries, the Assembly Commission and the Counsel General; and
- examining the activities of the Assembly Commission, the Welsh Ministers and their subsidiaries and the production of value for money reports for examination by the Audit Committee.

Schedule 8 makes revised provision for the office of the AGW. These provisions largely replicate those contained in clause 38 of the Government of Wales Act 1998. The key change to note is that the AGW is to be appointed by Her Majesty on the nomination of the Assembly. At present, the Assembly is consulted informally on such appointments.⁹

Financial audit, value for money audit, and the Audit Committee

Reports on accounts audited by the AGW are to be laid before the Assembly, and published by the Assembly as soon as is reasonably practicable thereafter. Value for money (VFM) audit reports, examining the economy, efficiency and effectiveness with which the Welsh Ministers, Counsel General and Assembly Commission have used their resources¹⁰, may, but do not have to be, laid before the Assembly (clauses 134 & 139). The AGW must take the views of the Audit Committee on board when setting topics for VFM study.

The Audit Committee is the only committee specified in the Bill, and cannot be chaired by an Assembly Member with an executive role. Clause 142 of the Bill outlines the role of the Audit Committee in the treatment and publication of accounts.

The Audit Committee may consider and lay before the Assembly a report on any accounts, statement of accounts or report laid before the assembly by the AGW or the auditor of the AGW's accounts. The Audit Committee may, at the request of the Committee of Public Accounts of the House of Commons (PAC), take evidence from the principal accounting officer and additional accounting officers of the Welsh Ministers and of the Assembly Commission. The Audit Committee may also report to the PAC, and transmit to PAC evidence taken on its behalf.

The Comptroller and Auditor General (C&AG)

Clause 135 makes provision for the C&AG to carry out examinations into the payments into and out of the WCF. Before carrying out such examinations, the C&AG must consult with the AGW and take into account any relevant work being done by the AGW. The results of such investigations may be reported to the House of Commons, and at the same time, must be laid before the Assembly.

In carrying out investigations into the WCF, the C&AG has a right of access to documents in the custody and under the control of:

- the Welsh Assembly Ministers and the Counsel General;
- the Assembly Commission;

⁹ Wales Office (2005) *Guide to the Government of Wales Bill 2005*, <http://www.walesoffice.gov.uk/GoWguide.pdf>

¹⁰ In VFM studies, the AGW is not entitled to question the merits of the policy objectives pursued by the Welsh Ministers, only the extent to which the resources consumed in the pursuit of specific policy objectives were used with economy, efficiency and effectiveness. This is the case for all VFM studies in the United Kingdom.

- the AGW; and
- any other person audited by the AGW (other than a Welsh NHS body).

Further, the C&AG is entitled to require from any person holding or accountable for such documents, any assistance, information or explanation as the C&AG thinks necessary for that purpose.

B5 Transitional Provisions

Schedule 11 contains the transitional arrangements for the transfer of functions exercised by the National Assembly for Wales as a corporate body, to the new National Assembly and the Welsh Ministers. In relation to the provisions in part 5 of the bill, paragraphs 48 to 58 provide for the application by the old Assembly of some of the new financial arrangements for the financial year beginning April 2007 (including provision for the old Assembly to draw down funds from the WCF to meet its authorised expenditure) until separation is complete.

Annex C: About the ABPM Task & Finish Group

This Annex provides additional information on the activities of the Task & Finish Group

Establishment of a Task & Finish Group to consider the Financial Implications of the Government of Wales Bill

Draft Terms of Reference

Background

The finance provisions of the Government of Wales Bill will result in a number of changes to the current Assembly Budget Planning and Management System. These changes have to be fully understood, incorporated into the current financial processes and procedures, and properly communicated to relevant staff, senior managers and Ministers.

In order for this to be achieved, a Task & Finish Group will be established to consider what changes the Bill has made to the processes and procedures, and what documents will need to be produced to reflect them. There will also be a need for some targeted training and development for staff who will be involved with the Assembly's financial planning and management in some way.

Purpose of Task & Finish Group

To consider the financial provisions contained within the Government of Wales Bill and the implications for the current Assembly Budget Planning and Management System; and Accounts and their associated processes and procedures.

The Group will deliver a set of documents that present the details of the new Assembly Budget Planning and Management System, incorporating a clear annual timeline and exemplar documents and products reflecting the changes arising from the introduction of the Bill, with the appropriate guidance for staff.

We will work with the Assembly Parliamentary Service to ensure consistency of understanding and processes wherever necessary.

Membership

The membership of the Project Board will be as follows:-

Reg Kilpatrick, Director of Assembly Budget Planning & Management (Chair)
Sarah King, Assembly Budget Planning & Management (Huw Davies – from March 2006)
Paul Bryant, Assembly Budget Planning & Management
Peter Jones, Assembly Accounts
Nicola Donlon/Rhodri Asby - Constitutional Affairs Unit
Elisabeth Jones - Directorate of Legal Services
Steve O'Donoghue - Assembly Parliamentary Service
Ian Summers, Adviser to Group
Wales Audit Office Representative (to be confirmed)

A schedule of agreed tasks and timetable for delivery will be agreed and circulated at a later date.