

Notes prepared by Rita Austin (former Chair AWEMA) for her witness session before the Public Accounts Committee on 3 December 2012 (prepared following discussion with the Committee Clerk regarding the areas which the Committee may wish to explore)

Opening Remarks

- Former chair of AWEMA 2002/2007: December 2011 – March 2012. Served on many public bodies – mostly in education and health but also criminal justice. Have chaired audit and risk management committees, quality assurance and performance committees in my time. Been involved in race equality work most of my adult life in paid service as a senior manager for public and third sector organisations and as an unpaid volunteer in black voluntary organisations, often as chair.
- My promotion of race equality in all my work capacities over many years has not endeared me to senior officials and politicians. Speaking truth to power is never easy and never more challenging than in race equality work addressing persons exercising power in powerful institutions when they fail to, or refuse to acknowledge personal and institutional racism. While I can recognise and call both when I see them I have learned to make the call only when I am assured that I can subsequently have a grown-up conversation with persons who do not revel in their own ignorance. My position is wholly pragmatic, not one I am particularly proud of, but one that I have learned promises more opportunity for more progress than using ‘racist’ or ‘racism’ ever does, precisely because these words too easily close conversation down and allow proper understanding of the cultural stereotyping which leads to disadvantage and detriment (which is what racism essentially is) to be side-stepped and substituted by self-righteous and defensive attitudes.
- So, contrary to the PAC Chair’s comment as recorded in the transcript of your 22 October meeting, I have not charged racism against anyone at any time in this whole sorry saga – the BBC made that direct attribution to me, using quotation marks, in their online comment. And, when I was able to prove the contrary, the offending online comment was withdrawn by the BBC but with neither correction nor apology. I regret that I did not also ask for the attribution in BBC presenters’ blogs also to be corrected, and the BBC, adopting the narrow focus in dealing with complaints that this WAO report criticises the WG for adopting, failed to withdraw and correct anything other than the specific online report I had criticised.
- Given that a whole section of the WAO report is devoted to considering whether inappropriate political influence was used in any WG dealings with AWEMA I should make it clear that my membership of the Labour Party which was of long standing and included elected office – ceased in 1992. Which is not to say that I have not

dropped the odd leaflet or stuffed the odd envelope on its behalf in the past 20 years – nothing to win me any favours; nor does the fact that I served in elected office alongside four who have since become AMs, give any reason to suppose that AWEMA was ever favourably treated. Quite the contrary – I wouldn't describe relationships between myself and my onetime county councillor colleagues now AMs as cordial. They were not at the time and since then have been more or less non-existent. Even in the times I was AWEMA chair contact and conversation was limited to a few AWEMA sponsored events and perhaps three or four times subsequently when I have lobbied these four AMs on race equality issues to do with mental health and maternity service – always unsuccessfully

- And I should state in my opening remarks that my only motivation for becoming re-engaged with AWEMA just about a year ago was because of my commitment to advancing race equality generally in Wales, in this instance to defend the only bme development organisation in Wales from the chaos of an internal board room coup which threatened its stability and capacity to do good work with WEFO Convergence project beneficiaries (mostly from the minority ethnic communities) and with bme communities more generally.

Opening Statement

- I wish to draw attention to two aspects of the WAO report where a full and comprehensive assessment of the relationship between the WG and AWEMA does not materialise.
- First – the conclusion that there had been no inappropriate political influence in WG's decisions about funding AWEMA. While this is certainly the case when presented on the narrow construction that politicians had always followed officials' advice in its AWEMA funding decisions, it ignores how officials, precisely because they do not work in an ivory tower but in the real world, are open to all its cultural influences, and so cannot avoid but be influenced by the politics - in all its forms - going on around them. Of course they are influenced by what is in the media when reaching their decisions and making their recommendations up the officials' line and onwards to politicians. To suggest otherwise is foolish. Hence the importance of observing long standing conventions in public life for senior officials and politicians to avoid, or at least carefully temper public comment which may unduly influence or be seen to influence governmental decision-making.
- But this is precisely what did not happen during the conduct of the IAS review which concluded with the recommendation to WG and WEFO that they decide whether to continue funding to AWEMA. Faced by the clear declaration of the then most senior

official of WG -the Permanent Secretary - in her evidence to the most senior of committees charged with scrutinising the use of public money - the PAC - that AWEMA should historically have been graded a 'high risk' organisation (when, as the transcript of your last meeting states she had no substantiating evidence), it is scarcely credible that the Head of Internal Audit responsible for the IAS review who reports directly to her (a line of report he was keen to emphasize to me on his first phone contact) would consider AWEMA as anything else.

- Nor is it remotely likely that funding departments' directors would take a contrary view particularly when, shortly after that PAC, at a plenary session, the chair of the PAC rhetorically asks WG politicians to agree that this is the end of AWEMA. These prejudicial comments followed twenty days of constant, strident, partial and ill informed interventions by AMs of all opposition parties (including their leaderships) against AWEMA which fed and legitimated an unremitting negative media.
- And all this at a time when radio silence should have been observed by all politicians in order to avoid inappropriate political influence during the conduct of the review. Such media performance may contribute to the gaiety of the nation when directed by politicians in game playing against each other but it is full of menace and threat to a small organisation caught in the crossfire which is itself following officials' advice not to comment during the course of the review.
- But the main point I make here is that the WAO report does not itself explicitly consider and conclude on this episode of funding decision-making to weigh the appropriateness or otherwise of senior management influence on audit conclusions and political influence on WG funding decisions – a case study in this respect would have illuminated the dynamic and assisted a conclusion. It should have been done.
- The second aspect of the WAO report to which I want to draw attention is the very weak analysis and commentary devoted to WG and WEFO actions following the AWEMA chief officer's disclosure to a senior WEFO official - a head of branch - on 29 November 2011 that financial and other allegations had been made against him (the chief officer). I had insisted that this disclosure be made as a condition of my accepting nomination to chair AWEMA once again, shocked really that the trustees had not already brought these matters to funders' attention, the most serious of which had been disclosed to them as early as their July AGM.
- While I can understand the practical reason why the matter is not given more scrutiny and analysis in the WAO report – a matter of time pressure because the WEFO official concerned agreed, only a week or so before publication of the WAO report, a fuller extent of the conversation which had taken place on 29 November than he had admitted to five months earlier when, at my insistence, he was asked

the question again given his earlier recollection that no conversation between the chief officer and himself had even taken place.

- But even his improved later recall that he had been told by the chief officer about financial allegations against him, did not include all the matters conveyed, including and especially a request made to the official by the AWEMA chief officer that the official's opposite number in the WG Equalities Unit also be told. Perhaps if a further two weeks had elapsed before the publication of the WAO report, the WEFO official's recall would have improved sufficiently to remember other salient aspects of what had taken place, when and where.
- I was, and remain quite clear in my own mind, that the AWEMA chief officer's conversation with the senior WEFO official did take place. When, the next day I asked him what had taken place I was given detail - on the margins of another meeting as the WAO report states, but a private conversation in an adjoining room which the chief officer had requested to be out of earshot of others given the sensitivities of what he wished to say. The conversation took around 15 minutes and covered the main aspects of the allegations – some financial some concerning his management practice – and all made by a junior member of staff against him.
- The WEFO official was put in the picture about the planned EGM and the proposal to nominate me as chair, and my condition that these allegations be disclosed to funders, and he was asked to keep the WG official informed. The WEFO official was told that he, the chief officer, had, as instructed by his Board, made a full response to the allegations made against him, but because his response had not been considered at the November Board would be put to the December Board when it was hoped I would be in the Chair. Thence it could be sent to the funders (which is what subsequently happened).
- I had no reason not to accept the chief officer's word that all this had taken place as he relayed it to me – the chief officer has never lied to me nor ever sought to hide from me those few occasions in the past when he had not carried out the full extent of what I had asked in a timely manner – as he had not at this time by not informing the head of equalities unit himself but relying on the WEFO official to do so.
- What is important to note here is that what was disclosed on 29 November, some 20 days before the WG and WEFO decision was taken to suspend AWEMA funding and to commission the IAS review, what was disclosed comprised the full extent of what the WG and WEFO were informed about on 19 December by the AWEMA Finance Director albeit using more intemperate and colourful language.
- Put differently, WEFO knew no more on 19 December by email from the FD (followed half an hour later by the chief officer's email to WG and WEFO which made

passing reference to his earlier disclosure to WEFO) than it knew on 29 November following the chief officer's 15 minute conversation face-to-face with the WEFO official: the difference was that no follow-up action was taken on the earlier occasion.

- When the WEFO official confirmed in conversation with the chief officer that the financial allegations did not directly involve WEFO funds, and was informed further in response to his direct question that no allegations of theft or fraud had been made, the official should nevertheless have escalated the matter upwards inside WEFO and outwards to the WG funders. It is a very serious matter that financial allegations of whatever nature, substantiated or not, are made against the chief officer of an enterprise responsible for the safeguarding of significant public funds.
- At the very least the WEFO official should have insisted that the chief officer confirm the content of their conversation to him in writing. Certainly he should have kept a file note of it himself. Both would have been prudent actions. None were done. The WAO report should at least have commented as much. (My only regret looking back is that I had not advised the chief officer to keep a file note of the 29 November meeting himself).
- Acting within this silo mentality has not been without consequence both to AWEMA and to the WG and WEFO. Had the WG and WEFO intervened on 29 November in the same way as they did on 19 December when they knew no more, it is indeed likely (as the WAO Report says) that over £500k of public money would not have been released by WEFO. But this would not have made matters worse for AWEMA or for its partners as the report goes on to say. What was owed to the 4 partners, a bit over half, could have been directly reimbursed to them by WEFO - the claims to August 2011 had been verified, and trades people were few in number and low in value because our regular bills were always paid within the 30 day requirement.
- On the contrary – an IAS review instituted a month to six weeks earlier than it was would have established earlier the considerable deficiencies in statutory and management accounting. And this earlier intervention could have provided opportunity for remedy – for the Finance Director to finalise the 2011 statutory accounts in time to comply with the statutory date for submissions to Companies House and Charity Commission, and to establish proper management accounts. In other words, breaches of contract with the funders, which precipitated the termination of funding to AWEMA, could have been avoided.
- But most importantly of all, the then serving trustees would have been in place to take responsibility for and to account for their actions in permitting such deficiencies of financial control and governance to obtain - in particular the Vice Chair (North) who was acting in the Chair, and the Treasurer who was meeting with the FD at least

every fortnight. Nor would it have been necessary to go forward with the EGM which brought me in as chair.

- Nor, once an IAS review was in place would there have been any need to carry through the Paul Dunn investigation which led to that most shoddy, inaccurate and biased report which put centre stage and foremost relatively minor but important financial irregularities in managing expenses yet remained silent about the far more important matters of poor financial control and management in respect of the statutory and management accounts. Not escalating the chief officer's disclosures of 29 November has had serious reputational consequences for all associated with AWEMA and done them and it much hurt and harm, all of which could possibly have been avoided with earlier WG and WEFO intervention, and this includes termination of funding which led to its demise.
- And as to whistle blowers – the FD's communications on 18/19 December 2011 was never the action of a whistle blower. How could it have been when the same matters had been communicated to funders by the AWEMA chief officer 20 days earlier? Consequently, and quite properly the WAO report makes no reference to whistleblowers – a self designated label accorded by the FD and the Vice Chair North to themselves – because there are none. So it is a matter of huge regret that the transcript of PAC proceedings of 22 October includes a report of a WAO official using 'whistleblower' to refer to the FD, echoing the use of that term by a committee member in his question to him. I hope both now regret using the term – it is not and has never been a fact: only a self serving fiction existing in the mind of those who have done AWEMA much harm.
- My purpose in setting out the events of 29 November and the consequences of WG/WEFO failure to act at that time at some length is to demonstrate that these matters fell centrally within the terms of reference of the WAO investigation and hence should have been given a fuller analysis. Clearly the WAO pulled its punches in this regard and its report remains deficient to this extent.

Nature and Purpose of AWEMA in my first period as chair Jan 2002-Jan 2007

- to assist the National Assembly in its understanding of, and responsiveness to, race equality issues, primarily by shadowing the work of its subject committees and responding to policy consultations from a race equality perspective. One of four equalities organisations funded by the first Assembly to give shape to its adoption of equality as a founding principle (together with sustainability). Apart from one consultation on the HSCWB strategy in 2002, no further effort to bring four bodies together for shared perspectives, and no encouragement to work together

- One serious (perhaps unintended?) consequence of setting up outside organisations 'to do equality' was that WG abrogated responsibility itself to embed these important founding principles within its policy response at source. An early example of outsourcing which meant that officials themselves learned little of race equality and were wholly unskilled in commissioning and managing the work of far more knowledgeable but external equality organisations, who for their part had little knowledge and experience of how the government system worked.
- many difficulties – personal jealousies, competition for scarce funding resources, resentment at NA for relying on a single channel – all of which translated into constant criticism by a few prominent bme community members to the media or to ministers and officials and to AMs who would then raise these matters at plenary sessions. All this within a context of the constant search by AWEMA for more projects funding and longer term core funding.
- Our difficulties are common to many bme third sector organisation but with some important differences: as a multi-purpose, multi-functional, umbrella organisation with an all Wales aspiration, AWEMA faced governance challenges which are not faced by most bme associations which tend to be much less ambitious in scope, impact and range. While the ambition was praiseworthy the execution was very challenging not least because of the dysfunctionality in the WG Equality Unit.
- Board meetings were often difficult to handle and it often felt as though AWEMA had few friends, though several bme groups and organisations welcomed the chief officer's efforts to attract funds in which they also shared. AWEMA successes in securing funding were not universally acceptable and criticisms and complaints were never far away: the more successful we were in securing new projects' funding, especially WEFO funding, the more criticism we attracted from a few loud voices.
- We did not keep our governance issues a secret – Equalities Unit personnel, mostly junior and on occasion quite senior, always attended our Board meetings up to the time we became a charity, but declined our invitation to do so once charitable status was gained.
- my role as chair – to take the lead on governance – regularity of board meetings, responsibility for agenda, conduct of meetings, holding chief officer to account. Gave close supervision to chief officer particularly on matters of internal management. Encouraged his work in chasing new funding opportunities. Was aware of officials concerns leading to a review in 2002/3. Following review ensured that basic financial systems began to be put in place (including expenses claims, purchasing procedures). Two major recommendations – put our governance on a more secure footing; recruit a finance officer. Both done – first by becoming a charity in 2005 and by securing funds to recruit a Finance Officer in that same year.
- Nature and Purpose of AWEMA as enshrined in our Memorandum of Association when we became a charity were: To promote equality and diversity for the benefit of the public ...

- a) by developing capacity and skills of members of ethnic minority communities in such a way that they are better able to identify and help meet their needs and participate more fully in society
- b) advancing education in equality and diversity whether by teaching and producing material, and
- c) raising awareness of all aspects of discrimination in society on the basis of race or ethnic minority status by publications, public advocacy and other means of communication
- given paucity of staff, and no senior ones apart from chief officer, in addition to my duties as chair I took a keen operational interest in AWEMA work (see footnote WAO pp68) – doing research, writing reports, attending face-to face meetings with officials in several departments. In particular I personally supervised and wrote the Carers report and closely assisted officials on the Assembly's response to the RRA Act contained in the second race equality scheme. Some other projects agreed with the Equalities Unit involved a lot of work, which came to nothing – public appointments in 2005/2006. Pleased the WAO report says that I was not paid for my work as Chair – only for operational work I did, when, and only when there were funds available. Nothing of note left AWEMA to the Assembly or other public institution other than I wrote it or closely supervised its completion
- encountered considerable problems with the Equalities Unit – very poor leadership, decapitated twice in my time, constant staff turnover, very poor policy advice. Never had a clear idea of what it wanted AWEMA to do in return for its funding. Constant confusion between the expected outcomes of core and project funding – never resolved. No understanding of the dynamics of race equality work, no passion for it (one or two officials who had knowledge, understanding and passion were squeezed out), no sustained commitment not from senior officials (bar one) none from Ministers, let alone AMs.
- General attitude towards us of why don't you go away? Conscious of huge internal problems around putting the race equality scheme together. First draft so dreadful we took up an assertive stance and published our own newsletter including headlines of what should be included in an acceptable scheme. Arrangements for, and conduct of IMANI report complete shambles – AWEMA was not interviewed. Raised objections to the draft report – I cannot recall seeing any final one. Do recall that for the whole of the next year while it was decided what to do with AWEMA we received funding only 3 months at a time – hardly conducive to stability and organisational development.
- Complaints made in 2007 fell beyond my chairmanship but because they referred to matters during my watch, and as a member of Council I kept a watching brief on their progress and signed at least one letter to Equalities Unit officials. My clear recall is that we given a clean bill of health, and funding, which had been suspended,

was re-instated in a few weeks. I personally do not recall hearing about Charity Commission approaches to AWEMA on this matter

- the fall out from the IMANI review and report made the submission process for the EQUAL project very difficult. True to say that meeting WEFO requirements gave a spur to the development of internal policies which contributed to good governance. But it proved very time consuming to get the Equalities Unit and WEFO to talk to each other let alone work together
- we were encouraged to approach other departments for funding possibilities – and this was a mixed bag. Some – like education talked a lot and we responded to many consultations but never heard back; others like health said it did it all its equalities work in-house, but you would be hard pressed to see any evidence of it on the ground in health delivery; housing was more positive – AWEMA based work spun off into its own organisation, and social services produced the Carers funding but no follow-up as had been promised. But no one department knew of what the other did. And each time we approached a department it was like beginning from scratch.
- Board met regularly – if not quarterly because of lack of business then six monthly. Difficulty of getting and retaining members. Board always received written chief officer report (sometimes tabled) presenting work in previous period and future planned work. Accounts began to be properly kept and gradual improvements in timeliness of statutory accounts – most times delayed because of WG funding delays. But draft annual accounts ready for AGM except for one year
- Read in transcript of October PAC that AMs believe that there were plenty of opportunities to shut AWEMA down – on which occasion and on what evidence? If there were these several occasions, no one told us. We would be meticulous in responding to any issues raised with us about governance, financial control or service issues and inform the Unit when matters had been attended to – that they were not further followed further by WG or WEFO officials (as the WAO report seems to suggest), cannot be laid at our door.
- It is a function of the way that the WAO report is presented that negative issues about AWEMA are grouped together (with several written in detailed case study format) and our positive outcomes reported elsewhere (or not at all) and there are no detailed case studies evaluating our positive service outcomes. But the day-to-day reality was that negative aspects of AWEMA governance went hand in hand with positive service achievements including many ‘softer’ community development activities, much appreciated, but under the radar and not counted anywhere. This must have made identification of opportunities to shut us down, as the PAC members now contend, very difficult.
- But unfortunately the dysfunctionalities in the Equalities Unit and meant that there was no locus, no opportunity, no knowledge and, very possibly, no will to provide an overall balanced view, including comparison with the work and outcomes of the

other three initially funded equalities bodies (which is what we were told the IMANI review would provide and did not).

Second Period as Chair

- very little contact between January 2007 and November 2011. Remained a member of AWEMA Council; attended perhaps one AGM in Cardiff after I stepped down and none since the move to Swansea in 2009. Approached by chief officer every year prior to the AGM to ascertain my position re: nomination for Council membership; kept up to date by him re: developments at AWEMA particularly progress with WEFO. Took part in some fund raising activities. Was aware that after EQUAL finished (2008) AWEMA reduced to four or five staff members while preparations made for submitting bids for the Convergence projects. Aware of at least two office moves in Swansea, the last being into the 4th floor of the YMCA building and proposals longer term for a community centre
- Returned to AWEMA business in early November 2011 when asked by Treasurer to hear a staff appeal (she did not turn up). Informed then by Vice Chair South of his growing concerns about events at AWEMA – conduct of FD, low staff morale including increasing staff sickness absence, chaotic Board meetings and general breakdown of working relationships and support given to the chief officer, lack of audited accounts.
- Heard from the Vice Chair South about the allegations (including financial allegations) against the chief officer and the part played by the FD in orchestrating these allegations. Heard too that chief officer asked to prepare a detailed response to these allegations for November Board meeting. Heard later from chief officer and asked by him to read and review his response before he submitted it to the Board a week before the Board meeting. Conveyed to him my disapproval of his conduct in regard to expenses and cautioned that he would likely face disciplinary action because of it. Also cautioned that his failure to declare interest appropriately.
- Informed by some Board members that the November Board meeting failed to look at chief officer's response and instituted investigation into yet more management practice grievances tabled by FD following his efforts to collect same from some past and present staff members. Under AWEMA Grievance procedure, in common with many others and in accord with ACAS guidelines, grievance procedures should always be internally investigated. But an external investigator was used. Commissioning, conduct and outcomes of Paul Dunn report seriously deficient.

- After the failure of the November Board to take appropriate action I was lobbied hard by some Council and Board members, speaking also for staff who had approached them, to return as Chair (vacant since October with an absent chair for some months previously) to provide leadership and focus. Agreed to accept nomination on certain conditions including that funders be told about allegations – very concerned that they had not been. Confirmed by chief officer that this had been done. EGM held on 16 December, elected by all 12 members present of Council (out of 18), bar one.

IAS review scope and implementation

- Phoned by Head of Internal Audit early in January and told that funding departments had asked for review. Said I was going in next day to give an additional document in to the Equalities Unit. Was told that I would meet the review team; expecting meet and greet, but confronted by the Spanish Inquisition. Meeting on 6 January in excess of 2 hours to which I called a halt; notes taken by them – not me; put under pressure to suspend chief officer – explained that Board had already taken disciplinary action re: his retention of an excessive float for future expenses having cleared his credit card (which included an amount for his AWEMA expenses) using charity money and some other matters
- Explained that I had taken disciplinary action (shortcutting through procedures), so no need to suspend. Returned on 9 January with written reasons as to why it would be impractical for suspension – I was quite confident that I could control his action as both chief officer and trustee under my supervision; most of all needed chief officer intelligence in situ to find documents, answer queries etc.; did not think that any member of staff had all this knowledge and interim manager would not have either. I certainly could not remain as Chair of a charity without a chief officer in post.
- Given draft copy of scope of review; discussed and agreed same with board at planning meeting on 10 January. Prepared many documents as requested. Team in our offices on four occasions – 2 day site visit 17/18 January and then two further half days – one in which they met with our external auditor accountant and temporary finance manager and assistant appointed by me.
- Cooperated fully during site visit and subsequently presenting evidence critical of AWEMA governance and financial control that searches I had instigated and the chief officer had unearthed (that is not turned up by the IAS team) re: financial control (expenditure on gym membership etc) and financial management (further detail on absence of financial accounting). Responded rapidly when queries raised by IAS review team. Probably spoke or emailed IAS team members every other day in

the 5 week period, and submitted around 6 papers on various governance and control matters.

- We were fully aware of the likely critical nature of the report having contributed so much of the criticism of governance and financial control ourselves. So feeble excuse on the part of Head of Internal Audit not to seek our agreement to the report. Our record of swift response on other matters raised by the review team should have confirmed that we would have responded in good time, and had we not, our late response, or non- response could have been noted in the final report. Similarly if we had not agreed with the conclusions reached this could also have been noted in the final report, where it would have quite properly stood to our detriment.
- But at least we should have been asked to check on factual accuracy. Within a half-hour of reading the report I had challenged the senior manager of the IAS team as to the accuracy of the opening paragraph (which stated the date of initial disclosure of allegations as 19 December) only to be told that I had to take the matter up with the funding departments. Yet I am clear in my own mind that when I met the team on 6 January I told them that disclosure to funders of the financial and other allegations about the chief officer had been a condition of my accepting nomination and that a WEFO official, who I named had been informed on a day I specified accordingly by the chief officer.
- Prior to the meeting this afternoon I have asked for the IA senior manager's written record of the 6 January meeting to be checked on this point and I have been told it states that I as Chair of AWEMA told the AWEMA CEO that he would have to inform WEFO of the problems within AWEMA. But what the IAS report does not state is whether my assertion was checked – did she check with the AWEMA chief officer that he had made the disclosure? did she check with WEFO official that the AWEMA CEO had done this? did the WEFO official confirm or deny?
- Recognition by the IAS tem of the earlier disclosure speaks to the new climate of good governance I had resolved to re-introduce and failure to do so results in issues of balance in the IAS report primarily because it does not distinguish between the trustees who resigned and those who remained: para 3.17 states the Head of Internal Audit's view that this was deliberate because of some 'continuing failures of corporate governance'.
- While these failures were many and continuous since last I was chair in 2007, and well documented in the report, there were NO failures of corporate governance from the time I became chair on 16 December and the IAS report of 9 February 2012 contains absolutely no reference to any failures in corporate management on my second watch as chair. So I cannot accept that 'continuing corporate failures in the

governance of AWEMA' is substantiated as a reason for not distinguishing between the trustees who resigned and who remained to do their duty by AWEMA.

- When, in preparation for this meeting I asked the Head of Internal Audit to substantiate these continuing failures since I became chair, he mentioned only the continued presence of the chief officer as trustee. This is wholly disingenuous for the reasons I have already explained. His continued presence as a chief officer was necessary for the continued functioning of AWEMA, but his presence as trustee in terms of quorum arrangement was not – and this latter was wholly under my control. Certainly this was no reason for not distinguishing between the trustees and board members who, in the event and excluding the chief officer, comprised a majority who had not been present at the July AGM from which point the most recent and most problematic of the failures in governance and financial management became apparent.
- But the fact of not distinguishing between the trustees on the grounds of 'continuing failures of corporate governance' has an important consequence: it formed the context for not considering what action AWEMA could of itself take to remedy the faults found in governance and financial control. Given all the improvements to financial control and governance such as: appointing temporary staff and making good the deficiencies in the accounting function; contracting with a HR consultancy to provide personnel services to progress outstanding issues; discovering and alerting the IAS team to wrongful expenditure (gym membership etc all in the year that the 4/5 remaining staff had taken voluntary salary reductions); reviewing expenditure by requesting and receiving a voluntary salary reduction on the part of 2 of the 3 Directors (not agreed by the FD), all of which had been instituted by the Board under my leadership in a very short time, I would have thought that sufficient had been done to show that we were determined to improve governance and financial control and had moved swiftly to do so.
- It was my reasonable expectation at the time, and remains so today, that either the IAS report itself should have presented an explicit analysis and evaluation of AWEMA's capacity to remedy deficiencies and to return governance and control to a more secure footing and thereby return AWEMA to a position of contract compliance, or, for the IAS report to have specifically recommended that the funding departments carry out such an explicit analysis and evaluation resulting in a time bound improvement Action Plan for AWEMA to meet.
- Given the lack of negative reports about AWEMA's governance and financial control known to WG and WEFO when both received the IAS report, I contend that neither funder had the evidence to justify an immediate withdrawal of funding on the basis of a long history of deficiency in these areas communicated in terms to AWEMA and remaining un-remedied by AWEMA, and therefore that their decision to withdraw

funding without notice and without the opportunity for AWEMA to be tested in its response to a challenging and rigorous improvement action plan, was neither proportionate nor reasonable. That the funders had not used this well used improvement action plan methodology to assess improvement during earlier AWEMA reviews provides no acceptable reason not to observe this good practice on this relatively far more serious occasion.

- Instead all the IAS report recommended the funding departments to do was to consider the nuclear option (paras 53 & 54 of the IAS Report). So the termination of funding was imposed as punishment for a past breach of contract without any explicit consideration of how and whether those breaches could be remedied going forward – as they could. It is simply asserted by the funders that they could not. This is not transparent decision-making.
- And It is difficult to escape the conclusion that the decisions of auditors and funders was not influenced by the noisy and partial politics of the occasion as evidenced in the inappropriate management and politician influence on the auditing and funding decisions of senior officials (see Opening Statement). What is also much to be regretted is that the WAO pays such scant attention to these important lapses in WG good governance, giving the appearance that it has itself been overtaken by the group think.
- The result of the IAS report's failure to distinguish between the trustees who walked away and those who remained to put matters right, was that when we met on 10 January in planning mode to consider the report and ways forward (but not to make decisions because we were not quorate), all present took the report to be a vote of no confidence and wished to resign. Of course we could not because we were down to quorum and our Memorandum forbids any further resignations when this point is reached. But we are all volunteers and could have walked away.
- That we did not is a tribute to all of us who continued in difficult circumstances made no easier by immediate terminations of funding, to try and progress an orderly closure. For my part I estimate that I have spent in excess of 150 days attending to AWEMA business in the last year, all of it unpaid, and it continues, mostly in response to the WG and its agencies. Cost that at the public sector consultant rate and a value can be arrived at which has been saved by the WG which otherwise would have had to step in. Had I not stepped up to take control and the remaining trustees not stayed with me to clear up the mess, the cost to the public purse would have been much greater.
- Who is to blame for the weakness of governance? In equal shares – the trustees and board members corporately for not providing any effective leadership or scrutiny, in particular those who held office among the trustees; the chief officer for not

providing any effective supervision of the finance and governance function as discharged by the finance director in his company secretary and FD roles.

- But the first instance culpability must lie with the FD who was responsible for the weakness in financial control. For close on a year he did not do the job for which he was qualified and well paid and had performed satisfactorily in the past - that is keeping statutory accounts in the approved timely manner. His failure in the first instance was compounded by the chief officer for not providing sufficient and focussed supervision during this period and also by the trustees, in particular the Treasurer for exercising nil scrutiny.
- It is clear looking at past minutes that chairs subsequent to me simply did not take their chair duties seriously enough in providing both support and scrutiny of the chief officer – the ‘critical friend’ role. Equally, the chief officer, especially in later years, left financial matters wholly up to the FD. Once qualified (and AWEMA invested something in the region of £10k in assisting the FD to become qualified), his work was not closely supervised by the chief officer though he met regularly with the chief officer to progress operational matters and with the Treasurer for guidance and support. Most years this light touch was enough but evidently not during 2011.
- Certainly the Treasurer like all other trustees (including the chief officer) seem to have taken at face value whatever the FD told them about the state of AWEMA finances without being presented with written properly analysed financial accounts. I have seen several emails where the FD is promising statements and accounts but they have not materialised. The FD’s defence of this state of affairs is that all was in the form of spread sheets – electronic memoranda, nothing more – and certainly not capable of producing the sort of scrutiny that should have been given to ascertain the continued solvency of AWEMA. Certainly without monthly management accounts neither the FD nor anyone else had the first clue as to what the true state of AWEMA’s finances were given that advance payments due to partners had not been made nor WG core funds accessed.
- Sometime in 2011 the FD had unilaterally jettisoned the use of the SAGE as the primary, and sole, accounting system (a WEFO requirement) without the knowledge of the chief officer. Apparently, it has since emerged he had agreed this with the Treasurer. So, we have the situation where the FD, who is also Company Secretary and the Treasurer between them agree a change in accounting method without informing the chief officer (the FD’s line manager) which, on their own admission put AWEMA in a position of non-compliance with its own Memorandum of Association. This is because the use of spread sheets as the primary system would delay updating SAGE now relegated to a secondary system, by three months, leaving no time for audited accounts to be ready for a July AGM as required by our Memorandum. But the 2010/11 accounts were still not ready for the September Board meeting, and not

even for the December Board when I became chair. A pity the FD didn't blow the whistle on his own misconduct ...

- Who else is to blame for weakness in governance? The funders for not picking up through regular monitoring and performance appraisal such matters as the employment of family members, salary levels and deficient arrangements for validating salary progression all of which the IAS report takes issue with. Of course trustees should also have picked up on these. But the dual role of the chief officer was included in the proposed Memorandum and Articles when I first saw the draft in the solicitors' office back in 2004, and I did not know any different to challenge it.

Delivery of WEFO projects

- FD was responsible for preparing and inputting all WEFO claim work – no one else. He was trained by WEFO officials in the accounting systems both for the EQUAL project and the Convergence projects. Only he had the code to access the system (an id was also available for the chief officer but never used because he had not been access trained). He primarily liaised with co-sponsors on financial transactions; he was responsible for payments not being made in advance to project partners and for promoting a Memorandum of Understanding which forbade it, without checking with WEFO that this was consonant with their own expectations. But although the MoU was not signed up to, the practice of not passing on advance monies was instituted
- After I took over in December it materialised that the FD had done no work on processing claims beyond August 2011 - not for any of the project partners or even for AWEMA. For AWEMA claims the situation was even worse – he had not processed salary claims for any of the senior staff, for the rent or for volunteer time (an important component for match funding) since the financial year began in April. We simply did not have the time to attend to all this when first I took over as chair, attending to it only after the IAS report became available.
- But the main catch-up work was done after AWEMA closed its offices at the end of February. It would not have been practical to train any of the temporary finance staff or myself in this specialised inputting so it was arranged for WEFO staff to assist. And all the outstanding claim work was done by this WEFO person assisted by ex AWEMA staff as volunteers and myself. Of course we could not answer detailed questions with no chief officer or FD available. This is probably what lies behind the WEFO team's final calculations the outcome of which is now being disputed between WEFO and AWEMA liquidators

- But two other points should be made re: WEFO relationship with AWEMA which either do not appear in the WAO report, or are not made as substantively as they might.
- First –the initial due diligence work was simply not challenging enough. It should have been abundantly clear at the outset simply on the basis of proposed budgets that once all three projects were up and running , AWEMA costs, in particular salary costs, could not be sustained by match funding from all sources, especially when set against a punitive intervention rate of 45p across the projects (meaning that for every £1 claimed only 45p is paid out by WEFO: this is a hefty top slice, far in excess of the 10% AWEMA was proposing to charge its partners, but never did).
- Put differently, AWEMA’s model was a flawed business model from the start. While it is understandable that AWEMA management may wish to gild the lily somewhat in its bid, it is completely unacceptable that the AWEMA plans are not scrutinised sufficiently first by AWEMA board and trustees (particularly the Treasurer who has extensive experience of WEFO in his day job) and certainly quite reprehensible that the flawed business model is not challenged by its Financial Appraisal team through the WEFO due diligence exercise.
- The second point is picked up in the WAO report – the quality of performance monitoring and appraisal exercised by WEFO. In my experience WEFO audits were very much of a tick box variety focussing on whether evidence was available to verify that a particular project activity had taken place, or whether certain expenditures were eligible. Certainly more strategic audits, evaluating how projects are performing against approved budgets, appear not to have been carried out. It is extraordinary that the WEFO audit teams during the early part of the 2011/12 financial year did not know that the statutory accounts were not prepared. Nor even in conducting their early December 2012 audit appeared aware of the disclosures made by the chief officer to the head of WEFO branch on 29 November in order to test the chief officer’s assertion that WEFO funds were not affected.

Advocacy for Elders

- As far as I could gather, two separate lots of funding had been received from BIG – both small sums £5k or less. One grant was fully expended, reported on, accounted for and signed off. For the other – advocacy for elders – consultation events were held, training in London attended and a recruitment exercise commenced. All these attracted costs and I wrote in the

closing days of March 2012 to BIG reporting on same together with a balancing figure estimating what we owed BIG and asking that further conversation take place with our liquidators.

Understanding of necessary expenditure in WG letter

- My understanding was - salary costs, rent, telephony, photocopy, trustees travel expenses to board meetings. I was offered no advice by WG. Checked out my understanding with insolvency practitioners who I approached a few days late, and acted thence forward on their advice.

Lessons to be Learned

- Guarding against “inappropriate political influence in funding decisions”: where can it be laid down that it is wholly inappropriate for WG senior officials to make public statements about funded organisations when there is an on-going audit investigation? Similarly where can it be laid down that it is wholly inappropriate for any politician of the WG – irrespective of whether they or not they are members of the government –to make any public comments about funded organisations when there is an on-going audit investigation? Are there codes of conduct which apply to these conducts, and can they be checked to see if they are robust enough to cover these points? And can the code include guidance on how aggrieved parties can seek redress?
- More challenging due diligence at project submission to scrutinise and test sustainability of bid in the light of intervention rates (where they apply in determining income) and proposed expenditure. [I understand an intervention rate of 70 % is now in place in successor arrangements; glad someone has listened. Certainly will make a difference to the amount of balancing match funding which needs to be raised.
- And If it is thought fit to apply much more generous intervention rate to the Convergence projects now located in the successor organisations, why can the improved intervention rate not be applied retrospectively to these same projects when they were based at AWEMA – it is the same financial year? Applying an average intervention rate across the three ESF projects of 70% instead of 45% would make an appreciable difference to AWEMA’s closing position with WEFO, perhaps even putting AWEMA clear of any liability.

- Improved performance monitoring and appraisal – to include such items as sighting the AGM minutes (in draft) within 2 months of AGM date, Of course sighting the statutory accounts. Sighting chief officers annual report (or report to trustees); sighting trustees training portfolio. Invitation to funders to observe AGM in the same way as external auditors
- Consolidating knowledge management of funded organisations within WG. Named officials to be responsible for maintaining a ‘what’s known’ portfolio for each funded organisation under their administrative scope with grants management officials notified of same and put under obligation to contribute knowledge to it whenever there is contact with said organisation. Officials who consider new proposals for funding from said organisation required to consult said organisation’s knowledge portfolio when assessing bids or any significant proposed other contact which requires a briefing - such as ministerial visit
- Develop a strategic focus for the work of the Equalities Unit. What is noteworthy about the WG relationship with AWEMA, given the policy intentions at its founding, is not only that it demonstrates failures in grants management, but also that that it represents a significant failure of WG policy on matters of race equality. Nothing manifests this more clearly than the items for action listed in the 2012 Strategic Equality Plan published this January where in connection with race equality there are items listed which were included on my advice in the WG second race equality scheme in 2006 (scoped for achievement by 2009). These same items appear again in the 2012 Strategic Equality Plan with absolutely no indication that any progress has been made in these matters in the intervening 5 years.
- For example, there is no base data, let alone trend data, on differential ethnic rates of educational achievement, mental health treatment outcomes, accessibility of community based maternity services, informed consent for health procedures, access to disability provision at all age levels, youth and adult employment ... to pick just a few. By way of comparison, the police services in Wales can provide their service data to demonstrate race equality; so can all English departments in the major service areas – and have done so for a good few years. For those who say there are no ethnic minorities in Wales, there is a challenge of small numbers, as you would expect in a small country. But on 2001 census all 22 Local Authority areas had at least 1% (with the major conurbations up to 7% - the all UK figure), and I confidently expect the 2011 census to show that all LAs will have at least 2% with four or five between 5% and 8%

- So that we may avoid yet another standstill position when the 2012 iteration of the Strategic Equality Plan comes to be reviewed, may I suggest that the Equalities Unit take as its policy objective to lead on and oversee progress by delivery agencies on these central race equality matters. Certainly this would provide a more promising way to advance race equality than the establishment of yet another talking shop on equality which we seem to have been doing for years and years and never getting beyond the awareness raising first base. But perhaps to give the newly appointed Wales Equality Forum some better bite and focus it could receive and consider periodic progress reports prepared by the Equalities Unit on the Strategic Equality Plan 2012. And perhaps the WAO could consider doing an evaluation of how the founding principle of equality has been manifest in all WG activity since the inception of the Welsh Government.
- Next, two points should ever there be occasion again when the immediate termination of funding seems like a good idea. First – that the WG develop a strategy that puts an orderly closure at its centre. Funded organisations as entities in their own right have statutory obligations towards creditors and employees and service obligations towards beneficiaries. I specifically asked for financial support from our WG core grant funders to assist us meet these obligations so that we could progress an orderly closure which respected the statutory entitlements to each group. I was told that no assurance could be given that this would not even be considered.
- Instead external lawyers were engaged to assist the WG with our major creditor (who proceeded on a cut throat basis against the interests of other creditors) and we were forced into proceeding at inadvisable levels of risk with regard to our employees. Once AWEMA's destiny was known staff worked continuously to make a soft landing for almost 1,000 Convergence project beneficiaries as their normal AWEMA service came to an end, personally contacting all 1,000 to let them know of our demise and signposting them to other service agencies on a bespoke basis. We also provided a further face-to-face follow up to the several hundred whom we saw pretty regularly ... and all this in the 10 days or so while AWEMA staff worked their redundancy notice.
- So it is particularly galling to note that these efforts are not recognised in para 3.41, not least because the only communication of thanks I have ever received for our efforts to safeguard life outcomes for our project beneficiaries, was from the Head of WEFO. Only this part of our closure was leastways orderly because it included the security of personal information in respect of project beneficiaries. This required considerable and close work by

myself assisted by volunteer ex-AWEMA staff, because the requirements of data protection are significant and legally bound. So whatever was picked up by the successor partner organisations must have happened through our interventions in the closing days: we were simply not permitted under Data Protection legislation to pass files on to our partners – or even project participants' contact detail. It is not surprising that something as remote as a helpline remained unused given the capacity and profile of our beneficiaries.

- The second point is the use of external lawyers. Not for the first time can the observation be made that lawyers' intervention makes matters worse and not better. Certainly in terms of the WG relationship with AWEMA it was surprising, to say the least, to be at the receiving end of legalese demanding that I act outside of due process – not once, but twice (3.29, 3.30).
- It was even worse when external lawyers acting for WG insisted that our temporary finance staff engaged wholly in remedying deficiencies in our financial records could not be paid (having agreed earlier that they could) and astonishingly neither could our liquidators be paid. Had our liquidators withdrawn under these conditions AWEMA would have been bereft of proper advice for no other liquidator would have taken us on without any hope of being paid. Fortunately our liquidators stood by AWEMA being quite clear that I had always acted under advice.
- And, in regard to the use of external lawyers – can it be right that the same lawyer is engaged to represent the WG in its dual role as debtor and creditor – doesn't this constitute the most obvious conflict of interest when the interests of creditors and debtors are diametrically opposed?
- Lastly, there is an issue regarding the number of institutional players – police, Charity Commission, WG/WEFO, WAO – and timescale. It is completely oppressive to have this matter drag on for a year and counting. Can there not be a better liaison, a better understanding as to how to progress matters?
- Clearly had there been any further matter of criminal concern, all players - our external auditors, the liquidators, WAO, WG, Charity Commission - would by now have brought it to the police's attention. None has been – no alleged corruption, theft, fraud nor misappropriation - contrary to all the hares run in the Paul Dunn report, and by the media and politicians since. Nor, regrettably, has there been an evaluation of AWEMA's funded work save the informative listing contained in the WAO report which goes some way to redress the criticism but not far enough.

- So for all the public money invested in all the enquiries into AWEMA for over a year which has revealed only £6k or so of £7.5m public monies misused in 12 years (sums disclosed by AWEMA itself after I became chair,) no other evidence of public money gone walkabout or misappropriated or wasted on incomplete or unsatisfactory projects (save the very last one for £5k which was not completed before our demise) there continues to be public comments of opposition politicians which insist on the misuse and waste of public money in the face of audited evidence to the contrary.
- What is left is an organisation, the only one of its kind in Wales gone to the wall, a hard working charity withdrawn from its needy beneficiaries, its work by implication trashed, individuals associated with it demonised and vilified on the basis of nil evidence, and race equality simply not progressed as a policy objective by the WG. Clearly there were governance issues to be addressed within AWEMA over the years – but equally clearly so too in Welsh Government and WEFO with far superior resources to do same.
- That “the operation was a success, pity the patient died” could be concluded of the WG relationship with AWEMA - but only if lessons are learned. But given the resistance of WG over the 12 years of its existence to disperse the silo way of working and the poor administrative mindset and practice that goes with it, compounded by a not fit-for-purpose policy response by officials to progress race equality over the same 12 years of AWEMA’s existence, and, most importantly, the continued resistance of politicians to accept substantiated evidence put before them because it gets in the way of their partisan political game play, I am not holding my breath.

Rita Austin.

(drafted for PAC 3 December 2012 at some length because its members are unlikely to hear this evidence from anyone else)