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[The Public Accounts Committee](#)

15/09/2015

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Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn
ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

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.

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
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Jeremy Morgan	Swyddfa Archwilio Cymru Wales Audit Office
Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Mike Usher	Swyddfa Archwilio Cymru Wales Audit Office

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

Fay Buckle	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk

Joanest Varney–
Jackson

Uwch–gynghorydd Cyfreithiol
Senior Legal Adviser

*Dechreuodd y cyfarfod am 08:59.
The meeting began at 08:59.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Darren Millar:** Well, good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. Usual housekeeping notices: the National Assembly for Wales, of course, is a bilingual institution and Members and anybody else contributing to the meeting should feel free to do so through either English or Welsh; the usual headsets are available for simultaneous translation and, indeed, they can be used for sound amplification for those who require it. I encourage everyone to switch off their mobile phones or put them into silent mode and, in the event of a fire alarm, we should follow the directions of the ushers. Just a reminder as well that you will have received the revised guidance on changes to the rules for declarations of interest over the summer, and we should bear that in mind during all future proceedings of the Assembly, including this meeting. In addition to any declarations at the start of proceedings, we can take declarations as they arise on the agenda as well.

[2] If I could also just welcome back to the committee Fay, after her leave of absence, as our clerk, and put on record my thanks to Mike for his contribution as clerk of the committee in Fay's absence. Good to have you back, Fay.

[3] **Ms Buckle:** Thanks.

[4] **Darren Millar:** With that, we'll go straight into the agenda. We haven't received any apologies for absence, so we'll go straight into item 2, which is papers to note.

09:01

Papurau i'w Nodi Papers to Note

[5] **Darren Millar:** We've got minutes from the meeting held on 14 July. I'll

take it that those are noted. We've had a letter from the Welsh Government on investment in next generation broadband infrastructure. Are there any issues that Members want to raise on that before I make a few comments? No. Huw.

[6] **Mr Thomas:** There are just a couple of things, Chair. First of all, the ministerial statement was made on 7 July, the same day that you took evidence in the morning. I do wonder whether the officials could have been perhaps a little bit more forthcoming in terms of the evidence you had then. I'm afraid the correspondence we've had from the Welsh Government since then still leaves, to my mind, a number of questions unanswered. I'd like, with your agreement, to follow that up with Welsh Government so that we can get a response in time for your eventual—the report that you're about to prepare.

[7] **Darren Millar:** Are there any other comments? Jenny.

[8] **Jenny Rathbone:** I agree it's unsatisfactory not to know exactly where the notspots are going to be after the latest roll-out. I've been told where it is in my constituency, but have other Assembly Members been told theirs? And, in any case, why can't we bring it together so that we can have a collective solution for these things that fall under state aid bands, basically?

[9] **Darren Millar:** There's also the issue of the timetable, isn't there, for the completion of the project? It's been shifted on slightly, hasn't it?

[10] **Mr Thomas:** It has, into 2017.

[11] **Darren Millar:** Into 2017. And the in-fill project—again, there is no clarity on the in-fill project still, is there, in terms of the speed and pace at which that will be completed?

[12] **Mr Mortlock:** I think, Chair, one of the issues we want to seek clarification on is the relationship between the in-fill projects and the announcement of the extended timetable. I know some of these issues were picked up in the Plenary debate after the Minister's statement, but I think we just want absolute clarity on what the timetable is.

[13] **Darren Millar:** Just one second—is that microphone working? It is working.

[14] **Mr Thomas:** Yes. It's the level of background noise.

[15] **Darren Millar:** Yes. I can't hear much. We're going to try and sort the noise out, but carry on.

[16] **Mr Mortlock:** Sorry, I was just saying that, for ourselves, we want to seek clarity on the relationship between the announcement on 7 July—the change in the timetable—and the in-fill projects that we were previously aware of, but then the new premises coming on-stream and how that affects the overall contract with BT as well. So, we're looking to seek some clarity on that ourselves.

[17] **Darren Millar:** Okay. Are there any other points that anyone wants to raise?

[18] **Jocelyn Davies:** There is the issue of—[*Inaudible.*—the auditor general mentioned. Maybe we could make that general point—it's not just related to this—to the Minister that, if that announcement had been made previously, we could have explored it with the officials, but they couldn't say anything because the Minister hadn't made the announcement, even though the information was known.

[19] **Darren Millar:** Okay. What I'll do is I'll write to the Permanent Secretary and copy the Minister in in terms of that particular announcement and just say that it would have been helpful if the committee had sight of the information or some access to the information prior to the discussion in order to support it. If there are no other points, then, we'll await further advice from the auditor general's office as part of our consideration in preparing that report.

[20] We've got another letter, then, on the implementation of the national framework on continuing NHS healthcare. This, of course, is in response to the update that we requested before the summer. Again, there's plenty in this for Members to consider. Item 3 in their response to recommendation 2, paragraph 3 on page 9 refers to the dip sample on learning disability cases, and it does appear as though about 20 per cent of those cases have been erroneously determined, and that, to me, is a significant cause of concern. Are there any comments from Members on any other points? I'll just bring those in first. Jenny?

[21] **Jenny Rathbone:** Two things. I think the independent peer review

between Hywel Dda Local Health Board and Abertawe Bro Morgannwg University Local Health Board is an excellent idea, and it would be useful to know whether that sort of thing is going on in other adjacent health boards so that there's a cross-check that people are using the regulations to get the same equity in outcome.

[22] The other point I was concerned about was the answer in relation to the leaflet. You know, it's a pity that weren't given a link to the leaflet. Has anybody seen this general leaflet for the general public? Because, you know, is it in plain English? You know, does it pass those guidelines?

[23] **Mr Mortlock:** It's one of the areas where we are seeking clarification. When we saw the response from the Welsh Government, we sought a meeting with officials about it because there were a number of areas that we were seeking clarity on from the response, including whether the response actually committed the Welsh Government to producing a stand-alone separate leaflet for people not in the system. I think the wording of the response was a little ambiguous about whether they were going to really enact the committee's recommendation to have a stand-alone new leaflet that they were developing. So, that's one of a number of areas, Chair, where we've been seeking some clarity from the Welsh Government. We've been promised some more information. My colleague, Steve Ashcroft, who you'll recall has led on this work, is not in work at the moment, but we're hoping next week to pick up some further information from the Welsh Government. Either we will write to you with some further clarification on those points or we'll encourage the Welsh Government to write again to clarify a number of issues in the response, including, for example, some of the data—the way they've presented some of the data on the reviews process, to our mind, is still not presented as clearly as it could be. So, we've been endeavouring to follow those points up over the past few weeks.

[24] **Darren Millar:** Okay. Aled and then Sandy.

[25] **Aled Roberts:** I just wanted to add that I've had a couple of cases in the last three weeks where the bureaucratic requirements have changed. I don't know whether your office was aware of that, where people have been in the system for some time are now being told that they need to provide further evidence, even though that was completely contrary to what the previous guidance said, which seems nonsensical given that we were given assurances that they were trying to sort of streamline the whole process.

[26] **Mr Mortlock:** I'm not aware of that. I'm aware that we had some contact over the summer with your office, Aled, on some queries, which we're still to follow up as well.

[27] **Aled Roberts:** Right, okay.

[28] **Darren Millar:** Sandy.

[29] **Sandy Mewies:** Recommendation 1 says that the first sample was due this month anyway. It would be very nice to know what the result was. I know they're going to do it monthly after that, and it may be an idea to have a six-monthly and a 12-monthly report back, which will show that that's being done. The thing that concerns me about the leaflet is that you might have seen the Health Inspectorate Wales report on another issue, produced during August, which indicated clearly that public information leaflets not only weren't being distributed, but that, in one case, they were seven years old. So, it's all very well that we can produce the best leaflet in the world, but if it's not getting to where it should be—. I would like to see how they're going to ensure that they know that these leaflets will be where they should be so that the people who need them can use them.

[30] **Darren Millar:** Well, it is interesting that you talk about getting them into the hands of those people who need them most. Welsh Government seem to be rowing back from their commitment to wanting to make sure that people have access to this information at the time of somebody going into care. They're saying that they'll now specifically require health boards to consider the provision of other information to individuals and their family members prior to care home admission.

[31] **Sandy Mewies:** I think it should be just require, but, in another report completely, I was quite concerned to see that in mental health and other areas that leaflets that are available either can be—not all of them, obviously—considerably out of date, or just aren't available.

[32] **Darren Millar:** Yes. Thanks, Sandy. Julie.

[33] **Julie Morgan:** I was going to make a similar point about the updates, but I also felt that this sample—I thought 21 out of 103 was quite high. That's a quarter nearly, you know, so it just seemed quite a high figure.

[34] **Darren Millar:** It is very high, and I think we need some clarity on what

they're doing, given that the sample size was so significant, to look at the other cases over a period, in order to see whether any of those have been determined incorrectly. In terms of a further update, I think we are scheduled to get one towards the end of the year, so that we can consider again in the new year, so that some of the points in terms of the further sampling we can pick up on, and any progress. The other interesting point here, as well, was on recruitment. It looks as though they are only just starting to get to grips with some of the recruitment issues, even though it's a long time since we've identified that they've got major capacity issues in being able to deal with the backlog and, indeed, the ongoing claims that are being made.

[35] **Mr Thomas:** It's one of the points that we were concerned with in terms of the nature of the reply. Whilst the update said, for example, that the Powys project would be at full complement in November, the supporting information is a bit odd, and we didn't really get to the heart of the local staffing in health boards. But, we're hoping that, in the discussion we'll now have, we'll be able to come back to you, or encourage the Welsh Government to come back to you, with more information.

[36] **Darren Millar:** Okay. Are Members content with that? Excellent.

[37] Okay, next on our list then, we've got a letter from the Welsh Government on Glastir, just providing some additional information further to our recommendations 1, 2, 3, 6 and 7. It talks about river basin management plans and says that these are in train. Can I suggest that we ask the Welsh Government to provide those as and when they become available? There's also a reference, of course, to the issue that you picked up on during the inquiry, Jenny, in terms of Natural Resources Wales and what proportion of the failures against the water framework directives were attributed to their land. The response that we've received isn't very clear, actually. It just says that 5 per cent of forestry land are failures. It doesn't actually say whether that is Natural Resources Wales land. So, can I suggest that we write specifically to have further information on that as well? Jenny?

[38] **Jenny Rathbone:** I just think that, on the other point that they make, about rationalising visits to farms, it would be useful to know how they're ensuring that rural payments staff understand the environmental issues they need to look at, and how they're working together to ensure that those who are good compliers have a lighter touch, but those where there are concerns that somebody may be polluting, that they do it more regularly, so that they focus their resources on the ones that are not compliant.

[39] **Darren Millar:** Are there any other comments from Members? Huw.

[40] **Mr Thomas:** I think you're right that you should follow up on those couple of points, but I just really want to stress that one of the things we'll be doing over the next few months, in preparation for your legacy report, is reviewing how the Government has responded to the various reports and recommendations that have been produced, either by myself or by the committee. So, we'll be picking up some of the issues here as part of that.

[41] **Darren Millar:** Excellent. Are there any other points?

[42] **Aled Roberts:** Can I just say, I thought it was quite sort of—. Although it says, I think, in its conclusions, in the document, that they wanted to be reassured regarding how well the signed contracts were likely to deliver, I thought it was more sort of saying, 'Well, the bureaucracy is pretty good, but actually we're not sure that it will actually achieve the outcomes'. So, I thought it was quite a disappointing report in that way. It says, for example, that there are very few follow-up visits. They have a lot of visits when they're actually setting up the contract documentation, but once the contract's signed it's almost as if, 'Well, we've ticked that box, that's it'.

[43] **Darren Millar:** Any other comments on this? So, you're doing some follow-up work, obviously, for our legacy report in terms of recommendations that have been implemented. We'll get some clarity on the forestry stuff that relates to NRW and try to establish a little bit more detail on the inspection regime to avoid duplication and on how the contracts are actively being monitored on a day-to-day basis, particularly if they are slimming down the inspection visits from the different departments. Okay.

[44] The next item of correspondence is on unscheduled care. We've had a letter from the Welsh Government, just providing an update on some information following the session that we had with Andrew Goodall. Any particular comments on this?

[45] 09:15

[46] **Julie Morgan:** On the flu targets, it was interesting looking at the list because, obviously, Velindre did extremely well, but that could be reflected to a smaller—. It is a smaller trust, more graspable. But, it is concerning that two of them are still below 40 per cent.

[47] **Darren Millar:** Yes. And one's actually gone backwards, hasn't it, in a year, Hywel Dda?

[48] **Julie Morgan:** Yes. Hywel Dda. So, I still think there's a lot of pressing to do on that issue.

[49] **Darren Millar:** Okay. On the GP out-of-hours as well, I notice that there are some new monitoring standards, which are being implemented, but they're not due to be implemented completely until March 2018, and in the interim, the Welsh Government says it can't provide us with information because we won't be able to compare it from one board to the next. Now, if you recall, we had quite a discussion on GP out-of-hours because of the emergence of the report into GP out-of-hours services in north Wales, and we were given absolute assurances that the problems in north Wales weren't occurring anywhere else, and yet, there seems to be an absence of data for the committee to be given those assurances by the Welsh Government. Are you content for us to pursue some more information on that in terms of the information that is available to the Welsh Government, so that we can have a look at it? Sandy?

[50] **Sandy Mewies:** I'm happy about that, but I want to go back to the vaccination, really, and to, of course, the real problem. The issue, of course, is that it can't be compulsory. It's not a size thing, because Betsi's got over 50 per cent, so it isn't a size—. But, what I think would—. They can only encourage, and I wonder if there is any way of telling. Is there a difference in the way that people are encouraged? Is there a real drive on in some trusts and not in others? Because that's the only way you'll do it. If it's not compulsory, the only way you can do it is by encouraging and explaining why it's necessary. I just wondered whether there are differences in how they set about doing that. Is there good practice anywhere, which should be shared?

[51] **Darren Millar:** We can certainly ask about that, yes. Mike?

[52] **Mike Hedges:** I've got one on item 10, where it says that they can't provide information on what's urgent and what isn't. What they can provide is those which have been booked on the day and those that have been booked in advance. Now, all the ones booked on the day may not be urgent, but things booked in advance almost certainly aren't urgent, so they could actually provide that information. And it should be provided by GP practice as well, which would actually show those which are dealing more effectively with

people ringing in or contacting them on the day. So, those data they could provide.

[53] On workforce planning and the immigration Bill, it's very interesting some of this; it's a bit convoluted, but the reality is that—. Morrision Hospital, for example, has a lot of nurses from the Philippines. They would have a right to stay here at the moment. It's adding new people that's going to be the problem. I know the health board have got difficulty in recruitment and we have a lot of our nurses and doctors who, following qualification, or following some training or period of work in the NHS, decide to emigrate, for whatever reason, to, quite often, the antipodes. So, I don't think we've got an answer here on how many overseas nurses, from outside the European Union, they are expecting to need. There's a nice number, 30 or 70, or something like that down there, which is a very low number. But how many are they expecting to need in each health board in the next five years? If they've got anything resembling planning, they should know how many are being trained and what percentage are likely to leave. I always bring everything back to Napoleon knowing how many of his soldiers were going to be killed by being kicked by horses. He didn't know which ones, but he knew that a certain number were going to be. Health boards, again, don't know which of their nurses are going to emigrate or going to retire, but they know from the historical data how many are likely to. And, so, that is—. They know how many are coming through training, so they actually should be able to calculate their shortfalls.

[54] **Darren Millar:** Okay; it's a fair point. Are there any other points? Sandy.

[55] **Sandy Mewies:** Following on from what Mike Hedges said, not about Napoleon—

[56] **Aled Roberts:** Horses?

[57] **Sandy Mewies:** Nor horses [*Laughter.*] But what should be known is the impact. They're already calculating the impact of the Bill and it would be very interesting, I think, to see the number who cannot come to this country because of changes, because it has affected doctors, of course, up to now, and it would be interesting to know, if work has been done, what sort of figures we're talking about.

[58] **Darren Millar:** They've given us a very precise number, haven't they, in terms of the current number of nurses likely to be affected? So, they've

obviously got some data out there that they're able to—

[59] **Sandy Mewies:** Yes, but there's a wider picture as well, isn't there?

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

[61] They also, just on the recruitment issue, talk about, in section 7, the primary care performers lists. I know the Welsh Government's got a commitment to try to ensure that anybody on a list in Wales is also on the English list, and vice versa, in order to make cross-border transitions easier for doctors, but there's no real information about progress towards using the same list for England and Wales in the letter. So, perhaps we can get some more data on that. Are there any other points, Huw, that you wanted to raise on this?

[62] **Mr Thomas:** Well, in addition to the points you've already made, I think you've got Andrew Goodall coming back to give evidence in November—as scheduled—and I think any extra information should be to hand before that meeting. There are two points I think I'd draw attention to, and that's the establishment of the 111 service; there's no date now as to when it's likely to be introduced, and I think that we really could do with clarity on that. The other is that, as regards the roll-out of online booking, I think, clearly, the response indicates that more needs to be done in that area, but that's underlining the fact that I do feel that I ought to be doing a study on the health informatics service.

[63] **Darren Millar:** Yes, this is on the pre-booked appointments. Again, they don't seem to be able to split how many people are using pre-booked appointments with their surgery versus the online prescription service. Surely those data are readily available, aren't they, and easy to disaggregate?

[64] **Mr Mortlock:** I don't know, Chair, the answer to that, but we can inquire as to whether those are data that we've come across in the course of our audit work.

[65] **Darren Millar:** Yes, okay. Well, we can certainly ask for that information before the November visit. Jenny, you wanted to come in.

[66] **Jenny Rathbone:** I think we need to be cautious about getting primary care to do yet more data collection, rather than getting on with the job in hand, if they're difficult to collect.

[67] I just wanted to ask, for Andrew Goodall, when he comes before us in November, whether they're considering salaried GPs to fill out-of-hours, because he says that all of the boards are having difficulty getting GPs to do out-of-hours. So, if independent practitioners don't want to do it, are they also considering salaried GPs as well as the other innovative ideas they outline?

[68] **Darren Millar:** Okay. If there's nothing else, then, we'll go on to—

[69] **Mohammad Asghar:** Can I?

[70] **Darren Millar:** Yes, sorry, Oscar.

[71] **Mohammad Asghar:** One area hasn't been covered that I came across during the recess. Some lady, an old-age pensioner, wasn't given medicine for her prescription for four or five days. She lost her medicine somehow, and when she rang the GP surgery, they wouldn't entertain her; they said, 'Anything you want to do, just go on the internet'. So, is it true that it had taken three or four days before medicine was delivered to her? There are patients who get regular medicine monthly; there are quite a lot in each surgery, especially senior citizens, and that lady had to suffer for more than a week because she couldn't get the medicine because they had put in a new system and everything has to be through the internet, but the lady doesn't know how to use the internet. So, that is the area that has got to be explored, Chair.

[72] **Darren Millar:** Okay, well we can explore that in a bit more detail when Andrew Goodall comes in. I know that there are some national shortages of certain medications as well, which have been affecting some of my constituents and probably those of other people, too. Jocelyn, did you want to come in?

[73] **Jocelyn Davies:** Just on Oscar's point, really, because obviously GP surgeries are getting more high tech, but not the patients. I think that's the point, isn't it? If you were expected to book appointments or ask for prescriptions via e-mail or on the internet and you don't have access to it, it is a really big problem.

[74] **Darren Millar:** Absolutely. Let's explore it with Andrew when he comes in. Excellent.

[75] We'll move on, then, to our next item of correspondence: an update on governance arrangements at Betsi Cadwaladr University Local Health Board. Aled asked for some clarity before the summer on the GP out-of-hours review and some of the assurances that have been provided. Aled, did you want to respond to the correspondence? Are you satisfied with that answer?

[76] **Aled Roberts:** If you remember, my question was based on a comment in the report, but it appears now that they're saying, 'Well, we've not been able to explore where that comment came from', so it's a bit disappointing. I have to say, my experience over the recess, as far as out-of-hours is concerned in Wrexham, suggests that special measures are making little or no difference.

[77] **Darren Millar:** Well they do refer, don't they, to Dr Chris Jones's report and the fact that that will be provided to the Welsh Government in September? Perhaps we could ask for a copy of that once it's been completed, because he was the person appointed to take an interest in GP out-of-hours services. I think it would also be interesting, on the progress points—because they do seem to suggest that progress is being made—just to have a look at the number of shifts that weren't covered each month, between January and August, say, to see whether they've been slowly diminishing. If you remember, that was one of the biggest concerns in the survey—that they didn't feel it was always safe, because the shifts weren't always covered by GPs.

[78] **Sandy Mewies:** There's a report coming in September—

[79] **Darren Millar:** Dr Chris Jones's report.

[80] **Sandy Mewies:** We could have it before Andrew Goodall comes, or when he comes, and discuss it with him.

[81] **Darren Millar:** So, if we get both of those pieces of data before Andrew comes in in November, yes? Are you content with that?

[82] **Mike Hedges:** I say this all the time, but I actually think that what's done in Morryston, where people come in, they're triaged, and they're told they either need to go to the emergency department or the out-of-hours GP, is exceptionally good practice and should be replicated throughout Wales.

Now, either I'm right, and they should be moving to replicate it throughout Wales, or what's happening in Morryston should be changed because it's not a good idea. But it can't be a good idea in Morryston but not a good idea in Wrexham.

[83] **Darren Millar:** And in fact the Royal College of Emergency Medicine are calling for that today, aren't they, in a report that they've published—for GP out-of-hours services to be co-located in emergency departments as a matter of course?

[84] **Aled Roberts:** We have co-location in Wrexham. It's just that there are two separate desks, two separate systems, and to my mind—I agree totally with Mike—it just doesn't make sense that, if they've seen it working somewhere—

[85] **Darren Millar:** The difference for Morryston is that they have an in-hours GP service as well as an out-of-hours service.

[86] **Mike Hedges:** The thing is, people go to the doctor, and they don't know whether they need to go to the emergency or the out-of-hours GP. We're not all medically qualified ourselves to come to the conclusion of where we need to go, so we have a best guess of where we ought to go. But when we go to a medical professional, they should be able to tell us which one to go to, and the problem is that people's default is to go to the emergency department, because you know then that you can't be wrong going there, and then you end up with long queues in A&E.

[87] **Darren Millar:** Well, let's ask for a specific update on the number of GP services that co-locate in an emergency department.

[88] Okay. So that deals with our correspondence.

09:28

**Adroddiad Blynyddol y Bwrdd Cyngori ar Adroddiadau Ariannol
2014–15**

Financial Reporting Advisory Board (FRAB) Annual Report 2014–15

[89] **Darren Millar:** Item 3, then, if there are no further points from Members: Financial Reporting Advisory Board annual report 2014–15. This is accounting standards, effectively, Mike, so I'll defer to you, if that's all right.

[90] **Mr Usher:** Thank you very much, Chair. I'll just speak briefly to the paper. The committee may recall actually receiving the previous annual report from the Financial Reporting Advisory Board, the FRAB, last year. The FRAB is an independent source of advice to the UK Government on the setting of public sector accounting standards, and comprises representatives from Whitehall departments, the devolved administrations, accountancy academics, auditors and accountancy bodies. There are two Welsh members: myself—I represent the auditors general of Wales, Scotland and Northern Ireland—and also a representative from the Welsh Government, who attends meetings as well. The annual report of the FRAB goes to all four of the UK Parliaments, and is coming to this committee.

[91] I am pleased to be able to say that 2014–15, covered by this report, was a fairly quiet year in terms of accounting standards development, so there are actually not many issues in this report that I'd want to bring to your attention. There are just three points I'd like to flag. The first is on pack–page 81, and that's the reference to the introduction of international financial reporting standard 13, IFRS 13, on fair value accounting. That is a very dry, technical topic, but in essence what's happening here is that this is one of the final planks in bringing the accounting arrangements for local government into line with those in health and central Government to facilitate production of whole–of–Government accounts. At the moment, the National Audit Office, when they audit the whole–of–Government accounts for the UK, have to modify their audit opinion to reflect the fact that the local government component isn't prepared on the same basis in terms of asset accounting as the rest of the UK public sector. So, this has been a long road to get to this point, but for 2015–16 onwards the LG accounts will be prepared on a consistent basis with the others, which means that the consolidation into UK accounts will remove that audit qualification. So, the accountants are having a bit of a triumphal moment there, although I'd say it's a pretty dry topic for everybody else. It does mean that the whole–of–government accounts will be a little more meaningful going forwards as well.

09:30

[92] The second point that would be, I think, of greater interest to the committee is on pack–page 71, and that is the reference there to the agreement of the project initiated by the Treasury for the simplifying and streamlining of accounts. Members will recall from the accounts scrutiny sessions you held last autumn that public sector accounts aren't necessarily

particularly clear or transparent at the moment, and certainly not simple to follow. And this has been the result of quite an extensive consultation exercise involving a range of stakeholders, including the UK Parliament, in terms of how the format of public sector accounts can be improved to make them more understandable to the reader. From 2015–16—so, when you’re looking at accounts next autumn—you’ll see this coming through with the Welsh Government sponsored body accounts that you see. What’s currently a two-part document—an annual report and a set of accounts—will be a three-part document: the performance report at the front, which will contain, basically, an overarching summary of how the organisation has done in the year against its strategic objectives et cetera, and its key performance indicators; a section in the middle around accountability, which takes the current annual governance statement and the audit report, the remuneration report—those kinds of areas—in terms of accountability; and then the financial statements. And you should find that the notes to those accounts, again, are easier to follow, with better cross-referencing et cetera. So, that’s quite a significant step for public sector reporting, and the FRAB is hopeful that public bodies will embrace that in the spirit that is intended, and we as auditors are working with bodies in Wales on that.

[93] It is for the devolved administrations to take this project forward as they see fit in each of the parts of the UK as well, so, obviously, with the Permanent Secretary coming to you in a few weeks’ time on his accounts, there may be an opportunity for you to question him around implementation arrangements.

[94] The last reference is again on the same page. At the bottom there, there’s a reference to the publication of whole-of-Government accounts. The 2012–13 accounts, as it says there, were published in June 2014, which is an inordinate length of time—15 months after year end. The 2013–14 accounts, I can update, for this year, were published in March 2015, so that’s fewer than 12 months. The Treasury’s intention is to continue to bring that forward, so making the whole-of-Government accounts much more meaningful. Their ultimate intention, I think, is to get to the end of November following the 31 March financial year end. So, all public sector bodies will be producing accounts during that summer period, getting them audited, consolidated, auditing the consolidation, and having whole-of-Government accounts for the UK by the end of November. For that to happen—faster closing, particularly in the local government sector—we’ll be working through over the next couple of years, which will pose challenges, I think, for both local authorities as preparers of accounts and, indeed, for us

as auditors. But, the accounts peak will be coming forward with a view to further improvements, really, over the next couple of years on faster closing.

[95] Those are the only things I wanted to bring to the committee's attention, but I'm happy to take any questions, Chair.

[96] **Darren Millar:** Okay, thank you. Mike.

[97] **Mike Hedges:** Two questions. The first one is: haven't local government at the moment got to a position where they've got to complete their accounts by the end of August or sometime in September? And the second thing is that, however you mess around with accounts and do these things, the cash position remains unchanged, but the accounts can look better or worse at the end of it. What effect will these changes have on local government accounts?

[98] **Mr Usher:** For local government and faster closing, currently the requirement is that accounts are presented for audit at the end of June and the audit must be completed and the accounts signed off by 30 September. That timetable applies across the UK. Faster closing is happening at slightly different paces across the UK, but the Welsh Government is currently consulting on its intentions to bring the timetable forward over the next few years to get to bring it forward by a couple of months. So, it will be getting to 31 July in a few years' time, and getting that transition is quite significant because it will mean simply not just pedalling faster in preparing accounts, but actually having better systems and doing things in different ways to enable that to happen, in the same way as health bodies and central Government bodies have had to do over the last few years.

[99] On the cash position, yes, you're absolutely right—these are accruals accounts reporting debtor/creditor positions. The changes that have been made in accounting standards don't affect the cash presentation at all, and, obviously, having sufficient cash to operate a business remains key for any organisation, whether public or private sector.

[100] **Mike Hedges:** But, the question was: will it make it look better or worse when you do all these changes? Because, sometimes—. One change that was made some time ago was putting pensions, and pension costs, into a set of accounts, which made the accounts look an awful lot worse, when, in effect, the organisation was no better or no worse off in terms of currency, or in terms of cash. So, what will the effect be? And, on closing by 31 July—I

think everybody's in favour of early closing, but if your last date for dealing with it is 5 April, or whatever date around there it's going to be, then how are you going to deal with late claims, if you are closing it then? Because, this organisation, I think, allows people to make claims up until the end of April, beginning of May, for the previous year. Now, if you're allowing claims to come in until the end of April, it now gets to May before you can even start getting a consolidated account, and you want it audited by the end of July. It does seem to be a bit pressurised.

[101] **Mr Usher:** That's actually a very good example of what I was just outlining around having to do things differently in future. What would happen? It's the same way that health has to account for things like prescription charges; when it's putting the accounts together, it doesn't have the figures for period 12—the last month of the financial year. What it does have is historic trend information. It establishes a provision for that—an estimate of what it thinks the number will be—prepares its accounts, and submits them for audit. During the audit process, that information then comes in, and if it is close enough to that estimate, there's no need to adjust the accounts before they're finalised. If there's significant adjustment, if it's material, then we would adjust the accounts. But, generally, people are pretty good at estimating, because things tend to work on trend, year on year. So, as estimates improve, the process gets faster.

[102] So, with accruals—your first question around cash—none of this actually affects the cash position in any way whatsoever; this is simply around accrual accounting, reflecting the full assets and liabilities. You're right about pension liabilities, and bringing those in makes the overall position for an organisation look worse, in terms of the pressures. That is recognised in the totality of what is in the system. The whole of Government accounts, for instance, shows the public sector pension liabilities for the UK, and it shows net liabilities for the UK Government as a whole, which is to be expected, because some of those liabilities are many, many years downstream—decommissioning nuclear facilities, for instance—and that will be funded from future tax revenue, which isn't anticipated in the accounts—hence, net liabilities. But the cash position will be completely unchanged by any of this.

[103] **Darren Millar:** Huw, do you want to come in?

[104] **Mr Thomas:** I just wanted to bring to your attention that Torfaen was able this year to close its accounts before the end of July. This is in line with

the intentions for the future. And we are holding, as an audit office, a workshop for local authorities on the lessons learned of the Torfaen experience, and how they can be applied elsewhere.

[105] **Darren Millar:** Can I just ask, Mike, as well, you made reference to this simplifying and streamlining accounts project, and the fact that decision making on whether to participate in that is left at devolved administration level? Is that right?

[106] **Mr Usher:** That's right. Legally, the UK Government, Scotland, Wales and Northern Ireland are the four relevant authorities under the legislation for prescribing accounts. Generally, they work collectively, but, on this particular project, it is up to the four of them to implement as they see fit. So, the Welsh Government has a degree of discretion as to how it takes the simplifying and streamlining project into practice in Wales, which enables it to tailor it to local circumstances, the needs of this legislature, and those sorts of things, which makes good sense. My understanding is that the broad principles are certainly accepted across the UK. The devil will be in the detail, as ever, and so, as I say, you may wish to simply seek confirmation from the Welsh Government as to their intentions.

[107] **Darren Millar:** Okay. So, perhaps, if Members are happy, we'll write to the Welsh Government, just asking about that particular project, thanking them for giving us sight of the report, asking them if they can just advise on how they intend to take that forward in Wales, before the session on the accounts. Are Members happy with that? Any other points? No. Yes, Oscar.

[108] **Mohammad Asghar:** There is a very interesting point here, which is on page 86—the European public sector accounting standards. You know, PricewaterhouseCoopers always says it's pretty expensive, but I think it's pretty fair, when you think about the scrutiny of the balance of the cost and benefits. Will we really adopt that sort of procedure here and the value of the assets at the end of the term, which is the fair value rather than the cost that we would have to share? So, I need to know what standard we use in just our part of the world.

[109] **Mr Usher:** The UK is, I think it's fair to say, in the front rank of nations in terms of the way its public sector accounts are compiled. The accounting standards are very close to those in the private sector. Other countries within the European Union are at different stages in evolution. There are some that are actually still on cash accounts and have not yet moved even to accruals

accounts, let alone to comply with international financial reporting standards. The introduction of European public sector accounting standards is a very, very complex change project that's been discussed in Brussels. I think at the moment it is simply little more, really, than a concept or an aspiration, given the very practical difficulties in getting the European nations to agree on the best way forward on those kinds of things. So, that's a project that I think is somewhat on the back burner. It will be at least a decade, I think, before that sort of thing starts to work through. For the time being it's really a case of to what extent does Europe, other European nations, wish to catch up with nations like the UK, who are really leading on these sorts of things already.

[110] **Darren Millar:** Jenny, you wanted to come in.

[111] **Jenny Rathbone:** I just wanted to pick you up on one point, where you said that British standards were close to—British public sector standards were close to—private sector standards in the UK. I suppose I'm surprised at that statement, as I was about to say that these excellent standards we're working towards might be helpfully used by the private sector. I think that the public is pretty cynical about the veracity of private sector accounts. Accountability is—. You know, the inappropriate relationship between the auditing bodies, et cetera—.

[112] **Mr Usher:** There are a number of different issues there. I think what I'm talking about here is, in terms of the accounting standards that are followed—international financial reporting standards—those apply to private sector entities, including multinational companies, as they do to UK public sector bodies. The role of the FRAB is taking those standards, which are written for the private sector when they're developed, and interpreting them for public sector context—you know, in the absence of a profit motive and things, what 'fair value' would mean; those kinds of issues.

[113] In terms of perceptions of public sector accounts and private sector accounts, I think there may be issues there rather more about corporate governance and the way in which companies choose to operate their tax treatments, those kinds of issues, but the accounting standards are pretty much similar across the UK, the USA and certain other nations—New Zealand, Canada—are seen as really the front rank in terms of the way accounts are put together, whether public or private sector.

[114] **Jenny Rathbone:** Yes, well, that was why I thought it would be helpful

if private companies had a performance report and a governance report.

[115] **Mr Usher:** Indeed.

[116] **Darren Millar:** Okay. Thank you for that. We'll move on, then, to item 4.

09:43

**Ymchwiliad i Werth am Arian Buddsoddi Mewn Traffyrdd a
Chefnffyrdd: Ystyried Ymateb Llywodraeth Cymru
Inquiry into Value for Money of Motorway and Trunk Road Investment:
Consideration of the Welsh Government's Response**

[117] **Darren Millar:** We've got a copy of the Welsh Government's response and we've been helpfully provided with a commentary from the auditor general on that response as well. Do any Members want to start off the discussion on this? Auditor general, do you want to—?

[118] **Mr Thomas:** No, I won't add to that.

[119] **Darren Millar:** You won't add to the response. Aled.

[120] **Aled Roberts:** Rwyf i jest eisiau gofyn un cwestiwn ar argymhelliad 9. Mae'r Llywodraeth wedi derbyn yr argymhelliad ond yn dweud eu bod nhw yn mynd i gyhoeddi canfyddiadau'r adolygiad yn ystod hydref 2015. A ydym yn gwybod pryd yn union bydd hynny, ac a fydd cyfle inni drafod? Rwyf i ar ddeall, yn y gogledd, fod yna doriadau, ond, i ryw raddau, mae toriadau yn cael eu gwneud i'r gyllideb cynnal a chadw yn hytrach na chostau'r asiantaeth ei hun, ac mae yna nifer o staff yn cael eu trosglwyddo o lywodraeth leol i'r asiantaeth. Felly, bydd costau i'r asiantaeth o ran swyddfeydd. Maen nhw hefyd yn cynyddu costau o ran

Aled Roberts: I just want to ask one question on recommendation 9. The Government has accepted the recommendation but says that they're going to publish the findings of the review during autumn 2015. Do we know exactly when that will be, and will there be an opportunity for us to discuss? I understand, in north Wales, that there are cuts, but, to some extent, cuts are being made to the maintenance budget rather than the costs of the agency itself, and there are a number of staff being transferred from local government into the agency. So, there will be agency costs in terms of offices. They are also increasing costs in terms of

prynu *depots* ychwanegol yn y buying additional depots in north
 gogledd, ac rwyf i jest eisiau gweld a Wales, and I just want to see if there
 fydd yna fanylion felly o fewn yr will be those sorts of details in the
 adolygiad, achos rwy'n pryderu review, because I am concerned that
 hwyrach fod y costau neu'r toriadau perhaps the costs or the cuts will be
 yn gyfan gwbl yn y gyllideb cynnal a entirely in the maintenance budget.
 chadw. Felly, bydd y cyhoedd yn So, the public will see a deterioration
 gweld dirywiad yn y gwasanaeth ond in the service, but the internal costs
 bydd costau mewnol yr asiantaeth ei of the agency itself perhaps will
 hun, hwyrach, yn cynyddu. increase.

[121] **Darren Millar:** Huw, have we got any updates on this? Because it is a fair point: if there's lots of preparation going on for a single agent, and there's no final decision been made or announced, it's unusual, isn't it?

09:45

[122] **Mr Mortlock:** We don't know any more on the review—the detail of the review—than is in here in terms of the time frame or the detail of it. The point you raised about the maintenance programme generally links to another part of the response where, I think, you'd asked for the Welsh Government to publish details of the maintenance programmes. Whilst they've kind of given an assurance that a maintenance programme exists, it doesn't quite go to the lengths of saying, 'Well, here it is', or 'We're going to put some information in the public domain about it', to give you that assurance of the overall budget. Also, we've made the point that, taking it further in terms of what that means for the condition of the network, obviously, in the response, the Welsh Government's pointed to this measure that it's using around roads requiring maintenance, but that's only one part of actually how they're measuring the overall condition of the network.

[123] You've also got these—we refer to it in our letter—. You've got the alternative target for the category 1 defects, which is also one of the measures on the Welsh Government's website that it uses, and it says that those, in the round, along with the roads requiring maintenance, are how they kind of measure their progress. But, as I say, I think there is a general question around whether the Welsh Government is committed to actually putting some information out in the public domain about what the maintenance programme is for the network and the costs involved there.

[124] **Darren Millar:** Okay.

[125] **Mr Thomas:** I think, generally, you have a choice: there are a number of areas we've identified where the information could have been a bit more forthcoming or you'd wish to have clarification. Given the time, you may wish to do this by correspondence, or you may want to just have a very, very short and focused evidence session.

[126] **Darren Millar:** Are Members content for us to—

[127] **Aled Roberts:** I'm quite happy to do it by correspondence in the first instance, and then, if we don't get what we want, we follow that up.

[128] **Darren Millar:** Yes. If we do that, then, and see what comes back, we'll highlight it in addition to the issues that you raised as a concern, Aled. We'll also highlight the points that the auditor general has brought out in his commentary on the response. Are Members content with that approach? Yes. I noticed, incidentally—

[129] **Jocelyn Davies:** Could you also say in the letter that if we get a satisfactory response they won't be required to come and see us? [*Laughter.*]

[130] **Darren Millar:** And perhaps it will be more full as a result. [*Laughter.*]

[131] I noticed yesterday—do you remember we had a discussion during the inquiry on rubbernecking and the impact of that on traffic congestion—they're going to start using the screens in north Wales, aren't they, even though they trialled them in the south and stopped using them, because they said it was causing just as much rubbernecking.

[132] **Jocelyn Davies:** Well, yes; you want to look at the screens.

[133] **Aled Roberts:** I thought, when I read this, that the response to William Graham was that they weren't effective so they weren't going to use them, but they've now committed themselves to a three-year trial in both south Wales and north Wales.

[134] **Darren Millar:** Yes. So, it was unusual. Okay. In any case, we'll write, we'll see what comes back, and, in fact, we'll just ask them about the rubbernecking issue as well, just to seek some clarity on that, as to why there was a change of tack with it all.

09:48

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi).*

*accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[135] **Darren Millar:** Item 5, then. I'll move a motion under Standing Order 17.42 to resolve to exclude the public from the remainder of our business today. Are all Members content? If they're content, we'll go into private session. Thanks.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11:49.

The public part of the meeting ended at 11:49.