

THE NATIONAL ASSEMBLY FOR WALES: AUDIT COMMITTEE

REPORT 01-03 - Presented to the National Assembly for Wales on 3rd February 2003
in accordance with section 102(1) of the Government of Wales Act 1998

THE GENERAL REPORT ON THE FINANCIAL AUDIT WORK OF THE AUDITOR GENERAL FOR WALES 2002

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Introduction

1. The Auditor General for Wales is responsible for the financial audit of the annual accounts prepared by the Assembly, its executive agencies, sponsored public bodies and other related organisations. For the 2000-01 financial year, the Auditor General, supported by National Audit Office Wales staff, audited 32 such accounts in accordance with UK Auditing Standards issued by the Auditing Practices Board.
2. The Auditor General publishes an annual General Report summarising the results of his financial audit. His General Report covering his work on the 2000-01 accounts and related matters was published on 27 March 2002¹. We took evidence on the basis of this report from Mr (now Sir) Jon Shortridge - the Assembly's Permanent Secretary, Mr David Richards – Principal Finance Officer and Mr Laurie Pavelin – Head of Financial Accountability Division. At the same time we also considered the Auditor General's report on the Consolidated Resource Account of the National Assembly for Wales for 2000-01 published on 25 February 2002². A transcript of the evidence is at **Annex A**. We would like to thank the witnesses for their constructive and helpful answers to our questions.
3. This report covers three main issues:
 - Themes arising from the National Audit Office Wales's management letters for 2000-01;
 - Expenditure financed by the European Structural Funds; and
 - The National Assembly's accounting and budgeting arrangements.

¹ General Report on the Financial Audit Work of the Auditor General for Wales:2000-01 laid before the National Assembly for Wales on 27 March 2002

² Consolidated Resource Account of the National Assembly for Wales: 2000-01 laid before the National Assembly on 25 February 2002

Themes arising from the National Audit Office Wales's management letters for 2000-01

4. The Auditor General gave unqualified opinions to all but one of the 32 accounts that he audited for the 2000-01 financial year³. The one exception was the Summarised Account of the Health Authorities, which we considered in our report on the Finances of NHS Wales 2002 (published separately)⁴.
5. The primary aim of a financial audit is designed to enable the Auditor General to form an opinion on the account. However, as part of its work, the National Audit Office Wales offers appropriate and constructive advice on the design and operation of accounting systems, procedures and controls, or potential improvements that can be made to the efficiency and effectiveness of the clients operations. Much of this advice is given orally but the more significant issues are raised in reports to management⁵.
6. In total, the National Audit Office Wales made 153 recommendations to the management of audited bodies in Wales in respect of 2000-01, compared with 116 for 1999-00. Of these, 78 (51 per cent) were classed as "Priority 1" requiring immediate action by management. The vast majority of these recommendations emerged for the first time during 2000-01 although the Auditor General cited two examples of previous recommendations not being actioned. These included procedures for identifying year-end debtor and creditor balances and the adequacy of documentation on personnel files⁶. In response to our questions, the Permanent Secretary told us that he was very disappointed that these two incidents were identified. The Assembly Government had followed the matter up and he had received assurances that a similar criticism will not arise in respect of the accounts for the 2001-02 financial year⁷.
7. The Auditor General also reported on two themes that emerged from the 2000-01 reports to management, namely:
 - Approval and monitoring of grants; and

³ AGW's report, paragraph 2.4

⁴ Audit Committee report on the Finances of NHS Wales: 2002

⁵ AGW's report, paragraphs 4.2 to 4.6

⁶ AGW's report, paragraphs 4.7 to 4.9 and figure 3

⁷ Qs 19 to 23

- Cash management.
8. The issues raised in relation to grants ranged from the adequacy of documentation in support of the award of grants and the amounts subsequently claimed, to insufficient monitoring to ensure that grants were expended for proper purposes. Findings in relation to cash management included failure to produce timely bank reconciliation, overdrawn bank accounts, misplaced cheques and unauthorised use of direct debits⁸.
 9. The Permanent Secretary told us that NAO reports to the management of the Assembly's sponsored public bodies are reviewed by the Head of Financial Accountability Division, who then refers any follow-up action to sponsor divisions who are responsible for ensuring that individual bodies have taken appropriate action. In addition, the Permanent Secretary or Principal Finance Officer takes any central action deemed appropriate. All of that activity is reported to the Permanent Secretary's Corporate Governance Committee. In addition, the Permanent Secretary has two meetings a year with the accounting officers of sponsored public bodies where he can address issues of concern⁹.
 10. In response to our specific questions on grant schemes, the Permanent Secretary told us that sponsored bodies had their own arrangements in place built up over the years through liaison with Assembly officials. Towards the end of last year, the Assembly Government sent a best practice note to all sponsored bodies on capital grants following work on its own grant schemes that had highlighted deficiencies, and also in response to an earlier report by the Auditor General¹⁰.
 11. We also asked about the training given to Assembly officials tasked with appraising grant applications and monitoring projects. Sir Jon told us that all staff undertake an element of core training but that there is no systematic training on grant work, and that this is an area for improvement. Mr Richards and Mr Pavelin added that line staff should make use of the expert opinion available within the Assembly, and that they had produced manuals that deal with relationships with the voluntary sector including grant appraisal and monitoring¹¹.

⁸ AGW's report, paragraphs 4.12 to 4.14

⁹ Q4

¹⁰ Q2

¹¹ Q6

12. In relation to cash management, the Permanent Secretary told us that the overdrawn account was a one-off occurrence and the amounts involved with the unauthorised direct debits and misplaced cheques were relatively small. He shared the Committee's concerns that, in principle the failings were serious and should not have happened¹².
13. **We consider that external audit reports to management are a vital and integral part of the audit process that must be given full respect and acted upon. It is clear that the Permanent Secretary takes his responsibilities seriously in this regard and we commend the procedures that he and the Finance Group have put in place for monitoring the implementation of the recommendations made by the National Audit Office. We are concerned that, in a small number of cases, management has not actioned key recommendations and we urge that such cases be pursued with vigour including the taking of disciplinary action in serious cases.**
14. **In respect of grant schemes, the Assembly Government and sponsored public bodies have a duty to ensure that applications and claims are properly documented and that sufficient monitoring is undertaken in order to minimise the risk of irregular expenditure going undetected. Failings in this regard are not acceptable and could have potentially serious consequences. For example, in the case of projects supported by European Structural Funds, there is a risk of claw-back and vital money being lost to Wales.**
15. **We therefore urge the Assembly Government to act promptly on any failings brought to light, to review the operation of major grant schemes on a regular basis and to provide a systematic training programme for all staff engaged on grant appraisal and monitoring activities.**
16. **We expect all public sector bodies in Wales to pay particular attention to their cash management procedures, which we view as fundamental to their sound financial management. In particular, all bank accounts should be reconciled in a timely manner and care should be taken to avoid overdrafts, misplaced cheques and the unauthorised use of direct debits.**

¹² Qs 13 to 18

Expenditure financed by the European Structural Funds

17. The Auditor General commented in his report on the results of his audit work on the European Structural Funds¹³. As well as being the external auditors of the Welsh European Funding Office (WEFO), the National Audit Office Wales issues annual and final audit certificates in respect of European grant claims submitted to WEFO by several Assembly sponsored public bodies¹⁴.
18. Between 1 April 2000 and 31 January 2002, the National Audit Office Wales qualified eight of the 24 audit certificates that it issued. The reasons for these qualifications included inaccuracies and errors in the completion of grant claim forms, failures to categorise expenditure correctly and the loss of invoices and other documents supporting the claimed project spend. The Auditor General also noted that "in some instances project managers are not always fully aware of the documentary and other conditions attached to European grants"¹⁵.
19. In light of these qualifications and the underlying problems that had been revealed, we asked the Permanent Secretary whether WEFO was providing sufficient advice and guidance to grant applicants on maintaining their records so that the risk of clawback was minimised. Sir Jon told us that whilst there were a range of issues where improvements could and should be made, WEFO was maintaining regular contact with sponsors through presentations and meetings, and had issued detailed guidance notes on the completion of claim forms. In addition, WEFO was planning this year to hold workshops to familiarise sponsors with the claiming arrangements¹⁶.
20. We also asked about the reasons for the moratorium that had been recently placed on the requirement for annual audit certificates in support of claims for European Social Fund (ESF) grant, which Mr Richards had brought to our attention in his letter of 17 April 2002¹⁷. Sir Jon told us that this had been a decision taken by the Department for Education and Skills in England which had been mirrored in Wales, and arose because of concerns raised by private sector auditors regarding

¹³ AGW's report, Part 5

¹⁴ AGW's report, paragraph 5.12

¹⁵ AGW's report, paragraphs 5.13 to 5.16

¹⁶ Q25

¹⁷ Annex B

the clarity of the available guidance on the eligibility and categorisation of expenditure¹⁸. Mr Pavelin added that he had been invited to join a working group involving the government and the accountancy profession to review the extent of work involved in the audit of grant claims¹⁹. Sir Jon assured us that the imposition of the moratorium had not been driven by a need to minimise slippage in the draw-down of ESF funds by grant recipients²⁰. He expressed the hope that when the review was concluded and moratorium lifted it would lead to greater clarity as to the precise audit assurances needed to approve the grant certificates²¹.

21. Finally on European funding, we asked whether the risk identified by the Auditor General that WEFO might clawback grant from individual projects might lead to this money being lost to Wales. Sir Jon told us that any such clawbacks would be recycled by WEFO into other projects and that the danger of funds being lost to Wales could only arise at the end of the programme²².
22. **We note with concern that the National Audit Office Wales had to qualify eight out of 24 audit certificates issued in respect of claims for European grant funding made by the Assembly's own sponsored bodies. It is clear that many of the errors identified by the auditors arose because of a lack of awareness or understanding amongst some project managers of the detailed rules governing the European grant schemes. This is unacceptable. Whilst we recognise that WEFO is working to improve the quality of advice and guidance provided to project managers, we urge it to work more closely with staff at the relevant sponsored bodies to ensure that such errors are minimised in future.**
23. **In respect of the moratorium on annual audit certificates for ESF projects, we note that this has been imposed in response to genuine difficulties experienced by private sector auditors in both Wales and England. We consider that the requirement for annual audit certificates provides a valuable 'early warning', both for project managers and for WEFO, of emerging problems on each project. We therefore look to the Assembly**

¹⁸ Q27

¹⁹ Q36

²⁰ Q39

²¹ Q58

²² Qs 46 to 52

Government to act with all speed in concluding the review of guidance to the auditing profession on the levels of assurance required to validate ESF grant claims, and to reinstate this important independent check at the earliest opportunity.

24. **We note the assurances we have received that European funds clawed back from one project can be recycled by WEFO into other projects, rather than surrendered to Europe. Whilst clawback of grant should always be viewed very much as a last resort, we consider that WEFO should not hesitate to take such action where appropriate. This would send a strong message to other grant recipients that mismanagement will not be tolerated. It would also help to ensure that Wales is able to maximise the benefits that can be obtained from European funding.**

The National Assembly's accounting and budgeting arrangements

25. The Auditor General commended the Assembly's Finance Group for preparing the 2000-01 resource accounts in line with the 30 November 2001 statutory deadline²³. He also reported that the problems encountered by the Finance Group in preparing the 1999-00 accounts (timeliness in preparation, failure to reconcile bank accounts and shortage of suitably qualified staff) had largely been overcome²⁴.
26. The Auditor General also reported that the Finance Group suffered from timing pressures in completing the Consolidated Resource Account by 30 November 2001. This account incorporates the financial results of the Assembly's core activities, its two executive agencies and the five health authorities. The Finance Group cannot complete this task until the accounts of the agencies and health authorities and the supporting schedules have been finalised. The Accounting Officers of the executive agencies and NHS Wales are required by statute to sign their respective accounts by 30 November. The Permanent Secretary is required to sign the consolidated account by the same date and only met this deadline as a

²³ AGW's report, paragraphs 8.4 and 8.5

²⁴ AGW's report on the 2000-01 Consolidated Resource Account of the National Assembly for Wales, paragraphs 5 and 6

result of a concentrated and dedicated effort by Finance Group and National Audit Office staff working on the consolidation to an unacceptably short time scale.

27. In future years this difficulty could be more acute when the accounts of other public bodies are progressively brought within the boundary for consolidation in order to prepare a “Whole of Government of Wales account”²⁵. The Permanent Secretary told us the he had called a meeting of the relevant accounting officers and that they had committed themselves to completing the contributory accounts by the end of July so that they could be audited by the end of September. The consolidation would then be completed during October²⁶.
28. The National Assembly introduced resource-based budgeting for the 2002-03 financial year replacing the long-standing cash-based process. This change means that the budgets and the accounts are now prepared on the same “accruals” basis thereby enabling meaningful comparisons to be made between the estimates and the eventual outturn²⁷.
29. The witnesses told us that resource-based budgeting was introduced following a substantial training programme and they were not aware of any significant teething problems. Mr Richards told us that the benefits would be two fold. At the micro level there would be much more interest in commitments and creditors and people would take a much longer-term view. At the macro level, it would provide more visibility about the use made of our capital stock in Wales, long-term capital investment, and the relationship between expenditure and objectives²⁸.
30. As part of the move to resource accounting and budgeting, the Finance Group introduced a new fully integrated financial and management accounting system on 1 April 2002. The witnesses told us that this introduction was successful and that the project came within budget although the new system was not working as fully and effectively as they would like. In particular, there had been delays in making payments. The Finance Group is aiming to introduce facilities over the next 12

²⁵ AGW’s report on the 2000-01 Consolidated Resource Account of the National Assembly for Wales, paragraphs 7 to 9 and 13 to 16

²⁶ Qs 71 to 76

²⁷ AGW’s report, paragraphs 8.14 to 8.15

²⁸ Qs 77 to 79

months to enable more remote entry of payments and improvements to the management of grant schemes²⁹.

31. **We are very pleased to note the progress made with resource accounting and preparation for the introduction of “whole of government” accounts, which we understand compares favourably with the position elsewhere in the United Kingdom. In this context we note that the future need to consolidate the financial results of many more public bodies in Wales is likely to result in considerable pressures being placed on the Finance Group in order to meet the statutory deadlines. We trust that the Permanent Secretary and the Principal Finance Officer will continue to ensure that this important operation is properly resourced by suitably qualified and experienced staff. We also urge the Finance Group to work with the bodies concerned to ensure that they are fully aware of their responsibilities and the time scales for submission of financial information.**
32. **We also note the recent introduction of resource-based budgeting and the new financial and management accounting system and look forward to the benefits that should accrue over time in terms of the management of the Assembly’s finances. We trust that the teething troubles with the new accounting system – particularly the delays in making payments - have been or soon will be resolved, and that the further planned improvements can be rolled-out as quickly a possible.**

Conclusions and recommendations

33. In the light of our findings, we make the following conclusions and recommendations:

On the themes arising from the National Audit Office Wales’s management letters for 2000-01

- (i) We consider that external audit reports to management are a vital and integral part of the audit process that must be given full respect and acted upon. It is clear that the Permanent Secretary takes his responsibilities seriously in this regard and we commend the

²⁹ Qs 60 to 63

procedures that he and the Finance Group have put in place for monitoring the implementation of the recommendations made by the National Audit Office. We are concerned that, in a small number of cases, management has not actioned key recommendations and we urge that such cases be pursued with vigour including the taking of disciplinary action in serious cases;

- (ii) In respect of grant schemes, the Assembly Government and sponsored public bodies have a duty to ensure that applications and claims are properly documented and that sufficient monitoring is undertaken in order to minimise the risk of irregular expenditure going undetected. Failings in this regard are not acceptable and could have potentially serious consequences. For example, in the case of projects supported by European Structural Funds, there is a risk of claw-back and vital money being lost to Wales;
- (iii) We therefore urge the Assembly Government to act promptly on any failings brought to light, to review the operation of major schemes on a regular basis and to provide a systematic training programme for all staff engaged on grant appraisal and monitoring activities;
- (iv) We expect all public sector bodies in Wales to pay particular attention to their cash management procedures, which we view as fundamental to their sound financial management. In particular, all bank accounts should be reconciled in a timely manner and care should be taken to avoid overdrafts, misplaced cheques and the unauthorised use of direct debits;

On expenditure financed by the European Structural Funds

- (v) We note with concern that the National Audit Office Wales had to qualify eight out of 24 audit certificates issued in respect of claims for European grant funding made by Assembly Sponsored Public Bodies. It is clear that many of the errors identified by the auditors arose because of a lack of awareness or understanding amongst some project

managers of the detailed rules governing the European grant schemes. This is unacceptable. Whilst we recognise that WEFO is working to improve the quality of advice and guidance provided to project managers, we urge it to work more closely with the relevant sponsored bodies to ensure that such errors are minimised in future;

- (vi) In respect of the moratorium on annual audit certificates for ESF projects, we note that this has been imposed in response to genuine difficulties experienced by private sector auditors in both Wales and England. We consider that the requirement for annual audit certificates provides a valuable 'early warning', both for project managers and for WEFO, of emerging problems on each project. We therefore look to the Assembly Government to act with all speed in concluding the review of guidance to the auditing profession on the levels of assurance required to validate ESF grant claims, and to reinstate this important independent check at the earliest opportunity;
- (vii) We note the assurances we have received that European funds clawed back from one project can be recycled by WEFO into other projects, rather than surrendered to Europe. Whilst clawback of grant should always be viewed very much as a last resort, we consider that WEFO should not hesitate to take such action where appropriate. This would send a strong message to other grant recipients that mismanagement will not be tolerated. It would also help to ensure that Wales is able to maximise the benefits that can be obtained from European funding;

On the National Assembly's accounting and budgeting arrangements

- (viii) We are very pleased to note the progress made with resource accounting and preparation for the introduction of "whole of government" accounts, which we understand compares favourably with the position elsewhere in the United Kingdom. In this context we note that the future need to consolidate the financial results of many more public bodies in Wales is likely to result in considerable pressures being placed on the Finance Group in order to meet the statutory deadlines. We trust that the Permanent Secretary and the

Principal Finance Officer will continue to ensure that this important operation is properly resourced by suitably qualified and experienced staff. We also urge the Finance Group to work with the bodies concerned to ensure that they are fully aware of their responsibilities and the time scales for submission of financial information;

- (ix) We also note the recent introduction of resource-based budgeting and the new financial and management accounting system and look forward to the benefits that should accrue over time in terms of the management of the Assembly's finances. We trust that the teething troubles with the new accounting system – particularly the delays in making payments - have been or soon will be resolved, and that the further planned improvements can be rolled-out as quickly as possible.

Overall conclusion

- 34. We are naturally pleased that the Auditor General considers that the standards of financial management and probity remain high in the public sector in Wales. We agree that this is a testament to the hard work and diligence of officials at all levels within the Assembly and its related public bodies.
- 35. The Auditor General has, however, given some early warning signals particularly in relation to the procedures for claiming grants financed by the European Structural Funds. We urge the Welsh European Funding Office and all organisations associated with European funded projects to heed this warning and take steps to ensure that this vital source of finance is managed properly for the benefit of Wales.



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

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

**Cwestiynau 1-83
Questions 1-83**

**Dydd Iau 18 Ebrill 2002
Thursday 18 April 2002**

Aelodau o'r Cynulliad yn bresennol: Dafydd Wigley (Cadeirydd), Eleanor Burnham, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones, Val Lloyd.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru; Mike Usher, Swyddfa Archwilio Genedlaethol Cymru.

Tystion: Jon Shortridge, Ysgrifennydd Parhaol, Cynulliad Cenedlaethol Cymru; Laurie Pavelin, Pennaeth yr Is-adran Atebolrwydd Ariannol, Cynulliad Cenedlaethol Cymru; David Richards, Prif Swyddog Cyllid, Cynulliad Cenedlaethol Cymru.

Assembly Members present: Dafydd Wigley (Chair), Eleanor Burnham, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones, Val Lloyd.

Officials present: Sir John Bourn, Auditor General for Wales; David Powell, National Assembly for Wales Compliance Officer; Mike Usher, National Audit Office Wales.

Witnesses: Jon Shortridge, Permanent Secretary, National Assembly for Wales; Laurie Pavelin, Head of Financial Accountability Division, National Assembly for Wales; David Richards, Principal Finance Officer, National Assembly for Wales.

Dechreuodd y sesiwn cymryd tystiolaeth am 3.34 p.m.

The evidence-taking session began at 3.34 p.m.

[1] Dafydd Wigley: Mae hwn yn sesiwn cymryd tystiolaeth ar adroddiad y Swyddfa Archwilio Genedlaethol ar ran Archwilydd Cyffredinol Cymru, 'Adroddiad Cyffredinol ar Waith Archwilio Ariannol Archwilydd Cyffredinol Cymru: 2000-01', a gyhoeddwyd ar 27 Mawrth eleni. Byddwn hefyd yn derbyn tystiolaeth ar 'Cyfrif Adnoddau Cyfunol Cynulliad Cenedlaethol Cymru: 2000-01', a osodwyd gerbron y Cynulliad ar 25 Chwefror eleni.

Croesawaf y tystion. Maent yn wynebau I welcome the witnesses. They are familiar

cyfarwydd inni. A fydddech mor garedig â chyflwyno eich hunain i'r Pwyllgor?

Mr Shortridge: I am Jon Shortridge, the Permanent Secretary of the National Assembly for Wales.

Mr Richards: I am David Richards, the National Assembly for Wales's principal finance officer.

Mr Pavelin: I am Laurie Pavelin, from the National Assembly for Wales's financial accountability division.

[2] Dafydd Wigley: Diolch yn fawr, a chroeso ichi. Mae'r cwestiwn cyntaf yn codi o'r themâu a welir yn llythyron rheoli Swyddfa Archwilio Genedlaethol Cymru. Hoffwn agor y rhan hon o'r sesiwn drwy gyfeirio at y gyfundrefn sy'n ymwneud â chymeradwyo a monitro gwariant grantiau. Pan fu i'r Pwyllgor hwn archwilio Canolfan y Celfyddydau Gweledol, bu inni nodi'r ffaith fod gwendidau yn y gyfundrefn gwerthuso grantiau ac yn y prosesau monitro yn ffactorau pwysig ym methiant y prosiect hwnnw. Mae rhan 4 o adroddiad yr Archwilydd Cyffredinol hefyd yn cyfeirio yn fwy helaeth at arferion gwael o safbwynt cymeradwyo a monitro gwariant grantiau. Pa gamau a gymerwyd gan y Cynulliad i ddsbarthu canllawiau ar arfer da i'r cyrff a noddur ganddo ar sut i reoli'n effeithiol gyfundrefnau darparu

faces to us. Would you please introduce yourselves to the Committee?

Mr Shortridge: Jon Shortridge ydw i, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru.

Mr Richards: David Richards ydw i, prif swyddog cyllid Cynulliad Cenedlaethol Cymru.

Mr Pavelin: Laurie Pavelin ydw i, o is-adran atebolrwydd ariannol Cynulliad Cenedlaethol Cymru.

[2] Dafydd Wigley: Thank you very much, and welcome. The first question arises from the themes that can be seen in the National Audit Office Wales's management letters. I would like to begin this part of the session by referring to the system that relates to appraising and monitoring grant expenditure. When this Committee examined the Centre for Visual Arts, we noted the fact that weaknesses in the grant appraisal system and in the monitoring processes were important factors in the failure of that project. Part 4 of the Auditor General's report also comments more widely on poor practices with regard to approval and monitoring of grant expenditure. What steps has the Assembly taken to disseminate guidance on good practice to its sponsored bodies on how to effectively manage grant distribution systems?

grantiau?

Mr Shortridge: All the sponsored bodies will have their own arrangements in place, which have built up over the years and through their liaison with us so that, for example, the financial memoranda of the bodies, which are agreed between the two accounting officers, set out our basic requirements. The most recent thing that we have done in relation to grant monitoring is that, towards the end of last year, we sent to all the sponsored bodies a note on best practice which we ourselves had developed within the Assembly in relation to the monitoring of capital grants. That was partly because work that we had done on our own grant schemes indicated what I regarded as deficiencies in our systems, but it also arose from our response to an earlier report on our accounts by the Auditor General. Therefore, I cannot give you the assurance that, in the last 12 months, we have totally reviewed all the guidance that we give to the sponsored bodies on the approval and monitoring of grants. However, we have done this work in relation to capital grants and, as of now, I am satisfied that the systems that we have in place are sufficient, particularly bearing in mind that this report from the Auditor General, while it does in figure 4 refer to particular issues in relation to particular bodies, does not, I think, identify this as a systemic problem at the moment.

Mr Shortridge: Bydd gan y cyrff nodeddig i gyd eu trefniadau eu hunain, sydd wedi ffurfio dros y blynyddoedd a thrwy eu cyswllt â ni fel bod, er enghraifft, femoranda ariannol y cyrff, y cytunir arnynt rhwng y ddau swyddog cyfrifo, yn nodi ein gofynion sylfaenol. Y peth mwyaf diweddar yr ydym wedi ei wneud mewn perthynas â monitro grantiau yw inni, tua diwedd y llynedd, anfon nodyn at yr holl gyrff nodeddig ar yr arferion gorau yr oeddem ni ein hunain wedi'u datblygu o fewn y Cynulliad mewn perthynas â monitro grantiau cyfalaf. Gwnaed hynny'n rhannol am fod y gwaith yr oeddem wedi'i wneud ar ein cynlluniau grant ein hunain wedi datgelu yr hyn oedd, yn fy marn i, yn ddiffygion yn ein systemau ni, ond deilliodd hefyd o'n hymateb i adroddiad cynharach ar ein cyfrifon gan yr Archwilydd Cyffredinol. Ni allaf felly roi sicrwydd ichi ein bod, yn y 12 mis diwethaf, wedi llwyr adolygu'r holl ganllawiau yr ydym yn eu rhoi i'r cyrff nodeddig ar gymeradwyo a monitro grantiau. Fodd bynnag, yr ydym wedi gwneud y gwaith hwn mewn perthynas â grantiau cyfalaf ac, o'r funud hon, yr wyf yn fodlon fod y systemau sydd wedi'u sefydlu gennym yn ddigonol, yn enwedig o gofio nad yw'r adroddiad hwn gan yr Archwilydd Cyffredinol, er ei fod yn cyfeirio at faterion penodol mewn perthynas â chyrrff penodol yn ffigur 4, yn

nodi hyn fel problem systematig ar hyn o bryd.

[3] Dafydd Wigley: It obviously has a tremendous potential significance, and it is something that has to be monitored carefully. Are there things that you consider could be done in addition to what is being done at the moment by the Assembly to promote the achievement of better financial control over grant schemes across the Welsh public sector?

Mr Shortridge: At the moment, I have no firm proposals to do that, Chair. If it would help the Committee, I can just tell you—and, in a sense, remind you—what our annual processes are in relation to assurance. It might take me a few minutes but, as a context, I think it would be helpful.

[4] Dafydd Wigley: I think that it would be worth having.

Mr Shortridge: In relation to sponsored bodies, what we get, as this report indicates, is copies of the management letters which the NAO sends to the accounting officers of the sponsored bodies. We also ask for, and pay, the NAO to provide us with supplementary assurance reports in relation to each sponsored body. The assurance report is looking much less at audit issues and much

[3] Dafydd Wigley: Mae'n amlwg fod iddo arwyddocâd posibl enfawr, ac mae'n rhywbeth y mae'n rhaid ei fonitro'n ofalus. Oes yna bethau y gellid yn eich barn chi eu gwneud yn ychwanegol at yr hyn sy'n cael ei wneud ar hyn o bryd gan y Cynulliad i hyrwyddo gwell rheolaeth ariannol dros gynlluniau grant ar draws y sector cyhoeddus yng Nghymru?

Mr Shortridge: Ar hyn o bryd, nid oes gennyf unrhyw gynigion pendant i wneud hynny, Gadeirydd. Pe bai o gymorth i'r Pwyllgor, gallaf ddweud wrthy ch—ac, mewn ffordd, eich atgoffa—beth yw ein prosesau blynyddol o safbwynt sicrwydd. Mae'n siŵr o gymryd rhai munudau i mi ond, fel cyd-destun, credaf y byddai'n fuddiol.

[4] Dafydd Wigley: Yr wyf yn credu y byddai'n werth ei gael.

Mr Shortridge: Mewn perthynas â chyrrff nodeddig, yr hyn a gawn, fel y dengys yr adroddiad, yw copïau o'r llythyrau rheoli y mae'r Swyddfa Archwilio Genedlaethol yn eu hanfon at swyddogion cyfrifo'r cyrrff nodeddig. Yr ydym hefyd yn gofyn am, ac yn talu, i'r Swyddfa Archwilio Genedlaethol ddarparu adroddiad sicrwydd atodol inni mewn perthynas â phob corff nodeddig. Mae'r adroddiad

more at corporate governance issues—that is, the conduct of the organisation.

For each body, those reports and letters are reviewed by Laurie Pavelin, as our chief accountant, and he refers any follow-up action that he thinks is necessary to the individual sponsor divisions, who then have the responsibility of making sure, to their satisfaction, that the body that they sponsor has taken the appropriate action. In addition to that, where we think that there is a need for central action, either by me or by David Richards, that action is taken. Indeed, in the case of two of the examples that are cited in this report, we had taken action centrally anyway because we were concerned. All of that activity is then reported to the corporate governance committee that I chair, so that we can satisfy ourselves that the follow-up action has been appropriate. If we think that there are any generic issues that need to be addressed, like the one that you have just referred to, that is our opportunity to assess that and decide if anything in particular needs to be done. In addition, I have two meetings every year with the accounting officers of the sponsored bodies—one which is really in their accounting officer mode and one which is more in a chief executive mode but, as you will appreciate, there is a blurring between the two types of agenda. At those meetings,

sicrwydd yn edrych llawer llai ar faterion archwilio a llawer mwy ar faterion llywodraethu corfforaethol—hynny yw, sut y caiff y sefydliad ei gynnal.

Caiff yr adroddiadau a'r llythyron hynny eu hadolygu gan Laurie Pavelin, fel ein prif gyfrifydd, yng nghyswllt pob corff ac mae'n cyfeirio unrhyw weithredu dilynol sy'n ofynnol yn ei farn ef at yr is-adrannau noddol unigol, sydd wedyn yn gyfrifol am wneud yn siŵr eu bod wedi'u bodloni bod y corff y maent yn ei noddol wedi gweithredu fel sy'n ofynnol. Yn ychwanegol at hynny, lle tybiwn fod angen gweithredu'n ganolog, un ai drwy David Richards neu fi, gwneir hynny. Yn wir, yn achos y ddwy enghraifft a ddyfynnir yn yr adroddiad hwn, yr oeddem eisoes wedi gweithredu'n ganolog beth bynnag gan ein bod yn pryderu. Caiff yr holl weithredu hwnnw wedyn ei adrodd i'r pwyllgor llywodraethu corfforaethol yr wyf fi yn ei gadeirio, er mwyn inni fodloni ein hunain i'r gweithredu dilynol fod yn briodol. Os credwn fod yna unrhyw faterion generig y mae angen rhoi sylw iddynt, fel yr un yr ydych newydd gyfeirio ato, dyma'n cyfle ni i asesu hynny a phenderfynu a oes angen gwneud rhywbeth neilltuol. Yn ogystal, yr wyf yn cael dau gyfarfod y flwyddyn â swyddogion cyfrifo'r cyrff a noddol—un yn rhinwedd eu rôl fel swyddog cyfrifo a'r llall fwy yn eu rôl fel prif weithredwr ond, fel y byddwch yn sylweddoli, nid yw'r gwahaniaeth rhwng y ddau fath o agenda

if there are issues that are of concern to me, we will address them collectively. At the next meeting that I have with the chief executives in a couple of months' time, I will certainly be wanting to refer them in particular to part 4 of this report and have a discussion with them on the issues that the NAO has drawn out in the report, so that we can have the opportunity to, in a sense, collectively satisfy ourselves that the processes and procedures that we currently have in place are appropriate.

[5] Dafydd Wigley: Indeed, and I am grateful to you for the suggestion that part 4 of the report be drawn to their attention. What we are looking for here is not the individual instances but the general lessons that come out of this. You are in a strategic position, are you not, to see the overall picture and to see what lessons arise from individual cases that can then, if appropriate, be drawn to the attention of the whole body that has these dimensions to it so that it can learn lessons from them? Perhaps it would be interesting to hear how that goes forward.

Ann, do you want to come in on this?

[6] Ann Jones: Yes. I think that most of what I was going to ask has already been covered as Mr Shortridge has referred to figure 4 in the Auditor General's report. I

bob amser yn glir. Yn y cyfarfodydd hynny, os oes materion sy'n peri pryder i mi, byddwn yn rhoi sylw iddynt. Yn fy nghyfarfod nesaf â'r prif weithredwyr ymhen rhyw ddeufis, byddaf yn sicr am eu cyfeirio'n arbennig at ran 4 yr adroddiad hwn ac am gael trafodaeth â nhw ynglŷn â'r materion y mae'r Swyddfa Archwilio Genedlaethol wedi tynnu sylw atynt yn yr adroddiad, er mwyn inni gael cyfle, mewn ffordd, i fodloni ein hunain ar y cyd bod y prosesau a'r trefniadau sydd gennym ar hyn o bryd yn briodol.

[5] Dafydd Wigley: Yn wir, ac yr wyf yn ddiolchgar i chi am yr awgrym fod rhan 4 yr adroddiad i'w dwyn i'w sylw. Yr hyn yr ydym yn edrych amdano yma yw nid enghreifftiau unigol ond y gwersi cyffredinol sy'n dod allan o hyn. Rydych chi mewn sefyllfa strategol, onid ydych, i weld y darlun cyflawn ac i weld pa wersi sy'n codi o achosion unigol y gellir wedyn, os yw hynny'n briodol, eu dwyn i sylw'r holl gorff sydd â'r dimensiynau hyn er mwyn iddo allu dysgu gwersi o hynny? Efallai y byddai'n ddiddorol clywed sut mae hynny'n mynd rhagddo.

Ann, ydych chi am ddweud rhywbeth ar hyn?

[6] Ann Jones: Ydw. Credaf fod sylw wedi'i roi eisoes i'r rhan fwyaf o'r hyn yr oeddwn yn mynd i'w ddweud gan fod Mr Shortridge wedi cyfeirio at ffigur 4 yn

will now turn to the question of how we look at the training that is given to Assembly officials who are tasked with appraising grant applications and monitoring projects, given that the Assembly is directly responsible for the administration of many different types of grant schemes. What training is given to these Assembly officials to appraise grant applications and monitor projects?

Mr Shortridge: We do not have a systematic training programme in that sense, but what I am looking for is assurance through my finance colleagues that the people in the individual divisions who have responsibility for making the payments and doing the grant work are of a sufficient calibre to do the work. It is one of my desires that we have a more systematic approach to training and I am sure that this is an area on which we could improve. The thing that I have to balance all the time is where the training priorities are. With the advent of the Assembly, there has needed to be a much greater priority given to training on a whole range of issues. Therefore, for example, for the first time ever—in the history of the Welsh Office and the Assembly—there is two and a half days of core training for all staff which they must do in order to satisfy me that certain things are being done. That core training does not relate, this year, to grant work. However, what I will want to

adroddiad yr Archwilydd Cyffredinol. Trof yn awr at y cwestiwn o sut yr ydym yn edrych ar yr hyfforddiant a roddir i swyddogion y Cynulliad sydd â'r dasg o werthuso ceisiadau am grantiau a monitro prosiectau, o gofio bod y Cynulliad yn uniongyrchol gyfrifol am weinyddiaeth llawer o wahanol fathau o gynlluniau grant. Pa hyfforddiant a roddir i'r swyddogion Cynulliad hyn i werthuso cynlluniau grant a monitro prosiectau?

Mr Shortridge: Nid oes gennym raglen hyfforddi systematig yn yr ystyr hwnnw, ond yr hyn yr wyf yn chwilio amdano yw sicrwydd drwy fy nghydweithwyr cyllid fod y bobl yn yr is-adrannau unigol sy'n gyfrifol am wneud y taliadau a gwneud y gwaith grantiau o safon ddigonol i wneud y gwaith. Un o'm dyheadau pennaf yw inni ymdrin â hyfforddiant mewn modd mwy systematig ac yr wyf yn siŵr fod hwn yn faes y gallem wella arno. Yr hyn y mae'n rhaid i mi ei gloriannu bob amser yw ymhle mae'r blaenoriaethau hyfforddi. Gyda dyfodiad y Cynulliad, bu'n rhaid rhoi llawer mwy o flaenoriaeth i hyfforddiant ar ystod eang o faterion. Felly, er enghraifft, am y tro cyntaf erioed—yn hanes y Swyddfa Gymreig a'r Cynulliad—ceir dau ddiwrnod a hanner o hyfforddiant craidd i'r holl staff a rhaid iddynt wneud yr hyfforddiant hwnnw i'm bodloni I fod rhai pethau penodol yn cael eu gwneud. Nid yw'r hyfforddiant craidd hwnnw, eleni, yn ymwneud â gwaith

do, as we develop our training strategy, is to have a more systematic approach to training modules relating to particular activities such as grant and financial work. David Richards or Laurie may want to add to that.

Mr Richards: If I could go first, I will add a few things. As part of the induction programme for all new entrants to the Assembly, there is a session on the basic financial principles. We also run a separate training module on finance. One of the things that we also insist on is that people in the front line make use of the appropriate expert opinion. Therefore, business cases would not just be dealt with by the people dealing directly with the grant applicants; we would expect them to run them past the economists. Similarly, with sets of accounts, we would expect them to come in to our accountancy service or our information technology or procurement specialists. Therefore, part of the way in which we approach this is to make sure that we have centres of professional excellence and that we then use them.

Mr Pavelin: If I may add to that, there are two other elements that we already have. We already have one or two manuals

grantiau. Fodd bynnag, yr hyn y byddaf am ei wneud, wrth inni ddatblygu ein strategaeth hyfforddi, yw ymdrin â modiwlau hyfforddi sy'n ymwneud â gweithgareddau neilltuol, megis gwaith grantiau a gwaith ariannol, mewn modd mwy systematig. Efallai y bydd David Richards neu Laurie am ychwanegu at hynny.

Mr Richards: Os caf fi fynd yn gyntaf, hoffwn ychwanegu rhai pethau. Fel rhan o'r rhaglen sefydlu i bawb sy'n ymuno o'r newydd â'r Cynulliad, ceir sesiwn ar yr egwyddorion ariannol sylfaenol. Yr ydym hefyd yn cynnal modiwl hyfforddi ar wahân ar gyllid. Un o'r pethau yr ydym hefyd yn ei fynnu yw bod pobl yn y rheng flaen yn defnyddio'r farn arbenigol briodol. Felly, ni fyddai'r bobl sy'n delio'n uniongyrchol â cheisiadau grant yn delio ag achosion busnes ar eu pennau eu hunain; byddem yn disgwyl iddynt eu dwyn i sylw'r economegwyr. Yn yr un modd, gyda setiau cyfrifon, byddem yn disgwyl iddynt ddod gerbron ein gwasanaeth cyfrifeg neu ein harbenigwyr technoleg gwybodaeth neu gaffael. Felly, rhan o'n ffordd o ymdrin â hyn yw gwneud yn siŵr fod gennym ganolfannau o ragoriaeth broffesiynol a'n bod yn eu defnyddio.

Mr Pavelin: Os caf ychwanegu at hynny, mae dwy elfen arall sydd gennym yn barod. Mae gennym eisoes un neu ddau

which deal with relationships with the voluntary sector, for example, and set out in there are model sets of grant conditions and the requirements that we would expect in grant arrangements with the voluntary sector. The Permanent Secretary is probably not aware of this, but we do actually already have one module that we run on grant appraisal and monitoring. We already have that in place and we have run one or two modules on that. What we seek to do is to provide some basic training. We also seek to provide some basic documentation and we provide expertise centrally where we can support individual divisions with the development of new grant schemes. So, if a new grant scheme is coming online, we would expect them to come to us to seek advice. We have accountants centrally who can look at accounts from grant applicants and we can provide specialist advice where required.

[7] Ann Jones: May I just follow that one up a bit further? Given the different types of grant regimes that we have across the whole spectrum of the Assembly, and given that we, as the corporate body of the Assembly, expect many of the voluntary bodies or the people who are accessing these grants to be able to demonstrate some sort of ability to understand and to train and to know how they are going to

lawlyfr sy'n delio â pherthnasau â'r sector gwirfoddol, er enghraifft, ac mae setiau enghreifftiol o amodau grant a'r gofynion y byddem yn eu disgwyl mewn trefniadau grant â'r sector gwirfoddol wedi'u nodi yno. Mae'n bur debyg nad yw'r Ysgrifennydd Parhaol yn ymwybodol o hyn, ond yn wir yr ydym eisoes yn cynnal un modiwl ar werthuso a monitro grantiau. Mae hwnnw wedi ei sefydlu eisoes ac yr ydym wedi cynnal un neu ddau fodiwl ar hynny. Yr hyn yr ydym yn ceisio ei wneud yw darparu rhywfaint o hyfforddiant sylfaenol. Yr ydym hefyd yn ceisio darparu rhai dogfennau sylfaenol ac yr ydym yn darparu arbenigedd yn ganolog lle gallwn gynorthwyo is-adrannau unigol wrth iddynt ddatblygu cynlluniau grant newydd. Felly, os oes cynllun grant newydd yn ymddangos, byddem yn disgwyl iddynt ddod atom i geisio cyngor. Mae gennym gyfrifwyr yn ganolog a all edrych ar gyfrifon y rhai sy'n ymgeisio am grantiau, a gallwn roi cyngor arbenigol lle bo angen.

[7] Ann Jones: Gaf fi fynd ar drywydd hynny fymryn ymhellach? O ystyried y gwahanol fathau o gyfundrefnau grant sydd gennym ar draws holl sbectrwm y Cynulliad, ac o gofio ein bod ni, fel corff corfforaethol y Cynulliad, yn disgwyl i lawer o'r cyrff gwirfoddol neu'r bobl sy'n manteisio ar y grantiau hyn allu dangos rhyw fath o allu i ddeall a hyfforddi a gwybod sut y maent yn mynd i ledaenu'r

disseminate the funding and the projects down—and we have put a lot of emphasis in the business case on their capacity building—do you not feel that we are at a slight disadvantage if we are not providing training for our own staff who will be administering them? I accept the point that Mr Shortridge made about training, but do you not think that this should be something that we should look at sooner rather than later, and that we should have staff who are trained and that we should work together on this? I was going to suggest, if there are training schemes—which obviously there are not; I think that perhaps there should be—that we should be inviting people in to see how our training schemes work so that they have a better understanding of why the questions are being asked in the first instance. I think that there are many two-way processes here that need to be fulfilled. I would be interested to know what you feel about a practice that would become a standard practice across Wales for grant aid.

[8] Dafydd Wigley: Before you answer that, a couple of other colleagues want to come in on training issues. Both Eleanor and Janice want to ask questions on this. Perhaps we could have all three questions together, and you can respond to all of them.

[9] Eleanor Burnham: I was just wondering generally whether you have much cross-

cyllid a'r prosiectau ar i lawr—ac yr ydym wedi rhoi llawer o bwyslais yn yr achos busnes ar feithrin gallu—oni theimlwch ein bod o dan rywfaint o anfantais os nad ydym yn darparu hyfforddiant i'n staff ein hunain a fydd yn eu gweinyddu? Yr wyf yn derbyn y pwynt a wnaed gan Mr Shortridge ynglŷn â hyfforddiant, ond oni thymbiwch fod hwn yn rhywbeth y dylem edrych arno yn fuan yn hytrach na'i adael, ac y dylem fod â staff sydd wedi'u hyfforddi ac y dylem weithio gyda'n gilydd ar hyn? Yr oeddwn yn mynd i awgrymu, os oes yna gynlluniau hyfforddi—ac yn amlwg nid oes yna; credaf y dylai fod rhai efallai—y dylem fod yn gwahodd pobl i mewn i weld sut mae ein cynlluniau hyfforddi yn gweithio er mwyn iddynt gael gwell dealltwriaeth o pam y mae'r cwestiynau yn cael eu gofyn yn y lle cyntaf. Credaf fod yna lawer o brosesau dwy ffordd y mae angen eu cyflawni yma. Hoffwn wybod beth yw eich barn chi am arfer a fyddai'n dod yn arfer safonol ar draws Cymru o ran cymorth grant.

[8] Dafydd Wigley: Cyn i chi ateb hynny, mae un neu ddwy o gyd-Aelodau eraill am ddweud rhywbeth ar faterion hyfforddi. Mae Eleanor a Janice am ofyn cwestiynau ar hyn. Efallai y gallem gael y tri chwestiwn gyda'i gilydd, a gallwch ymateb iddynt i gyd.

[9] Eleanor Burnham: Meddwl oeddwn i yn gyffredinol tybed a ydych yn cael llawer o

fertilisation with business people. Particularly with the advent of the National Assembly and devolution, has this been a time when you have taken on board cross-fertilisation, with people in business and so on coming into the Assembly?

[10] Janice Gregory: David raised a point about centres of professional excellence. I would applaud that wholeheartedly. I am just wondering whether that takes us into the realms of an inordinate amount of time elapsing while they go through these different channels, or whether there is a system in place whereby they are pushed through on a fast-track.

[11] Dafydd Wigley: There are a number of questions there on training.

Mr Shortridge: I think that I would like to invite Laurie to come back on the more training-specific ones, because he is the person who has the closest working contact with the people who run the grant schemes. If I may, Chair, I will come in at the end of his comments.

Mr Pavelin: I do not think that we have too much cross-fertilisation in terms of relationships with the commercial sector because, with the grants going out to industry, they very much understand what it is we are looking at. If you take something like regional selective assistance, for example, they are very used

groesffrwythloni gyda phobl fusnes. Yn enwedig gyda dyfodiad y Cynulliad Cenedlaethol a datganoli, a yw hwn yn gyfnod pan ydych wedi mynd i'r afael â chroesffrwythloni, gyda phobl mewn busnes ac ati yn dod i mewn i'r Cynulliad?

[10] Janice Gregory: Cododd David bwynt ynglŷn â chanolfannau rhagoriaeth broffesiynol. Byddwn yn cymeradwyo hynny yn frwd. Meddwl oeddwn i tybed a yw hynny'n golygu bod llawer gormod o amser yn mynd heibio tra bônt yn mynd drwy'r sianelau gwahanol hyn, ynteu a oes system wedi ei sefydlu lle cânt eu gwthio drwodd ar drac cyflym.

[11] Dafydd Wigley: Mae nifer o gwestiynau wedi eu codi am hyfforddiant.

Mr Shortridge: Yr wyf yn meddwl yr hoffwn wahodd Laurie i ddod yn ôl ar y rhai sy'n canolbwyntio'n fwy penodol ar hyfforddiant, gan mai ef sydd â'r cyswllt gwaith agosaf â'r bobl sy'n cynnal y cynlluniau grant. Os caf fi, Gadeirydd, hoffwn gyfrannu ar ddiwedd ei sylwadau.

Mr Pavelin: Ni chredaf fod gennym lawer o groesffrwythloni yn nhermau perthnasau â'r sector masnachol oherwydd, gyda'r grantiau sy'n mynd allan i ddiwydiant, maent hwy'n deall yn dda iawn beth yr ydym yn edrych amdano. Os ystyriwch chi rywbeth fel cymorth rhanbarthol dewisol, er enghraifft, maent yn gyfarwydd iawn â

to making business-type applications and we have business advisers who have come in from the private sector and who are working with the Assembly to look at the business case. We have accountants within the Assembly who all have a business background. There is the Welsh Industrial Development Advisory Board, which advises us and which looks at individual grant cases. Therefore, we do bring in the expertise in that area. In relation to the voluntary sector, for example, the voluntary sector manual was not something that was, when it was reviewed the last time—last year—just done internally by the Assembly. It was done by a working party that involved the voluntary sector. So we got it involved with us.

You mentioned one other thing, which was us disseminating outwards to others. Certainly, in the case of organisations like—well, in most parts of the Assembly, guidance is issued with our requirements, and guidance does go out to grant applicants. The sponsor divisions that deal with particular grant cases are certainly in touch with individual grant applicants. If there is a need for an expert adviser within the Assembly to go with people to meetings, then indeed, we do go to meetings from time to time. I myself go to talk to people to say what is required or what we expect to see from them.

gwneud ceisiadau o'r math y byddai busnesau yn eu llunio ac mae gennym ymgynghorwyr busnes sydd wedi dod i mewn o'r sector preifat ac sy'n gweithio gyda'r Cynulliad i edrych ar yr achos busnes. Mae gennym gyfrifwyr o fewn y Cynulliad sydd i gyd â chefnidir busnes. Yna mae Bwrdd Ymgynghorol Datblygu Diwydiannol Cymru, sy'n ein cynghori ac sy'n edrych ar achosion grant unigol. Felly, yr ydym yn dod ag arbenigedd i mewn yn y maes hwnnw. Mewn perthynas â'r sector gwirfoddol, er enghraifft, nid oedd llawlyfr y sector gwirfoddol yn rhywbeth a oedd, y tro diwethaf y'i hadolygwyd—y llynedd—yn cael ei wneud yn fewnol gan y Cynulliad yn unig. Fe'i gwnaed gan weithgor a oedd yn cynnwys y sector gwirfoddol. Felly fe wnaethom ei gynnwys yn y gwaith.

Sonloch am un peth arall, sef ni yn lledaenu gwybodaeth tuag allan i eraill. Yn sicr, yn achos sefydliadau fel—wel, yn y rhan fwyaf o'r Cynulliad, cyhoeddir canllawiau gyda'n gofynion, ac mae'r canllawiau yn mynd allan i'r rhai sy'n ymgeisio am grantiau. Yn sicr, mae'r is-adrannau noddi sy'n delio ag achosion grantiau penodol mewn cysylltiad ag ymgeiswyr grant unigol. Os oes angen ymgynghorydd arbenigol o fewn y Cynulliad i fynd gyda phobl i gyfarfodydd, yna yn wir, yr ydym yn mynd i gyfarfodydd o bryd i'w gilydd. Rydw i fy hun yn mynd i siarad â phobl i ddweud

However, I do not think that, in anything that we do, we are doing anything other than what I would describe as good commercial practice. At times, I do not think that we would go any further than the sort of information that your friendly bank manager would expect or require of you, though sometimes bank managers can require rather an awful lot of you.

Mr Shortridge: I would not like to give the impression that we have a sort of totally unprofessional approach to the management of grant schemes; quite the contrary. Basically, we have a whole series of grant schemes across the office and the individual divisions and branches that run them must have their own desk instructions in place. The heads of those divisions and branches have to take responsibility for ensuring that the people who are operating the schemes are able to understand and implement the desk instructions. So a decision on the nature of the training tends to be a devolved decision rather than a central decision.

The other thing that I would want to emphasise is that, about 18 months ago or perhaps a little bit longer, we undertook a review of a batch of our grant schemes. Out of that review came a whole series of

beth sy'n ofynnol neu beth yr ydym yn ei ddisgwyl ganddynt. Fodd bynnag, ni chredaf ein bod, yn unrhyw beth a wnawn, yn gwneud unrhyw beth ar wahân i'r hyn y byddwn i yn ei ddisgrifio fel ymarfer masnachol da. Ar adegau, ni chredaf y byddem ni'n mynd ddim pellach na'r math o wybodaeth y byddai eich rheolwr banc cyfeillgar yn ei ddisgwyl neu ei fynnu gennych, er bod rheolwyr banc weithiau yn mynnu cael swp eithaf aruthrol o wybodaeth.

Mr Shortridge: Ni fynwn roi'r argraff ein bod rywsut yn ymdrin mewn ffordd gwbl amhroffesiynol â rheoli cynlluniau grant; i'r gwrthwyneb yn llwyr. Yn sylfaenol, mae gennym gyfres gyfan o gynlluniau grant ar draws y swyddfa a rhaid i'r is-adrannau a'r canghennau unigol sy'n eu cynnal fod â'u cyfarwyddiadau desg eu hunain. Rhaid i benaethiaid yr is-adrannau a'r canghennau hyn ysgwyddo'r cyfrifoldeb am sicrhau bod y bobl sy'n gweithredu'r cynlluniau yn gallu deall y cyfarwyddiadau desg a'u rhoi ar waith. Felly mae penderfyniad ar natur yr hyfforddiant yn tueddu i fod yn benderfyniad wedi ei ddatganoli yn hytrach na phenderfyniad canolog.

Y peth arall yr hoffwn ei bwysleisio yw inni, ryw 18 mis neu ychydig bach ymhellach yn ôl efallai, fynd ati i adolygu nifer o'n cynlluniau grant. Allan o'r adolygiad hwnnw daeth cyfres gyfan o

recommendations, which David and I felt should properly apply to all grant schemes. Therefore, we refreshed our best practice in relation to grant schemes as a result of that.

[12] Dafydd Wigley: Thank you very much. Eleanor has some questions.

[13] Eleanor Burnham: Paragraph 4.13 of the general report sets out some very worrying examples of basic failures in controls over cash management. These are simple matters such as the prompt banking of cheques and ensuring that the organisation's bank account does not become overdrawn. How is it that public bodies with multi-million pound budgets cannot get this right? Why do you think that such failures occur?

Mr Shortridge: I think that these examples have to be put into context. I would not want to suggest that these are things that should happen. I share your concern about them. However, I will put them into context. When I read this report I obviously wanted to understand precisely what was involved here. My understanding is that the misplaced cheques—certainly if this refers to one item in a management letter of one body—were cheques that were received, in one case for £1,300 and in the other for £24.20.

argymhellion, y teimlai David a minnau ddylai gael eu harfer yng nghyswllt pob cynllun grant. Felly, cafodd ein harferion gorau mewn perthynas â chynlluniau grant eu hadnewyddu o ganlyniad i hynny.

[12] Dafydd Wigley: Diolch yn fawr. Mae gan Eleanor gwestiynau.

[13] Eleanor Burnham: Ym mharagraff 4.13 o'r adroddiad cyffredinol ceir rhai enghreifftiau o fethiannau sylfaenol yn y mecanweithiau i oruchwylio'r rheolaeth ariannol, ac maent yn peri cryn bryder. Pethau syml yw'r rhain megis bancio sieciau yn gyflym a sicrhau na ordynnir ar gyfrif banc y corff. Pam fod cyrff cyhoeddus sydd â chyllidebau gwerth miliynau o bunnoedd yn cael anhawster i ymdopi'n llwyddiannus â hyn? Pam yn eich tyb chi mae methiannau o'r fath yn digwydd?

Mr Shortridge: Credaf fod yn rhaid rhoi'r enghreifftiau hyn yn eu cyd-destun. Ni fyddwn am awgrymu bod y rhain yn bethau ddylai ddigwydd. Yr wyf yn rhannu eich pryder ynglŷn â nhw. Fodd bynnag, fe'u rhoddaf yn eu cyd-destun. Pan ddarllenais yr adroddiad hwn, yr oeddwn yn amlwg am ddeall beth yn union oedd dan sylw yma. Fy nealltwriaeth i yw bod y sieciau a aeth ar goll—yn sicr os yw hyn yn cyfeirio at un eitem mewn llythyr rheoli at un corff—yn sieciau a oedd wedi eu derbyn, am £1,300 mewn un achos a

They were put on file pending action as opposed to being held centrally in the finance department. On the unauthorised use of a direct debit payment, there was, in one sponsored body, an official who set up a direct debit arrangement inappropriately and contrary to the central guidance. Again, my understanding is that the direct debit was for something like £52.88, and it was after only the second of those payments was made that it was identified and stopped. So when I say that this needs to be put in context, I do not want the Committee to get the impression that, actually, these serious failures were in fact very significantly material in terms of the amount of money associated with them.

[14] Dafydd Wigley: No, but nonetheless, I am sure that you would agree that each of the four headings that we had—and I think that the failure to get the bank reconciliation done in time was one that came to the Assembly itself, if I remember correctly; we have already chased that one around in this Committee. There is another question of accounts being overdrawn. I am concerned about the principle here that, quite clearly, there is a question as to whether or not there is a right to be overdrawn or any circumstances that arise that can justify being overdrawn. This is a systems question. Are there any circumstances at all in which you see that an account could

£24.20 yn y llall. Fe'u rhoddwyd ar ffeil hyd nes y byddid wedi gweithredu yn hytrach na'u cadw'n ganolog yn yr adran gyllid. O ran defnyddio taliad debyd uniongyrchol heb awdurdod, mewn un corff nodedig yr oedd swyddog a sefydlodd ddebyd uniongyrchol mewn modd amhriodol ac yn groes i'r canllawiau canolog. Eto, fy nealltwriaeth yw mai debyd uniongyrchol am rywbeth tebyg i £52.88 oedd hwn, a dim ond ar ôl i'r ail daliad gael ei wneud y canfuwyd ef a rhoi terfyn arno. Felly pan ddywedaf fod angen rhoi hyn yn ei gyd-destun, nid wyf am i'r Pwyllgor gael yr argraff fod y methiannau difrifol hyn, mewn gwirionedd, yn sylweddol iawn yn nhermau'r swm arian a oedd yn gysylltiedig â nhw.

[14] Dafydd Wigley: Na, ond serch hynny, yr wyf yn siŵr y byddech yn cytuno bod pob un o'r pedwar pennawd a gawsom—a chredaf fod y methiant y banc i orffen y gwaith cysoni mewn pryd yn un a ddaeth i'r Cynulliad ei hun, os cofiaf yn iawn; yr ydym eisoes wedi edrych yn fanwl iawn ar hwnnw yn y Pwyllgor hwn. Mae cwestiwn arall ynglŷn â'r gordynnu ar gyfrifon. Yr wyf yn pryderu yma ynglŷn â'r egwyddor; yn gwbl amlwg, rhaid gofyn a oes hawl i ordynnu ai peidio neu a all unrhyw amgylchiadau godi a allai gyfiawnhau gordynnu. Cwestiwn ynglŷn â systemau yw hwn. A oes unrhyw amgylchiadau o gwbl lle gwelwch fod posibl y gordynnir ar gyfrif, o gofio y gallai ac y dylai arian gael

be overdrawn, given that money can and should be called down for the purposes for which it is going to be spent?

Mr Shortridge: No, the bank account should not get overdrawn. I am only aware of one overdrawn bank account during this period, or at least I have only had one drawn to my attention. This was a significant overdraw of £900,000, but it was identified by the organisation's own systems and dealt with very quickly. Therefore, to the best of my knowledge, this was an isolated incident.

[15] Dafydd Wigley: It was a mistake, in other words.

Mr Shortridge: Yes.

[16] Dafydd Wigley: And there is nothing in the system that should lead to that situation and, indeed, the system position is that the organisation's own internal audit caught up with it and put it right?

Mr Shortridge: That is my understanding. Mr Pavelin may like to comment, because I think that he is on the audit committee of the body concerned.

Mr Pavelin: Yes. The body identified had gone £900,000 overdrawn. It notified us immediately and we put it in funds the same day. Therefore, the body itself actually identified this. With all of the bodies, they are all normally funded once a

ei alw i lawr at y dibenion y mae i'w wario?

Mr Shortridge: Na, ni ddylid gordynnu ar y cyfrif banc. Nid wyf ond yn ymwybodol o un cyfrif banc â gorddrafft yn ystod y cyfnod hwn, neu, o leiaf, dim ond un sydd wedi ei ddwyn i'm sylw i. Yr oedd hynny yn ordynnu sylweddol o £900,000, ond systemau'r corff ei hun a'i hamlygodd ac a ddeliwyd ag ef yn gyflym iawn. Felly, hyd y gwn i, eithriad oedd y digwyddiad hwn.

[15] Dafydd Wigley: Camgymeriad oedd, mewn geiriau eraill.

Mr Shortridge: Ie.

[16] Dafydd Wigley: Ac nid oes dim yn y system a ddylai arwain at y sefyllfa honno ac, yn wir, y sefyllfa o ran y system yw mae trefn archwilio fewnol y corff ei hun ddarganfu hwn a'i gywiro?

Mr Shortridge: Dyna fy nealltwriaeth i. Efallai yr hoffai Mr Pavelin ddweud rhywbeth, oherwydd credaf ei fod ar bwylgor archwilio'r corff dan sylw.

Mr Pavelin: Ydw. Yr oedd y corff a nodwyd wedi gordynnu £900,000. Hysbysodd ni ar unwaith a rhoesom ninnau arian i mewn yr un diwrnod. Felly, y corff ei hun a ddarganfu hyn. Gyda'r cyrff i gyd, cânt fel arfer eu cyllido

month, so they make an estimate at the beginning of the month of what their requirements are. If, during the month, they find that they need more resources, they will come back to us and again we will put them in funds. None of them are supposed to go overdrawn. They are under instructions that, if they do become overdrawn, they should notify us immediately and we have arrangements to take same-day action to put them back into funds.

[17] Dafydd Wigley: Yes, and to the extent that you can take same-day action, if they ask you on that day, they can have the money, so there is no possible reason why they should be overdrawn. There may well be arguments about the expenditure itself, but there is no justification for them being overdrawn.

Mr Pavelin: They should not get overdrawn.

[18] Dafydd Wigley: I take it that the message will go home, loud and clear, from this Committee that we expect to hear of no more overdrawn accounts or failures to reconcile or indeed having cheques that have not gone through or direct debits being set up. I am sure that that will be the situation when we return to this next year.

unwaith y mis, felly maent yn gwneud amcangyfrif o'u gofynion ar ddechrau'r mis. Os ydynt, yn ystod y mis, yn canfod bod angen rhagor o adnoddau arnynt, maent yn dod yn ôl atom ac eto byddwn yn rhoi arian iddynt. Nid oes yr un ohonynt i fod i ordynnu ar eu cyfrif. Maent wedi cael cyfarwyddiadau, os digwydd iddynt ordynnu, eu bod i'n hysbysu ni ar unwaith ac mae gennym drefniadau i weithredu y diwrnod hwnnw i ddarparu cyllid a chlirio'u dyled.

[17] Dafydd Wigley: Ie, ac i'r graddau eich bod chi yn gallu gweithredu yr un diwrnod, os gofynnant i chi'r diwrnod hwnnw, gallant gael yr arian, felly nid oes unrhyw reswm posibl pam y dylent ordynnu. Mae'n bosibl iawn fod yna ddadleuon ynglŷn â'r gwariant ei hun, ond nid oes unrhyw gyfiawnhad iddynt hwy ordynnu ar eu cyfrif.

Mr Pavelin: Ni ddylent ordynnu.

[18] Dafydd Wigley: Yr wyf yn cymryd y caiff y neges ei chyfleu, yn uchel a chlir, o'r Pwyllgor hwn nad ydym yn disgwyl clywed am ordynnu ar unrhyw gyfrifon eto na methiannau i gysoni nac yn wir am sicciau nad ydynt wedi mynd drwodd na debydau uniongyrchol yn cael eu sefydlu. Yr wyf yn siŵr mai dyna fydd y sefyllfa pan ddychwelwn at hyn y flwyddyn nesaf.

Jocelyn, do you want to come in on this?

Jocelyn, ydych chi am ddweud rhywbeth ar hyn?

[19] Jocelyn Davies: Yes. You mentioned follow-up action earlier on, and I would like to expand on that. Figure 3 in the general report gives two examples of recommendations made by the National Audit Office in 1999-2000 that remained outstanding 12 months later. Obviously, this is deeply unsatisfactory. What action does the Assembly finance group take to follow up management letter points from previous years that have not been actioned by sponsored bodies? After all, 12 months is a very long time. Or is that an acceptable length of time before action was taken in these cases?

[19] Jocelyn Davies: Ydw. Sonioch yn gynharach am weithredu dilynol, a hoffwn ymhelaethu ar hynny. Mae ffigur 3 yn yr adroddiad cyffredinol yn rhoi dwy enghraifft o argymhellion a wnaed gan y Swyddfa Archwilio Genedlaethol yn 1999-2000 nas gweithredwyd 12 mis yn ddiweddarach. Yn amlwg, mae hyn yn hynod anfoddhaol. Pa gamau y mae grŵp cyllid y Cynulliad yn eu cymryd i fynd ar drywydd pwyntiau mewn llythyrau rheoli o flynyddoedd blaenorol na weithredwyd arnynt gan gyrff nodeddig? Wedi'r cyfan, mae 12 mis yn amser hir iawn. Neu a oedd yn gyfnod derbyniol o amser cyn gweithredu yn yr achosion hyn?

Mr Shortridge: I am very disappointed that these two incidents were identified. Essentially, the procedure is, as I outlined earlier, that we—either centrally or, I think, in both these cases through the individual sponsor division—when these matters were first drawn to our attention, were in contact with the sponsored body concerned and sought to satisfy ourselves that action was being taken. We do not routinely ourselves tend to micro-manage our sponsored bodies. We take the view that it is sufficient to have satisfied ourselves that this matter has been drawn to their attention and that they have arrangements in place to address it. As

Mr Shortridge: Yr wyf yn siomedig iawn fod y ddau ddigwyddiad hwn wedi'u canfod. Yn ei hanfod, y drefn, fel a amlinellais yn gynharach, yw ein bod ni—un ai'n ganolog neu, fe gredaf, yn y naill a'r llall o'r achosion hyn drwy'r is-adran noddig unigol—mewn cysylltiad â'r corff nodeddig dan sylw pan dynnwyd y materion hyn i'n sylw gyntaf a cheisiasom fodloni ein hunain eu bod yn cael eu gweithredu. Nid ydym ein hunain fel mater o drefn yn tueddu i ficro-reoli y cyrff a noddwn. Yr ydym o'r farn ei bod yn ddigonol ein bod wedi bodloni ein hunain fod y mater hwn wedi ei dynnu i'w sylw a bod trefniadau wedi'u sefydlu

accounting officer, I then rely to a significant extent on the subsequent year's audit to satisfy myself that the matter has been dealt with. In these two cases, as I say, I am disappointed. We have followed the matters up and I have received assurances that a similar criticism will not arise in the accounts for the financial year that has just ended.

[20] Jocelyn Davies: That is good to hear. What would be, in your view, an acceptable timescale for sponsored bodies to respond to recommendations in management letters?

Mr Shortridge: You cannot generalise, because it just depends on the issue concerned. The format of the management letter is that the National Audit Office sets out the issue and its assessment of the risk associated with the issue, and then the management of the body concerned responds, and that response would normally, I would expect, indicate not just what they were going to do but by when they were going to do it. Sometimes the issue is a trivial one and can be dealt with very quickly. On other occasions the issues are actually quite complex, particularly if the resolution of the issue involves a third party and getting agreement, say, from another organisation to help with the solution; then it is less in the control of the organisation concerned and there may be

ganddynt i ymdrin ag ef. Fel swyddog cyfrifo, yr wyf yn dibynnu wedyn i raddau helaeth ar archwiliad y flwyddyn ddilynol i fodloni fy hun fod y mater wedi cael sylw. Yn yr achosion hyn, fel a ddywedaf, yr wyf yn siomedig. Yr ydym wedi mynd ar drywydd y materion ac yr wyf wedi cael sicrwydd na fydd beirniadaeth gyffelyb yn codi yng nghyfrifon y flwyddyn ariannol sydd newydd orffen.

[20] Jocelyn Davies: Mae hynny'n dda i'w glywed. Beth, yn eich barn chi, fyddai amserlen dderbyniol i gyrff nodeddig ymateb i argymhellion mewn llythyron rheoli?

Mr Shortridge: Ni allwch gyffredinoli, oherwydd mae'n dibynnu ar y mater dan sylw. Fformat y llythyr rheoli yw bod y Swyddfa Archwilio Genedlaethol yn nodi'r mater a'i hasesiad hi o'r risg sydd ynghlwm wrth y mater, ac yna mae rheolwyr y corff dan sylw yn ymateb, a byddai'r ymateb fel arfer, fe dybiwn i, yn nodi nid dim ond yr hyn y bwriadent ei wneud ond erbyn pryd y byddent yn ei gyflawni. Weithiau mae'r mater yn un dibwys a gellir delio ag ef yn gyflym iawn. Ar achlysuron eraill, mae'r materion yn bur gymhleth, yn enwedig os yw datrys y mater yn cynnwys trydydd parti a bod angen cytundeb corff arall, dyweder, i helpu gyda'r ateb; bryd hynny, mae gan y corff dan sylw lai o reolaeth ac efallai fod yna fwy o esgus—os dyna'r gair—dros

a greater excuse—if that is the word—for the matter not being dealt with as quickly as we would all like.

[21] Jocelyn Davies: I imagine that, if that something trivial comes up again straight away, then something serious should be done about it as soon as possible. I do not suppose that we would be impatient if things were in train to be concluded, but the impression I got was that nothing was done for 12 months. Surely that is unacceptable, always. If you do not do something within 12 months, you are probably not going to do it.

Mr Shortridge: My understanding is that, in both these cases, certain action was being taken, but it was not sufficient and not quick enough.

[22] Dafydd Wigley: Janet, do you want to come in on this?

[23] Janet Davies: Yes. Mr Shortridge, you may accuse me of being naïve in this question that I am going to ask you, but you say that it is deeply unsatisfactory and that action has been taken. There is a mention of 12 months without action being taken. Is there a point at which you have to start to consider disciplinary action of some sort? I do not know quite how that relates from the Assembly sponsored public body into the Assembly but—you know what I am getting at—somebody has

beidio â delio â'r mater cyn gyflymed ag y byddem oll yn dymuno.

[21] Jocelyn Davies: Yr wyf yn dychmygu, pe bai'r rhywbeth dibwys hwnnw yn codi eto'n syth, y dylid wedyn gwneud rhywbeth difrifol yn ei gylch cyn gynted â phosibl. Ni thybiaf y byddem yn ddiamynedd pe bai pethau mewn trefn i gael eu cwblhau, ond yr argraff a gefais oedd na wnaed dim am 12 mis. Onid yw hynny'n annerbyniol, bob amser. Os na wnewch chi rywbeth cyn pen 12 mis, go brin eich bod yn mynd i'w wneud.

Mr Shortridge: Fy nealltwriaeth i, yn y naill a'r llall o'r achosion hyn, yw bod rhyw gamau yn cael eu cymryd, ond nad oeddent yn ddigonol nac yn ddigon cyflym.

[22] Dafydd Wigley: Janet, ydych chi am ddweud rhywbeth ar hyn?

[23] Janet Davies: Ydw. Mr Shortridge, cewch fy nghyhuddo o fod yn naïf yn y cwestiwn hwn yr wyf am ei ofyn, ond dywedwch fod hyn yn hynod anfoddfaol a bod camau wedi eu cymryd. Sonnir am 12 mis heb i unrhyw gamau gweithredu gael eu cymryd. Oes yna bwynt pryd y mae'n rhaid dechrau ystyried camau disgyblu o ryw fath? Nid wyf yn siŵr beth yw'r berthynas yn hynny o beth o'r corff a noddir gan y Cynulliad i mewn i'r Cynulliad ond—yr ydych yn deall yr hyn

to take responsibility at the end of the day.

Mr Shortridge: Obviously, in the case of the Assembly, I have the necessary disciplinary powers. I have a very direct and personal responsibility in the case of the Assembly and I take these matters very seriously. However, equally, I am listening—and have to, in my position—very carefully to make sure that I understand the precise circumstances why something has not happened. So I would not want to give you the impression that, on those occasions—and there have been occasions where we have not dealt satisfactorily with something within the year—it is necessarily a disciplinary matter. However, that is one of the considerations I must consciously take into account.

In the case of the sponsored bodies, the accounting officer concerned is in the same position as me and I would expect he or she to address the matter in the same way. If I became concerned that a body was not responding appropriately, then I would ensure that there was direct discussion between me, or the principal finance officer, and the accounting officer. As I think I alluded to earlier, in the case of figure 3, we did not actually feel that there was a need to take any specific action but we were particularly concerned in advance of this report about the two items in figure 4. We made contact with the chief

sydd gennyf—rhaid i rywun ysgwyddo'r cyfrifoldeb yn y pen draw.

Mr Shortridge: Yn amlwg, yn achos y Cynulliad, fi sydd â'r pwerau disgyblu angenrheidiol. Mae gennyf gyfrifoldeb uniongyrchol iawn a phersonol yn achos y Cynulliad ac yr wyf yn cymryd y materion hyn yn ddifrifol iawn. Fodd bynnag, yn yr un modd, yr wyf yn gwranddo—a rhaid imi wneud, yn fy sefyllfa i—yn ofalus iawn i wneud yn siŵr fy mod yn deall yr union amgylchiadau pam nad yw rhywbeth wedi digwydd. Felly, ni fyddwn am roi'r argraff i chi, ar yr achlysuron hynny—a bu achlysuron pan nad ydym wedi delio'n foddhaol â rhywbeth o fewn y flwyddyn—ei fod o reidrwydd yn fater disgyblu. Fodd bynnag, dyna un o'r ystyriaethau y mae'n rhaid imi fod yn ymwybodol ohonynt.

Yn achos y cyrff noddedig, mae'r swyddog cyfrifo yn yr un sefyllfa â mi a byddwn yn disgwyl iddo ef neu hi ymdrin â'r mater yn yr un ffordd. Pe bawn yn pryderu nad oedd corff yn ymateb yn briodol, yna byddwn yn sierhau bod yna drafodaeth uniongyrchol rhyngof fi, neu'r prif swyddog cyllid, a'r swyddog cyfrifo. Fel a grybwyllais yn gynharach, yr wyf yn credu, yn achos ffigur 3, ni themlem mewn gwirionedd fod angen cymryd unrhyw gamau penodol ond yr oeddem yn neilltuol o bryderus cyn i'r adroddiad hwn ymddangos ynglŷn â'r ddwy eitem yn ffigur 4. Cysylltasom â'r prif weithredwr

executive concerned and, in one case, invited the chief executive in to see us so that we could make sure that there was a shared understanding—

[24] Dafydd Wigley: I do not, deliberately, want to go after the specifics there, because it would not be appropriate to do so. However, I think the message must go from this Committee that the management letter is an immensely important and integral part of the audit system and, unless it is given full respect and acted upon, the whole system breaks down and we lose value. I am glad to have the assurances that you have given us this afternoon.

I move on to the findings arising from the National Audit Office Wales's ongoing audit work on expenditure under European structural funds, and I direct you to part 5 of the report. In part 5, the Auditor General has set out the results of the work by the National Audit Office Wales to certify European grant claims by several Assembly sponsored public bodies. Quite frankly, the report makes pretty alarming reading. I was looking at paragraph 5.13, where it is noted that eight out of 14 final audit certificates were qualified. Clearly, this is an unsatisfactory position. What action are you taking as principal accounting officer for the Assembly to ensure that spending under the European programme proceeds as

dan sylw ac, mewn un achos, gwahoddwyd y prif weithredwr i mewn i'n gweld er mwyn inni wneud yn siŵr ein bod yn rhannu'r un ddealltwriaeth—

[24] Dafydd Wigley: Nid wyf, yn fwriadol, am fynd ar ôl y manylion penodol yma, oherwydd ni fyddai'n briodol gwneud hynny. Fodd bynnag, credaf fod yn rhaid anfon neges o'r Pwyllgor hwn fod y llythyr rheoli yn eithriadol o bwysig ac yn rhan annatod o'r system archwilio ac, oni roddir parch llawn iddo a gweithredu arno, mae'r system gyfan yn mynd ar chwâl ac yr ydym yn colli gwerth. Yr wyf yn falch o gael y sicrwydd a roddoch i ni y prynhawn yma.

Symudaf ymlaen at y canfyddiadau yn codi o waith archwilio parhaus Swyddfa Archwilio Genedlaethol Cymru ar wariant cronfeydd strwythurol Ewrop, ac fe'ch cyfeirïaf at ran 5 yr adroddiad. Yn rhan 5, mae'r Archwilydd Cyffredinol wedi nodi canlyniadau gwaith Swyddfa Archwilio Genedlaethol Cymru i ddilysu hawliadau am grantiau Ewropeaidd gan sawl corff cyhoeddus a noddir gan y Cynulliad. Yn gwbl onest, mae'r adroddiad yn bur frawychus i'w ddarllen. Yr oeddwn yn edrych ar baragraff 5.13, lle nodir bod amodau ynghlwm wrth wyth o'r 14 tystysgrif archwilio derfynol. Yn amlwg, mae'r sefyllfa hon yn anfoddfaol. Pa gamau yr ydych chi'n eu cymryd fel prif swyddog cyfrifo'r Cynulliad i sicrhau bod

planned and the risk of clawing back funds by the Welsh European Funding Office from project sponsors, which is a possibility, can be minimised?

Mr Shortridge: The primary responsibility, as far as I am concerned, rests with John Clarke as the accounting officer for the WEFO account. I am not seeking to directly involve myself, second-guess or get in the way of his doing his job but I am keeping closely in touch with the issues that the funding office is having to deal with. John Clarke has access to Laurie Pavelin and our financial experts within the mainstream of the Assembly, so there is a lot of talking across that goes on at the operational level. In terms of paragraph 5.13, it is important that the Committee should be clear about what is meant in the context of qualified certificates. The process is that, before the funding office makes payments against grant claims, it seeks and requires certificates from the appropriate auditor that this money has been properly spent and that, therefore, the payment is due. The National Audit Office is the external auditor and therefore the appropriate auditor for certain of the paying organisations under the scheme. It only audits quite a small proportion of the payments that WEFO has to make. However, in these eight cases, it was not satisfied on certain matters and so it

gwariant y rhaglen Ewropeaidd yn mynd rhagddo yn unol â'r bwriad er mwyn lleihau i'r eithaf y perygl i Swyddfa Cyllid Ewropeaidd Cymru adfachu cyllid oddi wrth noddwyr prosiectau, sydd yn bosibilrwydd?

Mr Shortridge: Mae'r cyfrifoldeb pennaf, yn fy nhyb i, yn gorffwys gyda John Clarke fel swyddog cyfrifo WEFO. Nid wyf fi yn ceisio ymwneud â hyn yn uniongyrchol, darogan na mynd ar ei draws ef wrth iddo wneud ei waith ond yr wyf yn cadw mewn cysylltiad agos â'r materion y mae'r swyddfa gyllido yn gorfod delio â nhw. Gall John Clarke droi at Laurie Pavelin a'n harbenigwyr ariannol o fewn prif ffrwd y Cynulliad, felly mae llawer o siarad yn digwydd ar y lefel weithredol. O ran paragraff 5.13, mae'n bwysig bod y Pwyllgor yn glir ynglŷn â'r hyn a olygir yng nghyd-destun tystysgrifau ag amodau ynghlwm wrthynt. Y broses yw, cyn i'r swyddfa gyllido wneud taliadau yn erbyn hawliadau grant, ei bod yn ceisio ac yn mynnu tystysgrifau gan yr archwilydd priodol fod yr arian hwn wedi'i wario'n briodol ac, felly, fod y taliad yn ddyledus. Y Swyddfa Archwilio Genedlaethol yw'r archwilydd allanol i rai o'r cyrff sy'n talu o dan y cynllun. Dim ond cyfran weddol fach o'r taliadau y mae'n rhaid i WEFO eu gwneud y mae yn eu harchwilio. Fodd bynnag, yn yr wyth achos hwn, nid oedd yn fodlon ar rai materion ac felly rhoddodd amodau

qualified the certificate. WEFO, informed by those qualifications, then exercised judgment as to what needed to be done before the appropriate payments could be made.

[25] Dafydd Wigley: Accepting that, we go on to paragraph 5.14, which states, in fact, that

‘project managers were not always fully aware of the documentary and other conditions attached to European grants.’

If that is the case, are you satisfied that WEFO is providing sufficient advice and guidance to grant applicants on how to gain access to European funding and also how to keep their records in an auditable state so that the risk of grant clawback is minimised? I assume that you have some overall responsibility, even if the day-to-day responsibility lies with Mr Clarke.

Mr Shortridge: I have a general level of satisfaction on that. Part of that satisfaction is drawn from the fact that the Auditor General was able, in the first year of WEFO, to give an unqualified report on WEFO’s accounts. So, clearly, at the level of materiality for the accounts, things were sufficiently satisfactory. However, I acknowledge—and it is not altogether

ynghlwm wrth y dystysgrif. Yr oedd WEFO wedyn, yng ngoleuni’r amodau hynny, yn penderfynu beth yr oedd angen ei wneud cyn y gellid gwneud y taliadau priodol.

[25] Dafydd Wigley: Gan dderbyn hynny, awn ymlaen i baragraff 5.14, sy’n datgan, mewn gwirionedd

‘nad oedd rheolwyr prosiect bob amser yn ymwybodol o’r amodau dogfennol ac amodau eraill sydd ynghlwm wrth grantiau Ewropeaidd.’

Os yw hynny’n wir, a ydych yn fodlon fod WEFO yn darparu cyngor a chyfarwyddyd digonol i ymgeiswyr am grantiau ar sut mae cyrchu at gyllid Ewropeaidd a hefyd sut mae cadw eu cofnodion mewn cyflwr archwiliadwy i leihau’r perygl o adfachu grant i’r eithaf? Yr wyf yn cymryd fod gennych chi ryw gyfrifoldeb cyffredinol hyd yn oed os yw’r cyfrifoldeb o ddydd i ddydd yn gorffwys gyda Mr Clarke.

Mr Shortridge: Yn gyffredinol, yr wyf yn weddol fodlon ynglŷn â hynny. Mae hynny’n deillio’n rhannol o’r ffaith i’r Archwilydd Cyffredinol, ym mlwyddyn gyntaf WEFO, allu rhoi adroddiad heb amodau ynghlwm wrtho ar gyfrifon WEFO. Felly, yn amlwg, ar y lefel sy’n berthnasol i’r cyfrifon, yr oedd pethau’n ddigon boddhaol. Fodd bynnag, yr wyf yn

surprising—that in its first year of operation, and continuing, there is a range of issues where improvements can and should be made. I have, obviously, been in discussion with John Clarke, as accounting officer, and his financial colleagues on what they are doing. For example, there are detailed guidance notes available to sponsors on the completion of their claim forms so that, where sponsors have made errors in their claim forms, they are told about those so that they can learn from those mistakes. WEFO maintains regular contact with sponsors, gives presentations and so on to them, and meets them to assist them in the completion of their forms and is planning, this year, to hold workshops to familiarise sponsors with the claiming arrangements. So, there is a lot of activity that WEFO is undertaking, which is a recognition that the systems that it is operating are not operating, at the moment, as well as they should be. However, going back to what I was saying earlier, for this particular year it was operating sufficiently effectively for the Auditor General to give his assurance.

[26] Dafydd Wigley: Do you accept the significance of this—if we found that there had to be clawback, the alarm bells that that might set ringing among the European authorities, which have a valid interest in this money, and if people

cydnabod—ac nid yw'n syndod llwyr—fod yn ei flwyddyn weithredu gyntaf, ac yn parhau felly, ystod o faterion lle gellid ac y dylid gwneud gwelliannau. Yr wyf, yn amlwg, wedi cael trafodaethau gyda John Clarke, fel y swyddog cyfrifo, a'i gydweithwyr ariannol ynglŷn â'r hyn y maent yn ei wneud. Er enghraifft, mae canllawiau manwl ar gael i noddwyr lenwi eu ffurflenni cais fel bod noddwyr, lle gwnaethant gamgymeriadau yn eu ffurflenni hawlio, yn cael gwybod am y rheini iddynt gael dysgu o'u camgymeriadau. Mae WEFO yn cynnal cysylltiad rheolaidd â noddwyr, yn rhoi cyflwyniadau ac ati iddynt, ac yn cwrdd â nhw i'w cynorthwyo i lenwi eu ffurflenni ac, eleni, mae'n bwriadu cynnal gweithdai er mwyn i noddwyr gael ymgyswrtio â'r trefniadau hawlio. Felly, mae WEFO yn cynnal llawer o weithgareddau, sy'n gydnabyddiaeth nad yw'r systemau sydd ganddi yn gweithio gystal ag y dylent ar hyn o bryd. Fodd bynnag, a mynd yn ôl i'r hyn yr oeddwn yn ei ddweud yn gynharach, ar gyfer y flwyddyn neilltuol hon yr oedd yn gweithredu'n ddigon effeithiol i'r Archwilydd Cyffredinol roi ei sicrwydd.

[26] Dafydd Wigley: Ydych chi'n derbyn arwyddocâd hyn—pe baem yn canfod bod adfachu yn anochel, y clychau rhybudd y gallai hynny beri iddynt seinio ymysg yr awdurdodau Ewropeaidd, sydd â buddiant dilys yn yr arian hwn, a phe bai pobl yn

started to come over from Brussels to claw around, then goodness knows what the implications could be. It is incumbent on us all to ensure that there is no question of this going off the rails. I assume that you will pass this message on to those people. Even if they are not directly answerable, that message must be taken on board.

Mr Shortridge: Absolutely. That is why the audit process and the certification process before payments are made are so important.

[27] Dafydd Wigley: Yes, and that brings me on to the letter that we received yesterday from Mr Richards on placing a temporary embargo on interim audit certificates for European social fund grants. Obviously, the placing of any embargo and the reduction in the frequency of audits could have a bearing on where we are going because we would not know as quickly as we otherwise would when things are going off the rails. Turning to the letter that Mr Richards submitted to the Committee clerk earlier this week, I am somewhat concerned that the moratorium has been placed on the requirement for interim audit certificates to be submitted to WEFO in support of claims for the European social fund grant. Can you explain to the Committee the rationale for this decision taking place?

Mr Shortridge: This was a decision essentially taken by the Department for

dechrau dod draw o Frwsel i grafu o gwmpas, yna pwy a wŷyr oblygiadau posibl hynny. Mae'n rheidrwydd ar bawb ohonom i sicrhau na fydd hyn yn mynd ar chwâl. Rhagdybiaf y byddwch yn trosglwyddo'r neges hwn ymlaen i'r bobl hynny. Hyd yn oed os nad ydynt yn uniongyrchol atebol, rhaid cymryd y neges honno o ddifrif.

Mr Shortridge: Yn bendant. Dyna pam y mae'r broses archwilio a'r broses ddilysu mor bwysig cyn y gwneir taliadau.

[27] Dafydd Wigley: Ie, ac mae hynny'n dod â mi at y llythyr a dderbyniasom ddoe oddi wrth Mr Richards am roi embargo dros dro ar dystysgrifau archwilio interim i grantiau o dan gronfa gymdeithasol Ewrop. Yn amlwg, gallai pennu unrhyw embargo a lleihau amllder yr archwiliadau effeithio ar ein hynt ni oherwydd ni fyddem yn gwybod cyn gyflymed ag y byddem fel arall pan fo pethau'n mynd ar chwâl. I droi at y llythyr a roddodd Mr Richards i glerc y Pwyllgor yn gynharach yr wythnos hon, yr wyf yn bryderus braidd fod y moratoriwm wedi'i roi ar y gofyniad i dystysgrifau archwilio interim gael eu cyflwyno i WEFO i ategu hawliadau am grantiau o dan gronfa gymdeithasol Ewrop. Allwch chi egluro'r rhesymeg sydd wrth wraidd y penderfyniad hwn i'r Pwyllgor?

Mr Shortridge: Penderfyniad a wnaed gan yr Adran Addysg a Sgiliau mewn perthynas â

Education and Skills in relation to England. Given that ESF payments in Wales are clearly all part of the wider scheme, we needed to think very carefully about whether we should follow England or continue to require the annual certificates in Wales. Essentially, the problems that we face in Wales are the same as those in England. Those problems are that the auditors are concerned that the guidance on eligibility and categorisation of expenditure—which they are having to apply in order to give the certificates—is not sufficiently clear to enable the certificates to be issued.

I think that probably what underlies this is the growing concern among accountancy firms about their professional liability, and not wanting to sign up to things that involve an exercise of judgment that could prove to be wrong in the future. So, essentially, what has been done is to withdraw what is a new requirement while this whole issue can be looked at in consultation with the accountancy profession and the Audit Commission, so that a new set of arrangements can be put in place, which are satisfactory both to Government—and by Government, I mean the Assembly—and also to the auditors on the ground, who have to do the work. There was also a concern that, if nothing was done, it could interrupt the cash flow to sponsors in the interim, which was not regarded as being a satisfactory or appropriate thing to do.

The point I want to emphasise is that the level of assurance that we are now having to revert to is no different from the level of

Lloegr oedd hwn yn ei hanfod. O gofio bod taliadau ESF yng Nghymru wrth reswm i gyd yn rhan o'r cynllun ehangach, yr oedd angen inni feddwl yn ofalus iawn pa un y dylem ddilyn Lloegr neu barhau i fynnu'r tystysgrifau blynyddol yng Nghymru. Yn eu hanfod, yr un yw'r problemau a wynebwn yng Nghymru â'r rheini yn Lloegr. Y problemau hynny yw bod yr archwilwyr yn pryderu nad yw'r canllawiau ar wariant cymwys a chategoreiddio gwariant—y mae'n rhaid iddynt eu defnyddio er mwyn rhoi'r tystysgrifau—yn ddigon clir fel bod modd rhyddhau'r tystysgrifau.

Yr wyf yn credu mai'r hyn sydd wrth wraidd hyn yn ôl pob tebyg yw'r pryder cynyddol ymysg cwmnïau cyfrifeg ynglŷn â'u hatebolrwydd proffesiynol, ac nad ydynt am fod yn rhan o rywbeth sy'n golygu llunio barn a allai fod yn anghywir yn y dyfodol. Felly, yn ei hanfod, yr hyn a wnaed yw tynnu gofyniad sydd yn ofyniad newydd yn ôl hyd nes y gellir edrych ar yr holl fater mewn ymgynghoriad â'r proffesiwn cyfrifeg a'r Comisiwn Archwilio, fel y gellir sefydlu set newydd o drefniadau sy'n foddhaol i'r Llywodraeth—ac wrth Llywodraeth, yr wyf yn golygu'r Cynulliad—a hefyd i'r archwilwyr yn y maes, sy'n gorfod gwneud y gwaith. Yr oedd pryder hefyd, pe na châi dim ei wneud, y byddai'n amharu ar y llif arian i noddwyr yn y cyfamser, ac ni themlir bod hynny'n beth boddhaol na phriodol i'w wneud.

Y pwynt yr wyf am ei bwysleisio yw nad yw'r lefel sicrwydd yr ydym yn gorfod dychwelyd ati yn awr yn wahanol o gwbl i'r

assurance that was thought to be appropriate in, say, 1999. As far as I understand it, these interim arrangements are fully compliant with Europe's own regulations and requirements.

[28] **Dafydd Wigley:** Well, they may well be. The question is what is best practice for us. Alison, would you like to come in?

[29] **Alison Halford:** Thank you very much, Chair. Mr Shortridge, I have a few questions to ask because a member of the Committee is missing. I have not volunteered to ask these questions but—

[30] **Dafydd Wigley:** Very kindly, you have responded to the situation.

[31] **Alison Halford:** I am grateful for that, Chair. Before I actually get on to my tranche of questions, Mr Shortridge, I am always perplexed by the enormity of your role and the huge level of accountability that you must hold in your capacity as principal accounting officer. Can you, please, for the benefit of the Committee, explain how you can be the principal accounting officer? I am sure that we all accept that you cannot do the work of John Clarke, but you must have some say, control, knowledge or capacity to undertake

lefel sicrwydd a dybid yn briodol yn 1999, dyweder. Hyd a ddeallaf fi, mae'r trefniadau interim hyn yn cydymffurfio'n llwyr â rheoliadau a gofynion Ewrop ei hun.

[28] **Dafydd Wigley:** Wel, mae'n bosibl iawn eu bod. Ond y cwestiwn yw beth yw'r arferion gorau i ni. Alison, hoffech chi ddweud rhywbeth?

[29] **Alison Halford:** Diolch yn fawr iawn, Gadeirydd. Mr Shortridge, mae gennyf ambell gwestiwn i'w ofyn gan fod aelod o'r Pwyllgor ar goll. Nid wyf wedi gwirfoddoli i ofyn y cwestiynau hyn ond—

[30] **Dafydd Wigley:** Yn garedig iawn, rydych wedi ymateb i'r sefyllfa.

[31] **Alison Halford:** Yr wyf yn ddiolchgar am hynny, Gadeirydd. Cyn bwrw ymlaen at fy nghwestiynau fy hun, Mr Shortridge, yr wyf bob amser yn rhyfeddu at anferthedd eich rôl a'r lefel enfawr o atebolrwydd sy'n disgyn arnoch o reidrwydd fel y prif swyddog cyfrifo. A allwch chi, os gwelwch yn dda, er budd y Pwyllgor, egluro sut mae'n bosibl i chi fod y prif swyddog cyfrifo? Yr wyf yn siŵr ein bod i gyd yn derbyn na allwch wneud gwaith John Clarke, ond mae'n rhaid i chi gael rhyw lais, rheolaeth, gwybodaeth neu

his area of responsibility if you are going to do your job as principal accounting officer in the exemplary manner that you and everybody around this table would expect?

Mr Shortridge: That is a very big question, and not an easy one for me to give a short answer to, but I will try to do it very briefly.

I take my responsibilities as principal accounting officer very seriously indeed. In the case of the Scottish Executive, say, those responsibilities have, very largely, been delegated down across the organisation. I have taken the view that these are personal responsibilities for me and I should not delegate them. I think that, actually, it is in the best interests of the Assembly that I do not. It does mean that the people who have the responsibility for spending the money know that they have a relationship of accountability to me, and not just to the Assembly at large or to individual Ministers. It is a very powerful and useful check, I think, on the way that they do their business when they know how seriously I take my role, and that they have this accountability relationship with me. That is why I do it. It is quite onerous. However, on the other hand, clearly, I cannot do it simply by myself; I have to rely on the quality of the people, and the quality of the systems that I have in place.

allu i ymgymryd â'i faes cyfrifoldeb ef os ydych i wneud eich swydd fel prif swyddog cyfrifo yn y ffordd deilwng y byddech chi a phawb o amgylch y bwrdd hwn yn ei disgwyl?

Mr Shortridge: Mae hynny'n gwestiwn mawr iawn, ac nid un hawdd i mi roi ateb byr iddo, ond fe geisiaf wneud hynny yn gryno iawn.

Yr wyf yn cymryd fy nghyfrifoldebau fel prif swyddog cyfrifo yn hynod o ddifrifol. Yn achos Gweithrediaeth yr Alban, dyweder, mae'r cyfrifoldebau hynny, i raddau helaeth, wedi'u dirprwyo i lawr ar draws y sefydliad. Yr wyf fi o'r farn fod y rhain yn gyfrifoldebau personol i mi ac na ddylwn eu dirprwyo. Yn wir, credaf ei bod er lles pennaf y Cynulliad nad wyf yn gwneud hynny. Mae'n golygu bod y bobl sy'n gyfrifol am wario'r arian yn gwybod bod ganddynt berthynas atebolrwydd â mi, nid dim ond â'r Cynulliad yn gyffredinol neu â Gweinidogion unigol. Mae'n gyfrwng hynod rymus a buddiol, yr wyf yn credu, i wirio sut y maent yn gwneud eu busnes, o wybod fy mod yn cymryd fy rôl gymaint o ddifrif a bod ganddynt y berthynas atebolrwydd hon â mi. Dyna pam yr wyf yn ei wneud. Mae'n bur feichus. Fodd bynnag, ar y llaw arall, yn amlwg, ni allaf ei wneud ar fy mhen fy

So the earlier questions that we had on training are very relevant and I acknowledge that this is one area to which I should be giving greater attention. However, I actually think that I serve the Assembly and this Committee best if I take these responsibilities as far as possible on my own shoulders.

hun; rhaid i mi ddibynnu ar ansawdd y bobl, ac ansawdd y systemau sydd gennyf. Felly mae'r cwestiynau cynharach a gawsom ar hyfforddiant yn berthnasol iawn ac yr wyf yn cydnabod bod hwn yn un maes y dylwn fod yn rhoi mwy o sylw iddo. Fodd bynnag, yr wyf yn credu fy mod yn gwasanaethu'r Cynulliad a'r Pwyllgor hwn orau os ysgwyddaf y cyfrifoldebau hyn fy hun cyn belled ag sy'n bosibl.

[32] **Alison Halford:** I will not ask a supplementary to that question. I am very grateful for that very helpful answer. Turning to the helpful explanation on the definition of qualifications made by the National Audit Office Wales to eight out of 24 audit certificates issued by it on European grant claims, quite a few errors have been set out under paragraph 5.14. I am requested to ask you the following: these errors appear to range from basic clerical errors—I refer to paragraph 5.14—to a lack of understanding of European regulations among some project managers; have you covered this under your training initiative or can you add more to the reasons for the basic mistakes and the misunderstanding or lack of understanding of European regulations by project managers?

[32] **Alison Halford:** Nid wyf am ofyn cwestiwn atodol i hynny. Yr wyf yn ddiolchgar iawn am ateb hynod fuddiol. I droi at yr esboniad buddiol o'r diffiniadau o amodau a roddwyd gan Swyddfa Archwilio Genedlaethol Cymru ar wyth o'r 24 tystysgrif archwilio a roddwyd ganddi ar hawliadau grant Ewropeaidd, mae cryn nifer o wallau wedi'u nodi o dan baragraff 5.14. Gofynnir i mi ofyn hyn i chi: mae'n ymddangos bod y gwallau yn amrywio o wallau clercaidd sylfaenol—cyfeiriaf at baragraff 5.14—i ddiffyg dealltwriaeth o reoliadau Ewrop ymysg rhai rheolwyr prosiect; a ydych wedi ymdrin â hyn o dan eich cynllun hyfforddi neu a allwch ychwanegu ymhellach at y rhesymau dros y gwallau sylfaenol a'r gamddealltwriaeth neu'r diffyg dealltwriaeth o reoliadau Ewrop gan reolwyr prosiectau?

Mr Shortridge: Mr Pavelin may want to comment further, but I think that the main problems in relation to these certificates relate to the sponsored bodies which were submitting the certificates, not to staff here. That is why WEFO has in place a range of activities, ranging from more guidance to workshops to try to enhance the understanding of the sponsoring bodies as to what the requirements are.

Mr Shortridge: Efallai y bydd Mr Pavelin am wneud sylwadau pellach, ond credaf fod a wnelo'r problemau pennaf mewn perthynas â'r tystysgrifau hyn â'r cyrff noddedig a oedd yn cyflwyno'r tystysgrifau, nid â staff yma. Dyna pam y mae WEFO wedi sefydlu ystod o weithgareddau, yn amrywio o ragor o ganllawiau i weithdai i geisio gwella dealltwriaeth y cyrff noddi o'r gofynion.

[33] **Alison Halford:** Are you happy that there are enough controls within WEFO to stop anything from basic to more serious problems occurring?

[33] **Alison Halford:** A ydych yn fodlon fod digon o fesurau rheoli o fewn WEFO i atal unrhyw beth o broblemau sylfaenol i rai mwy difrifol rhag digwydd?

Mr Shortridge: The basic control of assurance is the certification process. I would be most concerned if there was evidence of staff in WEFO not taking sufficiently seriously the nature of the qualifications being applied to the certificates. Clearly, judgment has to be taken, when there is a qualification like this, on what is going to be done, before you make the payment. I have no evidence that WEFO has not been taking these matters sufficiently seriously. It often is a case of judgment and I know that, in some cases, these matters are referred to Laurie Pavelin as chief accountant, so that there can be a second opinion on what is the appropriate thing to do in these circumstances.

My own view is that, having established the funding office as an executive agency, that does sharpen up the accountability framework within which these matters are dealt with. In the past, this was all done as routine work by a division in the Welsh Office. I think that there probably is a case for saying—and this is one of the things that is being identified here—that WEFO has an inherited problem in terms of having to deal with grant payments or grant applications which are quite historic and go back quite some time when the standards being applied were not as sharp as they are today and indeed not as sharp as they should be. So, there were quite a lot of issues in there. However, my own view is that establishing WEFO, the accountability regime that goes with it, and the separate accounts that you have for WEFO, means that we can all take greater assurance from the accountability framework that exists.

Mr Shortridge: Y broses ddilysu yw'r ffordd sylfaenol o reoli sicrwydd. Byddwn yn hynod bryderus pe bai tystiolaeth nad yw staff WEFO yn cymryd natur yr amodau a roddir ynghlwm wrth y tystysgrifau yn ddigon o ddifrif. Yn amlwg, rhaid llunio barn, lle bo amodau fel hyn, ynglŷn â'r hyn sydd i'w wneud, cyn talu. Nid oes gennyf unrhyw dystiolaeth nad yw WEFO wedi bod yn cymryd y materion hyn ddigon o ddifrif. Mater o farn yw yn aml a gwn fod y materion hyn, weithiau, yn cael eu cyfeirio at Laurie Pavelin fel y prif gyfrifydd, er mwyn cael ail farn ar yr hyn y mae'n briodol ei wneud o dan yr amgylchiadau hyn.

Fy marn i yw bod sefydlu'r swyddfa gyllido fel asiantaeth weithredol wedi gwneud y fframwaith atebolrwydd y delir â'r materion hyn oddi mewn iddo yn fwy llym. Yn y gorffennol, câi hyn oll ei wneud fel gwaith arferol gan is-adran yn y Swyddfa Gymreig. Credaf fod achos dros ddweud mae'n debyg—a dyna un o'r pethau sy'n cael ei amlygu yma—fod WEFO wedi etifeddu problem yn yr ystyr ei bod yn gorfod delio â thaliadau grant neu geisiadau am grant sy'n hanesyddol i gryn raddau ac sy'n mynd yn ôl gryn amser pan nad oedd y safonau a gâi eu harfer mor llym ag yr ydynt heddiw ac, yn wir, nid mor llym ag y dylent fod. Felly, yr oedd cryn nifer o faterion i'w hystyried yna. Fodd bynnag, fy marn i yw bod sefydlu WEFO, y gyfundrefn atebolrwydd sy'n mynd gyda hi, a'r cyfrifon ar wahân sydd gennych i WEFO, yn golygu y gallwn oll deimlo mwy o sicrwydd o'r fframwaith atebolrwydd sy'n bodoli.

[34] **Alison Halford:** If anyone else wants to

[34] **Alison Halford:** Os oes unrhyw un arall

come in, please do. In paragraph 5.16 of the general report, the Auditor General has provided an early warning of difficulties that some grant recipients are experiencing in documenting their project spend adequately enough to satisfy the auditors. To what extent is the suspension of annual audits a reaction by WEFO and the Assembly to these difficulties? Does that make sense?

Mr Shortridge: Mr Pavelin may be able to help me, but I was not aware—I had not made the connection—that the point that you refer to here is directly related to the issue of the suspension of the annual certificates for ESF. My own view is—and I obviously have sought information on the eight qualifications—that those do provide quite a number of examples; probably three or four of the examples are down to poor documentation. So I had made that connection, not the wider one, but I do not know if Mr Pavelin can comment.

Mr Pavelin: I think, in terms of ESF funding, responsibility for this only in fact came to the Assembly from 1 April 2001, and so, prior to that, we were dealing with the Department for Education and Skills. However, the particular problem on ESF is that most of the money is going for the provision of services rather than the provision of goods or structures or anything of that sort. Many of the applicants are not required to keep the analysis and the detail for their own internal purposes, but it is an additional requirement on them in regard to ESF. Therefore, if you have an educational organisation that is putting on an additional course, what it has to be able to do is to provide sufficient and adequate documentary evidence showing what its additional costs were, and showing what its additional outcome actually is. Actually, most of these organisations are not particularly well geared up for dealing with that. That is why there has been this particular push by Education and Learning Wales itself to go out to these organisations and to explain to them in more detail exactly what it is they have to keep in order to satisfy the European requirements.

am ddweud rhywbeth, cofiwch wneud hynny. Ym mharagraff 5.16 o'r adroddiad cyffredinol, mae'r Archwilydd Cyffredinol wedi rhoi rhybudd cynnar o'r anawsterau y mae rhai o'r rhai sy'n derbyn grantiau yn eu hwynebu wrth gofnodi eu gwariant ar eu prosiectau yn ddigonol i fodloni'r archwilywyr. I ba raddau y mae atal yr archwiliadau blynyddol yn ymateb gan WEFO a'r Cynulliad i'r anawsterau hyn? Ydy hynny'n gwneud synnwyr?

Mr Shortridge: Efallai y gall Mr Pavelin fy helpu, ond nid oeddwn yn ymwybodol—nid oeddwn wedi meddwl am y cysylltiad—fod a wnelo'r pwynt y cyfeiriwch ato yma yn uniongyrchol â mater atal y tystysgrifau blynyddol ar gyfer ESF. Fy marn i—ac yn amlwg yr wyf wedi ceisio gwybodaeth am yr wyth sydd ag amodau ynghlwm wrthynt—yw bod y rhain yn cynnig nifer o enghreifftiau; mae'n debyg fod tair neu bedair o'r enghreifftiau i'w priodoli i drefn cadw dogfennau wael. Felly gwneuthum y cysylltiad hwnnw, er nad yr un ehangach, ond ni wn a oes gan Mr Pavelin rywbeth i'w ddweud.

Mr Pavelin: Yr wyf yn meddwl, yn nhermau cyllid ESF, mai dim ond ar 1 Ebrill 2001 y daeth y cyfrifoldeb am hyn i'r Cynulliad, ac felly, cyn hynny, yr oeddem yn delio â'r Adran Addysg a Sgiliau. Fodd bynnag, y broblem neilltuol ynghylch ESF yw bod y rhan fwyaf o'r arian yn mynd ar ddarparu gwasanaethau yn hytrach na darparu nwyddau neu strwythurau neu unrhyw beth o'r fath. Nid oes gofyn i lawer o'r ymgeiswyr gadw'r dadansoddiad a'r manylion at eu dibenion mewnol eu hunain, ond mae'n ofyniad ychwanegol arnynt mewn perthynas ag ESF. Felly, os oes gennych sefydliad addysgol sy'n darparu cwrs ychwanegol, yr hyn y mae'n rhaid iddo ei wneud yw darparu'r dystiolaeth ddogfennol ofynnol i ddangos beth oedd ei gostau ychwanegol, a dangos beth yw'r canlyniad ychwanegol mewn gwirionedd. Yn ymarferol, nid oes gan y rhan fwyaf o'r sefydliadau hyn drefniadau da iawn i ddelio â hynny. Dyna pam y cafwyd yr ymdrech arbennig hon gan Dysgu ac Addysgu Cymru ei hun i fynd allan at y sefydliadau hyn ac egluro wrthynt yn fanylach beth yn union y mae'n rhaid iddynt ei gadw er mwyn bodloni'r gofynion

Ewropeaidd.

[35] **Dafydd Wigley:** Did we in fact have a problem in Wales on this? I mean, it arose from England, this moratorium. If we were managing alright in Wales, why did we need to give up a good thing?

Mr Pavelin: There have been problems in Wales in the past, and, indeed, this Committee looked at the case of Coleg Gwent, where some European moneys had to be repaid.

[36] **Dafydd Wigley:** Yes. Sorry, I meant problems with the system. I mean, the fact that we have more audits is a good mechanism for finding out problems like those with Coleg Gwent. As I understand it from what Jon Shortridge was saying a moment ago, the problems that led to the moratorium were problems that arose in England, and that we have followed on down that road. Am I not correct?

Mr Shortridge: To get the moratorium into context, this related to the new projects which came out of the new programmes which were initiated in October 2000. So, it was only from October 2001 that you would need to have the annual certificates for the first of these projects coming on stream. There was a three-month timescale allowed for those certificates to be produced, so the issue really only emerged from about January of this year, and, obviously, there are more projects in England so it is seen as a bigger scale of issue in England. However, actually this is a very recent matter which has come to our attention and which led to the moratorium.

Mr Pavelin: May I just add, Chair, that there have been issues with external auditors. Here we are not generally dealing with the National Audit Office, but private firms of accountants have very real concerns about their professional indemnity liability. Many of them have started to withdraw from getting involved in this area of work, and, indeed, I was visited by the Institute of Chartered Accountants in England and Wales two or three weeks ago, and invited to join a working group involving Government and

[35] **Dafydd Wigley:** Oedd gennym ni yng Nghymru problem ar hyn mewn gwirionedd? Hynny yw, o Loegr y deilliodd, y moratoriwm hwn. Os oeddem yn ymdopi'n iawn yng Nghymru, pam oedd angen i ni roi'r gorau i rywbeth da?

Mr Pavelin: Mae problemau wedi codi yng Nghymru yn y gorffennol ac, yn wir, ystyriodd y Pwyllgor hwn achos Coleg Gwent, lle bu'n rhaid ad-dalu peth arian Ewropeaidd.

[36] **Dafydd Wigley:** Ie. Mae'n ddrwg gen i, problemau o ran y system yr oeddwn yn ei olygu. Hynny yw, mae'r ffaith fod gennym fwy o archwiliadau yn fecanwaith da i ddarganfod problemau megis y rheini yng Ngholeg Gwent. Fel y deallaf o'r hyn a ddywedodd Jon Shortridge funud yn ôl, problemau a gododd yn Lloegr oedd y problemau a arweiniodd at y moratoriwm, a'n bod ninnau wedi eu dilyn i lawr y ffordd honno. Onid ydw i'n iawn?

Mr Shortridge: I roi'r moratoriwm yn ei gyd-destun, yr oedd yn ymwneud â'r prosiectau newydd a ddaeth allan o'r rhaglenni newydd a sefydlwyd yn Hydref 2000. Felly, dim ond o Hydref 2001 y byddai angen y tystysgrifau blynyddol ar gyfer y prosiectau cyntaf o'r fath i gael eu sefydlu. Caniatwyd tri mis i gynhyrchu'r tystysgrifau hynny, felly dim ond yn Ionawr eleni y daeth y mater i'r wyneb mewn gwirionedd, ac, yn amlwg, mae mwy o brosiectau yn Lloegr felly mae'r mater i'w weld ar raddfa fwy yn Lloegr. Fodd bynnag, mater diweddar iawn yw hwn mewn gwirionedd sydd wedi dod i'n sylw ac wedi arwain at y moratoriwm.

Mr Pavelin: Gaf fi ychwanegu, Gadeirydd, fod materion wedi codi gydag archwilwyr allanol. Yma nid ydym yn delio'n gyffredinol â'r Swyddfa Archwilio Genedlaethol, ond mae gan gwmnïau preifat o gyfrifwyr bryderon gwirioneddol ynglŷn â'u hatebolrwydd indemniad proffesiynol. Mae llawer ohonynt wedi dechrau tynnu'n ôl rhag ymwneud â'r maes gwaith hwn, ac, yn wir, ymwelodd Sefydliad Cyfrifwyr Siartredig Cymru a Lloegr â mi ddwy neu dair wythnos yn ôl, a'm gwahodd i ymuno â gweithgor

the profession to look at the certification of grant claims and the arrangements between Government departments and the profession for the future to make sure that there is a very clear definition of exactly what is expected of the auditors and there is an understanding of the work being undertaken by the auditors, and an understanding of what the expectation is of Government departments. This very much mirrors what has been in place between Government departments and the Audit Commission for many years, which works under a system of grant instructions. Now, the profession is starting to become very concerned, and also wants to enter into dialogue and to work this up in some detail.

[37] **Dafydd Wigley:** I assume that you will be going along to that, because it is a very important thing.

Mr Pavelin: Indeed, I will be going along to that.

[38] **Dafydd Wigley:** Alison?

[39] **Alison Halford:** I think that I have two more questions. I am charged to ask you, on the decision to suspend this tranche of auditing, was it due to a need to minimise slippage in the overall ESF programme of draw down and project spend in Wales? In other words, was it an absolute necessity to keep the show on the road?

Mr Shortridge: Not to my knowledge, and I would be very surprised if it was. Everything that I have seen indicates quite the contrary. I would be very unhappy if that was driving it and I am sure that it was not.

[40] **Alison Halford:** What steps are you taking, Mr Shortridge, to ensure that the problems that the interim annual audits would have detected at a relatively early stage in the lifetime of a project are actually resolved by WEFO and its project sponsors, and not simply left to create even bigger problems or difficulties for programme spend when the auditor is called in at the conclusion of the project?

sy'n cynnwys y Llywodraeth a'r proffesiwn i edrych ar ddilysu hawliadau grant a'r trefniadau rhwng adrannau'r Llywodraeth a'r proffesiwn ar gyfer y dyfodol i sicrhau diffiniad clir iawn o'r hyn a ddisgwylir gan yr archwilywyr a bod yna ddealltwriaeth o'r gwaith sy'n cael ei wneud gan yr archwilywyr, a dealltwriaeth o'r hyn a ddisgwylir gan adrannau'r Llywodraeth. Mae hyn yn adlewyrchu'r hyn sydd wedi digwydd rhwng adrannau'r Llywodraeth a'r Comisiwn Archwilio ers blynyddoedd lawer, sy'n gweithio o dan system o gyfarwyddiadau grant. Bellach, mae'r proffesiwn yn dechrau pryderu'n fawr iawn, ac mae hefyd am ymuno mewn deialog a gweithio ar hyn mewn manylder.

[37] **Dafydd Wigley:** Yr wyf yn cymryd yn ganiataol y byddwch yn mynd i hwnnw, oherwydd mae'n beth pwysig iawn.

Mr Pavelin: Yn sicr, byddaf yn mynd i hwnnw.

[38] **Dafydd Wigley:** Alison?

[39] **Alison Halford:** Yr wyf yn meddwl bod gen i ddau gwestiwn arall. Yr wyf i fod i ofyn ichi, ar y penderfyniad i atal y drefn archwilio hon, ai'r rheswm oedd bod angen lleihau i'r eithaf y llithriad yn y rhaglen ESF drwyddi draw o ran tynnu arian i law a gwario ar brosiectau yng Nghymru? Mewn geiriau eraill, a oedd yn gwbl angenrheidiol er mwyn cadw pethau i fynd?

Mr Shortridge: Nid hyd y gwn i, a byddwn yn synnu'n fawr pe bai. Mae popeth yr wyf fi wedi'i weld yn awgrymu'r gwrthwyneb yn llwyr. Byddwn yn anhapus iawn os mai dyna a'i hysgogodd ac yr wyf yn siŵr nad dyna fel ag yr oedd.

[40] **Alison Halford:** Pa gamau ydych chi yn eu cymryd, Mr Shortridge, i sicrhau bod y problemau y byddai'r archwiliadau blynyddol interim wedi'u darganfod yn gymharol gynnar yn oes prosiect yn cael eu datrys mewn gwirionedd gan WEFO a'i noddwyr prosiect, ac nid yn cael eu gadael i greu problemau neu anawsterau mwy fyth i wariant y rhaglen pan gaiff yr archwilydd ei alw i mewn ar ddiwedd y prosiect?

Mr Shortridge: The review that is being undertaken is intended to be completed in June, so I would expect there to be an outcome in June. I will be asking John Clarke, as accounting officer for WEFO, to inform the Committee of what that outcome is.

[41] **Dafydd Wigley:** I want to clarify that point, which I think is a very important one. You have repeated that John Clarke is the accounting officer. Do you believe that, when we get into details on matters such as this, we should invite John Clarke to answer for them, rather than yourself?

Mr Shortridge: I did consider whether I should have John Clarke with me on this occasion. I am conscious that, in probably two months' time, a report will come from the Auditor General on issues around accounting within WEFO. I felt, for that reason, that it was appropriate that I took the matter for today in the knowledge that you will be able to come back to him in two months' time.

[42] **Dafydd Wigley:** I am grateful for that. Alison?

[43] **Alison Halford:** Thank you, Chair. Are you happy that the training given to managers of European projects is satisfactory and adequate?

Mr Shortridge: As I said earlier, we are investing a lot in training. WEFO was set up at quite short notice, and has been—I think that John Clarke would say this—understaffed during its early 18 months or two years of existence. So I would not want to give you an absolute assurance this afternoon that the training could not be improved and be better. That is an issue that you should rightly be pursuing with John Clarke.

[44] **Dafydd Wigley:** We are grateful to note what you said earlier on that matter.

[45] **Alison Halford:** The Chair has already touched on this issue. The Auditor General

Mr Shortridge: Y bwriad yw y bydd yr adolygiad sydd ar y gweill yn cael ei gwblhau ym Mehefin, felly byddwn yn disgwyl canlyniad ym Mehefin. Byddaf yn gofyn i John Clarke, fel swyddog cyfrifo WEFO, roi gwybod i'r Pwyllgor beth yw'r canlyniad hwnnw.

[41] **Dafydd Wigley:** Yr wyf am gael eglurhad ar y pwynt hwnnw, sydd yn un pwysig iawn yn fy marn i. Rydych wedi ailadrodd mai John Clarke yw'r swyddog cyfrifo. Ydych chi'n meddwl, pan fyddwn yn edrych ar fanylder materion fel hyn, y dylem wahodd John Clarke i ateb arnynt, yn hytrach na chi eich hun?

Mr Shortridge: Gwneuthum ystyried a ddylai John Clarke fod gyda mi ar yr achlysur hwn. Yr wyf yn ymwybodol y ceir adroddiad, ymhen rhyw ddeufis mae'n debyg, gan yr Archwilydd Cyffredinol ar faterion ynglŷn â chyfrifo o fewn WEFO. Teimlwn, am y rheswm hwnnw, ei bod yn briodol i mi ymdrin â'r mater heddiw gan wybod y byddwch yn gallu dod yn ôl ato ymhen deufis.

[42] **Dafydd Wigley:** Yr wyf yn ddiolchgar am hynny. Alison?

[43] **Alison Halford:** Diolch, Gadeirydd. Ydych chi'n fodlon fod yr hyfforddiant a roddir i reolwyr prosiectau Ewropeaidd yn foddhaol a digonol?

Mr Shortridge: Fel y dywedais yn gynharach, yr ydym yn buddsoddi llawer mewn hyfforddiant. Rhybudd cymharol fyr a gafwyd cyn sefydlu WEFO, ac—yr wyf yn meddwl y byddai John Clarke yn dweud hyn—mae wedi bod yn brin o staff yn ystod 18 mis neu ddwy flynedd gynnar ei fodolaeth. Felly ni fyddwn am roi unrhyw sicrwydd absoliwt i chi y prynhawn yma na ellid gwella'r hyfforddiant a'i wneud yn well. Mae hwnnw'n fater y dylech fynd ar ei ôl gyda John Clarke mewn gwirionedd.

[44] **Dafydd Wigley:** Yr ydym yn falch o nodi'r hyn a ddywedoch yn gynharach ar y mater hwnnw.

[45] **Alison Halford:** Mae'r Cadeirydd eisoes wedi cyffwrdd â'r mater hwn. Mae'r

has flagged up a risk that WEFO may claw back grants from individual projects. Is there a danger that the money might be lost to Wales, or would it simply be recycled by WEFO into other projects?

Mr Shortridge: I may need to be corrected on this answer, but I think that the position is this: with the new programmes, any clawback of grant can be recycled by WEFO. Where there could be a problem of clawback in a cash sense, would be at the end of the programme, when WEFO is no longer in a position to make new grants; then, any clawback clearly could not be recycled within the system.

[46] **Dafydd Wigley:** Could you not come in on the mid-term review? I realise that that is not because of the cash flow, but because of the focus it is given at that time.

Mr Shortridge: I do not think so. It would only happen if, as a result of the mid-term review, the tranches of money available to the individual teams were changed and that took away the flexibility. So there is a logical possibility, but I think that it is pretty unlikely.

[47] **Alison Halford:** I feel rather like Anne Robinson. I have two questions to go, but you are not the weakest link, Mr Shortridge. Under what circumstances might European funds have to be surrendered back by Wales to Europe?

Mr Shortridge: This, again, is quite complicated. Under the old schemes, where there can be clawback—and, indeed, at least one Committee member will know very well about the clawback—

[48] **Ann Jones:** I have an interest to declare; I had nothing to do with Rhuddlan Borough Council. I was on Denbighshire County Council, which had to pay the tab at the end, but I was not a member of Rhuddlan Borough Council.

[49] **Dafydd Wigley:** We have noted that.

Archwilydd Cyffredinol wedi tynnu sylw at risg y gallai WEFO adfachu grantiau oddi wrth brosiectau unigol. A oes perygl y bydd Cymru yn colli arian, neu a fyddai'n cael ei ailgylchu gan WEFO i mewn i brosiectau eraill?

Mr Shortridge: Efallai y bydd angen fy nghywiro ar yr ateb hwn, ond credaf mai dyma'r sefyllfa: o fewn y rhaglenni newydd, gall WEFO ailgylchu unrhyw grantiau a adfachir. Ar ddiwedd y rhaglen y ceid problem gydag adfachu, o safbwynt arian, pan nad yw WEFO mwyach mewn sefyllfa i roi grantiau newydd; yna, yn amlwg, ni allai unrhyw arian a adfachwyd gael ei ailgylchu o fewn y system.

[46] **Dafydd Wigley:** Oni allech ddod i mewn ar yr adolygiad canol tymor? Yr wyf yn sylweddoli nad oherwydd y llif arian y mae hyn, ond oherwydd y ffocws a roddir iddo bryd hynny.

Mr Shortridge: Nid wyf yn meddwl. Ni fyddai hynny ond yn digwydd pe bai'r cyfrannau arian sydd ar gael i'r timau unigol yn newid o ganlyniad i'r adolygiad canol tymor a bod hynny'n dileu'r hyblygrwydd. Felly mae posibilrwydd rhesymegol, ond yr wyf yn meddwl ei fod yn bur annhebygol.

[47] **Alison Halford:** Yr wyf yn teimlo braidd fel Anne Robinson. Mae gennyf ddau gwestiwn ar ôl, ond nid chi yw'r ddolen wannaf, Mr Shortridge. O dan ba amgylchiadau y mae'n bosibl y byddai'n rhaid i Gymru ddychwelyd arian Ewropeaidd i Ewrop?

Mr Shortridge: Mae hyn, eto, yn bur gymhleth. O dan yr hen gynlluniau, lle mae'n bosibl y ceir adfachu—ac, yn wir, bydd o leiaf un aelod o'r Pwyllgor yn gwybod yn dda iawn am yr adfachu—

[48] **Ann Jones:** Rhaid i mi ddatgan buddiant. Doedd gen i ddim oll i'w wneud â Chyngor Bwrdeistref Rhuddlan. Yr oeddwn ar Gyngor Sir Ddinbych, y bu'n rhaid iddo dalu'r bil yn y pen draw, ond nid oeddwn yn aelod o Gyngor Bwrdeistref Rhuddlan.

[49] **Dafydd Wigley:** Yr ydym wedi nodi hynny.

Mr Shortridge: The situation with the old scheme was that we did not have additional public expenditure cover, as the Committee will well know.

[50] **Dafydd Wigley:** Indeed.

Mr Shortridge: So, where there is clawback, the cash goes back to Europe, but the spending power remains with the Assembly.

[51] **Dafydd Wigley:** Are you saying that, as the money went to the Treasury, it would be the Treasury in London that would pay it back to Europe, not ourselves?

Mr Shortridge: Well—

[52] **Dafydd Wigley:** Perhaps I should not press you on that unduly.

Mr Shortridge: I think that the point to hang on to is that, under the old scheme, we retain the spending power in the block. So, even if it is clawed back, the actual ability to spend the money stays with the Assembly. Under the new arrangements, where we have this additional money, the spending power has come, in effect, straight from Europe. If there were clawback under the new scheme, then it would go back to Europe.

[53] **Dafydd Wigley:** So there is a downside to the additional money over and above the block.

[54] **Alison Halford:** This is my final question. Paragraph 5.8 refers to recommendations made by the Auditor General to the Welsh European Funding Office on improving its control system. Now, the whole tranche of questions from myself and the Chair has been on whether WEFO is doing its job and controlling the money. Can you give us an assurance that the recommendations in paragraph 5.8 will be dealt with promptly by WEFO? In other words, are the controls satisfactory, and if not, when will they be?

Mr Shortridge: What is being referred to here, I am sure, is the control weaknesses which the Auditor General reported on in

Mr Shortridge: Y sefyllfa gyda'r hen gynllun oedd nad oedd gennym ddarpariaeth gwariant cyhoeddus ychwanegol, fel y gŵyr y Pwyllgor yn iawn.

[50] **Dafydd Wigley:** Yn wir.

Mr Shortridge: Felly, lle ceir adfachu, mae'r arian yn mynd yn ôl i Ewrop, ond mae'r grym gwario yn aros gyda'r Cynulliad.

[51] **Dafydd Wigley:** Ydych chi'n dweud, gan mai i'r Trysorlys yr aeth yr arian, mai'r Trysorlys yn Llundain fyddai'n ei dalu'n ôl i Ewrop, nid ni?

Mr Shortridge: Wel—

[52] **Dafydd Wigley:** Efallai na ddylwn bwysu'n ormodol arnoch ar hynny.

Mr Shortridge: Yr wyf yn credu mai'r pwynt pwysig i'w gofio yw, o dan yr hen gynllun, ein bod ni'n cadw'r grym gwario yn y bloc. Felly, hyd yn oed os yw'n cael ei adfachu, mae'r gallu i wario'r arian yn aros gyda'r Cynulliad. O dan y trefniadau newydd, lle mae gennym yr arian ychwanegol hwn, mae'r grym gwario wedi dod, mewn gwirionedd, yn syth o Ewrop. Pe ceid adfachu o dan y cynllun newydd, yna byddai'n mynd yn ôl i Ewrop.

[53] **Dafydd Wigley:** Felly mae anfantais i'r arian sy'n ychwanegol at y bloc.

[54] **Alison Halford:** Dyma fy nghwestiwn olaf. Mae paragraff 5.8 yn cyfeirio at yr argymhellion a wnaed gan yr Archwilydd Cyffredinol i Swyddfa Cyllid Ewropeaidd Cymru ar wella ei system reoli. Nawr, byrdwn yr holl gwestiynau gennyf fi a'r Cadeirydd fu pa un a yw WEFO yn gwneud ei waith ac yn rheoli'r arian. Allwch chi roi sicrwydd i ni y bydd WEFO yn delio ar fyrder â'r argymhellion ym mharagraff 5.8? Mewn geiriau eraill, a yw'r mesurau rheoli yn foddhaol, ac os nad ydynt, pa bryd y byddant?

Mr Shortridge: Yr hyn yr ydych yn cyfeirio ato yma, yr wyf yn siŵr, yw'r gwendidau rheoli yr adroddodd yr Archwilydd

WEFO's management letter. The weaknesses identified were important, and I have had a report from John Clarke on those, so I am aware of the action that he has taken, or is taking, in relation to each of them. I imagine that this is something you might want to have the opportunity to return to with John Clarke, when he comes in two months' time.

[55] **Dafydd Wigley:** I think that we will. Eleanor, you have a short question?

[56] **Eleanor Burnham:** Do all these problems occur because of the complexities of European funding? I was talking to a Business Connect officer, who is a very experienced guy, up in north Wales, and he says that the difficulty that he and other people have in accessing funds is because it is very difficult to ascertain exactly where they have all come from—he called it tainted money. Is there anything that we can do in the Assembly to clarify it for the people out there, through the training that we have discussed—I suppose better training and monitoring—to ensure that their lives are made easier, so that they do not make all these mistakes, which could result in clawback? These pots of money are very complicated, are they not?

Mr Shortridge: It is a familiar complaint, and it is a real issue. I think that all I can say to the Committee this afternoon is that this is something of which WEFO is well aware, and is seeking, through a range of activities, to help the applicants or the sponsors to do better. I have to say that one of my basic approaches to these matters is that I am not a great believer in just sending out instructions. It is important to have the instructions, but what you need to do is to have arrangements where you can embed the best practice, and that does mean holding workshops, talking to people, and engaging with people, and that is one of the elements in WEFO's armoury.

[57] **Dafydd Wigley:** I am grateful for that. Before moving on, very quickly, when the

Cyffredinol arnynt yn llythyr rheoli WEFO. Yr oedd y gwendidau a nodwyd yn bwysig, ac yr wyf wedi cael adroddiad gan John Clarke ar y rheini, felly yr wyf yn ymwybodol o'r camau y mae ef wedi'u cymryd, neu y mae yn eu cymryd, mewn perthynas â phob un ohonynt. Yr wyf yn tybio bod hwn yn rhywbeth y byddech am gael y cyfle i ddychwelyd ato gyda John Clarke, pan ddaw ymhen deufis.

[55] **Dafydd Wigley:** Yr wyf yn siŵr y gwnawn. Eleanor, mae gennych gwestiwn byr?

[56] **Eleanor Burnham:** A yw'r problemau hyn i gyd yn codi oherwydd cymhlethdodau'r drefn gyllido Ewropeaidd? Yr oeddwn yn siarad â swyddog Cyswllt Busnes, sy'n ddyn hynod brofiadol, i fyny yng ngogledd Cymru, a dywed mai'r anhawster a gaiff ef a phobl eraill i gyrchu at arian yw am ei bod hi'n anodd iawn canfod o ble'n union y mae'r cyfan wedi dod—ei enw ef arno oedd arian halogedig. Oes unrhyw beth y gallwn ei wneud yn y Cynulliad i wneud hyn yn fwy eglur i'r bobl allan yna, drwy'r hyfforddiant yr ydym wedi'i drafod—gwell hyfforddiant a monitro mae'n debyg—i sicrhau bod eu bywydau yn dod yn haws, fel nad ydynt yn gwneud yr holl gamgymeriadau hyn, a allai arwain at adfachu? Mae'r potiau arian hyn yn gymhleth iawn, onid ydynt?

Mr Shortridge: Mae'n gŵyn gyfarwydd, ac yn ystyriaeth wirioneddol. Yr wyf yn credu mai'r cyfan y medraf ei ddweud wrth y Pwyllgor y prynhawn yma yw bod hwn yn rhywbeth y mae WEFO yn ymwybodol iawn ohono, ac mae'n ceisio, drwy amryw weithgareddau, helpu'r ymgeiswyr neu'r noddwyr i wneud yn well. Mae'n rhaid i mi ddweud mai un o'r ffyrdd sylfaenol yr wyf fi yn ymdrin â'r materion hyn yw nad wyf yn gredwr mawr mewn cylchredeg cyfarwyddiadau yn unig. Mae'n bwysig cael y cyfarwyddiadau, ond yr hyn y mae angen ei wneud yw cael trefniadau lle mae modd gwreiddio'r arferion gorau, ac mae hynny'n golygu cynnal gweithdai, siarad â phobl, ac ymwneud â phobl, ac mae hynny yn un o'r elfennau yn narpariaeth WEFO.

[57] **Dafydd Wigley:** Yr wyf yn ddiolchgar am hynny. Cyn symud ymlaen, yn gyflym

moratorium comes to an end in June, what options will you have then?

Mr Shortridge: It does not absolutely follow that it will come to an end in June.

[58] **Dafydd Wigley:** But if it does?

Mr Shortridge: The expectation is that the review will be completed in June, and, in the light of that, decisions will be taken. My hope is that the outcome will be that there will be greater clarification as to what the requirement on the auditors is to provide the necessary assurance to approve the certificates.

[59] **Dafydd Wigley:** And having done that, we can revert to the status quo?

Mr Shortridge: Yes, although there may have to be some transitional period to take account of the fact that we have lost—whatever it would be—four months or so.

[60] **Dafydd Wigley:** We will now move onto the Assembly's new accounting system and the progress towards consolidated and whole of Government accounts, and the introduction of resource-based budgeting. Paragraph 2.11 of the general report comments on the introduction of the Assembly's new computerised accounting system. How successful was the implementation on 1 April 2002?

Mr Shortridge: I will invite Mr Pavelin to follow up my initial comments, but, essentially, we successfully introduced the new arrangements on 1 April, and the project came in within budget. We are relying exclusively on the new arrangements now, so they are working. We have not closed down the old arrangements, so we would certainly, I would expect, have at least six months within which we could fall back on them if there were any problems. The new system is not working as fully and as effectively as we would all like it to work, but I think that is the nature of information technology systems—

[61] **Dafydd Wigley:** Things have slowed

iawn, pan ddaw'r moratoriwm i ben ym Mehefin, pa opsiynau fydd gennych chi wedyn?

Mr Shortridge: Nid yw'n dilyn yn gwbl bendant y bydd yn dod i ben ym Mehefin.

[58] **Dafydd Wigley:** Ond os daw?

Mr Shortridge: Y disgwyl yw y bydd yr adolygiad wedi'i gwblhau ym Mehefin, ac, yng ngoleuni hynny, gwneir penderfyniadau. Fy ngobaith yw mai'r canlyniad fydd y ceir mwy o eglurder ynglŷn â'r gofyniad ar yr archwilwyr i ddarparu'r sicrwydd angenrheidiol i gymeradwyo'r tystysgrifau.

[59] **Dafydd Wigley:** Ac wedi gwneud hynny, allwn ni fynd yn ôl at y *status quo*?

Mr Shortridge: Gallwn, er y bydd yn rhaid cael rhyw fath o gyfnod trosiannol efallai i gydnabod y ffaith ein bod wedi colli—beth bynnag a fyddai—rhyw bedwar mis.

[60] **Dafydd Wigley:** Symudwn ymlaen yn awr at system gyfrifo newydd y Cynulliad a'r camau a gymerwyd tuag at gyfrifon cyfunol a Llywodraeth gyfan, a chyflwyno cyllidebu ar sail adnoddau. Mae paragraff 2.11 o'r adroddiad cyffredinol yn ymdrin â chyflwyno system gyfrifo gyfrifiadurol newydd y Cynulliad. Pa mor llwyddiannus y'i rhoddwyd ar waith ar 1 Ebrill 2002?

Mr Shortridge: Byddaf yn gwahodd Mr Pavelin i ychwanegu at fy sylwadau cychwynnol, ond, yn eu hanfod, cafodd y trefniadau newydd eu cyflwyno'n llwyddiannus ar 1 Ebrill, a chwblhawyd y prosiect o fewn y gyllideb. Yr ydym yn dibynnu'n llwyr ar y trefniadau newydd erbyn hyn, felly maent yn gweithio. Nid ydym wedi dod â'r hen drefniadau i ben, felly byddai gennym yn sicr, byddwn yn tybio, o leiaf chwe mis i droi'n ôl atynt pe bai unrhyw broblemau. Nid yw'r system newydd yn gweithio mor llawn ac mor effeithiol ag y byddem i gyd yn dymuno, ond yr wyf yn meddwl mai dyna natur systemau technoleg gwybodaeth—

[61] **Dafydd Wigley:** Mae pethau wedi arafu,

down, have they?

Mr Shortridge: I do not think that they have slowed down. Just to entertain the Committee, one thing that did happen is that, I think, three days into the new system, the software was all working but the computer itself fused. [*Laughter.*]

[62] Dafydd Wigley: **Well, if you introduce it on 1 April then I guess that you will have problems.**

Mr Shortridge: **For the second time in 10 years, we had a problem with our mainframe computer, which we had not predicted. We put our recovery arrangements in place and had the system up and running again really quite quickly, but we had not predicted that one.**

Mr Pavelin: **I think that you are right, Chair. We have the system; it is there and it is operating. We are having to get used to it and deal with the de-bugging. Inevitably, we did a lot of de-bugging on a test basis. However, once you move from a test environment to a live environment, and you are trying to put volumes through the system, then it does put it under strain. We are being a bit slow at the moment with payments. We are, day by day, slowly de-bugging various bits and pieces that get in the way and slow the process down and we hope that, by the end of the month, we should be moving back to our normal speed of payments.**

ydyn nhw?

Mr Shortridge: Nid wyf yn meddwl eu bod wedi arafu. Ond i ddifyrru'r Pwyllgor, un peth a ddigwyddodd oedd bod y meddalwedd, dridiau i mewn i'r system newydd, yr wyf yn meddwl, i gyd yn gweithio ond fe ffiwsiodd y cyfrifiadur ei hun. [*Chwerthin.*]

[62] Dafydd Wigley: **Wel, os ydych yn ei gyflwyno ar 1 Ebrill mae problemau'n anochel, mae'n debyg.**

Mr Shortridge: **Am yr ail waith mewn 10 mlynedd, cawsom broblem gyda'n prif-gyfrifiadur, nad oeddem wedi'i rhagweld. Rhoddwyd y trefniadau adfer ar waith ac yr oedd y system yn gweithio eto yn reit gyflym a dweud y gwir, ond nid oeddem wedi rhagweld hynny.**

Mr Pavelin: **Yr wyf yn meddwl eich bod yn iawn, Gadeirydd. Mae'r system gennym, mae yna ac mae'n gweithio. Yr ydym yn gorfod ymgylchwyddo â hi a delio â'r dadfygio. Yn anochel, cafodd llawer o ddadfygio ei wneud ar sail profi. Fodd bynnag, cyn gynted ag y symudwch chi o amgylchedd profi i amgylchedd byw, a'ch bod yn ceisio rhoi swmp o waith drwy'r system, yna mae'n teimlo'r straen. Yr ydym ychydig yn araf gyda thaliadau ar hyn o bryd. O ddydd i ddydd, yr ydym yn raddol yn dadfygio'r gwahanol ddarnau a thameidiau sy'n tarfu ar y broses ac yn ei harafu a gobeithiwn, erbyn diwedd y mis, y byddwn unwaith eto yn gallu gwneud taliadau mor gyflym ag arfer.**

[63] Dafydd Wigley: Will all features of the new system have been implemented by the end of the month?

Mr Pavelin: All of the features that we intend to bring in initially are, effectively, to replace our existing software and facilities and do some improvements. We are aiming, over the next 12 months, to roll out further improvements so that there will be more remote entry of payments. There will be some other elements of improvements in respect of management of grant schemes, we hope, towards the end of the financial year.

[64] Dafydd Wigley: Thank you. Janice?

[65] Janice Gregory: Thank you, Chair. I hope that I am not on the wrong section of this part of the report in asking this question, which is to Laurie. I asked you a question last year; I do not for a second expect you to remember it. However, it was in relation to payments by the Assembly to certain groups and I know that there was one particular department in which that was overly—the term was overly burdensome, I am sure that you will know what I mean—especially in terms of the issue of cheque rather than bankers automated clearing system payments. The department was the agriculture department. At that time, you said that you had a new campaign to, hopefully, persuade people to accept payments by

[63] Dafydd Wigley: A fydd holl nodweddion y system newydd wedi eu rhoi ar waith erbyn diwedd y mis?

Mr Pavelin: Diben yr holl nodweddion yr ydym yn bwriadu eu cyflwyno ar y cychwyn yw disodli ein meddalwedd a'n cyfleusterau presennol, gyda rhai gwelliannau. Dros y 12 mis nesaf, ein nod yw cyflwyno gwelliannau pellach fel bod modd cofnodi mwy o daliadau o bell. Bydd yna hefyd rai elfennau eraill o wella yng nghyd-destun rheoli cynlluniau grant, gobeithiwn, tua diwedd y flwyddyn ariannol.

[64] Dafydd Wigley: Diolch. Janice?

[65] Janice Gregory: Diolch, Gadeirydd. Yr wyf yn gobeithio nad wyf yn rhan anghywir yr adroddiad wrth ofyn y cwestiwn hwn, sy'n gwestiwn i Laurie. Gofynnais gwestiwn i chi y llynedd; nid wyf am eiliad yn disgwyl ichi ei gofio. Fodd bynnag, yr oedd yn ymwneud â thaliadau gan y Cynulliad i rai grwpiau a gwn fod yna un adran neilltuol lle'r oedd hynny yn rhy—y term a ddefnyddiwyd oedd rhy feichus, yr wyf yn siŵr eich bod gwybod beth yr wyf yn ei golygu—yn enwedig yn nhermau talu drwy sieciau yn hytrach na system glirio awtomataidd y bancwyr. Yr adran amaethyddiaeth oedd yr adran. Ar y pryd, dywedasoed fod gennych ymgyrch newydd i berswadio pobl, gobeithio, i dderbyn taliadau drwy BACS. Allwch chi ddweud wrthym a yw'r system newydd hon wedi cael unrhyw effaith ar hynny? Ydych chi wedi gallu dweud, 'mae gennym system newydd, a rhaid i chi gael eich talu drwy BACS fel pawb arall'?

BACS. Can you tell us if this new system has had any impact on that? Have you been able to say, ‘we have a new system, you have to be paid by BACS like everybody else’?

Mr Pavelin: The new system does not, of itself, change the difference between cheques and BACS. However, the campaign last year, I think, led to 3,000 additional farmers being paid by BACS as opposed to cheques. We have taken legal advice on whether we can actually require people to receive their payments by BACS, and the advice that we have had so far, which we have shared with the Minister for Finance, Local Government and Communities, is that we need to make a decision later this year on whether we want to switch across to essentially all-BACS payments. Our difficulty in switching across is that we have to collect the BACS details from many thousands of people, and so we decided not to do it as of 1 April. It was going to be an additional problem. However, we are seriously looking at it for later on this year.

[66] Dafydd Wigley: These are two separate issues, are they not—the BACS system and the introduction of the new system on 1 April?

Mr Pavelin: Yes, indeed.

Mr Pavelin: Nid yw'r system newydd, ynddi ei hun, yn newid y gwahaniaeth rhwng sieciau a BACS. Fodd bynnag, credaf i'r ymgyrch y llynedd arwain at dalu 3,000 yn fwy o ffermwyr drwy BACS yn hytrach na sieciau. Yr ydym wedi cymryd cyngor cyfreithiol I ganfod a allwn fynnu bod pobl yn derbyn eu taliadau drwy BACS, a'r cyngor a gawsom hyd yma, yr ydym wedi'i rannu gyda'r Gweinidog dros Gyllid, Llywodraeth Leol a Chymunedau, yw bod angen inni benderfynu yn ddiweddarach eleni a ydym, i bob diben, am wneud yr holl daliadau drwy BACS. Yr anhawster rhag newid yw bod yn rhaid inni gasglu manylion BACS oddi wrth filoedd lawer o bobl, felly penderfynwyd peidio â gwneud hynny o 1 Ebrill ymlaen. Byddai wedi bod yn broblem ychwanegol. Fodd bynnag, yr ydym yn edrych o ddifrif ar wneud hyn yn ddiweddarach eleni.

[66] Dafydd Wigley: Mae'r rhain yn ddau fater gwahanol, onid ydynt—y system BACS a chyflwyno'r system newydd ar 1 Ebrill?

Mr Pavelin: Ydynt, yn wir.

[67] Janice Gregory: I did apologise if I was on the wrong part of the report.

[67] Janice Gregory: Ymddiheurais os oeddwn ar ran anghywir yr adroddiad.

[68] Dafydd Wigley: We may return to that at some future date. I think that you wanted to move things on, Janice, with regard to the production of consolidated Assembly accounts?

[68] Dafydd Wigley: Gallwn ddod yn ôl at hynny ryw dro yn y dyfodol. Yr wyf yn meddwl eich bod am symud pethau ymlaen, Janice, o ran cynhyrchu cyfrifon cyfunol i'r Cynulliad?

[69] Janice Gregory: Thank you, Chair. I had misplaced my notes.

[69] Janice Gregory: Diolch, Gadeirydd. Yr oeddwn wedi colli fy nodiadau.

[70] Ann Jones: It was a good supplementary though.

[70] Ann Jones: Yr oedd yn gwestiwn atodol da serch hynny.

[71] Janice Gregory: Thank you. It was in the wrong place, but never mind.

[71] Janice Gregory: Diolch. Yr oedd yn y lle anghywir, ond na phoener.

I am pleased to note, from paragraphs 8.4 to 8.6 on page 19 of the general report, that the Assembly was able to produce its core and consolidated accounts for 2000-01 by the statutory dates. I am certainly pleased to note that you attribute that to the recruitment of additional suitably qualified staff. Wearing another hat from another Committee, I know how difficult it is for us at the moment to fill all our vacancies. Therefore I am pleased with that, and, of course, you pay tribute to the hard work of the officials. However, the Auditor General has recommended that you should aim to speed up the consolidation process by seeking earlier completion of the individual underlying accounts. Can you inform us of what

Yr wyf yn falch o nodi, o baragraffau 8.4 i 8.6 ar dudalen 19 o'r adroddiad cyffredinol, i'r Cynulliad allu cynhyrchu ei gyfrifon craidd a chyfunol am 2000-01 erbyn y dyddiadau statudol. Yr wyf yn sicr yn falch o nodi eich bod yn priodoli hynny i recriwtio staff ychwanegol sydd â chymwysterau addas. A gwisgo het arall o Bwyllgor arall, gwn mor anodd yw hi ar y funud inni lenwi ein swyddi gwag i gyd. Yr wyf wedi fy mhlesio gan hyn felly ac, wrth gwrs, yr ydych yn talu teyrnged i waith caled y swyddogion. Fodd bynnag, mae'r Archwilydd Cyffredinol wedi argymhell y dylech geisio cyflymu'r broses gyfuno drwy geisio cwblhau'r cyfrifon sylfaenol unigol yn gynharach. Allwch chi ddweud wrthym pa fesurau yr ydych yn eu cymryd

measures you are taking to action this recommendation for the 2001-02 accounts?

Mr Shortridge: Before I do that, Chair, may I use that as a peg myself to pay tribute to the officials who have worked incredibly hard both to prepare these accounts and also—when we come to it—to make the progress on the consolidation of the accounts.

[72] **Dafydd Wigley:** I think that all of us in this Committee would want to be associated with that.

Mr Shortridge: In terms of what we are doing to address the time pressure issue, which I acknowledge did exist last year, I actually called a meeting of all the relevant accounting officers on 19 February, to get their agreement to what our timetable should be for the preparation of the accounts for 2001-02. The programme that we have all committed ourselves to is to have all the contributory accounts completed by the end of July, so that the NAO will be in a position to audit them by the end of September. We are then committing ourselves to complete the consolidation during October, so that the consolidated accounts can themselves be audited in time for me to sign them off at the end of November. The other thing that is in our programme is that we have to complete the first dry run of the whole of Government of Wales accounts by 20 December. So we have a clear programme and, as last year, I will be having about monthly meetings with the chief executives concerned in the preparation of these accounts so that I can have a very clear understanding of whether we are to timetable and, if we are not, what the reason is so that, if I can possibly address any problem, I will do so.

[73] **Dafydd Wigley:** Thank you. Janet, you wanted to come in?

[74] **Janet Davies:** Thank you, Chair. Could we turn to the whole of Government accounts, Mr Shortridge? Clearly, it is a very important change in the way Government financing and accounting is conducted. Of course, we are particularly interested—well,

i roi'r argymhelliad hwn ar waith yng nghyswllt cyfrifon 2001-02?

Mr Shortridge: Cyn imi wneud hynny, Gadeirydd, a gaf i fanteisio ar hynny i dalu teyrnged i'r swyddogion sydd wedi gweithio'n aruthrol o galed i baratoi'r cyfrifon hyn a hefyd—pan ddown at hynny—i fwrw ymlaen â'r gwaith o gyfuno'r cyfrifon.

[72] **Dafydd Wigley:** Yr wyf yn credu y byddai pawb ohonom yn y Pwyllgor hwn am ategu hynny.

Mr Shortridge: O ran beth yr ydym yn ei wneud i roi sylw i fater pwysau amser, a oedd, yr wyf yn cydnabod, yn bodoli y llynedd, galwais gyfarfod o'r holl swyddogion cyfrifo perthnasol ar 19 Chwefror, er mwyn iddynt gytuno ar amserlen briodol inni o ran paratoi cyfrifon 2001-02. Yr ydym oll wedi ymrwymo i raglen sy'n gofyn inni gwblhau'r holl gyfrifon cyfrannol erbyn diwedd Gorffennaf, fel y bydd y Swyddfa Archwilio Genedlaethol yn gallu eu harchwilio erbyn diwedd Medi. Yr ydym wedyn yn ymrwymo i gwblhau'r cyfuno yn ystod mis Hydref, fel y gall y cyfrifon cyfunol eu hunain gael eu harchwilio mewn pryd i mi eu llofnodi ddiwedd Tachwedd. Y peth arall sydd yn ein rhaglen yw bod yn rhaid inni gwblhau cyfrifon cyntaf Llywodraeth Cymru gyfan, fel ymarfer, erbyn 20 Rhagfyr. Felly mae gennym raglen glir a, fel y llynedd, byddaf yn cael cyfarfodydd misol gyda'r prif weithredwyr sy'n ymwneud â pharatoi'r cyfrifon hyn fel fy mod yn deall yn union a ydym yn cadw at yr amserlen ac, os nad ydym, beth yw'r rheswm dros hynny, er mwyn imi allu mynd i'r afael ag unrhyw broblem, os bydd modd gwneud hynny.

[73] **Dafydd Wigley:** Diolch. Janet, yr oeddech am ddweud rhywbeth am hyn?

[74] **Janet Davies:** Diolch, Gadeirydd. Allwn ni droi at gyfrifon y Llywodraeth gyfan, Mr Shortridge? Yn amlwg, mae hyn yn newid pwysig iawn yn y ffordd y caiff gwaith cyllido a chyfrifo y Llywodraeth ei wneud. Wrth gwrs, mae gennym ddiddordeb

only interested—in the whole of Government of Wales accounts. May I just say there how nice it is to call it the Government of Wales accounts rather than the WAG accounts? [*Laughter.*] It is a pleasure to note that, as it appears at the moment, we are actually moving faster than the rest of the United Kingdom on achieving this situation. However, looking at figure 6 on page 20, could you provide us with an update on the progress against the milestone 2 data for 15 March of this year?

Mr Shortridge: Yes, we met that milestone, and, just so that the Committee knows, that was essentially to get an opening balance sheet as at April 2001 for the consolidated accounts. I have not actually seen definitively the statistics, but I think, as with milestone 1, we were in quite a small group of what the Treasury would describe as ‘departments’ that did that.

[75] **Janet Davies:** Right, thank you. I know that this is looking forward, but do you see any problems over the next 18 months in the Assembly being able to meet milestones 3 and 4? That is, the dates for milestones 3 and 4.

Mr Shortridge: I am sure that there will be lots of problems. We are—as I think the report alludes to in, possibly, part 2—hoping that actually we will be able satisfactorily to achieve milestone 4 in effect by 20 December of this year, but that will obviously be dependent on not just our producing the accounts, but the Auditor General being satisfied that we have consolidated them sufficiently to his satisfaction. To do it will be very challenging, but as of now, we are certainly on target to achieve milestone 3. Mr Pavelin may want to give you some further background on that.

Mr Pavelin: I think the fact that we have been able to produce a consolidated opening balance sheet, which the National Audit Office has looked at and felt comfortable with, proves that our sponsored bodies do have an understanding of what is required of them. They have an understanding of the way in which we require the information to be provided to us, and provided that they can

neilltuol—wel, dyma’n hunig ddiddordeb—yng nghyfrifon Llywodraeth Cymru cyfan. A gaf fi ddweud yma mor braf yw eu galw yn gyfrifon Llywodraeth Cymru yn hytrach na chyfrifon WAG? [*Chwerthin.*] Mae’n bleser nodi ein bod, fel y mae’n ymddangos ar y funud, yn symud yn gyflymach na gweddill y Deyrnas Unedig tuag at gyflawni hyn. Fodd bynnag, gan edrych ar ffigur 6 ar dudalen 20, allech chi roi gwybodaeth ddiweddar i ni ar y cynnydd o ran data carreg filltir 2 ar gyfer 15 Mawrth eleni?

Mr Shortridge: Gallaf, cafodd y carreg filltir honno ei chyflawni, ac, er gwybodaeth i’r Pwyllgor yn unig, y nod oedd cynhyrchu mantolen agoriadol yn Ebrill 2001 ar gyfer y cyfrifon cyfunol. Nid wyf wedi gweld yr ystadegau swyddogol, ond credaf, megis gyda charreg filltir 1, ein bod mewn grŵp cymharol fach o’r hyn y byddai’r Trysorlys yn ei ddisgrifio fel ‘adrannau’ a wnaeth hynny.

[75] **Janet Davies:** Iawn, diolch. Gwn mai edrych ymlaen yw hyn, ond a ydych chi’n gweld unrhyw broblemau dros y 18 mis nesaf a fyddai’n llesteirio’r Cynulliad rhag gallu cyflawni cerrig milltir 3 a 4? Hynny yw, y dyddiadau ar gyfer cerrig milltir 3 a 4.

Mr Shortridge: Yr wyf yn siŵr y bydd yna lawer o broblemau. Yr ydym—fel y mae’r adroddiad yn cyfeirio ato yn, o bosibl, rhan 2—yn gobeithio y byddwn yn wir yn gallu cyflawni carreg filltir 4 yn foddhaol erbyn 20 Rhagfyr eleni, ond yn amlwg bydd hynny’n dibynnu nid yn unig ar i ni gynhyrchu’r cyfrifon, ond ar i’r Archwilydd Cyffredinol fod yn fodlon ein bod wedi’u cyfuno’n ddigonol i’w fodloni. Bydd gwneud hynny yn anodd iawn, ond ar hyn o bryd mae cyflawni carreg filltir 3 ar amser yn sicr o fewn ein gallu. Efallai y bydd Mr Pavelin am roi rhagor o gefndir i chi ar hynny.

Mr Pavelin: Yr wyf yn meddwl bod y ffaith inni allu cynhyrchu mantolen agoriadol gyfunol, y mae’r Swyddfa Archwilio Genedlaethol wedi edrych arni ac mae’n hapus â hi, yn profi bod ein cyrff noddedig yn deall yr hyn sy’n ofynnol ganddynt. Maent yn deall ym mha ffurf y mae’n ofynnol iddynt ddarparu’r wybodaeth inni, a chyhyd â’u bod yn gallu cynhyrchu eu cyfrifon erbyn y

produce their accounts to the appropriate deadline for this coming year, I do not see any significant difficulty in us being able to produce a set of accounts to meet the milestone 3 deadline.

Mr Shortridge: Just so that there is no misunderstanding, that would still not include the local government element of the account about which, Chair, you asked last year. There has been some limited progress on that, which we can report if you would like.

[76] **Dafydd Wigley:** I think that possibly that is something that we ought to come back to in due course, because it does go beyond the direct remit, does it not? However, it is an area of some interest, and I suspect that we will want to come back to it. I now want to move on to the resource-based budgeting. Val?

[77] **Val Lloyd:** Thank you, Chair. In relation to paragraph 8.14, could Mr Shortridge please provide the Committee with an update on progress on the introduction of resource-based budgeting?

Mr Shortridge: Yes. I will invite Mr Richards to give you a fuller response, but, as far as I am concerned, we very satisfactorily introduced resource-based budgeting in last year's budget round. As members of Committees, you will be familiar with the way in which that process worked. I am not aware of any significant teething problems that arose from the introduction of resource budgeting, and, indeed, that was one area where we had a substantial training programme across the whole of the Assembly to ensure that it was implemented satisfactorily.

Mr Richards: I think that the only thing that I would add is that, this year, we are running on a resource budgeting basis, having gone through the budgeting round. It was a big training exercise last year. We were certainly available to train Assembly Members and we still are at any time happy to run seminars or provide anything that would be helpful. As we go through in the second round, the next thing is to start using it. It was a huge push to get the system in place, but we now need to

dyddiad cau priodol yn y flwyddyn sydd i ddod, ni welaf unrhyw anhawster mawr rhag inni allu cynhyrchu set o gyfrifon i gwrdd â dyddiad terfyn carreg filltir 3.

Mr Shortridge: I wneud yn siŵr nad oes unrhyw gamddealltwriaeth, ni fyddai hynny dal yn cynnwys elfen y cyfrif sy'n ymwneud â llywodraeth leol. Bu ichi holi ynglŷn â hynny y llynedd, Gadeirydd. Gwnaed rhywfaint o gynnydd cyfyngedig ar hynny, a gallwn roi adroddiad ar hynny os mynnwch.

[76] **Dafydd Wigley:** Tybiaf efallai fod hynny yn rhywbeth y dylem ddod yn ôl ato maes o law, oherwydd mae'n mynd y tu hwnt i'r cylch gwaith uniongyrchol, onid yw? Fodd bynnag, mae'n faes sydd o ddiddordeb, ac yr wyf yn siŵr y byddwn am ddod yn ôl ato. Hoffwn yn awr symud at gyllidebu ar sail adnoddau. Val?

[77] **Val Lloyd:** Diolch, Gadeirydd. Gan gyfeirio at baragraff 8.14, a allai Mr Shortridge roi'r wybodaeth ddiweddaraf i'r Pwyllgor os gwelwch yn dda ar hynt y gwaith o gyflwyno cyllidebu ar sail adnoddau?

Mr Shortridge: Gallaf. Fe wahoddaf Mr Richards i roi ymateb llawnach i chi, ond, o'm rhan i, cafodd cyllidebu ar sail adnoddau ei gyflwyno'n foddhaol iawn yng nghylch y gyllideb y llynedd. Yr ydych, fel aelodau Pwyllgorau, yn gyfarwydd â'r ffordd y gweithia'r broses honno. Nid wyf yn ymwybodol o unrhyw broblemau o bwys a gododd wrth ddechrau cyflwyno cyllidebu ar sail adnoddau, ac, yn wir, yr oedd hwnnw yn un maes lle cawsom raglen hyfforddi sylweddol ar draws y Cynulliad cyfan i sicrhau ei fod yn cael ei weithredu'n foddhaol.

Mr Richards: Yr wyf yn meddwl mai'r unig beth y byddwn am ei ychwanegu yw ein bod, eleni, yn gweithredu ar sail cyllidebu yn ôl adnoddau, gan ein bod wedi mynd drwy gylch y gyllideb. Yr oedd yn ymarfer hyfforddi mawr y llynedd. Yr oeddem yn sicr ar gael i hyfforddi Aelodau o'r Cynulliad ac yr ydym yn dal yn barod ar unrhyw adeg i gynnal seminarau neu ddarparu unrhyw beth a fyddai o fudd. Wrth inni fynd ymlaen yn yr ail gylch, y peth nesaf yw dechrau ei

start getting benefits out of it in the future.

[78] **Val Lloyd:** I am very pleased, Chair, to hear that about training, both in that it was offered to Members and also that it helped the introduction of this. It is very pleasing to hear. Could you elaborate on the anticipated benefits of resource-based budgeting—briefly, as I am sure it could take a long time?

Mr Richards: I think that the benefits will come over time. There are two kinds of benefits. At the more micro level that we find within the Assembly itself and within divisions, there is much more interest in commitments and creditors and the use of the money. It is making people look further ahead in terms of what they are signing up to. The bigger benefits—the macro benefits about how we use our capital stock in Wales and what that means about long-term capital investment and how the way that we are spending money relates to objectives—I think will come over a longer time, particularly when we have a series of accounts and budgets that we can compare. We will be able to see over time what is happening to the capital stock in Wales.

[79] **Val Lloyd:** I have one final question, if I may, Chair. Do you believe that those benefits are being realised? I know that it is early days.

Mr Richards: Not significantly. It is happening on the ground with Assembly staff who are micro-managing these grants schemes, and we can see that. In terms of the big picture, no. It is early days. I think that any of the Whitehall departments would give much the same answer.

[80] **Val Lloyd:** Thank you very much.

[81] **Dafydd Wigley:** Have any other colleagues any other points? No? Then, before winding up this session, I would like to say that all our colleagues on the

ddefnyddio. Bu'n rhaid wrth hwb enfawr i sefydlu'r system, ond bellach mae angen inni ddechrau cael budd ohoni yn y dyfodol.

[78] **Val Lloyd:** Yr wyf yn falch iawn, Gadeirydd, o glywed hynny am yr hyfforddiant, yn yr ystyr ei fod wedi'i gynnig i Aelodau a hefyd iddo fod yn help gyda'r cyflwyno. Braff yw clywed hynny. A allwch chi ymhelaethu ar y manteision a ddisgwylir o gyllidebu ar sail adnoddau—yn fyr, oherwydd yr wyf yn siŵr y gallai gymryd amser maith?

Mr Richards: Yr wyf yn meddwl y daw'r manteision dros amser. Mae yna ddau fath o fantais. Ar y lefel fwy micro a welwn yn y Cynulliad ei hun ac mewn is-adrannau, mae yna lawer mwy o ddiddordeb mewn ymrwymadau a chredydwy'r ac yn y defnydd o arian. Mae'n gwneud i bobl edrych ymhellach ymlaen o ran beth y maent yn ymrwymo iddo. Credaf y daw'r manteision mwy—y manteision macro o ran sut yr ydym yn defnyddio ein stoc gyfalaf yng Nghymru a beth yw arwyddocâd hynny o ran buddsoddi cyfalaf yn y tymor hir a sut mae'r ffordd yr ydym yn gwario arian yn gysylltiedig ag amcanion—credaf y daw hynny i'r amlwg dros gyfnod hwy, yn enwedig pan fo gennym gyfres o gyfrifon a chyllidebau y gallwn eu cymharu. Byddwn yn gallu gweld dros amser beth sy'n digwydd i'r stoc gyfalaf yng Nghymru.

[79] **Val Lloyd:** Mae gennyf un cwestiwn olaf, os caf fi, Gadeirydd. Ydych chi'n credu bod y manteision hynny yn cael eu gwireddu? Gwn ei bod yn ddyddiau cynnar arnom.

Mr Richards: Ddim yn sylweddol. Mae'n digwydd yn y maes gyda staff y Cynulliad sy'n microreoli'r cynlluniau grant hyn, a gallwn weld hynny. O ran y darlun eang, nac ydy. Mae'n ddyddiau cynnar. Credaf y byddai unrhyw un o adrannau Whitehall yn rhoi ateb digon tebyg.

[80] **Val Lloyd:** Diolch yn fawr iawn.

[81] **Dafydd Wigley:** Oes gan unrhyw gyd-aelodau eraill unrhyw bwyntiau? Nac oes? Yna, cyn dod â'r sesiwn hwn i ben, hoffwn ddweud bod ein cyd-aelodau i gyd ar y

Committee appreciate the enormous pressure under which you and your staff have been working, given the fundamental changes that have been taking place. It is quite a challenge to get the National Assembly itself up and running, but to change to resource accounting, and bring in the whole of Government of Wales accounts concept in parallel, is quite a challenge. I would be grateful if you pass on to them our appreciation of the work that has been done. We look forward in due course to seeing the benefits from it.

Sir John Bourn: I would just like to say, as the external auditor of the United Kingdom, that the quality of the work done by the officials in the Assembly compares very well with the United Kingdom performance. As the external auditor of the Assembly, I think that it is right to make that point about the quality of the work done in Wales.

[82] **Dafydd Wigley:** That is greatly appreciated.

Mr Shortridge: Chair, may I just say that I am grateful for your and the Auditor General's comments. I am very lucky to have highly qualified and committed staff working for me in a complex and difficult area. I am grateful both to you for what you have said and to them for all that they have done.

[83] **Dafydd Wigley:** I thank all the witnesses for their full and helpful answers to our questions. As Janet always said at the end of a session, a draft transcript will be sent to you so that you can check it for factual accuracy before it is published as part of the minutes. When the Committee publishes the report, the transcript will be included as an annex. Thank you for your contributions and, on the one or two points on which you mentioned that you would come back to us, we will be glad to have a note on them. Thank you very much indeed.

Pwyllgor yn gwerthfawrogi'r pwysau enfawr yr ydych chi a'ch staff wedi bod yn gweithio oddi tano, o gofio'r newidiadau sylfaenol a fu'n digwydd. Mae'n gryn her cael y Cynulliad Cenedlaethol ei hun ar ei draed, ond mae newid i gyfrifo ar sail adnoddau, a chyflwyno'r cysyniad o gyfrifon Llywodraeth Cymru gyfan law yn llaw â hynny, yn gryn her. Byddwn yn ddiolchgar pe baech yn cyfleu ein gwerthfawrogiad o'r gwaith sydd wedi'i wneud. Edrychwn ymlaen at weld y manteision a ddaw ohono maes o law.

Sir John Bourn: Fe hoffwn i gael dweud, fel archwilydd allanol y Deyrnas Unedig, fod ansawdd y gwaith a wneir gan swyddogion y Cynulliad yn cymharu'n dda iawn â pherfformiad y Deyrnas Unedig. Fel archwilydd allanol y Cynulliad, credaf ei bod yn briodol gwneud y pwynt hwnnw ynglŷn ag ansawdd y gwaith a wneir yng Nghymru.

[82] **Dafydd Wigley:** Gwerthfawrogir hynny yn fawr.

Mr Shortridge: Gadeirydd, a gaf fi ddweud fy mod yn ddiolchgar am eich sylwadau chi a'r Archwilydd Cyffredinol. Yr wyf yn lwcus i gael staff mor gymwys ac mor ymroddgar yn gweithio imi mewn maes cymhleth ac anodd. Yr wyf yn ddiolchgar i'r ddau ohonoch am yr hyn yr ydych wedi'i ddweud ac i bob un ohonynt hwy am bopeth y maent wedi'i wneud.

[83] **Dafydd Wigley:** Diolchaf i'r tystion i gyd am eu hatebion llawn a defnyddiol i'n cwestiynau. Fel yr arferai Janet ddweud bob amser ar ddiwedd sesiwn, bydd trawsgrifiad drafft yn cael ei anfon atoch ichi gael cadarnhau ei gywirdeb ffeithiol cyn iddo gael ei gyhoeddi fel rhan o'r cofnodion. Pan gyhoedda'r Pwyllgor yr adroddiad, caiff y trawsgrifiad ei gynnwys fel atodiad. Diolch ichi am eich cyfraniadau ac, ynglŷn â'r ambell bwynt lle dywedaso'ch y byddech yn dod yn ôl atom, byddwn yn falch o gael nodyn arnynt. Diolch yn fawr iawn.

*Daeth y sesiwn cymryd tystiolaeth i ben am 4.49 p.m.
The evidence-taking session ended at 4.49 p.m.*

Letter from Mr David Richards, 17 April 2002

David Richards
Principal Finance Officer

Mr Howell Rees
Clerk
National Assembly Audit Committee
Cardiff Bay
CARDIFF
CF99 1NA

17 April 2002

Dear Howell

EUROPEAN STRUCTURAL FUNDS (ESF)

Jon Shortridge, Laurie Pavelin, the head of Financial Accountability Division, and I will be giving evidence to the Audit Committee on Thursday afternoon in respect of the Auditor General for Wales' General Report on his financial audit work for 2000-01.

One aspect of the Report that the Committee will I am sure wish to discuss is the Auditor General's summary review of the operation of European Structural Funds set out in Part 5. I thought it would be helpful, in advance of Committee, to provide some supplementary information on one aspect of this where the position has changed since the preparation of the Auditor General's report.

In paragraph 5.11 the Auditor General noted that all projects in receipt of European Funding, with the exception of ESF grant for less than £20,000, are required to submit audit certificates to WEFO in support of their annual claims for grant. All projects are subject to a final audit certificate which, as the Auditor General notes, must be submitted before payment of the final grant instalment.

One recent development has been a temporary moratorium on the submission of annual audit certificates for ESF projects. They were not a feature of pre 1999 ESF projects and although they remain a requirement of other European Community Funds in England and Wales, our understanding is that they are still not a requirement of many other Member States. The moratorium was introduced in March across England and Wales and will extend to June 2002. It does not impact on the requirement to submit a final audited certificate in respect of every grant funded project; both under pre 1999 and post 2000 programmes.

The ESF grant rules are common to both Wales and England. Although there is scope for discrete rules relating to Wales any move down this road will have to be considered very carefully.

The moratorium will give a breathing space to assess the need for and value of annual certificates for projects that span financial years; consider the precise format they should take if the decision is to retain them; and ways in which the related guidance can be framed in as clear and user-friendly way as possible. We will keep closely in touch with the National Audit Office on this.

I hope this is helpful.

Yours sincerely

D T RICHARDS

THE AUDIT COMMITTEE

The National Assembly's Audit Committee ensures that proper and thorough scrutiny is given to the Assembly's expenditure. In broad terms, its role is to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales; and to consider reports by the Auditor General for Wales on examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions. The responsibilities of the Audit Committee are set out in detail in Standing Order 12.

The membership of the Committee as appointed on 21st March 2002:

Dafydd Wigley (Plaid Cymru) - Chair
Alan Cairns (Conservative)
Janet Davies (Plaid Cymru)
Jocelyn Davies (Plaid Cymru)
Alison Halford (Labour)
Ann Jones (Labour)
Val Lloyd (Labour)
Janice Gregory (Labour)
Dafydd Wigley (Plaid Cymru)
Eleanor Burnham (Liberal Democrat)

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