



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

Y Pwyllgor Cyfrifon Cyhoeddus: Grŵp Gorchwyl a Gorffen **The Public Accounts Committee: Task and Finish Group**

Dydd Mawrth, 11 Hydref 2011
Tuesday, 11 October 2011

Cynnwys **Contents**

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

Cylch Gorchwyl y Grŵp Gorchwyl a Gorffen i Ystyried Materion Llywodraethu ac
Atebolrwydd mewn cysylltiad ag Archwilydd Cyffredinol Cymru
Terms of Reference for the Task and Finish Group to Consider Matters of Governance and
Accountability in relation to the Auditor General for Wales

Amcangyfrif o Incwm a Gwariant Swyddfa Archwilio Cymru
Estimate of Income and Expenditure of the Wales Audit Office

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Ann-Marie Harkin	Cyfarwyddwr Grŵp – Adnoddau, Swyddfa Archwilio Cymru Group Director – Resources, Wales Audit Office
Matthew Hockridge	Cynghorydd Datblygu Busnes a Pholisi, Swyddfa Archwilio Cymru Business Development and Policy Adviser, Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kevin Thomas	Archwilydd Cyffredinol Cynorthwyol, Swyddfa Archwilio Cymru Assistant Auditor General, Wales Audit Office

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Bethan Webber	Clerc Clerk

Dechreuodd y cyfarfod am 8.59 a.m.
The meeting began at 8.59 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everyone, and welcome to the first meeting of the Public Accounts Committee Task and Finish Group. I remind everyone that you are welcome to speak in English or Welsh, as is your preference, and that headsets are available for verbatim translation on channel 1 and for amplification on channel 0. I encourage Members and witnesses to switch off their mobile phones and BlackBerrys, because they can interfere with the broadcasting equipment. If the fire alarm sounds, then we should follow the instructions of the ushers so that we can keep ourselves safe. There are no apologies or substitutions for this morning's meeting.

9.00 a.m.

**Cylch Gorchwyl y Grŵp Gorchwyl a Gorffen i Ystyried Materion
Llywodraethu ac Atebolrwydd mewn cysylltiad ag Archwilydd Cyffredinol
Cymru**

**Terms of Reference for the Task and Finish Group to Consider Matters of
Governance and Accountability in relation to the Auditor General for Wales**

[2] **Darren Millar:** A paper has been circulated to Members of the task and finish group for this item. I am looking for Members to agree that it is an appropriate set of terms of reference. I see that Members are in agreement.

**Amcangyfrif o Incwm a Gwariant Swyddfa Archwilio Cymru
Estimate of Income and Expenditure of the Wales Audit Office**

[3] **Darren Millar:** I would like to invite to the table the Auditor General for Wales, Huw Vaughan Thomas; Kevin Thomas, the assistant auditor general, and my constituent; Ann-Marie Harkin, director of the resources group; and Matthew Hockridge, business development and policy adviser. I will invite Members to put questions to the auditor general, but first I will invite him to give us an overview of the paper that he has kindly provided to us. Over to you.

[4] **Mr H. Thomas:** Given the remit of the group, it is appropriate that, in the first meeting, you look to the future and consider my annual estimate in order to report it on to the main Public Accounts Committee. I think that this estimate paper demonstrates an effective response to financial constraints. Taken together from the annual report and accounts for 2010-11, the supplementary estimate for 2011-12 and this estimate paper, one sees that there has clearly been a dramatic overall reduction in the Wales Audit Office's level of resources. I would ask Members to note that, on a cumulative basis, between 2009-10 and 2012-13, the year of this paper, we will have seen a real-terms reduction in total annual expenditure of close to 25 per cent. I think that it is right that we should have so reduced, alongside all other public bodies, as we are having to operate in a drastically altered economic climate. Obviously, we have also had to correct errors in the way that we had previously prepared our annual accounts. As you know, I have seen it as essential that the Wales Audit Office should drive hard to achieve and consolidate real-terms savings. I would like to acknowledge publicly on this occasion the efforts of my staff in securing these efficiencies and, at the same time, continuing to drive for excellence in delivery and financial management.

[5] We have not just driven the expenditure down; we have also been driving down the fees that we charge to our audited bodies by nearly 25 per cent. Clearly, expenditure and fees are closely related. However, as I make clear in this estimates paper, the scope for further reductions is limited and it needs to reflect an increasingly risk-based targeting of our work. Where we can have confidence in individual bodies' internal governance and improvement processes, including internal audit and self-assessment, then fees can still be reduced. However, where additional work is required, because of poor performance, inadequate self-assessment or a lack of response to the requirements of external scrutiny, I will not hesitate to levy fee increases or seek additional funding.

[6] At the last meeting, one of your colleagues expressed a strong view that we should preserve the right balance between economy and effectiveness. I can assure you that I am determined that our drive for economy will never compromise the necessary impact of our work. However, in presenting estimates, there are always two choices. The first I remember well from my early days in the civil service—you add a healthy margin of error to all your line items and you ask for more funds than you think you will need. Then, at least, you can make a virtue of returning surplus funds to Parliament. That was one strategy. The second strategy, which I have adopted, is to estimate tightly and, if necessary, at a later date, to

appear and argue the case for why supplementary resources are required. As you will see from the paper, there are three areas where that might occur. The first would be if we get an unfavourable decision regarding VAT. The second would depend on what the legislation will be to accompany the demise of the Audit Commission and its implications on us. The third would be clarification of what might be required from the Wales Audit Office as part of the forthcoming collaboration and audit legislation that is to go through the Assembly. They are the three aspects for which I was never supplied a crystal ball sufficient to say what will be on the other side of those decisions. Therefore, I have decided to leave them out in estimating and presenting the accounts to you. With that as an introduction, I await your questions.

[7] **Darren Millar:** Thank you very much indeed, Huw. This is a pretty significant reduction in what you are asking for in this year compared to 2011-12. You say that you have looked at the budget in a very tight way that may mean you will need to come back in future. Are you sure you are not putting yourself in a straitjacket as far as the need to pursue the value-for-money exercises that you undertake across the public sector is concerned? Is this too tight a straitjacket to put on?

[8] **Mr H. Thomas:** I do not think that we can make it any tighter—let us put it that way. I think that I have presented a very tight estimate. I am confident that we have the resources that would allow us to deliver our current work. If the nature of the demands on us changes, as I have already indicated, I may well need to come back and say that the consequence of this bit of legislation is that we will need a supplementary estimate. If you consider that this is too tight in a sense, I can say that we have gone through this estimate and worked out the implications of the fee charging and what we will require. We have looked at how much we will be seeking to levy from individual audited bodies, and we have looked at the cost of providing the current schedule of work in terms of value for money. We have taken all of those into account, but I acknowledge that it is tight.

[9] **Darren Millar:** So, it is not going to impinge on the quality of the work undertaken by the WAO. That is the fundamental question here, is it not? Is it going to affect the quality of your work?

[10] **Mr H. Thomas:** I would be grateful for the views of my two colleagues who, in a sense, are controlling the purse strings for me.

[11] **Darren Millar:** Ann-Marie?

[12] **Ms Harkin:** I do not think there will be any compromise in the quality of our work. However, as Huw has said, it is tight and it is going to mean people working efficiently. The staff are all aware of that and very keen to do that.

[13] **Darren Millar:** Okay, thank you. Does anyone else wish to ask some questions?

[14] **Leanne Wood:** How much of the reduction in expenditure and fee income is due to the restructuring of the NHS bodies? There are fewer than there were before.

[15] **Mr H. Thomas:** We worked through that in terms of our audit fees two years ago. So, again, I think that it was reduced by roughly a quarter.

[16] **Mr Hockridge:** Yes, it was something like that. There is an expectation that NHS fee income will reduce further, to a degree, in 2012-13 as a result of NHS reconfiguration embedding. As you rightly say, when you look at the fee reduction graph, you can see that one of the key contributors to that was a reduction in NHS fee income as a result of restructuring. There are other factors as well. We have altered our strategy with regard to local government grant certification and Huw has recently adjusted his strategy on

performance improvement assessment work in local government. However, one of the key contributors is the reconfiguration of the NHS.

[17] **Leanne Wood:** Have you planned in your forward look for possible changes to local government organisation resulting in fewer local authorities?

[18] **Mr H. Thomas:** The chances of that happening within the financial year we are looking at are very remote, and therefore I am not taking that into account. However, clearly, if there is a change in the number of bodies we audit, that changes our workload. There would be adjustments in the year that that took place.

[19] **Darren Millar:** One area of additional spending is the governance committee. I can see that there is £40,000 allocated for that. On what basis did you arrive at that particular allocation?

[20] **Mr H. Thomas:** It is a straightforward allocation with regard to the number of people who we employ as non-executives to be engaged in the governance of the Wales Audit Office. I will also be taking advantage of the fact that there will be a change in my governance arrangements as a result of the audit Bill. Whichever model that you go for will require greater non-executive input and we will be using our existing non-executives as a means of modelling the new arrangements on a shadow basis, so that when the final appointments are made, we will have already, in a sense, tried the arrangements out—we will know what the pitfalls are and we will have the standing orders and so on ready. So, the £40,000 is a straightforward calculation of how much it costs us to have the non-executives engaged.

[21] **Darren Millar:** So, with regard to the non-executive remuneration, that is in line with other parts of the public sector, is it not?

[22] **Mr H. Thomas:** Yes, it is. We set it on that basis. We basically looked across the public sector at how much a non-executive was paid and applied that to our recruitment process.

[23] **Aled Roberts:** Yr wyf am symud ymlaen at y ffioedd. Mae'r amcangyfrifiad hwn wedi'i seilio ar y ffaith bod gostyngiad o tua 5 y cant yn lefel y ffioedd sy'n mynd i gael eu codi. Pryd fydd y penderfyniad hwnnw'n cael ei wneud?

Aled Roberts: I want to move on to the fees. This estimate is based on the fact that there is a decrease of about 5 per cent on the level of fees that will be raised. When will that decision be made?

[24] **Mr H. Thomas:** Ar hyn o bryd, yr hyn sy'n digwydd bob blwyddyn, bron ar yr un adeg â chyflwyno'r amcangyfrifon hyn, yw fy mod yn ysgrifennu at lywodraeth leol a chyrrff eraill yn gosod allan graddfa'r ffioedd y byddaf yn eu codi. Bydd y llythyrau hynny'n mynd allan erbyn diwedd y mis, ac ynddynt byddaf yn gosod allan yr hyn yr wyf yn bwriadu ei godi. Bydd trafodaeth wedyn yn digwydd rhwng y gwahanol gyrff a ninnau. Pan wyf yn sôn am ostyngiad o 5 y cant, yr wyf yn sôn am gyrff sy'n gweithio'n foddhaol, sydd â threfniadau mewnol y gallwn ymddiried ynddynt ar waith, ac, o ganlyniad, gallaf weld bod modd cael

Mr H. Thomas: At present, what happens annually, virtually at the same time as these estimates are presented, is that I write to local government and other bodies setting out the scale of fees that I will charge. Those letters will be issued by the end of the month, and in those letters I will be setting out what I intend to charge. There is then a discussion between the various organisations and us. When I talk about a reduction of 5 per cent, I am talking about bodies that are working satisfactorily, which have internal arrangements in place that can be trusted, and, therefore, as a result, I can see that there is a means of having a reduction of around 5 per cent.

gostyngiad o tua 5 y cant.

[25] **Aled Roberts:** Credaf fod yr amcangyfrif hefyd wedi ei seilio ar y ffaith bod grantiau yn mynd i ostwng tua 4 y cant i lywodraeth leol yn arbennig. Beth yw eich ymateb i hynny wedi'r gyllideb ddrafft yr wythnos diwethaf? A yw hynny'n agos at y ffigur sydd yn eich meddwl chi?

Aled Roberts: I believe that the estimate is also based on the fact that grants will reduce by about 4 per cent for local government in particular. What is your response to that following last week's draft budget? Is that anywhere near the figure that you had in mind?

[26] **Mr H. Thomas:** Yr hyn yr ydych yn cyfeirio ato yw'r grant y mae'r Llywodraeth yn ei dalu i lywodraeth leol. Y llynedd, bu gostyngiad i'r grant o 25 y cant, ac yr ydym yn gweithio yn ôl y ffigurau sydd yn y gyllideb ar hyn o bryd.

Mr H. Thomas: What you are referring to is the grant that the Government pays to local government. Last year, there was a reduction in the grant of 25 per cent, and we are working to the figures currently contained within the budget.

[27] **Darren Millar:** You referred to possible changes that will arise as a result of the audit Bill. There are also some legislative changes at Westminster that may affect your work, certainly with regard to the housing benefit side of things. We have received information in the past that has suggested your intention of developing some Wales-specific housing benefit software, and that the anticipated cost of that will be around £40,000 in the 2012-13 financial year, with annual maintenance costs of £10,000 thereafter. Are you confident that you will be able to achieve the development of that inspection software within the £40,000 budget? In my experience, all IT projects seem to go way over budget and never quite deliver what they were anticipated to deliver.

[28] **Mr H. Thomas:** We do not intend to develop completely new software. As stated, there are already UK systems in place, and we are looking at what is required to tailor them to the needs of Wales, on the assumption that the UK-wide element disappears as a result of the legislative changes. Much depends on the extent to which there will be a pick-up at a UK level of this kind of work and whether we can continue to buy into it. It is prudent at this stage to assume that we will probably have to tailor that work for Wales, but as I said, it is about adapting rather than creating.

9.15 a.m.

[29] **Darren Millar:** Do you think that that is a sufficient sum of money to be able to adapt it to Welsh needs?

[30] **Mr K. Thomas:** That is the best estimate that we have at this stage, as the auditor general said, and we have a good baseline from which to work and a knowledge and understanding of the sort of work that would be involved in tailoring that software for our needs, and we estimate that it should be in that region.

[31] **Darren Millar:** In terms of any other areas of collaboration with the National Audit Office, when the Audit Commission goes—you are doing some work with it at the moment—how will that impinge upon your work? Are there any other provisions that you need to put in place within your accounts to mop up any additional work, whether it is IT or any other matters that might result from that?

[32] **Mr H. Thomas:** Again, we are back in a sense to the fundamental choice that I have in preparing the estimates: I could, as of now, be starting to say, 'Well, look, I think on a contingency basis I ought to put in another £100,000 to cover anything that might happen'. We know in certain areas, and I have provided for that; where I do not know, I have decided

not to provide—

[33] **Darren Millar:** That was not an area identified—

[34] **Mr H. Thomas:** That is the case. In November, the Comptroller and Auditor General and the country auditors general are meeting so that we can start talking about the future and what kind of collaboration regime we are likely to have. That will give me a far better idea of the kind of sharing that will apply in the future and therefore the kind of financial provision that will be required. My difficulty is that I have to provide you with an estimate now and that relates in an uncertain category. As I said, the choice that I have very clearly is whether I add in a margin for this or leave it out, and I have taken the decision to leave it out. You could press me and say, 'Write it in', but I have no way of knowing whether that £100,000 is right or wrong.

[35] **Darren Millar:** Why are you meeting next month? Why did you not meet earlier before you put this paper to us?

[36] **Mr H. Thomas:** The meeting is not entirely in my control, I am afraid. The timing is dictated by the NAO.

[37] **Darren Millar:** I take it that you have had some discussions with them already.

[38] **Mr H. Thomas:** We have had some discussions, which is why I am putting in what I have put in, but the consequences of the Audit Commission's demise, and the extent of the work that will need to be picked up by the four countries, is significant. With regard to exactly how that is going to be shared out, it may be that the NAO will choose to do more and we will continue, in a sense, to buy into its activities or we may need to replicate the work. At this stage, I have no way of being able to say that it is definitely one or the other.

[39] **Leanne Wood:** With regard to the voluntary severance scheme, you are hoping to accrue £200,000-worth of savings, but that is obviously dependent on sufficient staff being released within the scheme. If you are not able to make those savings, what will the impact on the budget be?

[40] **Mr K. Thomas:** Our expenditure would go up by between £200,000 and £400,000 per annum. That would be the net annual impact of not being able to release those members of staff.

[41] **Leanne Wood:** What will that mean in terms of services?

[42] **Mr K. Thomas:** It will make it difficult to achieve the level of savings that we are projecting going forward, and we would have to decide how best to fund that. The alternative is to potentially look for savings elsewhere, although, as the auditor general said previously, we have embarked on a very significant savings and efficiency regime over the past few years, and although we have been very successful in delivering against that, there is probably not an awful lot left to trim.

[43] **Darren Millar:** Can you just touch on the value added tax issue? I know that you are exploring with Her Majesty's Revenue and Customs the current situation with respect to VAT, but it is something that has been settled recently north of the border in Scotland. What is the situation in Wales?

[44] **Mr H. Thomas:** The situation is exactly as it was when we talked to you about the annual accounts. We still have uncertainty. The discussions between HMRC and the various audit bodies go back to 2003. As I mentioned, the Audit Commission has a more significant

issue with VAT than we do. It may be that once the Audit Commission's future has been settled our VAT position may be settled.

[45] **Mike Hedges:** On VAT, would it not be better if we could have a final position as soon as possible? This uncertainty is not of benefit to anyone, is it?

[46] **Mr H. Thomas:** It is certainly not of benefit to anyone. We would have liked to have had this settled some time ago. The issue relates to not just what the status is with regard to VAT, but at what point it is applied. Given that the Wales Audit Office has been in existence for a number of years, it is theoretically possible there may be some back dating, or it may apply going ahead in the future. I hope that it will be the latter. That is why the range of uncertainty is such that I cannot provide for it; I must come back to you once I know what the VAT position will be.

[47] **Mike Hedges:** I want to move on to human resources, the pay-roll and the new computer system that you intend to have. I will ask four questions on that. Does the cost-benefit analysis show any financial savings from it? Why have you decided to purchase it rather than lease it? Why are you running your own pay-roll system rather than sharing one with an organisation such as the National Audit Office? Fourthly, will it involve any substantial retraining of staff?

[48] **Mr K. Thomas:** On the first question regarding the cost-benefit analysis, there are a number of reasons why we are looking to acquire a new HR pay-roll system—some derive from the National Audit Office report, which indicated that we needed to improve our standard of corporate record keeping. We see that as a way of facilitating that. One of the other key drivers was our workforce planning exercise that we started over a year ago, which indicated that there were ways of working more smartly and efficiently by adopting a range of new ways of working. However, we specifically identified this as one of the ways that could facilitate that; it would achieve a reduction in staffing levels and we would not have to replace staff because we would have a more effective system in place. So, there are definitely benefits that outweigh costs in terms of acquiring a new system.

[49] On the lease versus expenditure option, that is something that we would explore as part of the procurement exercise. However, at this stage, we think that buying the system rather than leasing it would be the best option. On the question regarding why we run our own system, rather than buying it in from elsewhere, that is something that the organisation has done previously, but we found that by bringing the service in-house we had a much better level of service and more control over that service. So, in terms of user satisfaction, responsiveness and accuracy, we have derived a number of benefits from having a system provided in-house.

[50] Finally, on the retraining of staff, we would need to retrain staff if we were to acquire a new system. We would train staff primarily in the HR and finance teams in order to get them up to speed with using the system.

[51] **Mike Hedges:** I will come back on two points. Have you estimated the training costs? If you have, are they in there and have I missed them? Secondly, is the cost-benefit analysis available?

[52] **Mr K. Thomas:** The training costs are not included in this. Given the timescale of the estimate paper, we would anticipate that training costs would probably fall in a future year. With regard to the cost-benefit analysis, we can write to the committee and set out the key factors within that process.

[53] **Mike Hedges:** I might be in a minority of one, but I would like it.

[54] **Darren Millar:** Okay. I do not see why we should not request it. Aled, do you want to come in?

[55] **Aled Roberts:** Yr wyf am ddychwelyd at y ddadl eich bod eisiau rhedeg eich cyfundrefn eich hun o ran adnoddau dynol a chyflogau. Mae'n debyg bod yr un dadleuon yn cael eu gwneud gan bob corff cyhoeddus, ond mae pwysau yn awr, bron ym mhob maes, ar lywodraeth leol i rannu adnoddau. Felly, mae'n anodd gweld sut y gallwch ddweud bod yn rhaid i chi gael eich cyfundrefn eich hun, tra bo pob maes arall, bron, yn wynebu pwysau i rannu.

Aled Roberts: I will return to the argument that you would like to run your own system for human resources and salaries. It is likely that the same arguments are being made by all public bodies, yet there is pressure in nearly every field for local government to share resources. Therefore, it is difficult to see how you can say that you must have your own system, when nearly every other area is facing pressure to share.

[56] **Mr K. Thomas:** That is a good point. We have explored opportunities for joint-working in a number of areas, as we have reported previously to the committee. We have outsourced some work since we were established. We have also brought a number of services in-house. From our experience in this particular area, the in-house provision was more advantageous and there were a number of disbenefits from outsourcing. It is something that we would look to keep under review.

[57] **Aled Roberts:** I was not thinking specifically about outsourcing. I was thinking about collaboration with other similar public sector bodies. I understand the points that you make about outsourcing—the same argument is used with other public sector organisations—but almost everywhere else, HR and pay-roll activities make up the one area where there is a great deal of pressure for organisations to share, because of the heavy costs of duplicating systems. You are an organisation that is going down to 222 employees, according to the report. It seems a bit nonsensical for you to have your own system for that number of employees.

[58] **Mr H. Thomas:** If I can indirectly answer that, one area that is always difficult when you share is the differences that exist between the policies and procedures of different bodies. At present, we are concentrating on trying to harmonise what we are providing with the kind of procedures that the civil service, in particular, operates. If you create better harmonisation with a different body, that changes the equation when it comes to making decisions on whether to run it yourself or to share. Whenever there are differences of approach, you run the risk that you do not quite get the right service for the organisation. So, yes, I understand the points that you make—indeed, I would encourage them—but I see that the prior need is to share the systems and procedures first.

[59] **Darren Millar:** So, you are obviously not sharing systems and procedures—

[60] **Mr H. Thomas:** Not at present, but the more that we can harmonise our systems and procedures, the equation changes in terms of deciding whether or not to run things in common.

[61] **Darren Millar:** With respect, auditor general, how different can a system be in terms of appointing an employee, paying them, giving them sick pay now and again and their holiday entitlement? It is not very different from organisation to organisation, is it? How different are your systems? Why are they so different to other organisations?

[62] **Mr H. Thomas:** You have obviously identified the common areas. When people take on employees there is a certain procedure that has to be run through with HM Revenue and

Customs and that does not change from one organisation to the next. However, as soon as somebody is in, the issues of pay then start to diverge in organisations. It is then that the problems have to be addressed. It is an issue that people who run common payrolls have to continually weigh up—‘Will this work? Will it not work?’ As Kevin has indicated, when we tried to run this together, there were disbenefits. I would hope that we continue exploring that without making a prior assumption as to whether we are going to run in common or separately.

9.30 a.m.

[63] **Darren Millar:** If you invest a significant sum now, though, you have an immediate disincentive to bring things together with another organisation in the short term, especially when you are spending such a large sum of money on this particular project. Mike, did you want to come in?

[64] **Mike Hedges:** Yes.

[65] **Mr H. Thomas:** May I just add something? We are not operating in a vacuum. We provide services, for example, to the ombudsman. We are conscious of the need to work together.

[66] **Mike Hedges:** How is your pay-roll different to the National Audit Office’s pay-roll system? Are people on different pay structures? I might have this all wrong, but I thought that people were on a standard civil service pay structure, where everyone gets paid monthly by BACS, and that you have a fairly mechanistic process of churning out pay once you have given them a grade. You have to deal with people who are sick and so on, but it is all fairly standard stuff. Or am I missing something?

[67] **Mr K. Thomas:** Certainly, our pay scales are different to those of the NAO. We had previous experience with the Audit Commission, which provided our services. It had the same pay structure as us, but we still encountered a number of difficulties, being a service receiver from the commission. Again, that is one reason why we want to keep it in-house.

[68] **Mike Hedges:** If you were auditing a body that employed 222 people that said that it needed its own pay-roll and human resources system, what would you say?

[69] **Mr K. Thomas:** Again, if we looked at that, we would consider the business case, and we would look at the costs, the benefits and the non-financial benefits with regard to service efficiency, and then comment accordingly.

[70] **Mike Hedges:** Non-financial benefits are always the part that is slotted in to explain something that does not wash its face financially but that you want to do anyway. You must have come across that sort of thing when you have been doing your audits: it is not cost beneficial, but the other benefits that are intangible make up for it.

[71] **Darren Millar:** I will bring Aled in here.

[72] **Aled Roberts:** Ar y gwariant cyfalaf, **Aled Roberts:** On the capital expenditure, y ffigur yw £126,000. Faint o’r arian hwnnw the figure is £126,000. How much of that sy’n cael ei wario ar y system newydd hon? money is spent on this new system?

[73] **Mr K. Thomas:** It is about £110,000 for the new system.

[74] **Darren Millar:** That is a pretty significant sum for a pay-roll system for just over 200 people, to be honest. If you spend that sum of money, I do not see that you have any

incentive for at least five or six years to look again at whether you could work on a collaborative arrangement with another organisation in order to minimise the cost for the public purse. I think that investing £110,000 on a HR pay-roll system is a rather significant sum.

[75] We have listened to your answers. I have one final query before I ask everyone else whether they have any final queries. It is about the vehicle fleet arrangements. You have some positive news on this topic: you are intending to reduce costs by about £72,000. How are you managing to achieve that?

[76] **Mr K. Thomas:** We embarked on a review of our fleet management arrangements about 18 months ago. We had a fairly wide variety of different arrangements within the organisation. We were looking to harmonise and consolidate that. There were three primary drivers for that—no pun intended—which were cost reductions, environmental benefits and protecting the safety of our staff who, because of the nature of their jobs, often have to travel large distances across Wales.

[77] **Darren Millar:** Especially you.

[78] **Mr K. Thomas:** Yes, including me. In harmonising those arrangements, we identified that there would probably be a short-term increase in costs this year, and that, over the next three years, we could achieve gradually increasing levels of savings—from around £74,000 for the first year that savings kicked in, rising to around £150,000 for the fourth year of the scheme. At that point the savings would be maximised and would recur on an ongoing basis. That is the way in which we developed our business case going forward; we were looking to harmonise those arrangements across the organisation.

[79] **Darren Millar:** You are also promoting the use of public transport, are you not? You mentioned a reduced environmental impact in the paper. What is the total spend on vehicle fleet arrangements at the moment?

[80] **Ms Harkin:** It is around £300,000, but we can provide you with the actual figure. Based on the figures that I have here, it is around £300,000 a year.

[81] **Darren Millar:** That is £300,000 a year for 200 members of staff.

[82] **Mr K. Thomas:** It is actually rather more than that; we will get back to you with the figure. That figure may take into account an element of the reimbursement, but not the transport allowance.

[83] **Ms Harkin:** The car lease costs are around £300,000, and we have a transport allowance of around £400,000. So, that is £700,000 in total.

[84] **Darren Millar:** You have lots of people travelling around the country, to be fair, but, on that £300,000, how many members of staff benefit from the vehicle leasing arrangements?

[85] **Mr K. Thomas:** In total, in relation to vehicle leasing and the transport allowance, around 150.

[86] **Darren Millar:** That is a significant proportion.

[87] **Mr K. Thomas:** As part of the fleet review, we were keen to promote things such as the use of public transport and greater use of video conferencing, which has been a success in reducing the annual mileage travelled by our staff. So, not only are there environmental and health and safety benefits, there are also work-life balance benefits.

[88] **Darren Millar:** Do you have car sharing arrangements and pool cars at your offices that people can use? Or are the vehicles allocated to individual members of staff?

[89] **Mr K. Thomas:** Primarily, vehicles are allocated to individual members of staff. We encourage car sharing, but we do not operate a pool car system, although we used to do so. As part of our review, we found that that was not a cost-effective way of managing our fleet. As part of the review, we did a fair amount of benchmarking with other public bodies, such as the Environment Agency, and the general view was that hire cars provided better value than pool car arrangements.

[90] **Aled Roberts:** Did your review cover whether lease car arrangements should continue? Many local authorities have totally removed lease cars from the scenario.

[91] **Mr K. Thomas:** We carried out extensive research in the public and private sector. There were different views on the retention of lease cars. A number of organisations have withdrawn them completely and a number have continued to promote them, not only for the cost benefits, but also for the environmental and health and safety benefits.

[92] **Mr H. Thomas:** That was done during the last Assembly. We produced a report, not only for us, to look at how other organisations administered their grey fleet, in terms of the vehicles that they ran. The conclusions of that, as well as our own work, came together. I would be happy to direct Members to that report.

[93] **Darren Millar:** It would be useful to circulate that, thank you. Are there any other questions?

[94] **Mike Hedges:** I want to talk about the development of the housing benefit system. You talked about developing a Wales-specific system that would cost £40,000. How confident are you that it will come in in budget and how confident are you that it will work?

[95] **Mr H. Thomas:** If I may refer to the answer that I gave the Chair, we are not creating a brand-new system. We are tailoring what exists at a UK-wide level to the needs of Wales after the abolition of the Audit Commission. It may be that some of the decisions at UK level will mean that we do not need to develop quite on the scale that I am suggesting here, but, because we are tailoring an existing system, we can be more confident in the figures presented to you.

[96] **Mike Hedges:** Are you confident that it will work?

[97] **Mr H. Thomas:** It works at present, basically, and we are adapting it. We need to be able to service it on a Wales basis, as distinct from on a UK basis.

[98] **Darren Millar:** I see that there are no further questions. Thank you, auditor general, and thank you to your team, as well, for your assistance in answering our questions today. We look forward to discussing this informally now as Members. I declare the meeting closed.

*Daeth y cyfarfod i ben am 9.41 a.m.
The meeting ended at 9.41 a.m.*