

## Public Accounts Committee

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Meeting Venue:  
**Committee Room 3 – Senedd**

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Meeting date:  
**11 June 2013**

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Meeting time:  
**09:00**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



For further information please contact:

**Policy: Tom Jackson**  
Committee Clerk  
029 2089 8597  
[Publicaccounts.comm@Wales.gov.uk](mailto:Publicaccounts.comm@Wales.gov.uk)

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### Agenda

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#### **1 Introductions, apologies and substitutions (9:00 – 9:05)**

#### **2 Issues arising from the findings of the Wales Audit Office report 'Caldicot and Wentlooge Levels Internal Drainage Board' (9:05 – 10:00) (Pages 1 – 7)**

##### **Via Video Conference: Audit Commission (9:05 – 9:30)**

David Aldous, Associate Controller – Audit Technical Services, Audit Commission

##### **Wales Audit Office (9:30 – 10:00)**

PAC(4) 17–13 – Paper 1

Anthony Barrett, Assistant Auditor General for Wales, Wales Audit Office

Mike Usher, Technical Director for Financial Audit, Wales Audit Office

David Rees, Governance Manager, Wales Audit Office

#### **3 Papers to note (Pages 8 – 18)**

PAC(4) 17–13 (p2) Correspondence from Dean Jackson Johns to Assistant Auditor General for Wales – August 2012

PAC(4) 17–13 (p3) Correspondence from National Audit Office to Assistant Auditor General for Wales

Work programme – summer 2013

Minutes of the previous meeting.

**4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Items 5 and 6.

**5 Consideration of evidence on issues arising from the findings of the Wales Audit Office report 'Caldicot and Wentlooge Levels Internal Drainage Board' (10:00 – 10:20)**

**6 Consideration of draft Committee report 'Civil Emergencies in Wales' (10:20 – 11:00) (Pages 19 – 52)**

**Briefing Note**

1. The Public Accounts Committee is currently taking evidence on a Report in the Public Interest issued by the Appointed Auditor (the auditor) in October 2012. On 11 June 2013 the Committee is due to take further evidence from the Wales Audit Office. This briefing note forms part of that evidence and supports the oral evidence to be provided.
2. The Report in the Public Interest draws attention to a number of failures in the governance arrangements, management and internal control at Caldicot and Wentlooge Levels Internal Drainage Board (the Drainage Board).

**Responsibilities**

3. The Accounts and Audit (Wales) Regulations 2005 (the Regulations) set out the responsibilities of both audited bodies and auditors. Provisions 4 -6 of the Regulation highlight the responsibilities of audited bodies in respect of:
  - putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of that body's functions. This includes the body's arrangements for the management of risk and adequate and effective financial management;
  - their accounting records and control systems; and
  - maintaining an adequate and effective system of internal audit of its accounting records and of its system of internal control
4. The Drainage Board therefore has a statutory responsibility for establishing robust and effective governance arrangements.
5. The Regulations also require internal drainage boards in Wales to prepare their annual accounts in accordance with proper practices as defined by "Governance and Accountability in Internal Drainage Boards in England: A Practitioners' Guide 2006" (the Practitioners' Guide). The Practitioners' Guide is published jointly by the Association of Drainage Authorities (ADA) and DEFRA and contains guidance on governance and accounting issues.
6. The Auditor General for Wales appoints the external auditor of the Board (the Appointed Auditor). The Appointed Auditor has responsibility for providing an opinion on an annual basis on the truth and fairness of the financial statements of the Board, but is not required to provide a separate regularity opinion. Since 2005-06 the Auditor General has appointed a member of the Wales Audit Office to undertake this function. Prior to the 2005-06 financial year, responsibility for the appointment of the auditor rested with the Audit Commission in Wales.
7. The overall objective of an audit of financial statements is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. Such work is undertaken within a framework of auditing standards and quality control.

8. Misstatements and omissions in financial statements are considered material if individually or in aggregate they could reasonably be expected to influence the decisions of users of the financial statements. Judgements about materiality are affected by both the size and nature of transactions.
9. In common with the external audits of all other bodies, the annual audit of the Drainage Board does not involve:
  - the examination of all financial transactions;
  - the audit of every system and process;
  - the endorsement of management decisions;
  - a determination of whether an audited body has achieved value for money in the use of its resources.
10. The external auditor is not permitted (under professional auditing standards) to act as a consultant or advisor to the audited body, as this would compromise the auditor's independence and create risks of self-audit.
11. Each year the Appointed Auditor prepares an Audit Strategy which sets out the work which he needs to undertake. This Strategy takes into account a number of considerations:
  - the materiality of transactions and balances;
  - verbal and written management representations;
  - the size and complexity of the audited body;
  - specific risk factors; and
  - the extent upon which reliance can be placed on the work of others, for example, Internal Audit.

### **The exercise of audit responsibilities in respect of the Board between 2005 and 2013**

12. A number of issues highlighted in the Appointed Auditor's Report in the Public Interest relate to matters that have arisen from the 2010/2011 financial year onwards, for example, the issues in relation to the sea defences legal case. It is important to note that the Appointed Auditor has not yet issued his audit opinions on the 2010/2011, 2011/2012 and 2012/2013 accounts of the Drainage Board, due to his audit concerns (including those set out in the Report in the Public Interest). The Appointed Auditor will be taking these matters into account in considering the form of his audit opinions for these years of account. The Appointed Auditor is due to conclude his work and issue his report in respect of the 2010-11 financial statements during the next few weeks, following which audit work on the 2011-12 and 2012-13 financial statements will commence.
13. In his evidence to the Committee on 16 May 2013, Mr Jackson Johns (the former Clerk and Engineer of the Drainage Board) informed the Committee that no issues were ever raised as a result of the external audit and that *'the board had a clean slate, practically every year'*.
14. This statement is incorrect. During the period 2005/2006 to 2009/2010, the Appointed Auditor raised concerns in respect of a number of issues relating to the internal governance of the Drainage Board. For example, the Appointed Auditor's previous reports to the members of the Board in nearly every year since 2005-06 have collectively highlighted that the Board had not formalised:

- Standing Orders;
- Standing Financial Instructions;
- a corporate strategy or business plan;
- policies and procedures for Budgetary Control, Human Resources and Information Technology;
- internal audit arrangements; and
- a medium term financial strategy.

15. In addition to raising these significant governance weaknesses in writing with the members of the Board, the Appointed Auditor also had to modify his published audit opinion on the Drainage Board's 2006-07 accounts as these did not include the required Statement on Internal Control and the Board did not have appropriate internal control arrangements to enable it to include a Statement on Internal Control in its financial statements.

#### **Reflections on the external audit work performed at the Drainage Board:**

16. In conducting his audit of the Drainage Board, the Appointed Auditor is required to comply with internationally recognised auditing standards. The requirements of these standards are both extensive and prescriptive, but they are also narrowly focused on ensuring that the financial statements of the audited body are true and fair.
17. Whilst the Appointed Auditor did identify governance weaknesses and deficiencies which were reported to the Board (who have responsibility for the governance of the Drainage Board), the main focus of the audit work undertaken was on the accounts of the Drainage Board, in accordance with both the auditing standards and also the legislative requirements. It was the accumulation of the various governance issues, together with the subsequent whistle blowing allegations that provided the basis for the very significant additional audit work that was undertaken to produce the published Report in the Public Interest.
18. Further to the publication of the Report in the Public Interest and other widely publicised failings relating to governance matters at other public sector bodies (which have often been triggered by whistle-blowing disclosures), the Auditor General and the Wales Audit Office have recognised the potential benefits of augmenting our core financial audit approach to provide a greater emphasis on governance-related matters. This increased focus on governance topics features as a core theme in the Auditor's General recently published Corporate Strategy for 2013 to 2016, copies of which have already been provided to the Committee.
19. The investigation leading to the Report in the Public Interest was far more extensive than would be the case in conducting an annual audit of the financial statements. The investigation involved looking at issues which would not normally be considered by the auditor when providing an audit opinion on the financial statements. Examples of these include a range of non-material items such as subscriptions to external bodies, time off in lieu arrangements etc. Such matters would not be examined by the auditor during the normal course of an audit.
20. As part of our normal audit process we have conducted a post-project learning exercise to establish whether there are matters which need to be addressed in the way in which we conduct our audits of smaller bodies, both in terms of our audit approach and our staff training.

21. The Report in the Public Interest identified a fundamental breakdown of the Board's governance arrangements. Whilst the external audit had identified and reported upon various governance deficiencies throughout the period 2005-06 to 2009-10, we have considered whether there was opportunity to have drawn together these issues earlier in a holistic way. We have identified several obstacles that combined to prevent this from occurring:

- the focus of the external audit work primarily on the financial statements, rather than also covering governance matters in depth, as referred to earlier in this note;
- throughout the period from 2005-06, the former Clerk and Engineer had placed significant pressure on the external audit team in respect of audit fees. In hindsight, it raises the question as to whether this was done to limit the extent of the audit that was undertaken, given the deficiencies that existed and which were only identified as part of the Report in the Public Interest work;
- in common with the findings of the Financial Reporting Council in respect of quality reviews of private sector external audit firms throughout the UK, professional auditor scepticism at all levels within audit teams can be improved through staff training and also by providing greater auditor challenge to management representations provided during the course of the audit;
- procedures for following up key issues raised in previous year's audits can be enhanced and more robustly documented. This could include specifying the impact of previously identified weaknesses in our Audit Strategy. For example, where there are concerns in relation to key governance or high level financial controls this is likely to result in a more transactional based audit.
- The implicit assumption that the audits of small bodies are inherently of lower risk is not necessarily the case, and our approach to the audit of small bodies needs to be modified as a result; and
- Our portfolio of smaller audits needs to feature more prominently in future within our 'cold review' quality assurance arrangements.

#### **Report in the Public Interest process:**

22. In April 2011 the Welsh Government passed files of information to the auditor containing issues and allegations which had been raised by members of staff of the Board. Further information was subsequently passed to the auditor by a member of the Board. Whilst a number of the issues raised were relevant to the audit, other issues did not fall within the statutory remit of the auditor, for example, the conduct of internal disciplinary proceedings and alleged breaches of health and safety regulations. Having reviewed all of the information the auditor considered that a number of issues should be investigated as part of his audit. An investigation was commenced and it became apparent that there were a number of issues which needed to be addressed by the Board in short term. In September 2011, the key matters which the Board needed to address were communicated in writing to the Board's Interim General Manager. This was to ensure that timely action could be taken by the Board on these issues prior to the publication of any formal audit report. Verbal updates to Welsh Government officials were also provided throughout the period.

23. The investigation itself was extensive and involved interviewing key individuals and review of numerous Board documents. The auditor sought to ensure that all his conclusions were robust, evidence based and free from bias. In August 2012 the auditor sent a draft consideration document to all relevant parties seeking confirmation of the factual accuracy of its contents. All representations were carefully considered and the document was amended where the Appointed Auditor considered it appropriate.
24. In his evidence to the Committee Mr Jackson Johns presented a letter from himself to the auditor stating that the report was 'superficial, unbalanced, inaccurate and not objective both in contents and conclusions'. As part of the normal reporting process Mr Jackson Johns was provided with a copy of the draft consideration document and invited to identify any factual inaccuracies. In his response to the auditor Mr Jackson Johns did not identify any factual inaccuracies. Appended to this paper is the auditor's response to Mr Jackson Johns.

**Anthony Barrett**  
Appointed Auditor  
Wales Audit Office  
6 June 2013





**WALES AUDIT OFFICE**  
**SWYDDFA ARCHWILIO CYMRU**

**Wales Audit Office / Swyddfa Archwilio Cymru**

**Mr Jackson- Johns**  
**The Croft**  
**Poplars Road**  
**Abergavenny**  
**Mon**  
**NP7 6LW**

24 Cathedral Road / Heol y Gadeirllan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 20 320500  
Fax / Ffacs: 029 20 320600  
Email / Epost: [wales@wao.gov.uk](mailto:wales@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

Date	25 <sup>th</sup> September 2012
Our reference	AJB287/bd
Pages	1 of 2

Dear Mr Jackson-Johns

**Re: Caldicot & Wentlooge Levels Internal Drainage Board: Audit considerations document**

Thank you for your letter dated 3 August 2012. I note your disappointment with the content and draft conclusions of the audit considerations document.

I am sorry that you feel that the document is inaccurate and lacks objectivity. The document was drafted based upon the evidence available to me and the purpose of consulting on the draft was to enable interested persons to correct any factual inaccuracies.

In your letter you have identified 3 areas where you consider that the document is 'inaccurate, unbalanced and misleading'. These areas relate to i) pay awards, ii) redundancy and iii) sea wall case. I have considered your representations in each of these areas but I remain unclear where you consider the draft report is inaccurate or misleading.

In your letter you request a formal response regarding the adequacy of the audit of Caldicot and Wentlooge Levels Internal Drainage Board over the last 10 years. I do not consider that it would be appropriate for me to respond to your question in view of the fact that you are no longer an employee of the Drainage Board. I am intending however to discuss this matter with the Board in due course.



Our reference:

AUB287/bd

Date:

25/09/2012

You have requested a response to "the points and questions I raised in my letter of the 26 July as soon as possible." I am not clear which points you require a response to. I will therefore respond in general terms to your letter:

- 1) You have stated that comments you have given were given in confidence and that you "trust this confidence will be retained." My staff did not provide any assurances that statements made by you during interview or in writing would be treated as confidential. Any information that is received whilst undertaking my audit may be used for the purposes of exercising my audit functions, including reporting my audit findings.
- 2) You have raised a number of issues relating to what you consider to be ongoing problems in respect of the Drainage Board. These matters will be taken into consideration in planning my ongoing audit of the Drainage Board and therefore may be included in subsequent audit reports.
- 3) You have raised several questions relating to the behaviours of some former officers and members of the Drainage Board. I acknowledge that the conflict to which you refer is important context to my findings and this is reflected in my report. However, I have made it clear from the outset of my audit that my remit does not extend to adjudicating in employment disputes.
- 4) I note your statement that the title CEO was only used after the Board agreed and authorised this. I have reviewed the Board minutes and I have found no reference to the Board agreeing or authorising the use of this title. Some members of the Board have told me that the use of the title was not authorised by the Board.
- 5) I have noted your comments regarding sea defences and board restructuring. I do not consider that these comments have a bearing on the factual accuracy of the draft audit considerations document.

Once I have finalised my report, I will send you a copy for your records.

Yours sincerely

AJB  
A

Anthony Barrett  
Appointed Auditor



24 Cathedral Road / Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 20 320500  
Fax / Ffacs: 029 20 320600  
Email / Ebost: [wales@wao.gov.uk](mailto:wales@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

Mr Tom Jackson  
Clerk to the Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Reference	AJB448/bd
Date	03 July 2013
Pages	1 of 2

Dear Tom

**Caldicot & Wentlooge Levels Internal Drainage Board.**

I understand that you have raised a query with my colleague Matt Mortlock over my comments in oral evidence to the Public Accounts Committee on 11 June about when I became aware that my report in the public interest was largely being paid for by the Welsh Government.

I first became aware that the Welsh Government had provided £100,000 to the drainage board as a contribution to funding the costs of the report in the public interest on 16 May 2013, when Ms Jo Lerner, acting head of flood and coastal erosion risk management at the Welsh Government, gave oral evidence on this point to the Public Accounts Committee.

No member of my team had previously made me aware that this was the case and indeed there was no reason why they should have done so. It was not pertinent to my consideration of the issues at the drainage board or to my decision to issue the report in the public interest. Neither had I seen the minutes of the 21 May 2012 Board meeting.

The Wales Audit Office issued three invoices to the drainage board for the additional audit work which resulted in the preparation and publication of my report in the public interest:

Invoice Date	Amount (£)	Payment Date
15/12/2011	40,000.00	27/01/2012
03/02/2012	30,000.00	23/03/2012
30/01/2013	45,432.40	20/03/2013
<b>Total</b>	<b>115,432.40</b>	

Please let me know if you have any further queries.

Yours sincerely



**Anthony Barrett**  
**Assistant Auditor General**



24 Cathedral Road / Heol y Gadeirlan  
Cardiff / Caerdydd  
CF11 9LJ  
Tel / Ffôn: 029 20 320500  
Fax / Ffacs: 029 20 320600  
Email / Ebost: [wales@wao.gov.uk](mailto:wales@wao.gov.uk)  
[www.wao.gov.uk](http://www.wao.gov.uk)

Mr Tom Jackson  
Clerk to the Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Reference	AJB447/bd
Date	03 July 2013
Pages	1 of 4

Dear Tom

### **Caldicot & Wentlooge Levels Internal Drainage Board**

At the evidence session on 11 June 2013 I agreed to provide the Public Accounts Committee with some additional information. Specifically, the date when Newport City Council Internal Audit Department became involved with the drainage board and details of our audit escalation procedures.

#### **Internal Audit**

From our records it appears that Newport City Council Internal Audit Department first undertook internal audit work at the drainage board during 2007-08. The appointed auditor's report on the 2006-07 accounts had been modified to reflect that the drainage board did not have an internal audit function. It was as a direct result of this that the drainage board then appointed internal auditors. Our records show that the internal auditors made two visits during 2007-08; the first being in October 2007 and the second in February 2008. The Annual Internal Audit report for 2007-08 presented to the drainage board indicates that the total charge for that year was £3,000 for a total of 10 days internal audit work.

More precise details should be available from the drainage board, in the event that the Committee requires this.

#### **Audit escalation procedures**

The key output from the audit of the annual financial statements is the auditor's report/opinion on those statements. As prescribed by professional auditing standards, there are a variety of actions available to the auditor with regards to the form of that opinion. These range from an unqualified ('clean') opinion to disclaiming any opinion at all.

This letter considers with the way in which other (i.e. non opinion-related) recommendations should be dealt with. The comments in this paper are limited to local government bodies, since this is relevant to the PAC's consideration of the Drainage

Board report. (There are different statutory provisions relating to other types of public bodies and, whilst the same broad principles will apply to other bodies, the specific details will differ.)

For local government bodies, typically the process will consist of the following stages:

Stage 1 – the auditor makes a recommendation to those charged with governance within the public body concerned.

Stage 2 – during the following year's audit, the auditor will perform work to establish whether or not the recommendation has been adequately acted upon. If this is not the case, and there are no sound reasons for the failure to act, then the auditor will generally repeat the recommendation whilst highlighting that the recommendation was also made in the previous year but not appropriately actioned. However, and depending on the seriousness of the issue, the auditor may instead opt to go straight from Stage 1 to Stage 3.

Stage 3 – during the subsequent year's audit, the auditor finds that the recommendation has still not been adequately acted upon (again, without good reason). At this point the auditor should consider additional audit action. This will typically involve either (i) the making of statutory recommendations under Section 25 of the Public Audit (Wales) Act 2004; or (ii) the issuing of a report in the public interest. In practice, the difference between these two courses of action is based on the seriousness of the issue and the auditor's assessment of the likelihood that those charged with governance within the authority will take appropriate action.

Appointed auditors (including myself) have used statutory recommendations in the past in respect of local government bodies in Wales. For example at a unitary authority where the auditor was of the view that a decision was legally reasonable and lawful, but the processes and actions that underpinned the decision were significantly flawed in some respects. At another authority, deficiencies were reported to the authority with regards to two separate decision-making processes. On the third occasion that such deficiencies were identified by the auditor, a report in the public interest was subsequently issued.

Although not strictly part of the escalation process, an appointed auditor also has the power to issue an Advisory Notice (under Section 33 of the Public Audit (Wales) Act 2004). Such a Notice may be issued where the auditor believes that:

- the body, or an officer of the body, is about to make or has made a decision which involves or would involve the body incurring expenditure which is unlawful;
- the body, or an officer of the body, is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- the body, or an officer of the body, is about to enter an item of account, the entry of which is unlawful.



Once an Advisory Notice is issued, it is not lawful for the body or officer concerned to pursue the course of action until certain conditions set out in Section 34 of the 2004 Act have been met.

### **Quality Assurance Processes**

I would also like to provide the Committee with a little more detail on the changes that we have recently made to our quality assurance processes within WAO Financial Audit. Our arrangements for ensuring audit quality essentially mirror those of the other public audit bodies in the UK, and those of the accountancy firms in the private sector. All audits are required to comply with the International Standards on Auditing (ISA) and Ethical Standards. Our internal processes and procedures are designed to support this.

All audit work is subject to review by a more senior member of the audit engagement team prior to issuing the audit opinion. The engagement lead is able to seek an independent 'second opinion' from another audit director (a 'hot' review) on any matters of contention or difficult audit judgement, prior to recommending the audit opinion to the AGW or Appointed Auditor. Advice and support from our central Technical Group is also available on request at any stage in the audit process.

A sample of WAO audits is subjected to post-completion quality assurance review ('cold' review) by an independent Quality Assurance (QA) team. The QA teams comprise experienced WAO staff and staff of other audit offices from across the UK. The lessons learned from our annual programme of quality assurance work are collated and both reported to our senior management and shared with all of our financial audit staff. Our audit tools, training methods and materials are updated annually as a result.

From this autumn, we have also decided to subject ourselves to external quality assurance reviews. These will be conducted by the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW). The QAD team will review our overall quality assurance arrangements, will re-perform a sample of our 'cold' reviews to ensure that they are robust, and also conduct their own QA reviews of a sample of completed audits.

### **Quality Assurance improvement actions**

Arising from our 2011 QA work, we identified the need to deliver specific training to our audit staff on enhancing professional audit scepticism. (This was a common QA finding across the UK auditing profession, both in the public and private sectors.) Training was rolled out in a series of mandatory training events during 2012.

In our training courses, we are making greater use of case studies and are giving additional prominence to the inherent and specific risk factors that may be associated with smaller audits, including the risk of an over-dominant Chief Executive, or of a weak Board and governance arrangements.

We have reviewed our approach to the allocation of staff to smaller audits and we are increasing the relative proportion of time to be spent on those audits by senior staff.

Finally, I have also commissioned some further work on providing technical advice and guidance to our audit teams working on smaller audits, and I anticipate that this will be rolled out via training events in the autumn, in readiness for our 2013-14 audit planning cycle.

I trust this information will support the Committee in its enquiry.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'AJB' followed by a flourish and a small 'H'.

**Anthony Barrett**  
**Assistant Auditor General**



Mr Anthony Barrett

**RECORDED DELIVERY**

**WITHOUT PREJUDICE**

Your Ref: AJB267/ng

Date: 3<sup>rd</sup> August 2012

Dear Mr Barrett

**Re: Caldicot & Wentlooge Levels Internal Drainage Board**

I note receipt of your letter dated the 1<sup>st</sup> August 2012 and your accompanying report to which I now reply and request that my comments are formally recorded in any subsequent reports and are kept on file.

I am extremely disappointed and concerned regarding your report as follows –

1. The report is superficial, unbalanced, inaccurate and not objective both in its content and conclusions. The report does not truly reflect the situation that persisted at the Board and all that happened. Your report has essentially ‘cherry picked’ and concentrated on a few areas which further underlines my comments above and the fact that it has followed a very specific prescribed agenda and end goal.
2. I am both gravely disappointed and concerned that despite cooperating extensively with the WAO and its Officers that despite spending several hours under formal interview on the 5<sup>th</sup> July and my letter of the 26<sup>th</sup> July, I note that no reply has been made to me despite me requesting one. It is apparent from the date of your letter being the 1<sup>st</sup> August and your report being dated July 2012, that no consideration or credence was given to any of my evidence and essentially your report and conclusions was already written. My evidence and further concerns regarding serious issues at the Board appear to have been dismissed.
3. Leading on from the above, it is clearly evident from both the content and conclusions of the report that it has been unduly influenced by certain persons who were responsible for the initial whistle-blowing and subsequent matters.
4. I no longer work for the Board and have no contact whatsoever or indeed access to any information, which puts me at a considerable disadvantage, I have no inclination,

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

time or wish to comment in detail upon this report. It would take many hours to do so and I feel this would not be a good use of my time for the reasons as detailed above.

5. I am amazed how much of the report focuses on my situation at the Board to the exclusion of all others in many instances. What about all the other areas that should have been duly considered to give a balanced report?
6. I have recorded for the formal record 3 examples in the following points, of the many inaccurate, unbalanced and misleading content and conclusions contained within the report -
7. **Pay Awards.** Please formally note again – that all the Board's staff underwent this procedure and not just me as it would appear from the report. There is no mention of the other staff of the Board who have received very large pay rises over the same period ?
8. All requests for any regradings went through the due formal process and all relevant members were given detailed papers etc – including in my case copies of the Lincolnshire Terms and Conditions, including the Pay Grade Chart. This was always a specific part of the interview and was questioned by the Members; hence it is inaccurate and misleading to advise otherwise. If there is a problem here – then logically it applies to each and every par review equally that the Board has ever done for any of its employees – and clearly not just with my reviews. I have certainly been singled out here for severe criticism. ?
9. It should be remembered and is not reflected within the report, that I was paid a fair and reasonable remuneration for my senior post at the Board, not only responsible for Caldicot and Wentlooge IDB but 4 other important IDBs in the area. My remuneration was also in-line with the amount paid to other CEOs of similar size IDBs.
10. **Redundancy.** I find your comments both insulting and misleading, they are also inaccurate. I would point out that the only reason I left the Board's employment after 22 years dedicated and distinguished service within the industry, was as a result of the sustained malicious and vexatious campaign lodged against me, indeed this was acknowledged by WAO Officers during my Interview. It is most interesting to note and this should be noted in your report, that the 2 employees who lodged this campaign against me have now essentially I understand been handsomely 'paid-off' by the Board – why has this not been investigated?
11. **Sea Wall Case.** Your Conclusions are ridiculous and the report is clearly flawed. I therefore advise again that I was only an employee of the Board undertaking my duties conscientiously. The Board was fully aware of the long running matter regarding the Sea Wall; it was the single biggest issue the Board had ever faced.
12. I conclude on an important matter I would like formally answered. As the Board and its Officers having undergone an extremely detailed and protracted external audit each year by WAO which included many of the areas covered in your report, with extensive and total access to all and copies taken of all documents, minutes, why was there never any mention of all the 'alleged problems' at the Board? The Board was in receipt of a 'clean'





audit report each year, albeit with some recommendations, and this was presented to Members accordingly. Also an extensive Internal Audit was undertaken 3 times per year by NCC, with only minor points highlighted which were always addressed immediately and rectified to their satisfaction. What were WAO doing during all this 10 year plus period? It is not satisfactory or correct to state that this was not part of WAO's Audit. WAO spent at least - 2 weeks at the Board each year, plus many hours following the visit looking at all aspects of the Board. This level of audit cost the Board many thousands of pounds each year. Indeed it begs the question as to who audits the Auditors?!

13. I would appreciate a detailed answer to the points and questions I raised in my letter of the 26<sup>th</sup> July as soon as possible.

14. I also request a copy of your final report for my records

Yours sincerely

Dean Jackson-Johns



# National Audit Office

Comptroller and Auditor General  
Amyas Morse



13 MAY 2013

Helping the nation spend wisely

WALES AUDIT OFFICE Telephone +44 (0)20 7798 7777  
Facsimile +44 (0)20 7798 7990  
SWYDDFA ARCHWILLO CŴY Email work amyas.morse@nao.gsi.gov.uk

Anthony Barrett  
Assistant Auditor General  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Reference GF/1395/12  
Date 9 May 2013

*Dear Anthony,*  
INTERNAL DRAINAGE BOARDS

Further to my letter in January I am writing to update you on our actions in response to your information regarding the potential audit issues relevant to Internal Drainage Boards (IDBs).

The Accounting Officer at the Department for Environment Food and Rural Affairs has since produced a response to the issues highlighted. The Department continues to work with the Environment Agency, the Association of Drainage Authorities (ADA) and the Audit Commission to address the risks identified.

Actions being progressed to mitigate the risks include updating the Accountancy and Governance Practitioners' Guide and providing models for the various governance statements and Terms of Reference. ADA has also circulated material on your findings to the Chairs and Chief Officers of the IDB advising them of the issues that they should check.

The National Audit Office will continue to receive progress reports on the follow-up actions and will maintain oversight of these activities through our regular financial and value for money audit meetings with the Department. We will, of course, let you know if we have any concerns about the progress being made.

Thank you again for writing to me about your report - it was very helpful to have these matters drawn to my attention in this way.

AMYAS C E MORSE

## **Draft Public Accounts Committee Forward Work**

### **Programme: Summer term 2013<sup>1</sup>**

#### **Thursday 18 April (9:30–12:30)**

- 1. Introductions**
- 2. Consideration of advice from the Auditor General for Wales on issues arising from the Committee's report 'Progress in delivering the Welsh Housing Quality Standard'**
  - a. Members' consideration of advice
- 3. Procurement and Management of Consultancy Services**
  - a. Welsh Government– Michael Hearty and Value Wales
  - b. NHS Shared Services partnership
- 4. Motion to go into private session**
- 5. Procurement and Management of Consultancy Services**
  - a. Members' consideration of evidence

#### **Tuesday 23 April (9:00–11:00)**

- 1. Introductions**
- 2. The Consultant Contract in Wales**
  - a. Adam Cairns, Chief Executive, Cardiff and Vale University Health Board and Janet Wilkinson, Director of Workforce, Hywel Dda
- 3. Motion to go into private session**
- 4. The Consultant Contract in Wales**
  - a. Members' consideration of evidence
- 5. Grants Management**
  - a. Members' consideration of draft report

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<sup>1</sup> Explanatory note from Clerk- in line with the PAC's discussions on the use of Thursdays, a meeting has generally been scheduled on approximately the third Thursday of each calendar month. Where possible, Thursday meetings have been scheduled to:

- enable the Committee to make effective progress with work;
- avoid clashes with the Finance Committee;
- minimise potential membership clashes with the Smoking Regulations committee; and
- minimise the impact of membership clashes with the Health and Social Care Committee.

**Tuesday 30 April (9:00–11:00)**

- 1. Introductions**
- 2. Correspondence from Business Committee**
- 3. Procurement and Management of Consultancy Services**
  - a. John House, Chief Executive Cardiff County Council
- 4. Motion to go into private session (including meeting of 7 May)**
- 5. Procurement and Management of Consultancy Services**
  - a. Members' consideration of evidence
- 6. Grants Management**
  - a. Members' consideration of final report

**Tuesday 7 May (9:00–11:00)**

**PRIVATE MEETING**

- 1. Consideration of correspondence from Wales Audit Office on the Welsh Government's subsidy of the North/South Wales Air link**
- 2. Consideration of support for Committee**
- 3. Consideration of potential work to seek updates on implementation of recommendations of previous Committee reports**
- 4. Forward Work Programme**
  - a. Members' consideration of Forward Work Programme
- 5. Grants Management– Final Report**
  - a. Members' consideration of draft report

**Thursday 16 May (9:00–13:00)**

- 1. Introductions**
- 2. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. Welsh Government (9:00–10:00)
  - b. Natural Resources Wales (10:00–10:50)

- c. General Manager of Caldicot and Wentlooge Levels Internal Drainage Board and Association of Drainage Boards (10:55–11:45)
- d. Former Clerk and Engineer of Caldicot and Wentlooge Levels Internal Drainage Board (11:45–12:35)

### **3. Motion to go into private session**

### **4. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**

- a. Members' consideration of evidence (12:35–13:00)

## **Tuesday 21 May (9:00–11:00)**

- 1. Introductions**
- 2. Advice from the AGW on WG responses to PAC reports 'Health Finances' and 'Maternity Services in Wales' (9:05 – 9:10)**
- 3. Papers to note**
- 4. Motion to go into private session**
- 5. Potential opportunity for briefing on legal issues associated with River Lodge Hotel report, prior to report's publication (9:10–9:25)**
- 6. Civil Emergencies**
  - a. Members' consideration of draft report (9:30–11:00)

## **Thursday 6 June<sup>2</sup>**

- 1. Introductions**
- 2. Update from Welsh Government on implementation of recommendations in Public Accounts Committee report: Hospital Catering (14:00–15:00)**
- 3. Update from Welsh Government on implementation of recommendations in Public Accounts Committee report: A Picture of Public Services 2011 (15:00–16:00)**
- 4. Update from Welsh Government on implementation of recommendations in 3<sup>rd</sup> Assembly Public Accounts**

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<sup>2</sup> Obviously, this is not the third Thursday of June. However, use of this date (rather than 20 June) is likely to minimise impact of a membership clash with the Health and Social Care Committee.



**Committee report: Capital Investment in Schools (16:00–17:00)**

- 5. Motion to go into private session**
- 6. Members' consideration of updates from Welsh Government on implementation of recommendations from previous Committee reports (17:00–17:30)**

**Tuesday 11 June**

- 1. Introductions**
- 2. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. Audit Commission (9:00– 9:30)
  - b. Wales Audit Office (9:30– 10:00)
- 3. Motion to go into private session**
- 4. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. Members' consideration of evidence (10:00–10:20)
- 5. Civil Emergencies**
  - a. Members' consideration of final report (10:20–11:00)

**Tuesday 18 June**

- 1. Introductions**
- 2. Briefing from Wales Audit Office on Continuing Healthcare (9:00–9:20)**
- 3. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. James Harris, Former Board Member of Caldicot and Wentlooge Levels IDB (9:20 – 10:00)
- 4. Motion to go into private session**
- 5. Local Audit and Accountability Bill: Consideration of Legislative Consent Memorandum (10:00 – 10:40)**
- 6. Members consideration of potential action arising from briefing (10:40–11:00)**

## **Tuesday 25 June**

- 1. Introductions**
- 2. Progress in delivering the WHQS**
  - a. Update from Welsh Government (9:00–10:00)
- 3. Motion to go into private session**
- 4. Progress in delivering the WHQS**
  - a. Members' consideration of evidence (10:00–10:20)
- 5. The consultant contract in Wales**
  - a. Members' consideration of draft report (10:20–11:00)

## **Monday 1 July**

### **Visit to House of Commons' Public Accounts Committee**

## **Tuesday 2 July**

- 1. Introductions**
- 2. Briefing from Wales Audit Office on forthcoming report**  
(9:00–10:00)
- 3. Motion to go into private session**
- 4. Members consideration of potential action arising from briefing** (10:00–10:20)
- 5. The consultant contract in Wales**
  - a. Members' consideration of final report (10:20–10:30)
- 6. The procurement and management of consultancy services**
  - a. Members' consideration of draft report (10:30–11:00)

## **Tuesday 9 July**

- 1. Introductions**
- 2. Motion to go into private session**
- 3. The procurement and management of consultancy services**
  - a. Members' consideration of final report (9:00–10:00)

4. **Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. Members' consideration of draft report (10:00–11:00)

**Tuesday 16 July**<sup>3</sup>

1. **Introductions**
2. **Motion to go into private session**
3. **Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
  - a. Members' consideration of final report
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<sup>3</sup> We haven't scheduled a Thursday meeting in July, as scheduling a Thursday meeting on either 4 July or 18 July would have a significant impact in terms of membership clash with the health and social care committee. It is also plausible that 4 July could be required by Finance Committee, as the Welsh Government has historically tended to lay its first supplementary budget of the financial year in late June/early July.

**Anticipated Publication of Committee reports:**

<b>Inquiry</b>	<b>Evidence Sessions</b>	<b>Committee's consideration of draft report</b>	<b>Approximate publication</b>
River Lodge Hotel	Completed	Completed	Late May (delayed due to legal concerns)
Grants Management	Completed	23 April–7 May	Early June
Civil Emergencies	Completed	Late May– Early June	Late June
The Consultant Contract in Wales	23 April	Late June	Early July
Procurement and Management of Consultancy Services	18 April –30 April	Early July	Summer recess
Issues arising from findings of WAO report on Caldicot and Wentlooge Internal Levels Drainage Board	16 May–18 June	Early July	Summer recess/Autumn term

# Public Accounts Committee

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Meeting Venue: Committee Room 3 – Senedd

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Meeting date: Thursday, 6 June 2013

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Meeting time: 14:00 – 17:10

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This meeting can be viewed on Senedd TV at:

[http://www.senedd.tv/archiveplayer.jsf?v=en\\_400000\\_06\\_06\\_2013&t=0&l=en](http://www.senedd.tv/archiveplayer.jsf?v=en_400000_06_06_2013&t=0&l=en)

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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## Concise Minutes:

### Assembly Members:

Darren Millar (Chair)  
Mohammad Asghar (Oscar) AM  
Mike Hedges  
Julie Morgan  
Jenny Rathbone  
Aled Roberts  
Jocelyn Davies  
Sandy Mewies

### Witnesses:

Dr Jean White, Welsh Government  
Val Whiting, Welsh Government  
Maureen Howell, Head of Lifestyle Change Branch  
Piers Bisson, Public Service Reform Division  
June Milligan, Welsh Government  
Abigail Harris, Director of Strategy and Policy  
Owen Evans, Director, Skills, Higher Education and Lifelong Learning, Welsh Government  
Melanie Godfrey, Programme Director 21st Century Schools  
Sonia Reynolds, Deputy Director, Transformation Programme Division  
Huw Vaughan Thomas, Auditor General for Wales, Wales

Committee Staff:

Tom Jackson (Clerk)

Daniel Collier (Deputy Clerk)

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## **1 Introductions, apologies and substitutions**

1.1 The Chair welcomed Members and members of the public to the meeting.

## **2 Update from the Welsh Government on the implementation of recommendations made in the Public Accounts Committee report 'Hospital Catering and Patient Nutrition'**

2.1 The Chair welcomed Professor Jean White, Chief Nursing Officer, Welsh Government; Maureen Howell, Head of Lifestyle Change Branch, Welsh Government; and Val Whiting, Head of Capital, Estates and Facilities, Welsh Government.

2.2 The Committee scrutinised the witnesses.

### **Action points:**

The Welsh Government agreed to provide:

- A Cost Benefit Analysis of each option for the proposed IT structure to underpin hospital catering function;
- Details on the percentage of Band 5 nursing staff across all Health Boards who cannot access e-learning facilities as a result of not having access to work-email accounts;
- Costs associated with the implementation of the e-learning package on patient nutrition;
- Further details of levels of participation in on-line training packages in the NHS;
- Further information on the destination of food waste, including details of the waste contracts between health boards and local authorities; and
- A note explaining measures put in place by health boards to meet requirements set out by the Food Hygiene Bill.

2.3 The Committee agreed to write to the Minister with concerns raised in this meeting.

### **3 Update from the Welsh Government on the implementation of recommendations made in the Public Accounts Committee report 'A Picture of Public Services'**

3.1 The Chair welcomed Dr June Milligan, Director General, Local Government and Communities, Welsh Government; Piers Bisson, Head of Public Service Reform Division, Welsh Government; and Abigail Harris, Director of Strategy and Policy, Department for Health and Social Services.

3.2 The Committee scrutinised the witnesses.

#### **Action points:**

The Welsh Government agreed to provide:

- Figures demonstrating how financial management skills across the public service have been improved;
- Clarity on the costs and benefits of collaborative work undertaken by initiatives such as the Reform Delivery Group; the Public Services Leadership Group; the Partnership Council; Academi; and the new Commission on Public Service Governance and Delivery;
- A note on the use of Lean systems within the Welsh Government;
- Examples of where the Welsh Government have funded consultants to review the Lean system initiatives which have not been implemented;
- Further details on how good practice in the health and social care sectors will be shared across local authorities.

3.3 The Committee agreed to write to the Minister with concerns raised by the Committee at this meeting.

### **4 Update from the Welsh Government on the implementation of recommendations made by the third Assembly PAC on 'Capital Investment in Schools'**

4.1 The Chair welcomed Owen Evans, Director General, Education and Skills, Welsh Government; Melanie Godfrey, Programme Director 21st Century Schools, Welsh Government; and Sonia Reynolds, Deputy Director of the Transformation Programme Division.

4.2 The Committee scrutinised the witnesses.

#### **Action points:**

The Welsh Government agreed to provide:

- A breakdown of the number of schools in each category identified by the Welsh Government's 2009 stock survey, including a list of those schools in the Band D category;



4.3 The Committee agreed to write to the Minister with concerns raised by Members in this meeting.

## **5 Papers to note**

5.1 The Committee noted the minutes of the previous meeting and the work programme for the summer term 2013.

**6 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

## **7 Consideration of updates from the Welsh Government on the implementation of recommendations of Committee reports**

7.1 The Committee discussed updates from the Welsh Government on report 'Hospital Catering and Patient Nutrition'; 'A Picture of Public Services'; and 'Capital Investment in Schools'.

7.2 The Committee agreed to write to the relevant Ministers highlighting key concerns and recommendations.

## **TRANSCRIPT**

View the [meeting transcript](#).

By virtue of paragraph(s) vi of Standing Order 17.42

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