



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

**Y Pwyllgor Cyfrifon Cyhoeddus**  
**The Public Accounts Committee**

**Dydd Llun, 3 Rhagfyr 2012**  
**Monday, 3 December 2012**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgripiad o'r cyfieithu ar y pryd. Mae hon yn fersiwn ddrafft o'r cofnod. Cyhoeddir fersiwn derfynol ymhen pum diwrnod gwaith.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. This is a draft version of the record. The final version will be published within five working days.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lindsay Whittle	Plaid Cymru The Party of Wales

**Eraill yn bresennol**  
**Others in attendance**

Dr Rita Austin	Cyn Gadeirydd Cymdeithas Lleiafrifoedd Ethnig Cymru Gyfan Former Chair of the All Wales Ethnic Minority Association
Anthony Barrett	Dirprwy Archwilydd Cyffredinol Cymru, Swyddfa Archwilio Cymru Deputy Auditor General for Wales, Wales Audit Office
Huw Brodie	Cyfarwyddwr Cynllunio Strategol a Chydraddoldeb, Llywodraeth Cymru Director of Strategic Planning & Equality, Welsh Government
Derek Jones	Yr Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Damien O'Brien	Prif Weithredwr, Swyddfa Cyllid Ewropeaidd Cymru Chief Executive, Welsh European Funding Office
David Richards	Cyfarwyddwr Llywodraethu, Llywodraeth Cymru Director of Governance, Welsh Government
John Rose	Cyfarwyddwr Cymru, y Gronfa Loteri Fawr Director Wales, Big Lottery Fund
Arwel Thomas	Dirprwy Gyfarwyddwr Llywodraethu Corfforaethol a Sicrwydd, Llywodraeth Cymru Deputy Director Corporate Governance and Assurance, Welsh Government

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch Gynghorydd Cyfreithiol Senior Legal Adviser

Tom Jackson

Clerc  
Clerc

*Dechreuodd y cyfarfod am 2.01 p.m.  
The meeting began at 2.01 p.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introductions, Apologies and Substitutions**

[1] **Darren Millar:** Good afternoon, everybody, and welcome to today's meeting of the Public Accounts Committee. I just want to remind everybody that they should switch off their mobile phones and BlackBerrys, because these can interfere with the broadcasting and amplification equipment. Headsets are available for people to use either for amplification or for translation purposes—I just want remind everybody that the National Assembly for Wales is a bilingual institution and that people should feel free to contribute to today's meeting in English or Welsh, as they see fit. As usual, in the event of an emergency, we should not panic, but follow the instructions of the ushers, who will take us to a safe place.

[2] We have received two apologies for today's meeting. Julie Morgan has sent her apologies and Jocelyn Davies has sent her apologies for the start of the meeting. We have a substitute for Jocelyn in Lindsay Whittle. Welcome to the committee again, Lindsay.

[3] **Lindsay Whittle:** Thank you, Chair.

2.02 p.m.

**Rheoli Grantiau yng Nghymru: Tystiolaeth ar Adroddiad Swyddfa Archwilio  
Cymru 'Cydberthynas Llywodraeth Cymru â Chymdeithas Lleiafrifoedd Ethnig  
Cymru Gyfan'**

**Grants Management in Wales: Evidence on the Wales Audit Office Report 'The  
Welsh Government's relationship with the All Wales Ethnic Minority  
Association'**

[4] **Darren Millar:** Let us go straight into item 2 on the agenda. We have a number of witnesses to come before the committee. First of all, we are going to take evidence from the Welsh Government—I will ask you to introduce yourselves individually in a few moments. Later on, we will take evidence as a committee from the Big Lottery Fund, and after that from the chair of the board of the All Wales Ethnic Minority Association, Rita Austin.

[5] Before we go into the individual introductions, I welcome Derek Jones, the new Permanent Secretary, to the committee. This is the first time that you have appeared formally before us, Derek. You are most welcome, and we look forward to working with you in a constructive way during your tenure as the Permanent Secretary of the Welsh Government. Welcome particularly to you.

[6] I ask everybody else to introduce themselves individually for the record, and then we will commence with our questioning. You are welcome to make some opening remarks later, if that is okay, Derek.

[7] **Mr Thomas:** Good afternoon. I am Arwel Thomas, the head of corporate governance and assurance for the Welsh Government.

[8] **Mr Richards:** I am David Richards, the director of governance.

[9] **Mr Jones:** As you just said, Chair, I am Derek Jones, the Permanent Secretary.

[10] **Mr O'Brien:** I am Damien O'Brien, chief executive of the Welsh European Funding Office.

[11] **Mr Brodie:** I am Huw Brodie, director of strategic planning and equality.

[12] **Darren Millar:** Welcome to you all. The reason you are here is so that we can have a look at this report, which has been published by the Wales Audit Office. We have a lot of questions. We have obviously seen the paper prepared by you; we very much appreciate that. We have had sight of it and the opportunity to look at it. Before we go into that, however, do you want to make a few brief opening remarks, Derek? We will then start the questions.

[13] **Mr Jones:** Thank you, Chair, for the welcome. There are some things that I want to say, but I understand that you have a lot of questions, so I will keep it brief.

[14] The first thing to say is that I know all too well that I cannot expect to enjoy visits to this committee. However, for me, the process that we are engaged in—accountability for public funds, regularity, propriety and value for money—is absolutely part of the backbone of good government. So, I just want the committee to feel confident that I recognise my responsibilities as the principal accounting officer. You will not find me trying to dodge attendances at this committee—difficult or not.

[15] On the specific matter that we are addressing today—the Welsh Government's relationship with the All Wales Ethnic Minority Association—I have read the Auditor General for Wales's report. It is admirably clear; it makes you wince to read it as an accounting officer, but it is very clear and thorough. I do not think that there is anything material that I can add to that report. The Government has accepted all of its recommendations.

[16] As a new Permanent Secretary, inevitably, I am looking forward a lot and, for me, the big issues that have been in my mind—and I have been thinking about this more or less since the first day I arrived—are about grants management in general. I know that there is a good deal of good work being done by my teams on that and I know that the Wales Audit Office is helping to develop that with us. However, in the seven or so weeks that I have been in the job, I have not yet fully satisfied myself about that programme of work, so I will want to test it in terms of its scope, pace and impact. As I have said, a few weeks in, I have not yet got to that point, but I will. I attended a good grants management workshop during my first week and we are developing this with the Wales Audit Office—we are actually having some resources seconded in, which will be of great benefit to us. I will stop there.

[17] **Darren Millar:** Okay, thank you. As you have already said, you have seen the report. We know that, in there, there are a number of case studies, all of which were opportunities for the Welsh Government to be able to step in to address some of the fundamental problems with governance at AWEMA and take some significant action. There appear to have been eight occasions where those opportunities were not really seized, perhaps, in the way that they could have been. It was not until the ninth opportunity to step in, just before Christmas in 2011, that the Welsh Government really did take the action that, perhaps, could have been taken much sooner in respect of dealing with the problems within the organisation and, indeed, within the equalities department. Can you tell us what it was about the ninth occasion that triggered such a very different response to the previous eight?

[18] **Mr Jones:** Yes, and I would like to say something about the previous eight as well, Chair. I think the fact that the finance director of the organisation was stepping forward and saying that things were seriously not right in his own organisation was probably the key

factor. I will not go into detail, but what the finance director was able to say was reported immediately to senior staff in the Welsh Government who took what the audit office has described as appropriate and robust action. That was the defining moment.

[19] Previously, I am inclined to say that the organisation was given the benefit of the doubt. I think that there was reluctance in terms of due diligence and the monitoring of what was expected from AWEMA. We also know from the report that the Welsh Government organisation was not sufficiently joined up. So, it would have been more successful operating collectively, if I can put it that way, rather than in individual pockets. There was also a feeling that, because of the priority attached to working on equalities generally and on race equality in particular, there was a desire to see the work done and, perhaps, a willingness to give the benefit of the doubt to the organisation when, in fact, as we now know, it would have been more prudent to intervene.

[20] **Darren Millar:** You seem to be suggesting, Mr Jones, that the thing that triggered a different response was the fact that the finance director was effectively blowing the whistle about problems within the organisation, but, of course, previously we had had members of the board of trustees and former employees blowing the whistle, and we had concerned Assembly Members raising issues on behalf of their constituents. Why were those concerns not taken as seriously as this final episode, where we had the finance director coming forward?

[21] **Mr Jones:** Huw is catching my eye and wants to help me here. I should apologise—I have come slightly gang-handed this morning, Chair.

[22] **Darren Millar:** That is all right.

[23] **Mr Jones:** Take it a sign of the importance of the issue rather than the help that I am going to need; we shall see.

[24] For the reasons that I have already given, perhaps it would have been better if more intensive inquiries had been made on those earlier occasions; they were not. That was partly because of a reluctance to pursue the governance of an organisation. I think that that is one of the major lessons that we have learnt, that public money needs to be followed to the governance of an organisation where necessary—not to run an organisation or to live in its pocket, but, where necessary, to follow the money to the governance. On previous occasions, there had been some reluctance to do that, and that was overcome on this occasion.

[25] **Darren Millar:** Huw, it would usually be appropriate to give the benefit of the doubt once, but why was the benefit of the doubt given on eight occasions before swift action was taken?

[26] **Mr Brodie:** As Derek was starting to say, as you can see from the report, on many previous occasions the focus was on the performance management of the business plan or the contract with AWEMA, rather than on matters of its corporate governance. There are a whole number of occasions listed in the report where that was the case. In many ways, that reflected where we were as an organisation at the time: there was not the same clarity of understanding about where lines could be drawn about what matters were appropriate to the internal governance of an organisation and what was the legitimate interest of the Welsh Government. That is referred to in paragraph 2.152 of the WAO's report.

[27] After the issues in Communities First with Plas Madoc and so on, there has been a developing understanding in the office that has gradually changed the assumptions. Therefore, when the allegations were made in December 2011—which, as you quite rightly say, were not in themselves fantastically different in nature or level from the allegations made in the summer of 2007—the approach that we took was quite different, because we regarded the

corporate governance of the organisation as quite a legitimate area for us to be interested in.

[28] The other key factor was that we rapidly had the teamwork. Again, one of the key findings of the report is the lack of teamwork between different parts of the office. Well, Damien, Arwel and I were working together within 24 hours or even less. Equally, one of the other things highlighted in the report is the lack of corporate memory. However, of course, I had previously been in equality and I had a memory of the allegations that were made in 2006, not in relation to equalities funding at that stage, but in relation to WEFO funding. That was another factor in my mind that made me feel that the allegations needed to be given proper treatment.

[29] **Darren Millar:** You are suggesting that there was some learning from the report on Plas Madoc, and some of the other reports that have been alluded to from time to time, that made you approach things in a different way in terms of the concerns raised about governance.

[30] **Mr Brodie:** Yes.

[31] **Darren Millar:** Okay. Mr Jones and Mr Richards have both been involved in different ways within the Welsh Government over the course of the past decade or so. It is quite clear that, in the very early years of AWEMA, there was an emphasis on wanting to establish this organisation as the individual single organisation that was collectively responsible for the interface between black and ethnic minority groups and the Welsh Government. That was a clear policy decision. Do you think that that was wise, given what has happened? Is that something that is being considered across the board in terms of some of the other relationships with all-Wales organisations rather than regional organisations that we have?

2.15 p.m.

[32] **Mr Jones:** I will have a go first, Chair, as this is so important. I touched on it earlier. There was a genuine and strong political leadership in Welsh Government, and not just in Government, but across the parties in the Assembly, for Wales to do well in the field of race equality, as a pressing agenda. At the same time, there was not a strong hinterland outside Government of organisations with which the Government could work in order to do things in the communities and to promote these areas. So, capacity building is the first obvious step to try to build and support an organisation to develop the capacity to work in this area. That was going on a very genuine motivation to do this. However, with hindsight, my conclusion is that there were too many eggs in one basket.

[33] **Mr Richards:** You get clear value for money advantages if you have effectively one representative stakeholder group acting as a channel for this. So, there are lots of good reasons for going for it. In many areas, it works very well; you can make better informed strategic choices, which are informed by the people on the ground, who know about it and who can advise you where to go, and you can manage conflicting priorities. So, it is a good policy aim. It was difficult in this case to bring together the parts and get a kind of cohesive umbrella organisation that we could use. I think we found it more difficult in this area than in some of the other areas of equality that we were dealing with. However, it was a laudable aim and worth trying to achieve.

[34] **Mr Brodie:** What we have now is a race forum, which brings together a wide range of organisations to help advise the Minister on issues in that sector. That reflects the complexity of the issues in that sector. That forum has not suggested to us that we ought to re-establish a single body. We have moved, as your question implied, to a different space.

[35] **Darren Millar:** Having the eggs all in one basket, as it were, is still something that you consider appropriate for other parts of the Welsh Government, is it?

[36] **Mr Jones:** I am not aware of a precise parallel, although—

[37] **Darren Millar:** You have disability groups under single umbrella organisations, have you not?

[38] **Mr Brodie:** It is rather different in terms of how our funding works. We are at the moment consulting about the future of our grants programme on equality. One of the key questions we are asking there is how far should we actually be linking that funding to the objectives set in this strategic equality plan; what should be the balance between core funding and project funding. The question you ask would be very live in that.

[39] **Mike Hedges:** I have two points. First, I agree with you about following the money, but is it not harder to follow the money when you give it to one organisation that then passes it on to other organisations? Secondly, Mr Richards talked about value for money by giving it to an organisation such as AWEMA and then letting it pass it on. I would argue that it is far better value for money to use local authorities or councils for voluntary action. I am interested to know why you think you get value for money by giving it to a body like AWEMA to passport on, rather than giving it to well-respected organisations like local authorities and councils for voluntary action, which are very good at passing money on and do so continually?

[40] **Mr Jones:** Which means that it is not necessarily simply the passing on that is the problem; it is down to the specific nature of the organisations involved. There is an issue where one body is funded in order to provide funding to others, but it is, as you suggest, quite a common model and can work perfectly well, provided that the accountabilities and monitoring of progress and delivery are there. You are asking me quite a tough question, which is why choose the AWEMA-type route rather than local authorities. The answer would be the transparent ownership of an organisation by the community that it is intended to serve.

[41] **Mike Hedges:** To come back on that, do you really believe that AWEMA exhibited that transparency of ownership by the communities that it was meant to serve?

[42] **Mr Jones:** No.

[43] **Darren Millar:** Jenny Rathbone has the next questions.

[44] **Jenny Rathbone:** In my view, it was a fundamentally flawed concept, because being of a certain ethnic minority does not mean to say that you agree with people of the same ethnic minority, never mind people of a different ethnic minority. Therefore, the whole concept was fundamentally flawed. I wanted to come back to what Huw Brodie said in the discussion about a reluctance to get involved in the governance arrangements in voluntary sector bodies. I can understand that possible restraint, but, nevertheless, having identified a weakness in the governance of a voluntary body, why was more attention not paid to whether it was delivering on the goods that it was supposed to be delivering on, in terms of specific funding?

[45] **Mr Brodie:** As I said before, the report highlights that the focus in the past was more typically on the performance management of the actual contract, rather than on the corporate governance issues, although several checks were done on corporate governance at different stages. For instance, the report states that,

[46] ‘Between April 2005 and March 2010, the equalities unit addressed various issues to



satisfy itself about AWEMA's work programme...but it did not rigorously follow up concerns about AWEMA's governance arrangements.'

[47] Attempts were made, particularly in 2005, to get a new style of contract in place, which was linked to objectives, with quarterly milestones that could be monitored. Several paragraphs in the report—including paragraphs 2.47, 2.49, 2.50, and 2.54—notes that attempts were made to try to manage those issues. However, as the report highlights, those issues were not pursued effectively, and that was for a variety of reasons. Paragraph 2.152 of the report summarises the WAO's own conclusions about that, and it is hard for me to add to those. However, I will happily take any particular questions that you might want to ask.

[48] **Darren Millar:** Did you want to come back on that, Jenny?

[49] **Jenny Rathbone:** I appreciate that you may have been trying to raise AWEMA's game, but it does not explain why you were then constantly allowing it to roll over underspends. That seems to be a crazy way of getting it to deliver on specific funding for specific projects.

[50] **Mr Brodie:** I would have to entirely accept the criticism that the report directs to that. What is brought out in the report is that, by the time that that issue was focused on, the conclusion was that the office would have been in a weak position to hold AWEMA to account on that, because of some inadequacy in record keeping during the early years in which it was set up, and that the underspend related to. Therefore, I must agree with you that there were real shortcomings in that process, which the report quite accurately highlights.

[51] **Darren Millar:** We will touch on some of the other shortcomings in a few moments. Mike Hedges has the next questions, then Aled Roberts.

[52] **Mike Hedges:** Mr Richards, if possible, could you provide a report on why you believe this method of funding provides value for money?

[53] **Darren Millar:** This goes back to the earlier point, Mr Richards, in terms of having these umbrella organisations that make grants to other bodies. I am sure that Mr Jones would be happy to provide that report, on behalf of the Welsh Government.

[54] **Mr Jones:** Yes. I wish to say something about those points as well. You have heard me say that I do not believe that there is necessarily a problem with having a lead organisation in an area. However, the Welsh Government clearly got itself into a position here where there was not just a lead organisation, but a dominant one, as it were, and, as I said, too much was done through it for safety. To add one thing to that, partly for balance, although it is relevant to this question of whether the model of having a lead body that then funds other bodies is a good one or not—and my colleagues will tell me if I have got this wrong—I believe that, in AWEMA's case, most of the deliverables that were to be achieved through its funding method, for example, from the European structural funds, were successfully delivered. So, there were great problems with the governance, but the delivery model—

[55] **Darren Millar:** We will explore that later. The report does not say that everything that was promised was actually delivered.

[56] **Mr Jones:** No, not everything.

[57] **Darren Millar:** We will look at that in a little more detail, but we would appreciate a note about some good examples. We know that there are good examples of umbrella organisations. This is not one of them, but it would be good to know what is good about the good ones and what is bad about the bad ones, although we have a good example here. Derek,

would you like to come back again?

[58] **Mr Jones:** Yes, very briefly. I think I might have mentioned earlier that there is a line when it comes to governance issues where a funder should expect an organisation to manage its own governance and not simply intervene on every potential matter of governance on the basis of being a grant aider. So, I guess that what I am saying is that there are judgment calls to be made. In years gone by there was too great a reluctance to pursue public money and to pursue governance issues. Hopefully, in future, we will get that balance right.

[59] **Darren Millar:** As I say, once bitten, twice shy, but eight times bitten is a bit bizarre really.

[60] **Aled Roberts:** Rwyf am droi at ddiwedd 2002 a dechrau 2003. Rwy'n credu mai chi oedd prif swyddog cyllid y Llywodraeth ar y pryd, Mr Richards. Beth ydych chi'n ei gofio am yr adolygiad a wnaed gan yr adran cyllid, a beth yn union oedd yr honiadau?

**Aled Roberts:** I would like to go back to the end of 2002 and the beginning of 2003. I think that you were the chief finance officer of the Government of the time, Mr Richards. What do you remember about the review undertaken by the finance department, and what exactly were the allegations?

[61] **Mr Richards:** I am sorry, Chair, but I am not getting the translation.

[62] **Darren Millar:** Use channel 1.

[63] **Aled Roberts:** A ydych chi'n clywed yn awr?

**Aled Roberts:** Can you hear the translation now?

[64] **Mr Richard:** Yes, thank you.

[65] **Aled Roberts:** Rwyf am droi at y cyfnod rhwng diwedd 2002 a dechrau 2003. Rwy'n credu mai chi oedd prif swyddog cyllid y Llywodraeth ar y pryd, a gwnaed adolygiad gan yr adran bryd hynny ynglŷn ag amryw o honiadau a wnaed. Beth ydych yn ei gofio am natur yr honiadau a'r hyn ddigwyddodd o ran yr adolygiad gan yr adran ar y pryd?

**Aled Roberts:** I just want to go back to the period between the end of 2002 and the beginning of 2003. I think that you were the chief finance officer of the Government at the time, and a review was conducted by the finance department at that time relating to many allegations that had been made. What do you recall of the nature of those allegations and what actually happened in terms of the review by the department at that time?

[66] **Mr Richards:** My recollection is, pretty much, what is in the Wales Audit Office's work at the time. I recall discussing with the then Permanent Secretary Sir Jon Shortridge that we had concerns about this, and commissioning the internal audit service, which worked with me at the time, to carry out its work. I remember assuring myself that the service would come forward with conclusions and those conclusions were taken seriously. So, at that stage, I did not feel it necessary to get more involved because I was confident that work had been done. The other thing I remember at the time, to set the context, is that we were concerned about AWEMA, but we were very concerned about what was going on in the equalities unit at the time as well, and, actually, a lot of our focus was on managing that. In terms of my concerns and those of the then Permanent Secretary's, they were aimed at helping the equalities unit to perform stronger as well.

[67] **Aled Roberts:** Os nad oeddech chi'n fodlon â pherfformiad yr uned, a chawsoch

**Aled Roberts:** If you were not content with the performance of the unit, and you had an

gyfle i drafod hynny gyda Syr Jon Shortridge, sut oedd hi'n bosibl i wahanol adrannau gynnig grantiau i fudiad, heb wybod bod adolygiad yn digwydd yn y Llywodraeth?

opportunity to discuss that with Sir Jon Shortridge, how exactly was it possible that different departments were offering grants to organisations without knowing that there was a review taking place within Government?

[68] **Mr Richards:** The only answer I can give to that is that that should not have happened. We were not as good then at sharing information across grants as we are now, and we will be better at sharing information in the future across grants, across the board, as we are now. However, having a part of the organisation that needed the information but was not aware of it is a situation that should not have happened. The only thing I can offer in mitigation is that, at the time, as now, there is a lot of grants activity and information going around, and that is not an area that is always picked up.

2.30 p.m.

[69] **Darren Millar:** Even though you had a Government-wide responsibility, you did not think that it was appropriate to pick up with these other parts of the beast, as it were, that there was a problem within this organisation, which you knew, because of the finance investigation, with interacting with all sorts of different parts of the Government?

[70] **Mr Richards:** From where I was at the time—this is my memory and recollection, Chair; believe me, it is not what it was—this was an important case, but it was one of a number of important cases. I did not come in in the mornings and think that trying to get to grips with AWEMA was my main purpose of the day, because there were lots of other important things going on that needed my attention as well. As finance director, it was not my role to get involved in individual cases; it was my role to make sure that the staff were motivated in their jobs and that the systems were there. You will, no doubt, say to me then that it was my job to make sure that organisations were joined up and talking to each other. Yes, certainly, it was and we were not perfect at doing it at that time.

[71] **Aled Roberts:** Rwyf am symud ymlaen at adolygiad 2005 gan Imani Consultancy Services Cyf. Yn eich tyb chi, a oedd yr holl feirniadaeth ynglŷn â chynllun cydraddoldeb hiliol y Llywodraeth ar y pryd, gan gynnwys beirniadaeth gan AWEMA, yn effeithio ar ymateb y Llywodraeth i'r gwahanol gwynion hyn?

**Aled Roberts:** I want to move on to the 2005 review by Imani Consultancy Services Ltd. In your view, did all the criticism about the Government's race equality scheme at the time, including criticism by AWEMA, affect the Government's response to these various complaints?

[72] **Mr Richards:** I have no particular recollection of involvement at that time, I am sorry—nothing above what is already in the Wales Audit Office report. I was interviewed about it by the Wales Audit Office as one of its witnesses and it certainly has recorded that, but I have no recollection above what is in the WAO report.

[73] **Aled Roberts:** A oedd unrhyw arall sy'n bresennol y prynhawn yma yn ymwneud â'r cynllun cydraddoldeb hiliol? A oedd unrhyw bwysau ar wahanol adrannau i beidio ag ymateb mewn ffordd benodol ar y pryd?

**Aled Roberts:** Was anyone else here this afternoon involved with the race equality scheme? Was there any pressure on different departments not to respond in a specific way at the time?

[74] **Mr Brodie:** I took overall responsibility for equality along with my existing responsibilities at the end of July 2005, which was about six months after the Imani report had gone to Ministers. All I can say from my own recollection at that point is that the concern that you refer to, about the need to develop a race equality scheme and the need to do so credibly,

was one of the most pressing issues that we had to respond to, because, as you rightly say, it had been so difficult. However, there was no link to the Imani report at all, in my recollection. I am just recognising that that was a pressure.

[75] **Mr Jones:** I cannot be sure of the timings; I think that it was in 2005 that I was appointed as the management board's equalities champion. That was largely an internal role, but because of the difficulties that were being experienced at some point in time—I am not sure of the year—with the race equality plan, I was asked to intervene and to try to help to make sure that the Welsh Government produced a credible plan. That much I do recall. I do not recall the report that Aled Roberts referred to or any particular AWEMA aspect of that work.

[76] **Aled Roberts:** A ydych yn credu bod yr holl feiriadaeth o ran perfformiad yr uned, yn ogystal â'r feiriadaeth o'r cynllun gwreiddiol, wedi amharu ar y ffordd y gwnaeth y Llywodraeth ymateb i'r holl gŵynion hyn? A oedd nerfusrwydd o ran gweision sifil a'r Llywodraeth o achos hynny? **Aled Roberts:** Do you think that all the criticism of the performance of the unit, as well as the criticism of the original scheme, affected the way in which the Government responded to all these complaints? Was there any nervousness among civil servants and the Government as a result?

[77] **Mr Brodie:** May I check exactly what you are asking there? Are you asking whether that atmosphere of criticism affected the way in which the Imani report was drafted or the way in which the advice that went to Ministers in January 2005 on that report was presented?

[78] **Aled Roberts:** No; I am asking about the robustness of the response to the various complaints that were being received. Perhaps there was some nervousness—because of the subject matter and the criticism regarding the plan—about tackling it head-on as much as one might expect, looking at the file in front of us.

[79] **Darren Millar:** You are nodding, David. Was that the feeling at the time? The WAO report seems to suggest that, because this criticism was being levelled by AWEMA about the race equality plan, there may have been some reluctance to get involved in making some of the tough decisions that needed to be made at that time to stop the funding for that organisation. Is it fair to say that?

[80] **Mr Richards:** No. I was not nodding because I agreed with what was being said but because I had finally got my slow brain around exactly what the question was. If the question is whether I was aware of any inappropriate reluctance or interference to hold back that report, the answer is 'no'. I was not, and I would have expected to have picked that up at the time given the role I was in.

[81] **Mr Brodie:** I think that what the report itself refers to is the submission from January 2005 that noted that terminating funding for AWEMA would represent 'a reputational risk'; I think that that was the phrase used. However, having now read that submission in preparation for this committee, I and colleagues in the office read that as a reflection of the reputational risk to the Welsh Government if funding for AWEMA was withdrawn, because of the race equality plan. To the extent that that was recognised in the submission, you are right to say that that was definitely part of the policy context in which that advice was given.

[82] **Gwyn R. Price:** This is probably a question for Huw. Following the various changes in its personnel in 2011, was the equalities unit clear about what it expected in return for its funding to AWEMA and the relationship with work being delivered by AWEMA through the three convergence programme projects?

[83] **Mr Brodie:** I think that the history of the funding goes something like this: from 2005 to 2008-09, what was in place with AWEMA were programmes of work that AWEMA submitted that were approved and which set out the quarterly milestones that it would be expected to meet. What the report correctly explains is that, in the summer of 2009, a decision was taken, after repeated requests from AWEMA, that the core funding that the equalities unit was providing would be allowed to be used as match funding for Welsh European Funding Office projects. The equalities unit funding programme runs and is reviewed every three years. At that point, there was a new three-year programme period starting. So, the nature of the contract with AWEMA for 2010-13 was very significantly different, as you imply. The basis of that was that the core funding would be allowed to be used as match funding and that what the equalities unit would be monitoring against on a quarterly basis was the numerical progress on the WEFO projects. That monitoring was taking place every quarter.

[84] There are two key points here. First, there are questions about whether it was, in fact, wise for us to have allowed the core funding to be used in that way. It made it harder for us to monitor what we were getting on our side for the money. Also, as the report highlights—and we have to put our hands up to this—although, by that stage, the equalities unit's own internal systems were greatly improved from what they had been previously, and in November 2010 the internal audit report had given a substantial assurance classification to the equalities unit's own financial systems, the comparing of notes between the equalities unit and WEFO was not happening during that last year. We have to put our hands up to that and, again, that is one of the key themes of the report, and indeed of other grants reports. We have to move out of that silo approach to grants management. We can tell you a lot about what we are trying to do to achieve that.

[85] **Gwyn R. Price:** Had it not been for the Welsh Government's decision to suspend and then terminate funding to AWEMA, would the equalities unit have been satisfied with the monitoring form submitted by AWEMA in late 2011?

[86] **Mr Brodie:** We did explain and, in fact, it is referred to in the report, that, when AWEMA's monitoring and progress reports came in for quarter two and after quarter three—they did come in late—my staff did have questions that they wanted to ask. They were still considering those questions when the allegations came in and we suspended the funding. That is why, on the equalities unit side, the last payment made to AWEMA was in respect of the first quarter, ending in June 2011. Let us assume that the allegations had not come in, and if you are asking whether we would have continued to fund, it is difficult to be sure. If we had raised the questions that we had on those progress reports with AWEMA, it is difficult to say whether AWEMA would have been able to satisfy us. It is quite possible that it would have done. To be honest, I think that the answer is that, if the allegations had not come in, our funding to AWEMA would almost certainly have continued for a significant period. The qualification that I apply there is that it was a contractual condition that AWEMA, because it was getting more than £100,000 a year, needed to give us copies of its audited accounts. In fact, it had given us its audited accounts for 2009-10, but, as we now know, it did not complete and submit to Companies House its audited accounts for 2010-11, which were due at the end of December 2011. I am trying to say that, in due course, we would have caught up with the fact that it should have submitted its audited accounts for 2010-11. It would not have been able to do so because, as we know, its financial systems had fallen apart. So, at some point, I think that we would have terminated funding on those grounds. I cannot give the committee any false reassurance that we would not have continued to fund it for a significant period. I do not want to pretend that the position is better than that.

[87] **Gwyn R. Price:** This suggests to me that you definitely would have carried on funding AWEMA, because its history shows that, at that moment in time, you would not have suspended the funding.

[88] **Mr Brodie:** We would have carried on for quite a while. Once we caught up with the fact that its audited accounts should have come into Companies House at the end of December and, subsequently, to us, we should have recognised that there was a major problem, and the trail would have started. I cannot say how long that period would have been.

[89] **Darren Millar:** Although, to be fair, there was quite a long delay in you determining the outcomes of the delivery reports and the submissions that you received. You said that only the first quarter of the year had been looked at.

[90] **Mr Brodie:** No, that is a misperception.

[91] **Darren Millar:** Okay; tell me a bit more.

2.45 p.m.

[92] **Mr Brodie:** The issue was that AWEMA had submitted its first quarter progress report on time, but it did not submit its progress reports for quarters two and three until—it is in the report, but, from memory, it was early or mid November.

[93] **Darren Millar:** Did that not raise alarm bells with you? Was AWEMA not legally and contractually obliged to deliver these returns to you? It makes me wonder whether, if AWEMA was supposed to deliver returns and you were not asking for them, you would really ever have asked for its audited accounts.

[94] **Mr Brodie:** The point that the report makes, very fairly, is that our funding was set up in such a way that, if AWEMA did not submit a progress report, it did not get paid. That is why it had not received any funding from us from, in fact, the start of 2010-11, in respect of the first quarter. Staff were in touch with AWEMA, asking where its progress reports were. What they did not always do on every occasion, I am afraid to say, is record those conversations on file. Therefore, when colleagues in the WAO came to produce their report, not all of those conversations could be evidenced. So, the staff did not take this lightly, but we cannot evidence every occasion on which they raised this with AWEMA.

[95] **Lindsay Whittle:** Gentlemen, forgive me for not wearing a tie. I had not expected to be in this committee until about 20 minutes before it began. I would normally wear a tie, I promise. Communications and coordination between WEFO and the equalities unit were, on your own admission, pretty grim. Was there a reason for that?

[96] **Mr O'Brien:** The communications that took place were essentially around match funding. Clearly, that is inadequate. There should have been closer communications. WEFO tends to communicate with the lead policy department. So, when we fund transport projects, we work very closely with officials who are involved in transport. It is the same with energy and skills. As this was about employment and skills, most of our contact was with the Department for Education and Skills. The only contact that we had with the equalities unit was around match funding. That is inadequate.

[97] **Lindsay Whittle:** So, not enough dialogue took place. What about the concerns that were raised by Dr Dai Lloyd, the former Assembly Member, in 2010? What happened there?

[98] **Mr Brodie:** That is a question for me. It is difficult to explain why those issues were not followed up. It is fair to say that they were issues around performance rather than corporate governance. From looking at the evidence, what seems to have happened is that the officials who went along to the meeting were relatively junior. There is no evidence that the head of the unit was aware of the issue. That seems to be relevant to the issue of why it was not followed up.

[99] **Lindsay Whittle:** Can you understand the frustration of an Assembly Member in raising these points with officials—regardless of their seniority—when, on your own admission, nothing is then done? That is what you are telling us happened, is it not?

[100] **Mr Brodie:** Regarding the issues raised in that case, absolutely. They were not pursued.

[101] **Lindsay Whittle:** It seems as though there are some departmental responsibility issues going on here. With the greatest of respect, looking at all of your wonderful titles, I can see there are enough directors here to shake a stick at. That is fine, and I am sure that you are all very deserving. However, how easy is it to identify whose responsibility this is? It has to be easy, surely.

[102] **Mr Jones:** I was not involved in the specifics here, but I have a view, as someone with some experience in Government. In response to Lindsay Whittle's question, it is perfectly possible to identify who is responsible. It is perfectly possible for different parts of the organisation to communicate well with each other and collaborate. As to why they did not, it is something that we have to fix, and it is about a cultural understanding of the importance, when it comes to grants management, of different parts of the organisation realising that they have the same client. I do not think that that awareness was strong in the organisation in the past. It will be, once we have completed our improvements to the grants management system as a whole.

[103] **Lindsay Whittle:** We have heard that the internal audit service report identified challenges, but, again, no-one took responsibility for those, did they?

[104] **Darren Millar:** This is the WEFO internal audit report.

[105] **Lindsay Whittle:** Yes, the WEFO report. Did anybody take responsibility for those? We have heard concerns about salaries and bonus payments simply going up with no accountability. Did no-one think to question that people were rewarding themselves large salaries and large bonuses? It is a job that most people would love, really, is it not?

[106] **Mr O'Brien:** These issues were being picked up by our payments team when it scrutinised quarterly claims from AWEMA and they were being challenged. Our initial inspection of AWEMA, which focused on only one of its three projects, was quite narrowly based and we have taken steps to broaden the scope of those inspections in a way that would have picked up some of the broader organisational and governance issues. We were carrying out inspections in WEFO in accordance with EC regulations, which were quite narrowly defined in terms of the audit trail and the eligibility of expenditure. So, some of these other issues were not being picked up on that radar. Clearly, there are lessons for us to learn from that and we have revised our control framework to take account of those.

[107] **Darren Millar:** I will bring you in in a second, Mr Brodie. I think that Aled has a supplementary on this issue. I will come back to you, Lindsay.

[108] **Aled Roberts:** I will get a bit parochial, if I may. We are told that the main thinking behind AWEMA assuming responsibility for all-Wales coverage was that you would get value-for-money. I want to ask about the reports that have been coming in that, by August 2011, not one participant in north Wales had been involved in two of the schemes, even though the money was still going out through the door. That is difficult to understand. The WAO report makes it clear that, both within the equalities unit and within WEFO, there were officials who were clearly aware of the connection between those WEFO-funded projects, yet nothing was done, even though no service was being delivered in north Wales.

[109] **Mr O'Brien:** There were clearly issues between AWEMA and North Wales Race Equality Network and AWEMA withdrew its funding to NWREN in March 2011, partly because of concerns about performance. I understand that NWREN held workshops to try to get people involved in the projects in which it was a partner, but it did not have a great deal of success, so AWEMA withdrew the funding for NWREN from its claims to WEFO. So, we were not actually paying for anything in north Wales at that stage.

[110] **Aled Roberts:** You were not paying for anything, but there was no service being provided in north Wales either.

[111] **Mr O'Brien:** There was no service being provided. That was not satisfactory and it is something that should have been raised in the monitoring.

[112] **Aled Roberts:** Was it raised?

[113] **Mr O'Brien:** The report suggests—and I have no reason to dispute this—that the monitoring was less than it could have been. One of the projects had been operating for quite some time—it was the one that was underperforming—in north Wales. The regular monitoring that was supposed to take place was not taking place.

[114] **Aled Roberts:** Did anyone from WEFO or the equalities unit go up to north Wales to establish what was happening on the ground?

[115] **Mr O'Brien:** Yes, a visit was undertaken and a subsequent inspection was carried out at the beginning of December 2011. That was progressing when payments were suspended. The broader investigation got underway through the Welsh Government's internal audit services and, subsequently, WEFO carried out a full inspection of AWEMA. One of the lessons that we have to learn is that the monitoring in this case was not as robust as it needed to be. I am satisfied that this is an exception, because I have reviewed the evidence of other monitoring. I have also written to all staff in the organisation to underline the importance of regular monitoring of projects, but, in this case, it was not undertaken as it should have been.

[116] **Darren Millar:** Okay. Mr Brodie, you wanted to come in here and then I will come back to Lindsay.

[117] **Mr Brodie:** I just wanted to come back on the point that Lindsay Whittle raised about the salaries being paid in organisations. Derek referred earlier to the need to strike a balance in relation to how we deal with corporate governance in voluntary bodies. I would say that it is our job to check on the health of the corporate governance in those organisations; it is not our job to do the corporate governance checks for them. So, that is very relevant in terms of the salaries or promotions or whatever that is going on inside organisations. If you think about it, it is very difficult, given the number of organisations that the Welsh Government funds, for us to be aware of and to be checking the appropriateness of every promotional salary increase in those organisations, and, even if we were to do so, that would take us into a wholly inappropriate relationship with them. However, the due diligence exercise that we have done on the equalities side this last year has dealt with that, through discussion with internal audit, by focusing on whether organisations have an effective board that is asking the right questions of the chief executive and also whether they have live conflicts of interest registers and family interests actually being declared. That is how we are currently trying to approach that issue on a general basis.

[118] **Mr Jones:** I agree with everything that Huw has said. However, when it comes to salaries, if it looks as though something peculiar might be happening with salaries, then that is not a bad clue that you might need to look at the governance more generally. Apart from



anything else, if we are providing core funding, it is going to put our costs up.

[119] **Lindsay Whittle:** I appreciate that you cannot be involved in all of the different bodies and their setting of salaries, but, with respect, in 2007, the then acting chair and acting vice-chair of AWEMA raised these concerns. So, those concerns were coming from within the organisation itself, and that is what I find quite puzzling.

[120] **Mr Brodie:** I would agree totally with that, because, in this instance, there were occasions when that information was available. I agree totally with what Derek said—if that information is available, then it is a sign that something very strange is going on in terms of the corporate governance and the safety of the organisation. What I was trying to explain is how, on a general basis, we deal with the due diligence that we apply across all organisations and the general basis on which we are now trying to tackle that issue in a proportionate way.

[121] **Darren Millar:** Yes, but we are just trying to establish, Mr Brodie, why you did not pick up on this at the time. Given that you were aware that these big increases were being given, and that people were challenging the legality of those increases and the appointments process for Mr Malik's daughter, who was working for the organisation at the time, why on earth did that not make you hit the panic button and say, 'Knowing the other things that we have already had drawn to our attention over the years, this is something that we ought to be concerned about'?

[122] **Mr Brodie:** On that point, when those allegations came in, I was not responsible for equalities, so—

[123] **Darren Millar:** What about the department?

[124] **Mr Brodie:** I have to take you back to the answer that I was giving previously, which is that the interpretation was that the department's interest was particularly around performance management of the contract, rather than around matters that were deemed—the report actually states this—to be internal to AWEMA. That was not a judgment that was being taken at that stage only by the equalities unit. I agree entirely, with hindsight, that that was inappropriate and wrong, but that was not a judgment that was being made only by the equalities unit. If you read the report, you see that, in 2006, when issues were raised in relation to WEFO's funding, a request was made at that stage to the internal audit service to get involved and it was reluctant to do so, because—

[125] **Darren Millar:** Two wrongs do not make a right, do they? Just because somebody else gets it wrong, that does not give you permission to get it wrong.

[126] **Mr Brodie:** You misunderstand what I am saying, Chair. What I am saying is just to illustrate what I was saying earlier on, which is that, at that stage, there was not the same clarity of understanding across the organisation about what is the proper line to draw between our business and the organisation's business. I was just giving more examples.

3.00 p.m.

[127] **Jenny Rathbone:** I thought that you took over control of the equalities unit in July 2005.

[128] **Mr Brodie:** Yes, and then relinquished it at the start of April 2007.

[129] **Jenny Rathbone:** So, when the really serious issues around compliance and overpayments arose, that was on somebody else's watch.

[130] **Mr Brodie:** Yes.

[131] **Lindsay Whittle:** Chair, I will not ask the question that I was going to ask, because my colleague, Aled Roberts, has adequately covered that, but I have a brief question. Were Ministers ever briefed about the issues at AWEMA?

[132] **Mr Brodie:** Over the years, quite a few submissions went up to Ministers. Overall, it depends on how you interpret it. If you include submissions, other briefing notes and so on, it runs to over 40.

[133] **Lindsay Whittle:** Were those briefings expressing concern?

[134] **Mr Brodie:** The report is the best summary of the history, and it sets out meticulously the submissions that were made. If you think about it, given the length of time for which AWEMA was funded, it was at a rate of four or so a year, which is perhaps not exceptional.

[135] **Mike Hedges:** On this and on River Lodge, Assembly Members were identifying a problem, whether it was Karen Sinclair on River Lodge or Dai Lloyd in this case. Is there a protocol for dealing with Assembly Members' concerns and, if not, would it not be useful for Mr Jones to bring in such a protocol? Whatever you may think of us collectively or individually, we tend to talk to an awful lot of people in the areas that we represent, and if there are concerns, they are likely to come to us.

[136] **Mr Jones:** I might need some help on this, but there are protocols for Assembly Member correspondence and, of course, for Assembly questions. Whether there is a general overarching protocol at the moment, I do not know, but possibly David will.

[137] **Mr Richards:** I do not think that we have a formal protocol, but I certainly think that we would be open to considering whether we should have one. In a sense, it is because it is self-evident that—and I appreciate that this will sound ironic in the context of the cases that we just heard about—if an Assembly Member raises an issue with a Minister or with the office, it is serious. So, you expect people across the office to treat that with the seriousness that it deserves. We can certainly look at whether we should have a protocol or more guidance.

[138] **Mr Jones:** I am happy to consider it in the light of this case. May I say something else on Ministers, Chair? To add to what Huw said, the problems here were with the civil service teams. If they had thought differently about what the problems were and advised Ministers about them, the Ministers would have instructed appropriate behaviour. The problem was that they did not, and that advice did not therefore go up.

[139] **Darren Millar:** To go back to this business of ministerial briefings, we took evidence for a different inquiry a couple of weeks ago from a former Minister who made it absolutely clear that the contents of previous ministerial briefings were not shared with new Ministers once they had been appointed. That seemed a bizarre situation to me, but that is what we were told by Andrew Davies. So, Ministers are prevented from seeing the briefings provided to former Ministers responsible for their portfolio. Why on earth is that deemed acceptable?

[140] **Mr Jones:** It is a very long-standing convention—

[141] **Darren Millar:** Even with concerning matters like this?

[142] **Mr Jones:** It has been in place for as long as I can remember. It is the papers of a previous administration that are not shown to a subsequent administration, which does not

rule out advice being given to a current administration about what the issues were and what the policy was in previous years. It is simply the specific advice and comments that Ministers might have made on it that are not shared with the subsequent administrations. Successive Governments have felt that that was right and in everyone's interests.

[143] **Jenny Rathbone:** The protocol that holds in Whitehall is where there has been a change of administration, say from Labour to Conservative, or the other way around. What we are talking about here is Ministers within the same alliance Government moving portfolios. Why was it not possible for them to see some of the problems that the previous Minister was grappling with?

[144] **Mr Jones:** What I was just explaining and, up to a point, I guess, defending was the standard protocol concerning changes from one administration to another. I had not realised that that was not the question.

[145] **Mr Richards:** The protocol is that Ministers from a different party do not have access to papers from the previous Minister.

[146] **Jenny Rathbone:** Even when they are in alliance with each other.

[147] **Mr Richards:** Yes.

[148] **Jenny Rathbone:** That is bizarre.

[149] **Darren Millar:** However, here we have people from the same political party.

[150] **Mr Richards:** When we have people from the same political party, the protocol is that Ministers can have access to papers that were seen previously by a Minister from the same party. The issue is not that Ministers were not allowed to see previous papers on AWEMA; it is that, when there was a handover and new Ministers were being briefed, officials made a judgment call on what to say to a new Minister: 'These are the things that you really ought to watch out for, these are the things that will be on your desk tomorrow, and these are the long-standing issues that you will want to address'. That is the flavour of it, so I think that it is a failure of the comprehensiveness of our briefing for new Ministers rather than a question of the system or the protocols getting in the way. I will just pause to see whether Arwel wants to kick me under the table.

[151] **Mr Thomas:** I think that that is correct. I think that the position is as you have described it.

[152] **Darren Millar:** So, if you are from the same party, previous briefings are available.

[153] **Aled Roberts:** Is that a civil service protocol or is that a political convention that has been drawn up since devolution? Mike and I have experience in local government, and even where there are different political complexions there, there does not seem to be the same convention. If that is the case, regardless of whether it is a political protocol or a civil service convention, when there were new appointments, was the AWEMA situation included in the handover briefs?

[154] **Mr Richards:** The answer to the first one is that it is a long-standing political convention. It has been long-standing in Whitehall, so this was a convention in public life and in Government long before devolution. It has simply been carried over into the devolved sphere. On the briefing for Ministers on AWEMA, I think that the answer is 'not sufficiently'. One of the very helpful recommendations of this report is that we review the way in which we brief Ministers and make sure that we really do sweep up all the relevant things that they need

to know. In response to that recommendation, we have that review in place at the moment.

[155] **Mike Hedges:** I want to go back to something that Andrew Davies told us. He was adamant that, when he took over from a member of the same party, information that was provided to the previous Minister was not made available to him. Is that true? Is it the case that people of the same party who take over a ministerial role are not provided with information, or was Andrew Davies not fully informed when he made that statement?

[156] **Mr Jones:** I am surprised that Mr Davies said that if it was cast in general information terms.

[157] **Mohammad Asghar:** I am listening to all the Assembly Members and civil servants here, and I can assure you that 99.9% of ethnic minority organisations are doing a wonderful job, especially in this scenario. The reality on the ground is different from the public perception. In your opening remarks, Derek, you said that the Government was doing a perfectly okay job, and was perfectly right. You said that you would not blame anyone or point the finger for political failures. So, basically, in this whole scenario, there is something in the civil service—which you are representing, gentlemen—that has gone wrong, and it has been happening for a long time. Things are on the radar already. The organisation started with £0.5 million in the initial stage and then wants nearly £10 million or more, or £7 million plus. That sort of money is not a small amount at all. I heard Huw talking about the contractual conditions and the £100,000 limit, and that sort of thing, but you should be more prudent, and should scrutinise that sort of organisation more, rather than sweeping it under the carpet. We have to blame somebody for the mega magnitude of the mismanagement of this organisation.

[158] **Darren Millar:** Oscar, are you going to ask a question? We are pressed for time.

[159] **Mohammad Asghar:** Yes. Where does the buck stop? Who is the one? Is it you, Derek?

[160] **Mr Jones:** Yes. I am the principal accounting officer for the Welsh Government so, yes, the buck does stop with me.

[161] Can I go back to the beginning of that question? You said that a lot of good organisations working in the race equality field are doing excellent work, and I agree with that. There is an element of tragedy to this case, in that, through the best of policy intentions, and quite strong political leadership for Wales to do well in the field of race equality, we have ended up in this situation. However, it is down to administrative failings, primarily administrative failings in the organisation that we are talking about, in AWEMA, and it is important to keep that in mind. In addition, although a large sum of money—£7 million and more—was funded over a number of years, the majority of the outputs from that funding were delivered and were sound. So, the buck, in stopping with me, should be understood in that context.

[162] **Mr O'Brien:** Can I add just a little bit to that? It is very important to keep this in perspective. I know that a lot of public money has been put at risk and that mistakes were made, but we are just about to receive the annual audit report on European projects, and that will, for a second year running, show that there is an error rate of less than 1%. That reflects a lot of hard work by organisations across Wales in trying to make sure that they meet the compliance requirements of the European Commission. So, a lot of work is going in to make sure that public money is dealt with properly and safely in a wide range of organisations. We have had nothing but support from the BME organisations that have taken over as the successors to AWEMA. We meet them regularly, and they have been fantastic in taking up the challenge of continuing to deliver services to young people and the others affected—the innocent parties in all this.

[163] **Darren Millar:** We will come to them in a few moments.

[164] **Jenny Rathbone:** It is important to note all that, I am sure. That is absolutely correct.

[165] I want to go back to the previous point, however, of why it is that Ministers from a different party in the same alliance cannot see the briefings to a previous Minister if they happen to be from a different party. I am particularly struggling with this, as the previous administration was called the One Wales Government. It may have comprised different parties, but they were supposed to be operating according to the 'One Wales' plan. Were there to be a future coalition administration, which is not impossible, given the voting make-up, why would a Minister from another party not be able to see the briefings and concerns of the previous Minister?

[166] **Darren Millar:** Can we just finish this thing about the ministerial briefings off now? So, within the same administration, even if it was a coalition administration, where you have two political parties, one Minister comes along who has different previous political colours from the previous Minister, even though they were in the same administration: do they get the briefings?

[167] **Mr Richards:** No, they do not. If we have a new Government and a Minister is from a different party to the previous Minister, no, they do not get them.

[168] **Darren Millar:** So, for the duration of what was termed the One Wales Government, in all the ministerial changes, regardless of political party, would they have the same briefings? This is the point that is being asked.

[169] **Mr Richards:** Within Government?

[170] **Darren Millar:** Yes.

[171] **Mr Richards:** I thought that we were talking about a change of Government.

[172] **Mr Jones:** That is the point that I wanted to respond to on the 'One Wales' thing. While Ministers are serving, they share information.

[173] **Darren Millar:** That is fine. Jenny, do you want to go on and ask about some of the other WEFO bits?

[174] **Jenny Rathbone:** Okay. This is for Damien O'Brien and Arwel Thomas, really. What does this whole episode tell us about the general quality and rigour of WEFO's routine project inspection and verification work and its financial controls at that time? What further work needs to be done to ensure that systemic weaknesses in your project inspection verification have been rectified? I appreciate that you say that the annual report is about to give you a clean bill of health: 0.1% is obviously satisfactory. However, clearly, whatever was going on before, the controls were not working.

3.15 p.m.

[175] **Mr O'Brien:** To offer you some reassurance, I would say that I think that it is getting better. It was not all that it could have been, I accept, and issues were identified when the European Commission audited the work of our PIV team back in 2009. However, a lot of work has gone into strengthening those controls over more recent times. We are going through a process of professionalisation whereby all of the staff in the PIV team will, in future, either be qualified accountants or qualified auditors. We have strengthened the team

and strengthened the management of the team. We have also reviewed procedures, particularly procedures for communicating the findings of inspections more effectively within the organisation so that we all learn from the work that is going on. We now report regularly to the programme monitoring committee; we present a compliance report every six months and we collectively discuss the lessons to be learned from the work of the PIV team and other audit activity. So, things are getting better.

[176] I note the observation in the WAO report that there were issues that were not picked up in earlier audits that were subsequently picked up and a full inspection was carried out earlier this year. Clearly, the scale of that inspection was such that it was checking 100% of expenditure. So, it was more likely, I suppose, to pick up more issues as a result of that activity. However, I think that we are making progress. It will be another year or so before we have a fully qualified team, but that will offer a much greater degree of assurance.

[177] **Darren Millar:** Arwel, I see that you want to come in, but please be brief.

[178] **Mr Thomas:** Just to add to what Damien said, I think the core of this is down to far more effective due diligence work alongside the inspection work that Damien's team does. We are putting a lot of effort and resource into making our due diligence work a lot more effective than it has been in the past.

[179] **Jenny Rathbone:** I am still struggling to understand why it all takes so long to get rigorous systems put in place. The balloon went up on AWEMA a year ago and yet your initial submission to the committee is full of, 'We will in the future' and 'We will have this customer relationship manager ICT system'. Why is it not possible, within 12 months, to really tie these things down?

[180] **Mr Jones:** I have had the same thought and have asked for some updates for the committee, which I think Arwel can give, on the timing of some of those steps that were described as being in-hand in the submission.

[181] **Darren Millar:** A clear timetable for delivery would be very helpful so that we can monitor progress against that.

[182] **Mr Jones:** Rather than Arwel going through it now, do you want a separate note?

[183] **Darren Millar:** If you have a schedule of it, that would be more helpful than going through it now, because I am conscious of the time and we are keen to get on to some very important questions that we still want to ask during this session. So, if you could send us a schedule for the implementation of those recommendations, that would be helpful.

[184] **Aled Roberts:** Hoffwn droi at y cyfnod rhwng 29 Tachwedd ac, rwy'n credu, 19 Rhagfyr. Bu datgeliad gan brif weithredwr AWEMA i un o swyddogion WEFO ar 29 Tachwedd, ond nid oedd cyswllt gydag unrhyw swyddog arall yn y Llywodraeth. Mae'n anodd credu na wnaed galwad ffôn o ystyried yr holl gefndir i'r achos hwn. Fodd bynnag, pa fath o ganllawiau sydd wedi'u rhyddhau yn awr i swyddogion a fyddai'n rhoi rhyw fath o hyder i'r pwyllgor nad yw'n bosibl i sefyllfa o'r fath ddigwydd eto?

**Aled Roberts:** I would like to turn to the period between 29 November and, I think, 19 December. There was a disclosure from the chief executive of AWEMA to a WEFO official on 29 November, but there was no contact with any other Government official. It is hard to believe that no phone call was made considering the background to this case. However, what kind of guidance has now been released to officials that would give the committee some sort of confidence that it is not possible for such a situation to happen again?

[185] **Mr Jones:** Is this the conversation between the chief executive of AWEMA and the head of the European social fund section?

[186] **Aled Roberts:** Yes.

[187] **Mr Jones:** I am aware of this, and I will pass this over to Damien in a moment. I have tested it out and I feel satisfied of two things: first, that the nature of the conversation was really quite glancing and I do not think necessarily that I or anyone else would have felt it necessary to take action differently from that taken by the head of the ESF unit, although, crikey, I wish he had. The second thing I can assure you about is that the process that we will be taking forward for improving grants management generally will include training for everybody involved to improve their sensitivity to what might appear at the time to be light-touch or almost casual information, but which, in the context of a grant-giving relationship, could be crucial. If you would not mind, Chair, Damien can elaborate.

[188] **Mr O'Brien:** I will give a flavour of the context for that conversation, because it was a five-minute conversation over a coffee in the break of a meeting with representatives from 29 employment projects. The meeting had been called to discuss the UK Government's work programme and, as you will appreciate, there were quite a number of people who were quite worried about the implications of that programme for the employment projects that they were running in Wales through the European social fund. The head of the ESF unit was being collared by quite a few people for conversations. He had a brief conversation with the CEO of AWEMA. Most of it, as I understand it, was around HR-related issues, but there was a reference to some finance issues.

[189] The head of the ESF unit sought assurances that these issues did not impact on the European social fund or the safety of the European funding. He was given those assurances. He then advised the CEO to contact the equalities unit. I think, in hindsight, that what he should have done was to contact the equalities unit himself rather than rely on AWEMA's CEO to do that. So, that is one lesson to be learned. However, I have written to all of the staff in WEFO now to make sure that everybody is aware of the procedures for escalating issues and, where they have concerns, the importance of bringing them to the attention of their line managers. We have reviewed our procedures for making sure that risks associated with those issues are properly dealt with through the management structures.

[190] **Darren Millar:** In terms of communicating with staff, you have said a couple of times this afternoon, Damien, that you have written to everybody and told them what to do, but what happens if you get a new member of staff whom you have not written to or if someone's responsibilities change? How do you make sure that they have that message reinforced on a regular basis?

[191] **Mr O'Brien:** We have an induction training programme for all staff joining the organisation, irrespective of grade. We also have an ongoing training programme on project appraisal and management. It would be picked up in that.

[192] **Darren Millar:** So, it is a regular feature in that.

[193] **Mr O'Brien:** Yes, that is right.

[194] **Aled Roberts:** The implication in the WAO report is that, in fact, there was a wrong call. It is almost as if it was treated as a matter of internal governance again, rather than alarm bells being rung. Given the importance you have said is attached to training, and to develop Jenny's earlier point, mention was made that, from now on, you 'will be' training. What has happened since last December to ensure that these grant managers are up to speed with ensuring that proper records are kept in the first instance and that, where they do have

concerns, they are passed up the chain?

[195] **Mr Jones:** We have not been standing still. Arwel might like to give you details, but I think that some 400 grant schemes have been identified and reviewed: the majority adjusted as necessary, but now felt to be okay in terms of processes and procedures. Perhaps there is a small number that are still to be worked on. The officers responsible for those grant schemes are now logged centrally and they and their teams will be undergoing training, which is starting this month.

[196] **Mr Thomas:** To give you a quick run through in terms of the bullet points, all grants have been reviewed. We have issued reports to each department on them with recommendations for things that needed to be strengthened or introduced. We have followed up each of those recommendations, and very few of the actions that we recommended are outstanding. We have developed a whole raft of new guidance on grants management. We have introduced standard offer letters and templates for terms and conditions, and a grants centre of excellence has been established. We are currently working on improving due diligence. There is a suite of training—we have a new computer-based training module, two lots have been developed and we are starting to introduce that training. We have also introduced and are currently building up a central repository of due diligence information and intelligence, which will be available across the Government so that everyone will be able to access them. So, we have been really busy.

[197] **Mr Jones:** There is also a system of spot checks being run by the grants centre of excellence, which is running at a rate of about 10 a month. I would repeat to Aled Roberts what I said right at the beginning, namely that this is a big job. However, in looking ahead, this is mainly what it seems to me that I can and should be doing as a result of the AWEMA case. It is a big job. In the weeks that I have been here, I have not yet satisfied myself by testing all of this work programme out that I am satisfied with its scope, pace and likely impact, but I will be doing that. However, I know that a lot of good work has been put in place.

[198] **Aled Roberts:** Os yw'r holl waith hwn wedi cael ei gwblhau, a oes unrhyw bryderon am sefydliadau eraill sy'n derbyn grantiau ar hyn o bryd gan y Llywodraeth drwy Gronfa'r Loteri Fawr neu'r comisiwn elusennau?

**Aled Roberts:** If all this work has been completed, are there any concerns about other bodies currently in receipt of grants from the Government through the Big Lottery Fund or the charity commission?

[199] **Mr Thomas:** Ar hyn o bryd, mae llawer o waith yn cael ei wneud ar *due diligence*, felly, nes ein bod yn gorffen y gwaith hwnnw, rydym yn canolbwyntio ar y trydydd sector o ran edrych ar ei gryfderau neu'r pethau gwan sydd yn ei systemau. Rydym yn canolbwyntio ar hynny ar hyn o bryd, felly mae'r gwaith hwnnw yn mynd yn ei flaen, ond nid yw wedi'i gwblhau.

**Mr Thomas:** A lot of work is currently being undertaken on due diligence, so, until we have completed that work, we are focusing on the third sector in terms of looking at the strengths and weaknesses in its systems. We are concentrating on that at the moment, so that work is ongoing, but it has not been completed.

[200] **Aled Roberts:** Pryd fydd y gwaith yn cael ei gwblhau?

**Aled Roberts:** When will the work be completed?

[201] **Mr Thomas:** Rydym yn gobeithio cwblhau'r gwaith o ran *due diligence* erbyn diwedd mis Mawrth, felly byddwn yn mynd i fewn i'r flwyddyn newydd gyda llawer mwy

**Mr Thomas:** We hope to complete the work on due diligence by the end of March, so we will be going into the new year with far more information about the institutions to which



o wybodaeth ynglŷn â'r sefydliadau yr ydym we give grants.  
yn rhoi grantiau iddynt.

[202] **Darren Millar:** As a supplementary to that, do the model terms and conditions that are now being issued with grants include a requirement to share information between all of the organisations that might be funding an individual organisation to deliver a grant?

[203] **Mr Thomas:** Do you mean externally, between organisations?

[204] **Darren Millar:** Yes.

[205] **Mr Thomas:** I am not sure that they do. There is a requirement to share information internally, and we are currently working with a number of organisations, including the Big Lottery Fund, the Wales Council for Voluntary Action, the Welsh Local Government Association and National Council for Voluntary Organisations in relation to sharing information between the funding bodies.

[206] **Darren Millar:** It is incredibly important, obviously, if you are funding a particular project, that, if the whistle is blown in one place, it is blown elsewhere. I am very conscious of the time, so I ask Jenny to be brief with your questions and for the panel to be brief with its answers.

[207] **Jenny Rathbone:** When you published the internal audit report in February of this year, what options were on the table for the Welsh Government aside from termination of funding? You will be aware that Dr Austin was not very happy with that. Were any other options considered?

[208] **Mr Thomas:** In terms of the process of taking the report through, in the days prior to 9 February when the report was published, neither Huw nor Damien had seen the report, so there were no preconceptions about the action to be taken before the report was published. All options were open in terms of what might be decided in terms of any future funding. My report does not determine whether or not there should be future funding; it just comments on how suitable or fit the organisation was at that time to receive public money. The decision on whether or not funding should continue was over to Huw and Damien.

3.30 p.m.

[209] **Mr Brodie:** To come in on that point, the judgment that we made was that the findings that Arwel had produced gave us no option; we deemed that the situation was effectively irremediable and that the shortcomings were such that we had no option.

[210] **Jenny Rathbone:** Why was the draft report not shown to AWEMA for factual accuracy? Even if it was not going to like it, surely it had a right to comment on factual errors.

[211] **Mr Thomas:** Indeed. In fact, our normal process is to share draft reports. During this time, in terms of the urgency of getting the advice in to the policy people, we were under a great deal of scrutiny: we attended a PAC meeting on 31 January, just about a week before, and there was also a lot of media attention—two *Dragon's Eye* programmes were run at that same time. I challenged my staff who had undertaken the audit to give me evidence for every statement that was in there and I took a conscious decision that to have shared it with the chief executive of AWEMA at that time ran the risk of delaying the process of finalisation. It was an unusual step and when I look back at the consequences of that, there has been only one challenge in terms of the factual accuracy of the report, which was raised by Dr Austin. It related to paragraph 1 of the report, where we had reported that it was the finance director who had reported the allegations; Dr Austin said that she had done so, so I accept that as

being one of the facts that were wrong. However, I did not think that that was material in terms of the content of the report.

[212] **Jenny Rathbone:** Finally, what prospect is there of you recovering the debt that the Welsh Government thinks is owed by AWEMA?

[213] **Mr Thomas:** I will hand that over to Damien in terms of the liquidation process.

[214] **Mr O'Brien:** I should have said at the beginning, Chair, that there is a liquidation process. So, going back to the point about following public money, we must follow it through the liquidation process. Perhaps, when it is complete, I could send a report to the committee.

[215] **Darren Millar:** We would appreciate a note on what has been recovered. We are also keen to know whether any European moneys might be recovered by Brussels, Damien. Perhaps you could shed light on that. Have you had any requests?

[216] **Mr O'Brien:** We have withdrawn our claims to the European Commission on funding that has been deemed ineligible. We do not owe anything to the European Commission as such, but what we have lost is the opportunity.

[217] **Jenny Rathbone:** So, there is no additional amount over and above the sum of money you think is owed by AWEMA? There is no money that will go back to the European Commission.

[218] **Mr O'Brien:** There is no evidence to suggest that this is systemic. We are not expecting any adjustment.

[219] **Mohammad Asghar:** One of my questions has already been answered. The second one is: what are the main lessons that you believe the Welsh Government should take forward from the liquidation process and from its efforts generally to secure the largest possible amount of public funding back from AWEMA?

[220] **Mr Richards:** For me, one of the big reminders that have come out of this case is that when things go into the liquidation process, a lot of it is out of your hands; it is the responsibility of the liquidator. There is legislation in the Insolvency Act 1986 that governs how it is processed, so there is little that you can do.

[221] One of the things that I think we did right straight away was to ensure that we had the right professional legal advice. It is a very specialist area and our legal services team itself said that this was not advice that it could offer in-house. Through that team we have commissioned some specialist insolvency advice to represent us. That individual has advised us and has been negotiating with the liquidators. That has been an important thing to get right, as well as acting early. We set up a task and finish group as soon as this was an issue, to pursue a liquidation claim, to oversee the work with the Wales Audit Office and to ensure that we got in and recovered all the European records, because, as Damien said, in terms of satisfying the European Commission that this money was being spent properly, we needed to get the records, and Damien and his team were in there quickly and doing that. So, it was about early action and good professional advice, but in the end, this is just a process that will run to its own time.

[222] **Mohammad Asghar:** Why was some of the Welsh Government's initial communication about the debt that it believed it was owed inaccurate and misleading?

[223] **Mr Richards:** I would take issue with the phrase 'inaccurate and misleading'. In terms of early action, part of our advice—and I think that it is very sound advice—was to

register our claim as a creditor early on. It was important to get in first with our amount, and we did that and registered that. That meant that, subsequent to that, there has been a degree of discussion and negotiation with the liquidator about some views from the other side. We discovered more evidence as we went into the European records, and we reassured ourselves that we could demonstrate that at least some of the money had been applied properly. So, we simply refined our claim as we went along.

[224] **Mr Brodie:** Just to add—[*Inaudible.*—]—coming into that process as we were going through.

[225] **Darren Millar:** As you would expect. However, just to be clear, in terms of the advice that you had, you followed the legal advice that you were given regarding the potential for recovering more money than may have been the case if you had argued that they were holding this money on trust rather than et cetera et cetera. You had the advice, the advice was very clear, and it was unlikely that you would recover it on that basis. Therefore, you had to adopt the unsecured creditor route.

[226] **Mr Richards:** Yes.

[227] **Mike Hedges:** Why was WEFO not aware that AWEMA had not in fact been sharing out its advance payments with partners, and that, instead, payments to partners were significantly in arrears?

[228] **Mr O'Brien:** We were under the impression that funding was being passed on to joint sponsors. That has now become a more explicit requirement in our grant agreements, but given that more than 65% of the business was being taken forward through joint sponsors, we had anticipated that AWEMA would be passing on that advance to the Valleys Regional Equality Council and other organisations that were involved in delivery. It materialised that it was not passing it on, or at least not in its entirety, and clearly that is a lesson that we have learned. We have just tightened up procedures on that, so that there is now an explicit requirement in the grant agreement to pass this on.

[229] **Mike Hedges:** Following Mr Jones's comment 'Let's follow the money', are you able to follow the money? That brings me back to the statement that I used earlier: there are serious dangers in using one organisation as an intermediary to pass grants on. This is just one example of it.

[230] **Mr O'Brien:** This is a well-established model, particularly in European funding. For instance, European territorial co-operation projects have always been based on the idea of a lead organisation. So, we have organisations in Ireland that are lead sponsors for a partnership that includes organisations in Wales. They are responsible for auditing those organisations. So, it is not a new model. Our inspectors visit the joint sponsors as well as the lead sponsors, and we provide support to lead sponsors in trying to get their control systems in place. So, it is not as if we walk away from them and say, 'We are only interested in the lead sponsor'. We still have an interest in the joint sponsor.

[231] **Mike Hedges:** Thank you for that answer. I will rephrase the question. AWEMA's main role in life was to receive money and then pass it on. When you talk about lead sponsors, surely that is an entirely different situation where you have an organisation that is doing a large part of the work and working with others to do it. Do you see a difference between those two, or do you think that they are the same?

[232] **Mr O'Brien:** I see a difference. With AWEMA, just over 30% of the business was run by it, or 30% of the participants were being supported directly through AWEMA's organisation. So, one of the things that we have introduced since learning the lessons of this is

that, when we carry out reviews with lead sponsors, once a year we also bring together the joint sponsors to promote transparency regarding the way in which these projects are operating. We have contact with the joint sponsors as well as the lead sponsors and, in the case of AWEMA, it was doing some of the delivery itself.

[233] **Mike Hedges:** If you knew all that, why did you not know that the joint sponsors were not receiving the money?

[234] **Mr O'Brien:** They were not raising issues with us about it.

[235] **Mike Hedges:** But you just said that you were talking to them regularly.

[236] **Mr O'Brien:** Well, no, what I am saying is that our inspection process includes visits to joint sponsors. We visited NWREN, the North Wales Race Equality Network, but we had not visited VALREC, the Valleys Race Equality Council; SOVA, Supporting Others through Volunteer Action; or the YMCA.

[237] **Darren Millar:** However, NWREN did raise concerns with you regarding the non-payment to it, did it not?

[238] **Mr O'Brien:** Yes, it did.

[239] **Mr Jones:** This is an issue. I am not sure whether Mike Hedges thinks that this would never be a good model to use. It is an established model to have a lead sponsor. It can be efficient if the alternative is WEFO or the Welsh Government dealing individually with every sponsored organisation. It can be efficient and provide a slightly more strategic approach. However, doing it at the second stage like that introduces a new level of risk, and that is one of the things that we learned here. I think that this is quite common practice, not only in the voluntary sector, but in other areas. We have learnt something, which is that that level of passing things on represents a level of risk that we really need to attend to, rather than just assuming that it is giving us the benefits, particularly in the case of advance payments.

[240] **Aled Roberts:** Was there an assessment of risk as far as this model was concerned? Obviously, concerns were raised in 2006 about the distribution of advance payments to project partners in another AWEMA-led project, Curiad Calon Cymru. So, has there been any assessment of whether this model is fit for purpose, which is the issue that Mike has raised?

[241] **Mr O'Brien:** Well, we use a variety of models—

[242] **Aled Roberts:** No, I am asking about this model, given the failings of this model in this particular case and previously.

[243] **Mr O'Brien:** We have not carried out a specific risk assessment of the model. As I said, we are carrying out checks on joint sponsors because we need to follow the money, but we have not carried out a formal risk assessment.

[244] **Darren Millar:** Okay. I have one final question, which is for you, Huw. I know that the equalities unit is working on the next phase of grants that will be available from next year. I assume that you are in the middle of your due diligence work at the moment or preparing for that work. Have you identified any other potential problems with organisations that we are already funding within the department?

[245] **Mr Brodie:** Chair, we have nearly finished our due diligence work on the organisations currently receiving funding. There have been no instances of fraud identified. We went through it and identified a small number of organisations that we thought it was

appropriate for internal audit to have a look at, and strengthening of systems has been going on where appropriate in a small number of organisations. That process has gone very well and is now in its final stages. As we come into the new grants programme, we will need to undertake due diligence work in relation to whatever organisations we are then going to be contracting with, taking account of the due diligence results we have had from the current organisations.

[246] **Darren Millar:** Just to be clear, with the small number of organisations with which you have identified some issues and referred to internal audit, what sort of total amount is the Welsh Government spending or asking them to spend on its behalf through the grants it awards?

[247] **Mr Brodie:** I would need to come back to you with the figure for that. Just to clarify the process, the due diligence work was done in conjunction with internal audit. It is not as though we have passed those organisations on to internal audit. We are working very much hand in glove with internal audit to ensure that the organisations that have promised to strengthen certain systems are doing so. However, we can certainly include in the note that the Permanent Secretary offered an answer to the precise amount. I would not want to pull a figure out of my head at the moment.

[248] **Darren Millar:** That would be very useful. It would also be useful to know which other organisations and/or parts of the Welsh Government are also funding those organisations with which issues have been identified, if that is okay. Did you want to come in on this, Derek? You looked as though you were going to say something.

3.45 p.m.

[249] **Mr Jones:** I was just wondering whether I would get one last opportunity to say something.

[250] **Darren Millar:** Yes. I am going to do that now. I just wanted to check whether there were any other questions from Members. I see that there are not. Over to you then, Derek. We will then close this part of the meeting.

[251] **Mr Jones:** Thank you, Chair. It is clear that my organisation's grants management needs to improve. We have introduced a grants management programme, which will do that, as well as a centre of excellence, which will be an important piece of machinery. I need to test that programme of work, as I said earlier, but I also want to note that improvement needs to be across the spectrum of risks. We have concentrated today on the risks of getting poor value for money, or losing public money to no good effect, and new procedures and processes will be introduced. The risk at the other end of the spectrum is that we do not add so much process to procedure that we lose a sense of the proportionality of the risk and become an organisation that provides a bad service to small, voluntary organisations, to entrepreneurs, and to organisations that are doing good work and that need us to be reasonably agile and efficient in how we administer—and also that we do not accumulate cost in the organisation, unnecessarily, given that this is a large programme of work. That is my responsibility as accounting officer.

[252] **Darren Millar:** Okay. I take this opportunity to thank you, Derek, David, Arwel, Damien and Huw, for your attendance today. What we have heard will contribute to the second and final part of our work on grants management in Wales. Lessons will no doubt be learned from this painful experience that we have all been through. It is important, at this particular time, to do what we can to protect the interests of taxpayers, and to get value for money on their behalf. So, thank you for your attendance today.

[253] We will move on without further ado. We are slightly behind schedule, so I hope that we will be able to make up some time during the rest of the afternoon. I now welcome John Rose to the table, director of the Big Lottery Fund in Wales. Welcome, John. We really appreciate your attendance here today.

[254] You will be aware that the committee is doing some work on grants management in Wales. As part of that work, we have been looking at the Wales Audit Office report into the Welsh Government's relationship with the All Wales Ethnic Minority Association, which is better known as AWEMA. We also know that the Big Lottery Fund has a relationship with that organisation, but we also know, from the report that the Wales Audit Office has given us, that it appears that the Big Lottery Fund gets it better than others as far as the management of the funds that it administers are concerned. You appear to be far less out of pocket than the Welsh taxpayer is on this occasion. I do not know whether you want to make any opening remarks, or whether you are content for us to go straight into questions. We are grateful for the paper that you have prepared, which has been circulated to Members.

[255] **Mr Rose:** If I may, I will introduce myself by way of giving some context to our work. The Big Lottery Fund is the largest of the distributors that gives out money on behalf of the National Lottery. We distribute about 40% of the money that goes out to good causes. In Wales, that accounts for probably between £45 million and £50 million a year, on average. Our business is very much about making grants anywhere in the region of about £500 up to £1 million, so there is quite a big spectrum there.

[256] I describe our approach to grant making as twofold. About 50% of our money goes through programmes that I would refer to as demand led. They are really quite broad, and allow the applicant to prescribe which outcomes they want to achieve. As they are very broad, we get a lot of variety in that way. We give out about £23 million a year through those programmes. In addition, we also, through quite extensive policy analysis and consultation, identify specific themes that are needed in Wales, and which meet Wales's needs and we put money into those focused programmes. So, that is our approach overall.

[257] In addition to lottery money, we also distribute money on behalf of Government, or indeed in partnership with Government. So, we have one scheme with the Welsh European Funding Office, we distribute money with the Welsh Government through our community asset transfer programme, and we also have responsibility for distributing the proceeds from the dormant account scheme, which has been set up by the UK Government.

[258] However, we are more than a cash machine. While we are principally the grant maker, we also look to support those to whom we give grants, where we believe that they need it. By way of example, we are aware that many of our applicants struggle to identify in evidence the impact that they are having, so we put in a support contract to support those larger award-holders, to help them to learn how to use things like the results-based accountability model. Through the analysis of our own data, we also identify geographical communities and communities of interest that may be struggling to access our funds, and, in those instances, we frequently put in outreach support. So, we try to get the lottery pound to quite a diverse number of communities across the length and breadth of Wales. So, we are very much more than a cash machine in that way.

[259] **Darren Millar:** Can you tell us a little bit, Mr Rose, about how the Big Lottery Fund assesses the viability of an organisation before it makes an award? What due diligence checks does the Big Lottery Fund do when someone asks, 'Can you give us some money?'

[260] **Mr Rose:** It is twofold. We look at the outcomes that the applicant is proposing, to see how good they are and what they are trying to achieve. We also then look at how capable they are of delivering those outcomes. In relation to that, we would go through a number of

initial checks. If they have declared that they are a company limited by guarantee, we would ensure that the numbers that they give us match those on the Companies House website. Likewise, we would check the Charity Commission for England and Wales's website and look at whether there were overdue accounts. So, there are a couple of rudimentary checks. At times, if needs be, we will also look at things like documentation, such as constitutions, to ensure that they are able to deliver. However, more importantly, we would spend our time scrutinising the budgets and the delivery plan for the proposed project to ensure that they add up, and that the costs, in our mind, are reasonable, well calculated, accurate and likely to deliver value for money.

[261] **Darren Millar:** Of course, with AWEMA as an organisation, clearly the Big Lottery Fund made an award. So, those would have been the checks carried out on AWEMA at that time. It would have been assessed against those criteria.

[262] **Mr Rose:** We have made four awards to AWEMA during its time, three of which were very small grants of up to £5,000. In those circumstances, we certainly would not look to go into the same level of due diligence checks as we did with the major award that we made of £518,000. In those instances, we identified that the project was fundable, although we were aware that there were some issues in the planning. So, as such, we ascribed that project high-risk status. As such, had it actually continued to roll out over the years, it would have had a heightened level of monitoring associated with it.

[263] **Darren Millar:** So, you are able to flag up within your processes high-risk projects rather than organisations and lower-risk ones, are you?

[264] **Mr Rose:** We can do. In the future, I think that we will also be better at doing that. I have referred in my written evidence to the fact that we are currently developing a new customer relationship management system, which we expect to roll out next year. That will look at a number of inherent risks, such as the age of an organisation, the amount of money being looked for, what its corporate status is, and how much it is asking for. It will help us to ascribe a risk status based on those factors and the quality of the application that we receive. Taking into account that risk status, we will then apply what we believe to be reasonable and proportionate controls that help to manage the risk associated with that project.

[265] **Darren Millar:** AWEMA made an application for two sizeable grants, which were rejected by the Big Lottery Fund, were they not?

[266] **Mr Rose:** Yes.

[267] **Darren Millar:** With those two particular grants, on what basis were they rejected? Was it risks about the organisation, or was it more about the deliverability of what was being promised?

[268] **Mr Rose:** From memory, in one, there were concerns about the quality of budgeting and project planning, and it was rejected on that basis. Another was rejected because it was a capital project and planning permission was not gained. So, we look to ensure that those types of assurances are in place either before we make the award or, if it is subject to getting those permissions, afterwards. We would not release the money until those are in place.

[269] **Darren Millar:** Finally, on the project that AWEMA was given funding for, which is the £518,000 project, the Big Lottery Fund had transferred only £4,000 physically across to AWEMA at the time that AWEMA's liquidation process was started. That was because the project was slow out of the starting blocks, was it?

[270] **Mr Rose:** That £4,000 was also specifically to allow AWEMA to undertake more

detailed business planning activity in the early stages of the project, so we released money to allow it to do that work. It, in turn, did that work and released the business plan to us, which we assessed and approved at the time. So, it would have moved into the delivery stage next, but it is not unusual for projects to take some time to get going after they have been approved.

[271] **Darren Millar:** Okay. So, you were not worried about timescales or anything in particular. It was just that that was for its more detailed feasibility-type work prior to the delivery of the project.

[272] **Mr Rose:** It was effectively a planning stage.

[273] **Aled Roberts:** Hoffwn ofyn cwestiwn am y prosiect eiriolaeth. Credaf bod dau brosiect arall wedi cael eu gwrthod ar yr un pryd. A wnaeth AWEMA gyfeirio at y gwaith yr oedd yn ei gyflawni ar ran Llywodraeth Cymru neu Swyddfa Cyllid Ewropeaidd Cymru yn ei chais i chi, ac a wnaethoch chi unrhyw beth i ddilysu'r wybodaeth gyda'r Llywodraeth? Os felly, beth oedd agwedd y Llywodraeth i hynny?

**Aled Roberts:** I want to ask a question about the advocacy project. I believe that another two projects were rejected at the same time. Did AWEMA refer to the work that it was doing on behalf of the Welsh Government or the Welsh European Funding Office in its application to you, and did you do anything to validate that information with the Government? If so, what was the Government's position on that?

[274] **Mr Rose:** I am not completely aware of whether there was anything within the application that made specific reference to other support from WEFO and Welsh Government, but, no, we would not have contacted Welsh Government at that time to validate anything.

[275] **Darren Millar:** Would that never happen? If they had disclosed those things, would it ordinarily be normal for you to contact other funders to see what the status of their arrangements was?

[276] **Mr Rose:** No, it is unlikely unless we have specific concerns. That is not to say that it could never happen if there were concerns or if, for example, we were looking at the likelihood of significant match funding being made available.

[277] **Mohammad Asghar:** I think that you are doing a noble job in Wales with the £45 million to £50 million. We definitely need that. How would you characterise AWEMA's reaction to the Big Lottery Fund's rejection of various of its bids for funding over the past five years, whether at outline or full application stage? Finally, did you ever face any accusation of the sort levelled by AWEMA at the Wales Co-operative Centre in 2006?

[278] **Mr Rose:** I am not aware that we ever received any particularly negative feedback at all. It is not unusual for us to reject projects. We consider probably upwards of 2,000 applications a year and approximately 50% do not go further. I am personally not aware of any direct feedback from AWEMA in relation to rejected applications, although it is highly likely that there would have been telephone calls afterwards had AWEMA asked for feedback additional to the information that we would have given it in any reject letter.

[279] **Darren Millar:** There was no suggestion that it said that there was institutional racism, which is what it said to the Wales Co-operative Centre?

[280] **Mr Rose:** Not to my knowledge. I have never had that feedback.

[281] **Darren Millar:** Thank you for that. We will move on to a question about the discussions that you might have had with the Welsh Government. Obviously, there was an



internal audit services report about the decisions of the Welsh Government and the Big Lottery Fund in the run-up to the termination of the funding of AWEMA. What sort of discussions did you have with the Welsh Government at that time? I seem to remember Ministers issuing statements saying that they were working closely with you as an organisation. What sort of process did they go through?

[282] **Mr Rose:** I have had some discussions with the Welsh Government in recent months in relation to any issues that are arising, but around the time we first heard concerns about AWEMA, which was approximately 12 months ago, we were in discussions with the Welsh Government and felt it appropriate to have a joint approach to that investigation. It helped to save resources from our perspective and also from the Welsh Government's. Following such discussions, we agreed the terms of reference with the Welsh Government, and it progressed with delivering the initial audit that went on during late December and early January and reporting back to us. So, we are signed up to the terms and conditions and we are comfortable with allowing that internal audit team to lead.

4.00 p.m.

[283] **Darren Millar:** You obviously arrived at the same conclusion as the Welsh Government—that you were going to terminate funding to this organisation. Was that an independent decision on your part or did you feel that you had to follow suit with the decision of the Welsh Government?

[284] **Mr Rose:** No, it was an independent decision. There is a bit more to it than simply considering withdrawing. We looked at the evidence. On balance, there were a number of cases of clear breach of our terms and conditions, which were very clear from that report. As a result, we considered our intentions with the chair of our Wales committee and decided that it was an appropriate course of action to withdraw the funding from AWEMA. So, we wrote to AWEMA in relation to the two live applications that we had with it, saying that we were proposing to withdraw funding from those, which gave it the opportunity to respond to what we were making out in our letter as the reasons why we were withdrawing funding. The key thing there is that it had the opportunity to respond to the breaches in terms and conditions that we had identified.

[285] **Darren Millar:** What other options would you ordinarily consider? You mentioned earlier that you had a unit that gave some sort of support to organisations in terms of assisting them, identifying their outcomes, capturing and measuring their performance against those outcomes and developing those sorts of things. Did you not think that a similar approach to supporting the organisation to work through the issues that were identified would have been appropriate in this situation?

[286] **Mr Rose:** In the situation, I felt that it was appropriate to move to withdraw quite quickly because of reputational challenges. As I mentioned, AWEMA was in a situation to have responded to us about the breaches in terms and conditions when we sent it our intention to withdraw those awards. So, it could have responded. We do not believe that we had significant response back in relation to challenging our intention to withdraw the award.

[287] **Darren Millar:** Was there no feedback whatsoever from AWEMA?

[288] **Mr Rose:** I had one telephone conversation with Naz Malik, who rang me up to ask how much AWEMA owed us. That would have been in February of this year, at which point I made it clear that the withdrawal letter needed to be addressed and that we would take a decision then on how much money we might need to recoup, if we needed to recoup moneys.

[289] **Gwyn R. Price:** Good afternoon. What action, if any, has been taken to ensure

greater consistency in the operation of grant schemes between the Welsh Government and the Big Lottery Fund, to develop complementary schemes, to co-ordinate bidding timetables and to improve the clarity and accessibility of information to the bidders?

[290] **Mr Rose:** I can give you a couple of examples there. The one that is evident from my written submission is where Welsh Government funds and our funds were pooled into one pot in order to establish the community asset transfer programme, which effectively means one application process for the customer. It is a scheme that the Big Lottery Fund administers on behalf of us and the Welsh Government. In addition, the Welsh Government has observer status on many of our grant-making committees, in particular our people and places committee, which makes awards of around £3 million every two months. So, it is aware of the type of application coming in there. It frequently has observer status on some of our other committees as well. Likewise, we have exchanged information with officers who are working on programmes such as the community facilities programme, run by the communities directorate. Recently, we have also shared with the Welsh Government grant management school of excellence our standard terms and conditions and we have talked through our approach to both assessment and grant management. So, we have been very keen to share our experience, materials and information with the Welsh Government.

[291] **Gwyn R. Price:** You say that you share with the Government; is it sharing anything back with you?

[292] **Mr Rose:** Yes, we are keen to learn from others as well, so we have been looking at both processes. When we developed the community asset transfer programme, it was very much co-designed. We put a set of proposals, but a number of those required negotiation between us and Government partners to come out with a programme that worked for both.

[293] **Jenny Rathbone:** Thank you for your comments about our recommendation that no more than 5% of an overall grant should be for administration costs. I am sure that we welcome your suggestion that there needs to be a very clear definition of what falls within the category of administration costs. I think that the man on the omnibus would think that it was anything that was not to do with the front-line service that would be received by the beneficiaries. Nevertheless, you are suggesting that outreach and evaluation of a project would not be included in what the Big Lottery Fund counts as its 5% target. Can you elaborate on that a bit, please?

[294] **Mr Rose:** Yes, certainly. First, I think that the Welsh Government is in a slightly different position to us, and I am aware that a great deal of the report was focused on Welsh Government funding. For us, the process as a whole involves receiving applications and assessing them as well as grant management. There is often quite a big cost associated with assessing applications as well as a sunk cost, if you like, of assessing unsuccessful applications. That is to put things in context. In relation to our suggestion about looking at what is defined as an administration cost, there are instances where additional support provided for the applicant can help to deliver better outcomes.

[295] Capital projects are a good example here. Capital schemes are often very complex, and third sector partners, in particular, will engage an architect and will not necessarily have that expertise themselves. At the Big Lottery Fund, we have a capital support unit made up of quantity surveyors and project managers who are able to give the applicant assistance with questioning costs or, if they are facing cost challenges, with looking at where cost savings might be made. That is of real value to the applicant and, ultimately, should help to manage the risk of not achieving the outcomes of those projects. That is a good example of where it adds value.

[296] In addition, particularly in tough times such as at the moment, we are encouraging

our applicants to think really hard about how they evidence the impact that they are having, because, if they are going to go to another commissioner for support afterwards, the commissioner, if he has been asked to fund them, will frequently have to stop funding something else. So it is really important that people understand the impact that they are having. Again, I would regard that as additional to administration costs.

[297] Lastly, if we are undertaking a programme, a detailed evaluation to look at the programme overall and establish its impact arguably adds value, but I would regard that as being beyond the administration costs. To me, administration costs cover the cost of assessing an application, the cost of managing the application and the cost of having that ongoing relationship with the applicant. However, I would like to highlight the fact that it is clearly important to maximise the amount of money that we get out to the public and to minimise our administration costs. Therefore, in many circumstances, we look to minimise that as much as possible.

[298] **Jenny Rathbone:** I can see that management support for a capital project could be very valuable, because I agree that it is very specialist work. That is slightly different from establishing how many people are served by X project. I would have thought that outreach was an important part of evaluating whether a project is worth backing in some cases, although not in all; it depends on the individual concerns.

[299] **Mr Rose:** I would agree that it includes an element of outreach and we do that. However, at times, we undertake quite targeted outreach work, which can include some quite intensive work with specific beneficiary groups or a specific audience. Quite a lot of intensive work can be required to get those organisations or people to a level where they are able to meet our due diligence requirements and understand what is required of a good application.

[300] **Darren Millar:** There is obviously an aspiration at a UK level to get down to 5% of grant costs being related to administration. What sort of percentage is the Big Lottery Fund hovering at at the moment?

[301] **Mr Rose:** Across the UK—and I will need to confirm this afterwards—I think that it is about 6.2% at the moment, so there is some way to go.

[302] **Darren Millar:** However, from what you say, it seems that the percentages are larger on the capital projects than they are on others. Is that right?

[303] **Mr Rose:** I would say that a capital scheme is always likely to be more expensive than a revenue scheme. There is intensive support around capital builds, which are becoming increasingly challenging.

[304] **Darren Millar:** In your paper, and today, you seem to be saying that, if we are going to suggest that the Government has a clear target on this, we need to consider additional factors such as extra management and support that might be required on capital projects.

[305] **Mr Rose:** It is about being aware that some specific outcomes may be more challenging to achieve. It is not about setting yourself an absolute limit in that way and being alive to that. There may be certain projects with which it makes sense to have slightly higher administration costs to ensure that the outcomes are achieved and that the risk is managed appropriately.

[306] **Jenny Rathbone:** A target of 5% for all of your projects would be doable, would it?

[307] **Mr Rose:** Yes. A key difference is that much of our administration costs are associated with assessing applications that may not be awarded if the Government is not

casting its net quite so wide. However, we are very open about inviting applications, so we have to absorb a certain amount of those costs. If you are working with a limited number of grant applicants or grant recipients, it should be reasonable to reduce your administration costs.

[308] **Aled Roberts:** Mae'r Llywodraeth wedi derbyn argymhelliad 5 yn adroddiad y swyddfa archwilio, sy'n galw am asesu risg. Rydych eisoes wedi dweud eich bod yn gwneud hynny, ond os yw sefydliad yn cael ei asesu fel risg difrifol, pa gamau ychwanegol y byddwch yn eu cymryd wrth reoli'r grant yn enw'r sefydliad hwnnw?

**Aled Roberts:** The Government has accepted recommendation 5 in the audit office report, which calls for risk assessment. You have already said that you do that, but if an organisation is assessed as a serious risk, what additional steps do you take in managing the grant in the name of that organisation?

[309] **Mr Rose:** In some instances, if the risk is considered too severe, we would reject the application—we would not support the organisation. In other instances, we might put in additional controls. That would typically be more frequent monitoring activity—for instance, the monitoring step might be a telephone call, or we might insist on a visit. So, it is frequently about more intense activity, or it could be that we have a higher sampling rate, for example in looking at the costs or invoices on a high-risk award. So, the most common approach is a more intense approach to grant management.

[310] **Gwyn R. Price:** What is the Big Lottery Fund's approach to the use of advance payments in its grant funding? What requirements does the Big Lottery Fund set out as part of its terms and conditions regarding advance payments, for example requiring that funds be held in trust in a separate bank account?

[311] **Mr Rose:** It differs for capital and revenue awards. We would typically make payments three months in advance for large revenue awards, and for revenue awards of up to £5,000, we would pay upfront and then seek details in relation to grant conclusion later on. So, we take into account the position cash-flow position of the organisations. On capital payments, we would pay retrospectively on receipt of the architect certificate, confirming that the build had progressed and that that amount of money in costs had been incurred. Sorry, could you repeat the second part of the question, please?

[312] **Gwyn R. Price:** Would you think of requiring a trust to be held in a separate bank account to cover the cost?

[313] **Mr Rose:** We now require grant holders to hold any moneys from us in bespoke bank accounts, so that we can see that it is not mixed up with other funders' cash. However, I am aware from past experience that that can be difficult for organisations as well, but we certainly require that at the moment.

[314] **Mike Hedges:** One of our interim recommendations is that accredited training for grants managers should be provided by the Welsh Government. What training programmes does the Big Lottery Fund have in place for grant managers?

[315] **Mr Rose:** All of our funding officers, when they join the organisation, undertake a detailed induction, which takes them through the application process and the assessment process. They are then required to have the support of a funding manager. We have a situation where the funding manager would be allocated a sample of that individual's work, right the way through the lifetime of their work, as a quality check. They also have the ability to be able to refer their work upwards. So, a general induction takes place, and there are also mandatory elements of training that are undertaken by all staff across the organisation, such as fraud awareness training, which is on an ongoing basis. I am aware that, currently, our

human resources department is in discussion with the University of Derby about an accredited grant-making course, so that the staff who work for us will be able gain formal credits to support their career development.

4.15 p.m.

[316] **Aled Roberts:** You mentioned earlier that you had been involved in discussions with the Welsh Government regarding terms and conditions, and so on. Have there been discussions with the Welsh Government regarding its training package for grant managers within the Welsh Government?

[317] **Mr Rose:** They are not at a detailed stage yet. When I say that we have had discussions about terms and conditions, we have provided a copy of our terms and conditions for the centre of excellence to look at. We are in ongoing discussions there and we have made it clear that we are happy to work with Government and to support the development of its thinking in this area.

[318] **Darren Millar:** Do you think that it is actively engaging with you sufficiently to take advantage of your experience?

[319] **Mr Rose:** Yes, at this point, we get quite regular contact. We have had Welsh Government officials with us in the last couple of weeks, and I have quite regular contact with them on a number of issues. They are also involved in the work that we are doing on supporting good governance.

[320] **Darren Millar:** So, it is not trying to reinvent the wheel with its own customer relationship software and things like that, because you have some under development at the moment, have you not?

[321] **Mr Rose:** We have talked to the Welsh Government about the potential that our system might have for Government. As I touched on earlier, we are quite different in our approaches. The best way I can describe it is that the Welsh Government needs the back end, which very much looks at what supports grant management and reporting on it. Our system will have a website and a portal at the front end that allows a vast quantity of applications to come in as well. It is an end-to-end process—from finding out about awards right the way through to post-grant monitoring. We are having ongoing discussions about the suitability of that. As I mentioned, our system is currently under development, so it is at too early a stage yet to enable us to show Government what we have.

[322] **Darren Millar:** In terms of lessons that can be learned from what happened at AWEMA, you and the Welsh Government have been involved, while another organisation—the Charity Commission—which is not appearing before this committee today, is still doing some work. How do you think that we can get better co-ordination in the future with third sector organisations such as AWEMA so that if concerns are drawn to the attention of any organisation, they can be addressed as swiftly as possible?

[323] **Mr Rose:** I think that that is already happening. You will have seen reference in my written evidence to a group that I chair which is looking at how can we support improved governance in what I would call the ‘funded sector’—it is not just about the third sector, but those that are funded overall. So, I think that the spirit is very much willing. We also look after the secretariat for the Wales funders forum, which many funders also come to.

[324] It is an interesting question though, because in sharing that information we must also be aware that some of the comments that we hear are rumour. There is an issue there to make sure that we look at these things sensibly and proportionately. We are already looking to see

how we can work more closely together to share that type of intelligence.

[325] **Darren Millar:** In terms of the Charity Commission's role in that, is it part of the forum that you mentioned there?

[326] **Mr Rose:** Yes.

[327] **Darren Millar:** So, it would be able highlight any concerns that were brought to its attention about any organisation to which you or other funders were making a contribution.

[328] **Mr Rose:** Yes, it would. The initial group that we pulled together, because it needs to be small enough to be functional, includes me on behalf of the Big Lottery Fund, the other lottery distributors, Welsh Government, the Welsh Local Government Association, the Wales Audit Office and the Charity Commission. There is no reason why that group cannot be extended slightly if needs be.

[329] **Darren Millar:** Okay, that is really helpful. Are there any further questions from Members? I see not. Thank you ever so much, John; you have helped us to make up some time, and you have been very clear on the answers. You have given us very useful evidence for our report going forward, so we are very grateful for your attendance today.

[330] We will now continue with our meeting on the All Wales Ethnic Minority Association report produced by the Wales Audit Office. I am pleased to welcome to the table Dr Rita Austin, former chair of AWEMA; in fact, joining us here is something that she did on a couple of occasions during the history of the organisation. We are pleased that you have been able to join us today in order to help the committee with our inquiry.

[331] I will note for the record that Jocelyn Davies is with us now and I thank Lindsay Whittle for his earlier contributions to the meeting.

[332] We do not have a paper from you, Dr Austin, so would you like to make a few opening remarks and then we will go straight to questions?

[333] **Dr Austin:** I received the formal letter that invited me to come to this committee on Friday evening. I read also the transcript of your proceedings on 22 October at that time. The letter suggested that if I wished to know what areas of my evidence would be of interest to the committee, I should enquire of the clerk, which I did. I was delighted to find him at his post at 5.30 p.m. Friday evening, and I had a fairly long conversation with him. In order to marshal my thoughts for this meeting—because I guess I will be presenting evidence to you that you have not heard from the Welsh Government officials who addressed you earlier or indeed have read about in any media outlets because I have not spoken to the media on these matters—I guessed that you would want a record of what I say. I have prepared such a record of what I am about to say because I might not get around to saying it all to you and I hope that I can lodge it with the clerk electronically when I go home tonight or maybe tomorrow.

[334] I would like to make some opening remarks and I have prepared an opening statement. I have prepared a fairly long list of lessons to be learned, some of which have not yet been brought to your attention. So, I hope that, if I do nothing else, I will be able to go through the lessons to be learned and respond to your questions on those.

[335] As you say, I am the former chair of AWEMA; I was chair between January 2002 and January 2007. I took up the chair again after an extraordinary general meeting held on 16 December 2011 and I remained in the chair until the date of our liquidation on 22 March 2012. I do not expect many of you know me from a bar of soap, so maybe I should say that I have served on many public bodies, including Assembly-sponsored public bodies, mostly in

**Comment [R1]:** Please note that I have never given evidence to any committee of the Welsh Government in my capacity as chair of AWEMA and certainly never to the PAC

the education field, and latterly a lot in health, but also in criminal justice. I have chaired these bodies' committees on audit and risk management and on quality assurance and performance for eight years, so I am pretty well experienced, you could say, in public service work.

[336] I have been involved in race equality work for most of my adult life, either in paid public service or in voluntary organisations. I have worked a lot as an unpaid volunteer in black voluntary sector organisations where I have usually served as chair or, very often, as a member. My ~~promotion~~ of race equality in all my work capacities over many years has not endeared me either to senior officials or to politicians. That is how it is. Speaking truth to power is never easy and never more so than in race equality work, but I always choose my words carefully and I have learned never to use 'racism' or 'racist', because it closes conversations down and dissolves too easily into attitudes of self-righteousness and defensiveness. More to the point, it allows matters of cultural stereotyping to be side-stepped, so that people do not actually understand—sometimes wilfully do not understand—of what you speak.

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[337] Contrary to what you, Chair, are reported as saying at the meeting of this committee on 22 October, I have not charged racism against anyone in this whole sorry saga. The BBC made that direct attribution to me in its published online comment and it used quotation marks around those words. I challenged it and was able to demonstrate that I had never used those words and it simply withdrew the comment from the BBC online statement and did not apologise. However, it did not withdraw the comment from BBC presenters' blogs. Clearly, the BBC adopts as narrow a focus to dealing with complaints as that for which the Wales Audit Office report criticises the Welsh Government in relation to these matters to do with AWEMA.

[338] I would also like to say, by way of an opening remark, that, given that the whole section of the Wales Audit Office report is devoted to considering whether inappropriate political influence was used in any Welsh Government dealings with AWEMA, I should make it clear that my membership of the Labour Party ended in 1992—20 years ago. That is not to say that I have not dropped the odd leaflet or stuffed the odd envelope on behalf of the Labour Party, as my Assembly Member will attest.

[339] The work that I have done has not been so much as to win me any favours, and neither should the fact that I served in elected office for the Labour Party alongside four people who have since become AMs give anyone any reason to suppose that AWEMA was treated favourably. On the contrary, I could not describe as 'cordial' the relationships between myself and one-time county councillor colleagues who are now AMs, even when I had them. They have become more or less non-existent since that date. Even during the two periods in which I was AWEMA chair, conversation between myself and Assembly Members was limited wholly to AWEMA matters. Perhaps the three or four times subsequently that I have lobbied these four AMs on race—it has always been to do with race equality issues, and primarily to do with mental health and maternity services—I have not been successful.

[340] I should clarify that my only motivation for becoming re-engaged with AWEMA a year ago was because of my commitment to advance race equality initiatives and to defend the only BME development organisation in the whole of Wales, from the chaos of an internal boardroom coup, which threatened its stability and its capacity to do good work.

[341] In terms of my opening statement, there are two aspects of the WAO report where a full and comprehensive assessment of the relationship between the Welsh Government and AWEMA does not materialise. These I feel I need to bring to your attention.

4.30 p.m.

[342] The conclusion that there had been no inappropriate political influence on the Government's decision about funding AWEMA is the first point. That is certainly the case when presented on the narrow construction that politicians always followed officials' advice with regard to AWEMA—that cannot be gainsaid; they did always follow officials' advice. However, that ignores how officials, precisely because they do not work in an ivory tower, but in the real world, are open to all its influences, and so cannot avoid being influenced by the politics that go on around them. Of course they are influenced by what is in the ether; it would be foolish to suggest otherwise, hence it is important for politicians to avoid, or at least to carefully temper, public comment that may unduly influence, or be seen to influence, officials' decisions. However, that is precisely what did not happen during the conduct of the IAS review, which concluded with the recommendation that the funding departments should pull the plug on AWEMA.

**Comment [R2]:** For clarification: ... the funding departments should decide whether to continue providing funding to AWEMA (which quotes the IAS report)

[343] There was a clear declaration by the then most senior official of the Welsh Government, the Permanent Secretary, at that most senior of committees that was charged with the scrutiny of the use of public money, which is your committee, that AWEMA should historically have been graded a high-risk organisation, whereas the transcript of your last meeting states that she had no substantiating evidence. It is scarcely credible that the head of internal audit, who reports directly to her—this was a line of report that he was very keen to emphasise on 4 or 5 January, when he rang me to say that the IAS review had been commissioned and he wished to speak with me. It would really test credibility to think that the head of internal audit would take a contrary view to that of his Permanent Secretary.

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[344] That was compounded when, shortly after that PAC, at a Plenary session, you, Chair, rhetorically asked whether the end of the road had come for AWEMA. These prejudicial comments followed 20 days, at least, of constant, strident, partial and often ill-informed interventions by AMs of all opposition parties, including their leaders, against AWEMA, which fed into, and legitimated, an unremitting negative media. All of that was at a time when radio silence should have been observed by all politicians in order to avoid influence during the conduct of that review. I am fully aware that such media performances may contribute to the gaiety of the nation when indulged in by politicians against each other, but they are full of menace and threat when directed at a small organisation that is following officials' advice not to comment during the course of the review, which is what we were doing.

[345] However, the main point that I want to make here is that the Wales Audit Office report does not explicitly consider this episode of funding decision making so as to weigh the appropriateness or otherwise of any political influence on the Government's funding decisions. A case study in this respect would have been most welcome and I am sorry that it was not done, because it would have illuminated the dynamic.

[346] I know that you are conscious of time.

[347] **Darren Millar:** I am, I ask you to—

[348] **Dr Austin:** I know that you are conscious of time, but I am not six people sitting before you.

[349] **Darren Millar:** I know, but we are a large number of people who want to ask questions, and your opening remarks are helpful in giving us some pointers, but I am conscious of the clock and that we have certain questions that we want to raise with you.

[350] **Dr Austin:** Right. I will make my second point, which the Wales Audit Office report does not go into, and that is the very weak analysis and commentary devoted to the actions following the AWEMA chief officer's disclosure to the head of the ESF branch on 29



November that allegations, including financial allegations, had been made against him. The most serious of these allegations was known about by the AWEMA trustees at the July annual general meeting. I refer to the advance on expenses that he was holding.

[351] I can understand a practical reason as to why the Wales Audit Office report did not present a better analysis of what did not take place after 29 November. I think that this was because the official confirmed and agreed that, in fact, it had happened, as late in the day as that, although I had raised this matter with the audit office way back in May or June, and asked that the official's memory be tested. So, I can understand that, under pressure of time, there was no time to go into an analysis of this.

[352] The net result of it is that what the official knew on 29 November was no more and no less than what was disclosed by the finance director on 19 December, and rapidly afterwards by the chief officer on that date, except, of course, the finance director used far more colourful language. I never saw the e-mail that he wrote to Carl Sargeant or to the other people that he wrote to, but if it was anything like the e-mail that he wrote to the Big Lottery Fund, which I saw, it was indeed very colourful language. But in content, it was no more and no less than what had been told to the official on 29 November.

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[353] I am inclined to the view that the official took so long to remember the content of this conversation that he fails to remember it accurately. It is an important point to me because it was a condition of my acceptance of the nomination to become chair that this disclosure was made. When I came to know about these events, which I did in November, I was appalled that the then trustees had not brought these matters to the attention of their funders. I was insistent that this be done. So, I deeply regret that the official took so long coming to his view about it, and it has had very poor consequences for AWEMA itself.

[354] I will leave that bit of it there, because if I put my notes in for the committee members to read, I hope that you will read them and that they will inform your final judgment.

[355] **Darren Millar:** Thank you for that, Dr Austin. Those opening remarks are noted. We will ensure that electronic copies of your document are circulated to individual committee members.

[356] You said that you have not spoken to the media. I seem to recall you appearing on an episode of *Dragon's Eye*.

[357] **Dr Austin:** Yes. That was the only time in all of this that I appeared.

[358] **Darren Millar:** So, you did speak to the media. Was that the only occasion?

[359] **Dr Austin:** After the vice-chair in the north released information, which I think was on 7 January, I did respond by simply quoting the formal reports that I had written for the police and the Charity Commission. I did appear on *Dragon's Eye*, for all the good that it did me or anything.

[360] **Darren Millar:** Okay. I just wanted to get that on record. With regard to the suggestion of racism, I think that you have cleared up the issue in terms of any remarks that were attributed to you in the media. Obviously, people respond to those remarks when they are attributed to someone and we do not see anyone challenging those remarks. I was not aware that you had challenged any of those remarks. However, a charge of institutional racism has been made in the past by AWEMA, has there not, in respect of the Communities@One programme, which it applied to, which is owned by the Wales Co-operative Centre?

[361] **Dr Austin:** So I read in the Wales Audit Office report.

[362] **Darren Millar:** You were the chair of the organisation at that time.

[363] **Dr Austin:** Yes, I have—

[364] **Darren Millar:** May I just clarify something? Was the charge of institutional racism something that was attributed just to the chief executive? Did he make those comments, or was it a view shared by all members of the organisation at that time?

[365] **Dr Austin:** I was not aware that that charge had been made until I read what I read in the Wales Audit Office report. I simply was not aware of it. I am aware of what institutional racism is, and I am not surprised to see that it occurs. I do not think that any of us should be.

[366] **Darren Millar:** I wish to go back to the time when you were first chair of the organisation, between 2002 and 2007. At that time, AWEMA was a small but developing organisation that grew during your tenure as the chair of the trustees. Can you tell me, in terms of the relationship at that time between the Welsh Government and AWEMA, whether the trustees were fully aware of their obligations and what work was being required of the organisation, in terms of the work that it ought to undertake and what it was required to deliver for the funds that it was in receipt of?

[367] **Dr Austin:** There were no trustees; we were not a charity until 2005. So, between 2002 and 2005, board members were fully aware of what we were expected to do. We had regular board meetings. I would not say that they happened quarterly; they occasionally happened six-monthly. I am sure that any of you who have knowledge or experience of voluntary organisations will know that it is always difficult to get boards to meet and to get people to serve on boards. It is absolutely fair to say that AWEMA had precious few friends at its inception, because people were extremely jealous of the funding that was being given to what they regarded as the new kid on the block and wondered why the funding was not going to them. So, we never had any friends, not among Ministers, AMs or anybody. It was a pretty tough and difficult time.

[368] **Darren Millar:** However, at the time that you were chair of the organisation, you were clear on the basis on which your interaction with the Welsh Government was being formed, were you?

[369] **Dr Austin:** Absolutely. We were there to shadow the policy committees, to respond to policy consultations and to provide policy advice to the Welsh Government. We, along with three other equality organisations, were accorded that task, which we did.

[370] **Darren Millar:** How involved were you as the chair of the organisation in that relationship? Was it more a relationship involving officers of AWEMA, Mr Malik or any other employees of the organisation, or was it more the responsibility of board members to interact with the Government?

[371] **Dr Austin:** I was involved at least at two levels. I was involved in my duties as chair, which were to lead on governance and to make sure that board meetings were conducted properly—I should say that all our board meetings were always attended by members of the equalities unit. They were mostly relatively junior members, but on at least one occasion, there was a very senior member. So, there was no way that the equalities unit did not know what we were about and what we were doing.

[372] I was also very much involved in an operational capacity. There were no senior

people in AWEMA at that time. We were running two, maybe three, short-term funded projects. We were all in one room. In order to respond to the policy consultation work, we did not have that senior capacity other than me. So, I did an enormous amount of operational work for AWEMA. There is a footnote on page 68 in the Wales Audit Office report that speaks of the work that I did. So, I was involved at those two levels.

[373] **Jocelyn Davies:** In your introduction, you mentioned that you have long and broad experience in public service and of lots of organisations, boards and committees. Can you tell us whether there is any significant difference in the governance regime that you experienced at AWEMA compared to those at all the other organisations that you have served with?

[374] **Dr Austin:** Most of my experience, except that with the south Wales committee of Citizens Advice, has been with the black voluntary sector. You will appreciate that the groups that I am talking about are very small. Occasionally, they held grants in order to perform certain activities. The governance arrangements were as challenging in every voluntary sector group that I have ever been in as they were in AWEMA. As chair, I found them most challenging. I have to say that the board meetings at AWEMA were about the most challenging that I have ever experienced anywhere.

4.45 p.m.

[375] There are deep philosophical problems with umbrella organisations and mostly so in the race equality field. They do work, and when I was a paid official of the Race Equality Council, which was a membership organisation and an umbrella organisation, I made it work, but it takes an enormous effort of will to get them to work.

[376] **Jocelyn Davies:** However, was there any significant difference in this case? From the answer that you are giving me, I am picking up that AWEMA was not significantly different. It was more challenging, but was it significantly different in its culture and governance regime from all the other organisations, however small, that you have been a part of?

[377] **Dr Austin:** It was different in that it did a lot more and across a wider brief, and that has an impact on the governance arrangements.

[378] **Darren Millar:** Is that what made it more challenging at AWEMA than with other organisations—the breadth of its work?

[379] **Dr Austin:** It was the breadth of its work and the fact that we were relating to a Government unit, the equalities unit, that was wholly dysfunctional and that we could not get much sense out of. It did not have the knowledge, the experience, the capacity, the people, the interest or the passion that you need to progress race equality work. It simply did not have those things.

[380] **Darren Millar:** Thank you for that. Aled is next.

[381] **Aled Roberts:** Rwyf eisiau gofyn fy nghwestiwn yn Gymraeg. **Aled Roberts:** I would like to ask my question in Welsh.

[382] **Dr Austin:** I am a learner, so I will not trust what Welsh I know. I will use the headset.

[383] **Aled Roberts:** Rwyf eisiau delio gyda'r blynyddoedd cynnar o fewn y sefydliad, os caf. Rydych wedi sôn am rai o'r problemau a oedd yn eich wynebu, ond beth **Aled Roberts:** I want to deal with the early years within the organisation, if I may. You have spoken about some of the problems that you faced, but what did you, as the chair at

**Comment [R3]:** Further information: A further point of difference between AWEMA and other organisations I have been part of should be noted here: AWEMA aspired to be an All Wales organization. So the breadth of its scope included not only its substantive work but also its area of benefit.

wnaethoch chi, fel y cadeirydd ar y pryd, i sicrhau bod rhyw fath o drefn ar weithgarwch AWEMA? Yn fwy na hynny, mae'n debyg bod adroddiadau yn 2002, 2003 a 2004 yn sôn am broblemau ac adolygiadau gan adran gyllid y Llywodraeth. Beth wnaethoch chi ar y pryd i ddwyn y prif weithredwr i gyfrif?

the time, do to ensure some sort of order in the activities of AWEMA? More than that, it seems that there were reports back in 2002, 2003 and 2004 that mentioned problems and reviews undertaken by the Government's finance department. What did you do at the time to hold the chief executive to account?

[384] **Dr Austin:** On what I did as chair in relation to the work that we did, because we were shadowing all these Government subject committees, as I think they were called at the time, we established many meetings with members of the BME groups, who would come to the office. We had an education subject committee, a health subject committee, a housing subject committee and so on. As you will appreciate, that requires a lot of servicing and a lot of work. We involved the membership of the AWEMA board in some of this, although, to be fair, they were busy people as well, so they were not turning out as often as I was.

[385] With regard to the reviews that were conducted of us by the Welsh Government, the two that I remember most clearly are the review in 2002-03—what I call the David Richards review—and the total shambles of the Imani review. Yes, the chief executive was held very much to account by me. As you will no doubt appreciate, I am robust in how I go about my work. He was held to account, and the pity is—and I have to say this—that, after I left the position of chair, the chairs who followed me did not hold him sufficiently to account at all. Under my chairmanship, the internal governance of this smallish organisation was under the pressure of single-year funding and, after the Imani review, three-monthly funding, which made it an unstable organisation from the point of view of going forward. That brought about challenges for governance and my holding the chief executive to account by putting the whole raft of policies in place that good governance involves and needs—policies on procurement, expenses, discipline and so on. It was challenging, I will not deny it, but it was no more challenging than it is for any other voluntary sector organisation that I know.

[386] I have to say that at the time I relied a lot on the progress that was being made with HR on the fact that I was knowledgeable about these things, but once we started applying for the WEFO projects, that sharpened our game no end because of WEFO's demands and requirements that these things be put in place. So, yes, I have no doubt about it—the chief executive was held to account by me.

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[387] **Aled Roberts:** You have mentioned the Imani review and the decision that was taken then to move to three-monthly funding. What is your recollection of the nature of the discussions at that time with Welsh Government officials on the continuation of funding for AWEMA?

[388] **Dr Austin:** The Imani review was a complete and utter shambles from beginning to end. We challenged the terms of reference as they were far too narrow. We were not interviewed. The Imani reviewer did not set foot in the AWEMA offices, and interviewed neither me nor the chief officer at the time. I think that I did see a copy of a draft report, which was dreadful—utterly appalling in its content and its analysis. We challenged it, of course. I do not recall ever seeing a copy of a final report. The Wales Audit Office report paints a bit of a picture that I never saw or knew about. All I knew was that, suddenly, we had come to the end of the financial year, or towards the end of the financial year, and again we were doing our agitating on whether we would get funding for the next year, only to be told by the senior official that, no, our funding would be coming in three-monthly tranches. That is what happened, for a whole year. It is very difficult to do any future planning in such circumstances, and that was the year that we were beginning to do the thinking around the WEFO EQUAL project—the first major project that we had.

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[389] **Aled Roberts:** During that year when the funding regime changed, within the equalities unit, was there greater monitoring or did you feel that there was still this sort of shambolic arrangement?

[390] **Dr Austin:** There was no greater monitoring. You have to understand that that year and the next were characterised by immensely poor leadership in the equalities unit. This was also the year when the second race equality scheme was being worked on, and what I saw of the draft of that scheme was so appalling in its lack of information and knowledge that I insisted on seeing the Permanent Secretary at the time. I sat in his room for an hour going through a line-by-line analysis of this race equality scheme, which was going to be published as the Welsh Government's scheme. I cannot begin to tell you how appallingly ill-informed it was, which is why we took the attitude that we did on proposing what the race equality scheme should contain. We devoted a whole issue of our newsletter to it. I am sure that it should be somewhere in somebody's records. We distributed that newsletter very widely. That race equality scheme, which incorporated the Race Relations (Amendment) Act 2000, was the first major legislative step forward on race equality since the original Act in 1965. It was something for which we, as black people, had been working for many, many years at Westminster and elsewhere, and I certainly was not going to have a devolved Wales be found wanting in as important a matter as this. So, of course we took the assertive attitude that we did in relation to it. Of course we did.

[391] **Aled Roberts:** With the benefit of hindsight, do you think that it was a wise step to give the responsibility to one body at an all-Wales level to deal with issues of black and ethnic minority rights and promotion?

[392] **Dr Austin:** I think that the Welsh Government chickened out in the election after that first Assembly, for whatever reason. It abrogated its own responsibilities with regard to equality across the field—and what I say about race equality I mean also across the equality field. It abrogated the responsibilities that it should itself have **embedded**, in each of its departments in the pursuit of race equality, to an organisation, which, with the best will in the world—never mind all the petty in-fighting that regrettably goes on among ethnic minority groups—could not perform **to the full extent** it wanted. However, I do not think that we can be criticised for trying as hard as we did.

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[393] I am sure that, if somebody looked in the archives of the education department, they would find up to 10 policy consultations that I wrote. In the end, I got so fed up that I used to write to the director—and I was a member of Education and Learning Wales at the time, so I used to see the director in another capacity—and I would beard him regarding whether we were going to get some replies to all these policy consultations. We never did. Not one came back. So, I will make the point to you now, Mr Roberts, that all this, from the Welsh Government's point of view, is not simply a failure in grants management, but a failure in policy response with regard to race equality. We have only to look at the strategic equality plan, which was published at the top of this year, as an example. I was appalled to find in it race equality items that I assisted the officials to write into the 2006 race equality scheme, and not one hour's work seems to have been done on any of that since. There are no basic data and there are no trend data, while, in England, this information is available. Even police forces throughout Wales will produce these race equality data in delivery terms. So, those items that have lain unattended for six years are now appearing in the strategic equality plan. What is in place to make sure that that strategic equality plan happens? I do not see it as a work objective for the equalities unit, do you? That is what it should be.

[394] **Darren Millar:** We are not here to scrutinise policy today. Obviously, we are a committee that is just looking at the processes of Government, effectively. So, while your comments about people not getting back to you are very important, I think that I just needed to put that on the record.

[395] I would like to go back to something that you said earlier, Dr Austin. You talked about the development of policies as you were applying for funds from organisations such as WEFO and that that was a catalyst to drive up and improve the governance arrangements within the organisation. At a board level, how did you ensure that those policies were being implemented fully within the organisation? Also at a board level, how did you ensure that the issues that had been identified by the Welsh Government, once accepted—if there were issues identified in its reports that were accepted—were also implemented? Was there an action list that was agreed and then responsibilities apportioned to individual board members and the chief executive? What was the response like? I am just trying to get a flavour of it.

[396] **Dr Austin:** We had a personnel sub-committee and we also had a finance and general purposes sub-committee. Certainly, the membership of the board involved in those two sub-committees would be fully aware of the new policy document that we had put together because they would be consulted on it. We tried to road-test it through them. So, that was how it was done. I have been in other organisations that are much bigger, so I cannot say that we replicated any large organisation, because we did not. We performed the function, but at a smaller scale.

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[397] **Jocelyn Davies:** I know that you left originally in early 2007, and you told us earlier that you made sure that the chief executive was subject to your scrutiny and that he answered to you. I know that you have probably read the report by the auditor general and so will have seen case study 6. The chief executive must have run amok a bit after you left, because, by July 2007, the chair and the acting chair were writing to the Assembly Government, which was rightly criticised for not taking those allegations seriously enough to scrutinise them properly, about an increase in the pay and pension of the chief executive without the approval of the board. That could not have happened when you were there. By then, a lack of oversight of Mr Malik had developed, and he was hand-picking personal friends to be board members. I am sure that you would agree that, when any organisation, however small, is dealing with public money, it has to be accountable, because the public deserves that. Would you agree?

5.00 p.m.

[398] **Dr Austin:** Of course, I would agree. I stepped down as chair in January 2007. However, because some of the activities that have been complained about happened on my watch—I was still a member at that time of the AWEMA council, though not of the board—I made it my business to track them down, and to have many discussions with the incoming chair and the treasurer. I can say categorically that the board was aware of the salary levels. Many of the allegations made by the acting chair and the acting vice-chair were simply not substantiated by the facts. We could produce board minutes showing both members to be present when the salary structure and progressions were accepted. They were there, and we produced those board minutes for the then senior officer in the equalities unit. What we heard back from the equalities unit after six or seven months gave us a clean bill of health. We had attended to this issue. There were no bonuses, Mrs Davies; there never have been any bonuses paid.

[399] **Jocelyn Davies:** I am just quoting from case study 6.

[400] **Dr Austin:** Yes, I know.

[401] **Jocelyn Davies:** I just read out what was said.

[402] **Dr Austin:** Yes, and the case study quotes from the letters written by the acting vice-chair and the acting chair.



[403] **Jocelyn Davies:** The criticism here from the Wales Audit Office is that those allegations were not properly investigated by the Welsh Assembly Government, despite the fact that this was a matter for regulation by the Charity Commission.

[404] **Dr Austin:** I appreciate exactly what you say; I have read those words as well. All I can say to you is that, if the Welsh Government has not investigated these matters, it is not something that you can lay against AWEMA. That is the Welsh Government not doing its work. All I know is that we heard back from the then senior officer of the equalities unit, who said that the unit had no further issues to pursue. I have read that case study, and the details of what the Welsh Government had not done came as a revelation to me. However, we did not know about that.

[405] **Jocelyn Davies:** I am not suggesting that you did. We are here to take evidence from you in relation to this report.

[406] **Dr Austin:** Yes, yes.

[407] **Jocelyn Davies:** That is your view: public money needs to be carefully scrutinised, however small the organisation; governance needs to be good, regardless of what the organisation is, if it is handling public money; and the Welsh Government is there to see that that happens. Is that correct?

[408] **Dr Austin:** Yes.

[409] **Jocelyn Davies:** You resumed as chair in December, and I believe that you said that you had set caveats so that you could do so. How much contact had you had with AWEMA since you had stepped down in early 2007? My question relates to the way in which the organisation had evolved in that time, because it had been a considerable length of time—several years—and the organisation had moved on in terms of wanting to develop multicultural community facilities. It also had an increasing focus on WEFO-funded project work. How much contact did you have in those intervening years?

[410] **Dr Austin:** I attended the annual general meeting in 2007, within months of stepping down as chair, not least because this last ding-dong over the complaints that had been made about us was still going on. I did not attend future AGMs at all. I took the view that it is best to keep out of the hair of those who succeed you. What always happened, once a year, was that the chief officer would approach me, as he would approach other people, in the run-up to the election for the following council, to see whether we still wished our names to go forward. By this time, the membership was not just hand-picked; it was decided through each of the National Assembly regions. I would be asked if I wished to continue to be nominated from South Wales Central and, most importantly, would I continue to chair the membership appeal sub-committee, which was one of the council's sub-committees. In that conversation, I would be told of the developments at AWEMA, the progress being made in getting WEFO projects and all of the other projects that were applied for, some of them successfully and some not successfully, as you see listed in the Wales Audit Office report. That was the top and bottom of it. So, I had a once-a-year conversation with the chief officer.

[411] I was lobbied hard during November 2011 by council and board members to return to provide some leadership and focus to an organisation that was drifting dreadfully, and I was, frankly, appalled by the state of affairs I found. I was elected chair on 16 December and by Christmas Eve I had established that the accounts had not been done and that there were several other matters of grave consequence. I tried to take the matter up with the then trustees, who promptly resigned.

[412] **Jocelyn Davies:** So, when you agreed to resume the chair in December 2011, you say

**Comment [R4]:** For clarification: proposals for membership prior to AWEMA becoming a charity were canvassed by the chief officer and put to the Board for approval. Once AWEMA achieved charitable status membership was decided by election at the AGM to which was put nominations, gathered by the AGM convenor (the chief officer) from each of the Welsh Electoral Regions.

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that it was an organisation in a pretty poor state. Do you feel that you had full disclosure and full briefing from those who were in the know at the time?

[413] **Dr Austin:** I had no disclosure from the trustees, because they would not co-operate. I mean, not all—

[414] **Jocelyn Davies:** What about the chief officer, who had been keeping you up to date informally every year?

[415] **Dr Austin:** I was fully aware—

[416] **Jocelyn Davies:** So, everything was disclosed to you when you became the chair again.

[417] **Dr Austin:** I was fully aware from him of the state of the organisation. I had read the response that he had provided on the allegations, which had been demanded by the board and should have been discussed at the November board meeting but was not. So, he did keep me informed—I demanded to be made aware; I was not going to come into an organisation without knowing what needed to be done. So, yes, I was aware. However, was I aware of every single little thing? I would not like to swear to that, because, sometimes, you do not know enough to ask the question, do you? However, I was certainly aware of the broad sweep of things.

[418] **Jocelyn Davies:** You knew what you were taking on.

[419] **Dr Austin:** Even if all i's and t's had not been dotted and crossed, yes.

[420] **Darren Millar:** In your opening remarks, you referred to the conversation that Mr Malik had with the senior WEFO official on 29 November. What did he disclose to you, when you were coming back to the chair, about that conversation and its context? We heard earlier from the Welsh Government that it was a matter of someone being grabbed at the end of a meeting and, alongside many other people grabbing him, Mr Malik said that some allegations had been made, but he played them down. Is that the suggestion that you were given by Mr Malik? How did he describe the tenor and context of that conversation?

[421] **Dr Austin:** Let me put it into context. Nomination papers for the extraordinary general meeting on 16 December had to be out, according to our rules, by 1 or 2 December—that was the final date for them to go out. I said that I would not sign the nomination papers until the disclosure of the allegations, both financial, relating to the expenses, and of the HR variety—if I may put it like that—had been made. So, I was quite clear about that. I was told by him that an opportune moment for this conversation to take place would be on Tuesday, 29 November. I remember the date because it was a meeting that he was attending. I said that that was fine and, if he did it then, I would sign the nomination papers after that had been done. I told him what I wished to be disclosed, namely the financial allegations, most importantly, as well as the allegations regarding complaints made by members of staff, ex-members, primarily. My initial request was that it should also be told to the official in the equalities unit.

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[422] He reported back to me that the meeting had happened—yes, it was on the margins of a meeting, but I did not get the impression that it was a cup of tea somewhere; I got the impression that it was something a bit longer than that. I cross-questioned him as to what he had reported, and was told. I was also told by him that, no, he had not gone to see the equalities unit person, because he had asked the head of the ESF branch to pass that on to the head of the equalities unit. Yes, I was a bit disappointed about that; I think that that last bit of it should have been done. I also expected, I have to say, the WEFO official, having been told



this, to have done several things, one of them being to say, 'Please, chief officer, write me an account of this'. The second would be for him to have gone to his desk and written a file note for himself. These would have been prudent things to do, and I am only sorry that I did not insist that the chief officer write a file note himself.

[423] **Darren Millar:** I was going to ask: why did you take the decision to allow him to inform only verbally, rather than in writing, given the serious nature of the matter?

[424] **Dr Austin:** I wanted the information to go quickly. That is what I wanted.

[425] To be frank, Chair, I was expecting the official to go back. In retrospect, I should have insisted that the chief officer of AWEMA keep a file note himself, and I did not. By that time, I was not fully in, if you follow me—I was not in the office; I was not going in. I was still semi-detached from it. So, yes, you are right: had I been operating at my usual rigorous level, I would have insisted that a file note be kept.

[426] **Darren Millar:** However, it was agreed, in the discussion on 29 November between Mr Malik and the official from WEFO, that WEFO would communicate with the equalities unit. Obviously, that was not followed up, as we know from the report. Jenny, you want to come in.

[427] **Jenny Rathbone:** It sounds to me as though Mr Malik was being a little bit economical with the truth. There are several possible explanations for this exchange on 29 November, one being that he reported in exactly the terms that he reported back to you. Another is that he gave a much more summary version of it, which might explain why the WEFO man did not immediately pick up the phone to the equalities unit. Would you agree?

[428] **Dr Austin:** I absolutely do not agree that he was being economical with the truth with me. He has had to disclose many aspects of his conduct that he knows I disapprove of strongly. So, I do not think that he would be lying to me on any occasion, and I do not think that he has lied on any occasion. Why I am inclined to believe him is that the official took so long to finally agree that he had been told about the financial allegation. The audit office permitted me sight of the draft copy of the report about a week before it was published. At that time, I asked again for that official's memory to be checked. I had asked in May and I had asked in June, because I had two interviews with the Wales Audit Office, and each time, the answer would come back, 'No, no, no; the official does not recall ever being told about the financial allegation'. Suddenly, a week before the report is due out, he admits that he has. Perhaps, if we had left it a week longer, perhaps two weeks, he would have remembered the full extent of the conversation. No, I do not believe that I was lied to.

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[429] **Darren Millar:** Obviously, some serious allegations were made against the chief executive. I am just trying to get to grips with this issue. Do you think that it was wise, in retrospect, to expect the chief executive, against whom serious allegations had been made, to disclose them himself, rather than a third party such as yourself? As a member of the council of reference and being aware of the issues, you could have disclosed them directly.

5.15 p.m.

[430] **Dr Austin:** In the next life, I want to be an auditor too, because auditors are always right. However, while I am not, what I will say is this: who else could I have asked to have this conversation with the head of the ESF branch, who does not know me from a bar of soap and who would not have known any of the other trustees? A feature of all this is WEFO's relationship with AWEMA and the excessive confidence it placed in the finance director, who let everyone down on this matter.

[431] **Darren Millar:** To be fair—

[432] **Dr Austin:** Who else could have conveyed this? None of the other trustees were—well, how could I have approached them? At that point, I was simply in the position of being asked to become chair.

[433] **Darren Millar:** I am aware of that, I am simply asking whether it was wise, with hindsight, that you had not requested that the outgoing chair disclosed these things, or that one of the members of the trustees in whom you had confidence should not have disclosed the information, rather than Mr Malik himself, about whom the allegations have been made.

[434] **Dr Austin:** The outgoing chair, by this time, had resigned and gone away. I did not approach the vice-chair north, who was acting as chair, at that time because I was very concerned, as I had heard of the chaotic nature of the 18 November board meeting. So, I did not think that I would have much joy in approaching any of the people present at that meeting, save two trustees, both of whom were not available, as I recall, because of work and other commitments.

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[435] **Darren Millar:** I have a couple of Members who want to come in. Jenny wants to come back in, and then I will go to Mike.

[436] **Jenny Rathbone:** I want to go back to the time when you were the chair, because I failed to catch the Chair's eye during the discussion earlier. You told us that you kept a very strong eye on the chief executive's activities. However, case study 5 in the Wales Audit Office report highlights the concerns that WEFO had in 2006 about AWEMA in relation to three matters. One was its procurement processes, the second was that money that was paid in advance to AWEMA was not then passed on to organisations for which it was the interceding body, and the third was that there was ineligible expenditure, including on alcohol and claims for expenses for a foreign visit that had nothing to do with the project that was being funded. These were fairly clear concerns about the way in which AWEMA was conducting its operations. Were you aware of these concerns when you were still the chair in 2006?

[437] **Dr Austin:** I was aware of the whole discussion about not passing on the advance payments. I took serious exception to that, as I did when I realised that, in the convergence projects, the advance payments were not being passed on. It seemed to me absolutely wrong that we should not be passing on advance payments if we had received them. We were a bit stymied on that occasion because our auditors took the view that, if an advance payment was paid out to a partner, and if, when the expenditure of that partner in terms of claims was assessed, some of that expenditure was ineligible, or deemed to be ineligible by WEFO, then AWEMA would stand to lose out, because we would have paid it out. So, there was that technical point. It is also the case that we were told then that a conversation about advance payments had gone on between the finance director and WEFO. For reasons that I do not fully understand, it was the finance director who did everything in relation to WEFO—all the processing of claims and all the rest of it. He managed all of that and reported back, I think, to the chief executive. On the ineligible expenditure, I do not think that I can help you, except to say that, yes, there were times when expenditure was claimed and it was ineligible. However, as I read in the audit office report, there was no evidence of systemic overclaiming in this regard. So, yes, it would happen from time to time. It happened again and you live with it. A decision is made by WEFO. There is no appeal against its decision; you just have to live with it. I have forgotten the other part.

Comment [R5]: i.e. the 2006 EQUAL occasion

Comment [R6]: ... and bear the loss.

[438] **Jenny Rathbone:** The other part was about the procurement process.

[439] **Dr Austin:** Yes, thank you. For some reason, personal credit cards were used to purchase small items of equipment, which I thought was appalling. So I insisted on a

company card being acquired and used. It then fell out of use, so, by the time I came back, I found that AWEMA no longer had a credit card and that expenses were being claimed for the purchase of laptops and PCs. It was absolutely atrocious.

[440] **Jenny Rathbone:** This was referring to procurement and tendering, so it would not have been about laptops. It involved external evaluators, so it was about slightly more expensive items than laptops.

[441] **Dr Austin:** There was always concern about tendering processes. Mind you, I have served on local health boards that have had problems with tendering processes as well. They are always an issue and a challenge. You must keep within the European Union guidance on tendering and so on. So, I am not surprised. What action did I take as chair? Day-to-day operations on this matter are for the chief executive. In my regular supervision of him, I insisted that he told me about the major items, and I suppose that I was told about the major items that were being discussed. My assumption, once I had given my guidance on, for example—

**Comment [R7]:** ... which is constantly changing

[442] **Jenny Rathbone:** The credit cards.

[443] **Dr Austin:** Yes—my assumption was then that it would proceed.

[444] **Jenny Rathbone:** However, you never directly heard from WEFO about its concerns—

[445] **Dr Austin:** WEFO has no relationship with members, ever.

[446] **Darren Millar:** Mike wants to come in.

[447] **Mike Hedges:** I have two points. First, when Mr Malik had that conversation, what I would have expected him to do—it is what I would have done—is send an e-mail to the person concerned relating the conversation, copying you in as chair. Also, on procurement, why did you not use a system whereby you purchased things and got invoices?

[448] **Dr Austin:** You are right about the purchasing system. We did have that system after the 2002 David Richards review, as I call it. Purchasing systems were put in place whereby we had invoices and so on. Of course, that is the proper way to proceed. On your first point to do with why a file note was not kept or an e-mail sent, again, you are absolutely right. I do not know why an e-mail was not sent. I would have sent an e-mail. I did send e-mails when I did such things.

[449] **Jocelyn Davies:** May I ask a question on this?

[450] **Darren Millar:** Of course.

[451] **Jocelyn Davies:** When you were asked why you did not do the informing about the allegations you said that it was because you did not know them. Why do you need to know someone in the Welsh Assembly Government or WEFO in order to inform them of something? Why do you need to know them? Why are these things done on an informal basis, without e-mails, without letters, without your being copied in? At that point, when you were saying that the condition on which you would come back as chair was that this was sorted, you were not even being copied in and you had to take someone's word that they had had a chat on the periphery of a meeting with the person concerned, and then that person is blamed for not having perfect recall of that. Why do you need to know someone in order to inform them of something?

[452] **Dr Austin:** Officials are officials and they should follow good administrative practice. It is for officials to keep file notes of conversations, particularly important conversations. Yes, I agree that I should have insisted that the chief officer also kept a file note, and I did not. At the time, I was not in any office at AWEMA. I was very careful not to be stepping on the toes of any of the trustees of AWEMA. I was the incoming chair or, at least, it was hoped that I would be the incoming chair, because I had been lobbied to come in. I did not approach anyone at WEFO. I am not shy about approaching officials, but I feel that I need some standing or locus before I approach officials. Otherwise, officials have no reason to speak with me; I do not know why you are surprised at that.

[453] **Darren Millar:** You were a member of the AWEMA council, were you not, so, in that capacity, you had a standing within the organisation—and you were a former chair.

[454] **Dr Austin:** I was a member of the council who had not attended any annual general meetings in four years.

[455] **Darren Millar:** But you were a former chair, a member of the council and hoping to be the incoming chair of this organisation.

[456] **Dr Austin:** I was a former chair, which was five years earlier. I will say again that the head of that branch did not know me. If I had rung him to ask, 'Have you had this conversation?' he would quite rightly ask, 'Who are you? Where are your credentials? Prove yourself to me'. No, I am not going to be doing any of that. He would—

[457] **Darren Millar:** You could have explained your capacity as someone who was a member of the AWEMA council, a former chair, and hoping to be incoming chair, and that you were concerned about this and wanted it to be addressed.

[458] **Dr Austin:** Well, I did not—

[459] **Jocelyn Davies:** I still do not understand why this was done informally. You were insisting that the disclosure happen or you were not coming back as chair. You set that as the condition, the caveat, and Mr Malik was told that he had to inform WEFO, but not even by letter and copied to you—he was just to go along to tell WEFO. It was important enough that you set it as a caveat or you would not return, but you had no absolutely no proof whatsoever that it happened.

[460] **Dr Austin:** Is there a question there?

[461] **Jocelyn Davies:** Yes, there is a question, actually: do you think that that was appropriate?

[462] **Dr Austin:** I can only tell you that that is what I did. I have also said, in retrospect, with the benefit of 20/20 hindsight, I would have insisted that the chief officer write a confirming e-mail. I do not think that it was appropriate for me, at that stage, in those circumstances, to make a confirming phone call, and I cannot help you any more than that.

[463] **Darren Millar:** Okay. Oscar wants to come in, and then we will go to Jenny.

[464] **Mohammad Asghar:** Thank you, Dr Austin. I think that you made a very interesting statement. You used words like 'very poor leadership' 'very difficult relationship with local AM'—and you know, with the funding coming from these sorts of organisations, you should have very cordial relations with local AMs. My question to you is: what was your relationship with or understanding of Mr Naz Malik during the five years you were there? There were quite a few alarm bells ringing, but why was no action taken? Were you not aware of them?

[465] **Dr Austin:** It is a feature of the Wales Audit Office report and how it is constructed that all the negatives about AWEMA appear in one section and all the positive work that AWEMA does—the audit office has not evaluated the work, but it lists all the positive achievements—appears somewhere else. In reality, the position was different. When criticisms were made of us to whoever—and there were plenty, given the jealousies in the field—and they came to our notice, we attended to them, but that was balanced by, at the same time, good work being done by us, and nobody complaining about a new set of funding that we had achieved or a new bit of work that we had done. The reality is that the negative bits of AWEMA went hand in hand with the positive bits of AWEMA. Yes, you can sit here and check off all the areas where the WAO report says that we were not doing anything very much.

[466] What was my relationship with Mr Malik? A very robust working relationship. I am not his friend; I never have been. Our families do not know each other. I guess I have had a social occasion with him and his family once in 12 years.

[467] **Mohammad Asghar:** How could you run an organisation if the relationship between the chair and the chief executive was no good?

[468] **Dr Austin:** The working relationship between—

[469] **Mohammad Asghar:** You just said that there was no good relationship, so how could you run an organisation for public service when the relationship between the chair and the chief executive was not very good?

5.30 p.m.

[470] **Dr Austin:** That is not what I said, Mr Asghar. The relationship between me and the chief executive was a robust working relationship. I would not have remained as chair for five years if it had not been. He was very skilled at being an entrepreneur and getting funding. He was doing work for and in association with the BME groups and communities, which I could not see many BME groups in Wales doing.

[471] **Mohammad Asghar:** Do you appreciate the work that he has done?

[472] **Dr Austin:** Of course I appreciate his work and what he has done.

[473] **Jenny Rathbone:** I want to move us on to the internal audit report. You said at the beginning that you are very unhappy about the remarks of the Permanent Secretary to the Public Accounts Committee and the launch of the report. I am struggling to understand how, once the allegations had been made by the finance director on 19 December, it would not have been necessary to conduct some sort of internal audit of AWEMA's financial situation, given the seriousness of the allegation.

[474] **Dr Austin:** I had no objection to that audit being conducted. The scope of it was agreed with us; I think I received the scoping document on 9 January. It is important to note that the IA report was not replicating any other work; it focused on financial control and governance, which is what it should have done. By the time Christmas ~~E~~ye arrived, I was concerned with the financial control and governance, and once I knew that the accounts had not been done, I was concerned about ~~that~~ as well. So, I had no difficulty at all with the IA report being conducted. However, I have difficulty with its accuracy. I was first interviewed on 6 January, when I went in for what I hoped was a meet and greet. However, I ended up with the Spanish inquisition: I was faced by three people from the internal audit team, who grilled me for two hours. I called a halt to it at the end of those two hours.

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[475] They kept insisting that they had only heard about all of this on 19 December, and I was just as insistent and clear that the chief officer had made this disclosure on 29 November. Prior to this meeting, I asked the head of internal audit to ask his senior manager, who was taking notes on 6 January, to check her records, and there in her records is a note that I had asked the chief officer to make this disclosure to the official. So, my questions are: why did she not chase this assertion and why did she not ask the official whether the chief officer had, in fact, made these disclosures to her? However, nothing of that sort was done.

[476] So, in terms of factual accuracy, I completely disputed that first paragraph. I was interested, while listening to his evidence, to hear that he normally sends reports out to be checked for factual accuracy—or at least I thought that that was what he said.

[477] **Jenny Rathbone:** Yes, he did.

[478] **Dr Austin:** So, I was very concerned that it had not been checked for factual accuracy. Coming to the end of this, after your Public Accounts Committee meeting at the end of January and the Permanent Secretary's remarks, I rang the senior manager. I can tell you that, during the course of that review, I must have rung either the senior manager or the head of internal audit every other day, or sent them even more memoranda about what I had discovered with regard to the accounts, including, for example, the whole gym membership bit. They did not discover all of that; we discovered all of that, as we were looking through the cheque-book stubs and so on, and we sent that information in. Of course it was going to be a critical report; we had contributed most of the criticism ourselves. So, we should have been asked to correct the report for factual accuracy and, if he did not agree with that, then he could have said so in his final report. That is his prerogative so to do.

[479] The other point with regard to the IA report is why it went for the nuclear option. Did I hear him correctly that he only gave that report to the funding department on 9 February, the day it was published? How can that be? This is the date of its letters to me that terminate the funding. So, at the very least, the funding department must have had the report a few days earlier in order to make up its mind to terminate our funding, but with absolutely no notice whatsoever.

[480] I believed then and I still believe now that the changes that I and the remaining trustees had effected with regard to financial control, personnel services and so on, were sufficient to demonstrate that we could turn the organisation around. At the very least, if it was not the job of the internal audit service to make that evaluation, as the Wales Audit Office report believes, it should have asked the funding department explicitly to consider whether AWEMA could remedy the deficiencies. That is what I call transparent decision making. We do not have that in the case of the IAS report or in the funding departments' decisions. I heard Huw Brodie assert yet again this afternoon that AWEMA could not be capable of remedy. I think that that needs to be demonstrated, because there is no corporate evidence—you have heard it yourself all afternoon—of AWEMA being a failing organisation. That evaluation has never been done, so I think that it was owed; an explicit analysis should have been done. There has not been—

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[481] **Darren Millar:** I am sorry to interrupt people, but I am very conscious of the time, and it is important that we get the questions that we want to ask and the responses from Dr Austin on the record. I ask for brief questions and brief responses between now and the end of the meeting.

[482] **Jenny Rathbone:** How could it have been possible to re-establish public trust in AWEMA without having a complete change of senior management?

[483] **Dr Austin:** That could have been a condition. What happens after an audit is that you get an action plan and a time-limited frame in which to respond to it. If you do not do it, you go.

[484] **Darren Millar:** There have, of course, been other reports with clear action plans and timescales that were not fulfilled. That is part of the problem here—it is the history that went with the organisation and the history that the Welsh Government had of the organisation, which made it feel that it had to go for what you described as the nuclear option.

[485] **Dr Austin:** Those reports and action plans may have been in the desks of officials, but they were never communicated to AWEMA. Our feet were never held to the fire to respond to an action plan on development. If it was, I am sure that colleagues in the Wales Audit Office would have discovered it.

[486] **Darren Millar:** I think that they have held their hands up and said that they failed to follow up on any of the monitoring.

[487] **Dr Austin:** They did; our feet were not held to the fire on this. I agree that if it was deemed important, it should have been done.

[488] **Darren Millar:** I agree, as I am sure that committee members will agree that your feet should have been held to the fire about implementing the recommendations in other reports that had been drawn together based on the experiences there. However, that did not happen and that is what we need to get on the record.

[489] **Jocelyn Davies:** You will know that that report identified weaknesses in governance and financial management. Where does the blame lie for that?

[490] **Dr Austin:** With regard to financial control and governance, the blame lies equally in three places. The blame lies essentially with the finance director for not doing the accounts. It is a pity that he did not bring that to the notice of the world and his wife. He did not do the accounts. He was trained to do the accounts, every previous year he had done the accounts, and he was paid a lot of money to do his job. He did not do it.

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[491] The blame lies with the chief executive for not supervising the accounts and ensuring that the accounts were done, although he has told me and I have seen evidence in numerous e-mails from the finance director to the treasurer that the accounts were about to be ready.

[492] Thirdly, the blame lies with the trustees because they, all too easily, allowed themselves to accept what the finance director was saying without demanding written evidence. However, the blame also lies with the funders who, through their performance in monitoring, should have been able to pick up where the accounts were or were not.

**Comment [R8]:** Two points for further clarification: AWEMA invested something in the region of £10k to complete the FD's training to full qualification. Second, the FD accompanied the chief officer to all meetings with WEFO concerning the contract. So he would have been fully aware that not keeping proper statutory and management accounts would put AWEMA in breach of the Terms of the Agreement with WEFO (and WG).

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[493] **Jocelyn Davies:** The report concluded that these failings permeated the whole of the organisation and suggested that the trustees, including the chief executive officer, had little regard for the recognised standards in public life and the full range of their statutory responsibilities under charity and company legislation. Do you think that it might be slightly difficult for the Welsh Assembly Government to continue to fund an organisation that is described in those words?

[494] **Dr Austin:** I am saying that the decision making by the funding departments, which underpinned a decision to terminate funding, should have been made transparent. We should have been able to see it. The decision at the end may have been the same. I have no idea whether it would have been the same. However, at the time of the funding departments making that decision, knowing what they knew of all the previous history, knowing that much



of the blame must have lain with them for not attending to these matters ahead of time and knowing that, in the immediate previous years, accounts had always been done and so forth, we should have had an explicit analysis of why AWEMA, under its new chair—me—and under its new leadership, given the evidence that I had submitted to the IAS team, about all of the improvements that I was trying to effect in governance, was not going to be up to the job. All I am asking for is the transparency of that decision making and not a simple assertion with absolutely no understanding of the statutory requirements that fell on AWEMA with regard to its employees, project beneficiaries and creditors. There was no understanding of any of that even though I had specifically written to Mr Brodie to say that we had these statutory requirements and obligations and required some assistance with them. He would not even consider it.

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[495] I think that we are owed an explicit analysis of this. I do not care who did it. If the IAS staff were not the right people to do it, the funders should have been asked to do it. The decision might have been the same.

[496] **Darren Millar:** It is interesting, Dr Austin, as we heard from the Big Lottery Fund earlier, which came to the same conclusion. Did you feel that you had had a transparent decision from the Big Lottery Fund?

[497] **Dr Austin:** We always did. For some of the evidence, I had to sit outside, so I did not hear all of the evidence provided. However, from the evidence that I did hear, Mr Rose was quite right in saying that a withdrawal letter was sent with a whole set of reasons as to why it was being withdrawn, and it was up to us to demonstrate why it should not be. He is right; it was not responded to at the time, simply because there was no time. I had many other things to do. I was voluntary, unpaid, and down there two or three days a week trying to keep my hand on all of the things that needed to happen. It was not responded to because I think that, when we received that withdrawal letter, we decided that there was no point in challenging any of this if we were not going to exist as an organisation. So, we did not respond. However, we did respond to the final letter saying, 'You have not responded, so we have decided now to curtail it', and this was some two or three days just before the organisation closed. That is a much better way of doing it; it is much more explicit.

[498] **Mike Hedges:** I wish to turn to the issue of the three WEFO-funded convergence programme projects. How much scrutiny did the AWEMA board give to delivering these projects? We know that, financially, they went quite badly wrong. I am told by the audit office that there were problems.

[499] **Dr Austin:** There might have been problems with them, but I do not accept that, financially, they went badly wrong. That is not how I read the Wales Audit Office report. You are asking me what attention the board gave to it. Well, I will speak more about the EQUAL project, because I was not on the board.

**Comment [R9]:** For clarification: ... when the Convergence projects began

5.45 p.m.

he practice has always been that, apart from a chief officer's report, which I used to insist on at board meetings and which would summarise what had been done since the last board meeting, I would organise specific days to get a briefing on the EQUAL projects. Unfortunately, I do not think that that happened with the convergence projects. I do not think that that practice was still in place. So, what did the board know about the convergence projects? It would have been the reports made to it by the chief officer. I chaired only four board meetings since I became chair again. We had other things to deal with.

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[500] **Mike Hedges:** Sorry, but I have spent a long time being a member of a board of governors of a college, which is a similar type of voluntary body, where people come along. It



would have a sub-committee and we would get reports on major projects that were taking place, and the college board would expect that information. Was that not expected within AWEMA?

[501] **Dr Austin:** What I am saying is that, with regard to the EQUAL projects, while I was chair, for three or perhaps two and a half years, we did have those reports. With regard to the convergence projects, one started in 2009, when I was not there, and another started in 2010—I think that I have this right—when, again, I was not there. By the time I was there in 2011, to be frank, the four board meetings that I chaired had existential problems before it, more than project management problems.

[502] **Mohammad Asghar:** What discussions did you have with the Big Lottery Fund about the advocacy services for older people project, against the backdrop of the joint internal audit service investigation?

[503] **Dr Austin:** Very little, personally. There was quite a conversation that went on between the chief officer and the finance director who were battling for AWEMA on the advocacy for elders project. I read up on it, of course, when I became chair. I read the file on it, and I had to respond on it for the later stages. One of those projects, as you heard earlier, was fully expended. We did what we had to do on the business plan and it was written and signed off. On the second of the projects, £5,000, which was initial money that was released to us to meet some development costs, we expended on a recruitment process and on some travel to a training function in London, I think. It was the balance of that £5,000 that I finally wrote back to them on, two or three days before the organisation closed.

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[504] **Mohammad Asghar:** Were you clear about the Welsh Government's expectations regarding the necessary expenditure after the point at which the Welsh Government announced the termination of the funding?

[505] **Dr Austin:** Yes, well, the letter of 9 February more or less said that we were not to spend any more money. Our salary run is paid on the fifteenth, so the salary processes were beginning. I was ringing Mr Brodie from the crack of dawn on the 10<sup>th</sup> to ask whether I could pay the salaries. I never got a reply from him until very late in the day when he said that another letter was on its way to me, by which time it was far too late to do anything to stop the salaries. So, yes, I was left in a very difficult position, because I had no idea what to do. The first letter tells you that you cannot spend any money, and only the second letter on the tenth—which I got on whatever that Monday was, the 13<sup>th</sup>—I suppose, although he did e-mail it to me as well—suggested that he was not going to stand in the way of 'normal running costs', which is what I think he said. However, to be frank, for most of my advice about what we should or could spend, I relied on the liquidators, the insolvency practitioners, once they were appointed. They were absolutely clear as to what could be spent and what could not be spent, and I followed their advice to the letter.

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[506] **Darren Millar:** So, it was their advice, rather than any clarity from the Welsh Government, that enabled you to see through the final days of the organisation.

[507] **Dr Austin:** There was no orderly closure.

[508] **Darren Millar:** In closing, I want to ask one final question. You have been very robust this afternoon. We have appreciated the evidence that you have given and enabled us to put on the record for our inquiry. I want to give you the opportunity to say, if there were three or four specific lessons that you feel the Welsh Government must learn from this whole process, what would they be? What are your top three or four lessons, although I am sure that you have more?

[509] **Dr Austin:** You must forgive me, Chair, as I cannot think. I am far too tired. I have written the lessons that are to be learned in this document, and I will get that to the clerk tomorrow. I would be grateful if it could be passed around and read by all members of the committee. I do have lessons that could be learned, which you have not heard about, and I would be sorry if they were not heard. However, I simply do not have the strength to say anything else.

[510] **Darren Millar:** Okay. With your permission, we would like to publish that paper for the record.

[511] **Dr Austin:** I would want you to do so. I will even tidy up the grammar in it. *[Laughter.]*

[512] **Darren Millar:** It must be as bad as mine.

[513] I thank you, Dr Austin, for your attendance today. We appreciate your coming before the committee to share some of your thoughts and to answer our questions. Thank you very much indeed. You will be sent a copy of the transcript of today's proceedings. Please feel free to contact the clerks if there are matters of accuracy that need to be addressed within it.

5.51 p.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r  
Cyfarfod  
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from  
the Meeting**

[514] **Darren Millar:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42.*

[515] I see that there are no objections. Thank you. I ask that the public gallery be cleared.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 5.51 p.m.  
The public part of the meeting ended at 5.51 p.m.*