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[The Public Accounts Committee](#)

23/02/2016

[Agenda'r Cyfarfod](#)

[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)

[Committee Transcripts](#)

Cynnwys Contents

- 4 Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions
- 5 Papurau i'w Nodi
Papers to Note
- 5 Rheoli Grantiau yng Nghymru: Adroddiad Blynyddol Llywodraeth
Cymru ar gyfer 2015
Grants Management in Wales: 2015 Welsh Government Annual Report
- 44 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

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 reported 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 Bywgraffiad Biography | Ceidwadwyr Cymreig Welsh Conservatives |
| Mike Hedges Bywgraffiad Biography | Llafur Labour |
| Alun Ffred Jones Bywgraffiad Biography | Plaid Cymru (yn dirprwyo ar ran Jocelyn Davies) The Party of Wales (substitute for Jocelyn Davies) |
| Sandy Mewies Bywgraffiad Biography | Llafur Labour |
| Darren Millar Bywgraffiad Biography | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair) |
| Julie Morgan Bywgraffiad Biography | Llafur Labour |
| Jenny Rathbone Bywgraffiad Biography | Llafur Labour |
| Aled Roberts Bywgraffiad Biography | Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats |

Eraill yn bresennol
Others in attendance

| | |
|---------------------|---|
| Gawain Evans | Cyfarwyddwr Cyllid, Llywodraeth Cymru Director of Finance, Welsh Government |
| Syr/Sir Derek Jones | Ysgrifennydd Parhaol Llywodraeth Cymru Permanent Secretary, Welsh Government |
| Peter Kennedy | Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru Director Human Resources, Welsh Government |
| David Richards | Cyfarwyddwr Llywodraethu, Llywodraeth Cymru Director of Governance, Welsh Government |

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 Ail Glerc
Second Clerk

Joanest Varney– Uwch–gynghorydd Cyfreithiol
Jackson Senior Legal Adviser

Dechreuodd y cyfarfod am 09:05.
The meeting began at 09:05.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. If I could just make the usual housekeeping notices and remind Members and witnesses that the National Assembly for Wales is a bilingual institution and that Members and witnesses should feel free to contribute to the proceedings of this meeting through either English or Welsh as they see fit. There are, of course, headsets available for translation purposes, and these can also be used for sound amplification for those who require them. If I could just encourage everyone to switch off their mobile phones, or turn them onto silent mode, because they can interfere with the broadcasting equipment. I remind everybody that, in the event of a fire alarm, we should follow the directions of the ushers.

[2] We have one apology for absence today, from Jocelyn Davies, but I'm very pleased to be able to welcome Alun Ffred Jones to today's meeting. If there are any oral declarations of interest, we'll take those as they arise on the

agenda. A number of declarations have been made during the course of inquiries of this committee, which will still stand in respect of any questions that might be asked on those inquiries.

09:06

Papurau i'w Nodi Papers to Note

[3] **Darren Millar:** Item 2, we have just a couple of papers to note. We've got copies of letters from Harriet Harman. Alun Ffred.

[4] **Alun Ffred Jones:** Rwy'n deall nad ydy'r llythyrau yn gwbl berthnasol, efallai, i waith y pwyllgor, ond a oes modd gofyn cwestiwn? Nid wyf yn siŵr i bwy; i Harriet Harman ei hun, efallai. Ar ddiwedd y trydydd paragraff, mae'n dweud, am y pwynt cyffredinol y mae hi'n ei wneud am diffyg ymgynghori,

Alun Ffred Jones: I understand that these letters are not entirely relevant to the work of the committee, but may I ask a question? I'm not sure to whom I should address this—perhaps to Harriet Harman herself. At the end of the third paragraph, she says, on the general point she makes about the lack of consultation,

[5] 'This would clearly inhibit the possibility of taking note of, and learning from, the specific and different cultural traditions—particularly of Scotland and Northern Ireland'.

[6] Beth ddigwyddodd i Gymru? What happened to Wales?

[7] **Darren Millar:** I think that's a question better put to Harriet Harman, Alun Ffred. I take it that the committee notes the correspondence on the files. Does any Member object to that? No.

09:07

Rheoli Grantiau yng Nghymru: Adroddiad Blynyddol Llywodraeth Cymru ar gyfer 2015 Grants Management in Wales: 2015 Welsh Government Annual Report

[8] **Darren Millar:** We'll move on, then, to item 3 on our agenda. We're going to be considering grants management in Wales first of all. I'm very

pleased to be able to welcome Sir Derek Jones, the Permanent Secretary of the Welsh Government, to today's meeting, along with David Richards, director of governance at the Welsh Government, Gawain Evans, the director of finance at Welsh Government, and Peter Kennedy, director of HR at the Welsh Government. Welcome to you all.

[9] We'll obviously, later on in our meeting, touch on a whole range of other subjects, but you've very kindly circulated a copy of the Welsh Government's grants management report to the committee. Can you tell us, in terms of a very brief opening statement, if you may, where you think the Welsh Government is at in the improvement of its grant management processes? Then we'll open the floor to questions from Members.

[10] **Sir Derek Jones:** Yes, thank you, Chair. Bore da, bawb. Can I say something more general as well? Because it's relevant to grants management but also by way of my introduction to the wider scrutiny. I remember the first time I appeared before this committee; I said at the time that I knew that the process would be challenging and that I couldn't expect to enjoy it, but that the process that I was engaged in—scrutiny of regularity, propriety and value for the public's money—was just absolutely core to good government, and as principal accounting officer, I wouldn't try to dodge that scrutiny and I'd aim to engage with the committee as constructively as I could. That was some years back now. A lot of work's been done, and I think the committee's going to have an awful lot of questions for me today going back over that period. But I'll aim to respond to them in the same spirit that I started off.

[11] I think that very first session was essentially about grants management and I found myself a Permanent Secretary of an organisation whose grants management was demonstrably weak and high risk—demonstrably from some really difficult cases. I think we've made tremendous progress since then. I know that if I say that the situation now is not high risk, but low risk—as soon as I say that to the committee I can hear the thundering hooves of the next really difficult case. So, I think moderate would be the level of risk that we're now managing, and, partly, that is just the sheer scale and diversity of the grants management operation—thousands and thousands of transactions, large and small. But I think the committee's focus on grants management was completely appropriate at that time, and the consistency of scrutiny has meant that we have raised our game—a lot of good work done and a complete revamp, really, of the central control of grants management and of the management information that we have available to us to do that.

[12] **Darren Millar:** It's obviously been a number of years since we published a report into grants management, and you're quite right—a part of your induction process, I think it's fair to say, into the role of Permanent Secretary, was an appearance before this Public Accounts Committee, where you did have quite a hard time. But a lot's happened since then. You've invested in the information technology infrastructure, the interface—the relationship management, if you like—between grant recipients and the Welsh Government. But can we as a committee have assurances from you that the same sort of things that happened at AWEMA, Penmon fish farm, and in other places, won't happen again?

[13] **Sir Derek Jones:** I never agree to propositions like that, Chair. I said that I thought we were now managing a moderate level of risk. I can't guarantee to the committee that there will never be another difficult case; I think that would just be rash of me. What I can guarantee to the committee is that the risk of that happening is much reduced, and that we would spot the difficulties—I think I can guarantee that we would spot the difficulties sooner. Some of those difficult cases were about slowness to react, perhaps lacking confidence to intervene soon enough to prevent the risking of further money, where there were some doubts about value for money, or application of public money, earlier on, and sometimes good intentions overwhelming prudent management. And I think I can give the committee an assurance that, can I call it the culture of grants management, has improved sufficiently in the organisation to avoid that. You have the audit office's scrutiny as well—looking hard at the auditor general—but I think, probably, they would share my assessment about that.

[14] **Darren Millar:** One of the key things that was established—and a key weakness that was identified by this committee—was the failure to share intelligence with other grant providers. There's a good-governance group now which has been established. Is that working effectively? How regularly does it meet? Who do you send along?

[15] **Sir Derek Jones:** The gentleman on my right chairs it, so I will invite David to say something about that. But, yes, it is working. I think its most recent discussions were about fraud, David, but you might like to comment.

[16] **Mr Richards:** The committee last met in October, Chair, and our next meeting is in the next few weeks. Outside the meetings, most of the sharing of information about cases actually goes on outside the forum meeting,

through a network, and there is a continuous flow of information about individual cases, sharing concerns. As to the meetings themselves, we've talked about how we might do more together to help particularly the smaller third sector bodies to be more effective and efficient in the way they manage resources, but we had a particular focus on fraud at the last meeting. We had our head of counter-fraud and a representative from the police. So, we talked about the actions that we were taking in the Welsh Government to try to counter fraud and listened to the various other members of the group talking about the actions that they took. Fortunately, there's quite a lot of synergies about the things that we do, but we all came away from it having learnt something.

[17] **Darren Millar:** And, just as a matter of interest, have you identified any fraud in the grants management system, anywhere, over the past 12 months, since our last meeting?

[18] **Mr Richards:** Where we have a suspicion of fraud, yes—'yes' is the honest answer; yes, we have had a few cases that have come up.

[19] **Sir Derek Jones:** I think, suspected.

[20] **Mr Richards:** Yes, suspected fraud.

[21] **Sir Derek Jones:** And under investigation, Chair.

[22] **Darren Millar:** How many? How many cases, and how much money is involved?

[23] **Sir Derek Jones:** I think—over the last 12 months, you said—we probably got about three cases, suspected. I can't give you a figure for money at risk, and these are just suspected cases.

[24] **Darren Millar:** Well, are they substantial grants or small grants?

[25] **Sir Derek Jones:** Substantial.

09:15

[26] **Darren Millar:** Substantial grants. I mean, committee members and members of the public watching this committee will be pretty concerned to hear that. When were these cases identified? What action have you taken as a

Welsh Government since? Have you suspended payments to those organisations?

[27] **Sir Derek Jones:** Oh yes. Chair, the public should not be concerned. This is a very, very large organisation. I think we make over 19,000 individual grant offers during the course of the year. That was the last count. Sometimes, people will try to abuse the system and defraud the taxpayer. We have good processes in place to prevent that happening. But suspicions will arise from time to time. Going back over the years, I think there have been very, very few proven cases of fraud. So, the public can be very well assured, Chair, and not concerned. We are vigilant about this.

[28] **Darren Millar:** So, you've suspended money flowing to those organisations, but you've said that they have been in receipt of significant grants. So, what is the potential loss, across the three cases, to the taxpayer?

[29] **Sir Derek Jones:** I really don't want to hazard a figure. I don't think I'm sufficiently well briefed to do so. But it wouldn't be appropriate either in cases like this where we're dealing with suspicions. David, is there anything else you want to say?

[30] **Mr Richards:** Nor is it necessarily the case that these are actually cases of fraud. They are cases where we've had some evidence that there might be something in it. But, with some cases we're investigating, in the end, there is not a case to answer.

[31] **Darren Millar:** I appreciate that but, obviously, money in the public sector is tight at present. Any significant fraud will be a matter of concern for taxpayers and given that you've said that these are significant sums—they're significant grants to the three organisations where fraud has been identified—there will be public concern about this. You've said that it's a suspected fraud. What action have you taken as a result of that, in addition to suspending the payments? What investigation work is ongoing? Have you reported it to the police?

[32] **Sir Derek Jones:** Obviously, the first step on any suspicion of fraud is to involve the police. But, Chair, can I re-emphasise that the public should not be concerned, in the sense that you're suggesting, because our accounts report losses and right-offs through fraud or other means? If anybody looked back over our accounts they would see that there are very, very few cases of fraud. But, as I said, it's a big organisation, it's a very large business.

Sometimes, people will try to take advantage, but I believe our record on this is sound and the public can take confidence from that.

[33] **Darren Millar:** Just one final question on this, then I'll bring Alun Ffred Jones in and we'll come across to Julie Morgan. Was the good-governance group meeting on the fraud issue triggered as a result of these three cases?

[34] **Mr Richards:** No, it was triggered by a conversation around the table from the group that one of the things that we could usefully share good practice about is fraud prevention. Particularly, the rest of the group felt that the Welsh Government had some good professionals working on this and they wanted to learn from us. It had nothing to do with any individual cases.

[35] **Sir Derek Jones:** Sorry, can I just quote one figure that might help with perspective? Sorry to interrupt, Chair. Grant aid to the private sector runs at about £500 million or £600 million a year. The amount that was written off for one reason or another over the last couple of years is less than 1 per cent—about half a per cent. That includes fraud but other right-offs as well. So, that's the context.

[36] **Darren Millar:** Okay. It's still significant sums when you consider the overall scale of the budget. Ffred, is it on this issue? Then, I'll bring in Sandy.

[37] **Alun Ffred Jones:** Ie, dau **Alun Ffred Jones:** Yes, two questions. gwestiwn. O ran twyll neu In terms of fraud or misuse of public gamddefnydd o arian cyhoeddus o money in the grants system, one fewn y system grantiau, un nodwedd characteristic of some of the cases o rai o'r achosion sydd wedi bod yn y that we've had previously is that the gorffennol ydy bod y Llywodraeth Government or the civil service—I'm neu'r gwasanaeth sifil—nid wyf yn not sure which one—has been very siŵr iawn—wedi bod yn araf iawn i slow to respond to the situation, and ymateb i'r sefyllfa ac, yn ail wedyn, has then been even slower in terms wedi bod yn hyd yn oed yn arafach of bringing the facts before the wedyn i ddod â'r ffeithiau gerbron y public. The trick usually is to have an cyhoedd. Y tric fel arfer ydy cynnal inquiry that goes on for a long, long ymchwiliad sy'n mynd ymlaen am time and by the time the outcome is oesoedd, ac erbyn i'r canlyniad ddod known, very often, the public has lost allan, yn aml iawn, mae'r cyhoedd interest in the subject. What are you wedi colli adnabyddiaeth o'r pwnc. doing to try to respond more Beth ydych chi'n ei wneud i geisio promptly and to deal with the issue ymateb yn gynt a hefyd i ddelio â'r more promptly? Because there is a

mater yn gynt? Achos mae yna feeling that the civil service has the deimlad bod gwas sifil yn cael y responsibility of inquiring into what cyfrifoldeb o ymchwilio i'r hyn sydd happened and that process takes wedi digwydd a bod y broses honno certainly up to a year or longer than yn cymryd yn sicr hyd at flwyddyn that to report back. neu hyd yn oed yn fwy na hynny i adrodd yn ôl.

[38] **Sir Derek Jones:** I wasn't sure whether that question was solely about fraud, but I'm taking it as being partly about fraud and also more widely where there's been a problem with a grant or the need to intervene, recover public money or stop further payments. On the latter, I think I mentioned that one of the significant improvements in our grants management has been to improve the self-confidence of those concerned and, through the advice of the grants centre of excellence, intervene more decisively earlier on. I think Alun Ffred Jones can take comfort from that as far as our internal grants management is concerned. If it's a fraud investigation, the timetable is determined primarily by the police.

[39] **Darren Millar:** Iawn. Sandy. **Darren Millar:** Okay. Sandy.

[40] **Sandy Mewies:** Good morning. I think you've answered partly the question I was going to ask. There is suspected fraud and attempted fraud, and successful fraud, isn't there? So, you're going through a process now to see where we are. Are all these investigations now with the police? Is there a timeline? We're going into dissolution in April. Are you expecting this to be resolved before then or will it be for the next Assembly? How will that information be disseminated? Will you talk to the Government about it? There'll always be people, I'm afraid, out there, trying to—. If there's a pot of money anywhere, very often there are people trying to get hold of it, even if it's through phishing e-mails to people like me. There are always people who are trying to do it. How will that information be made public in some ways? In your annual report, maybe, to say that this case has been dealt with in this way and this is what we're doing.

[41] **Sir Derek Jones:** Frauds, losses and right-offs are reported in the accounts. If it's an actual fraud, it'll be prosecuted and so it will come to the public's attention through the courts.

[42] **Sandy Mewies:** Do you have any idea of a timeline on these things? No.

[43] **Sir Derek Jones:** Well, you asked whether it would be a matter for the next Assembly, and I think, probably, given that we're late in February, then the answer to that would be 'yes'.

[44] **Darren Millar:** It is a matter of concern, though, isn't it, that this information in relation to grant-related suspected fraud is not reported in your annual report? It's the obvious place to report it, isn't it?

[45] **Sir Derek Jones:** Well, we don't report specific cases, particularly if they're in this sensitive category. I do repeat that it isn't a matter of concern that we, at any given time, have some suspected fraud under investigation. It is a matter of regret that the world has crooked people in it, Chair, but that's a harsh fact. We are aware of that risk and we have, I think, good systems in place to manage it.

[46] **Darren Millar:** From the point of view of scrutiny, the public and members of this committee will want to have confidence that you're dealing appropriately with these things. Don't you think it's perfectly appropriate for us to expect there to be some reference to how you're dealing with suspected cases of fraud and the number of those cases somewhere in the report?

[47] **Sir Derek Jones:** I think, David, there is a section describing the general management of fraud risk in the report. It simply doesn't deal with specific cases, as, I think, Chair, you would accept, for obvious reasons.

[48] **Darren Millar:** But the number, the volume, the timing at which they're identified, I think, and the processes involved—and there is limited information, to be fair, on the processes—would be very useful, I think. Mohammad Asghar, you wanted a question on this and then we'll go to Julie.

[49] **Mohammad Asghar:** Thank you, Chair, and thank you, Sir Derek. What it is is that 19,000 applicants for the grants and £0.5 billion is serious money. When people apply for the grants and everything, there are some professional people who fill in the big grants, and you certainly look into that, but what we're concerned about is the small people who may get the grants and not the professionals, and there is the area where, normally, the wrongdoing is done, by unprofessional people. Have you got a list of people who make those wrong applications, for blacklisted individuals not to apply again?

[50] **Sir Derek Jones:** One of the improvements that we've made to the grants management system is called the due diligence approach. This is now an electronic process where a grants manager, in the process of making a payment, is able to check on the system whether there's been any previous difficulties with that applicant, which would be flagged up on the due diligence system. I had a go at this myself recently, actually, Chair; I got my hands on our new PayGrants system. I have got one or two questions, and we may still be able to improve it, but I think that is the answer to Oscar's question about being able to flag up people with what you might call a track record.

[51] **Darren Millar:** Okay. Julie Morgan.

[52] **Julie Morgan:** Thank you very much, Chair. Good morning. You measure compliance through reviews and through health checks. Could you tell us what sort of non-compliance you would regard as being serious? For example, in your report, you note that nine were asked to resubmit due to more fundamental issues. I wondered if you could tell us what sort of issues you would regard as serious.

[53] **Sir Derek Jones:** Yes. So, this goes beyond the sort of minor and administrative glitches that you'll find in any process: if, for example, the wrong amount of grant was proposed to be made, if there was confusion about the applicant or a misaddressed letter—grants can involve state aids, EU state aids consideration, so, if the advice about state aids is inaccurate or wrong. Those are three examples that I would give of substantial errors that would cause a stop and a serious need to explore how those had gone wrong. I'm not saying that those three particular examples are covered in those—was it nine—

[54] **Julie Morgan:** Nine.

[55] **Sir Derek Jones:** —nine cases that are mentioned in the report, but those would be the kinds of things that would be significant.

[56] **Julie Morgan:** Right. Only that nine out of 24 seems quite a high number in terms of being possibly more serious, so I don't know if—. What is your view of that?

[57] **Sir Derek Jones:** Well, I think we're being pretty robust is my view of that. The Chair tried to tempt me to say earlier on that the improvements

we've made would ensure that there would never ever be any other difficult cases, and I can't provide that insurance. It's a much-improved system. We continue to improve it, but there are still risks involved. These sorts of things will be primarily human error.

[58] **Julie Morgan:** Right. So, the reviews that you undertake—are they random reviews?

[59] **Sir Derek Jones:** Yes. They're decided by the centre of excellence. So, we don't ask for volunteers.

[60] **Julie Morgan:** No, no; I didn't think you'd ask for volunteers. I'm just saying that nine out of 24 reviews that are chosen in that sort of way seems quite a high number, basically.

[61] **Sir Derek Jones:** Yes, it is. It is.

[62] **Julie Morgan:** So, to go on to the code of practice for funding the third sector, and the fact that only 40 per cent of relevant grant recipients had heard of that code of practice, are you surprised at that number?

[63] **Sir Derek Jones:** This is our customer survey. I think when any organisation surveys its clients and customers it's likely to hear a few things that it would rather not hear. This is the response from the third sector. I think it is a bit disappointing that more people are not aware of really quite a powerful tool in terms of the code of practice. I'm not trying to dodge this, as far as the Government is concerned, but I think probably the main onus for promoting the code of practice lies with the third sector bodies and umbrella organisations and we can use this customer feedback to pass that information on to them.

09:30

[64] **Julie Morgan:** And what about the fact that a quarter of those who did know about it thought the Welsh Government didn't follow it?

[65] **Sir Derek Jones:** Well, that's the kind of customer feedback you get as well, although that is sentiment—. We do actually have an evidence base for this. I don't know if you've got a copy of the grants report. Let me see if I can find it. Yes, it's paragraph 2.43, which talks about the code of practice specifically and explains that, every year, the grant centre of excellence and

the third sector unit collaborate on scrutiny of grants work to the third sector, matching it up against the requirements of the code of practice. They look at two or three of the principles each year, and that's regular work. That has found high levels of compliance with the code of practice. So, you can never ignore what your clients are telling you in surveys like that, and we won't, and that feedback has gone to the centre of excellence, obviously, and to the third sector unit. But I don't think it's the whole story, because the evidence that we have from looking at actual cases and whether they comply with the code is good.

[66] **Julie Morgan:** Thank you.

[67] **Darren Millar:** You're only testing three areas of the code this year, though, aren't you?

[68] **Sir Derek Jones:** Yes. Well, I think it would have been a different three last year.

[69] **Darren Millar:** Okay, but, if you're only testing three areas of the code, then what's to say you're not failing to comply with all of the others, frankly? You seem to be overly confident that you're meeting these obligations, whereas the third sector clearly isn't.

[70] **Sir Derek Jones:** I hope I'm not over-confident, but I do think we've got some evidence that—

[71] **Darren Millar:** Well, the evidence is that you've met, in most of the cases, just those three.

[72] **Sir Derek Jones:** I think, in the previous year, it was a different three, and I would be surprised and disappointed if things had changed that much over 12 months. So, I'm not complacent about what our customers are saying, but I do think we've got some evidence that the code of practice is holding up reasonably well.

[73] **Darren Millar:** Before I bring in Mike Hedges, just finally on compliance: where there are lots of human errors being made on a regular basis, you seem to suggest that many of those errors that were identified were dates of letters, the amounts, to whom the letter was addressed, et cetera, in terms of the grant offer. Does that lead to any disciplinary action in terms of members of staff who might be getting it wrong all the time? How

do you manage the staff that are dealing with this within the Welsh Government?

[74] **Sir Derek Jones:** Yes, absolutely. The responsible managers would be aware of this information. I think disciplinary action would be on the basis of not just a mistake, but of some persistent or consistently poor behaviour. But management action would be an everyday matter. So, once this information is in the hands of the relevant manager, they would be expected to take clear action—why did this happen, and how can we make sure we prevent a repetition?

[75] **Darren Millar:** Okay. Mike Hedges.

[76] **Mike Hedges:** I'd like to know about the shared services approach to grants—something I quite like the idea of. Correct me if I'm wrong, but there are a number of organisations that give grants—not only directly from the Welsh Government, but people who are funded by the Welsh Government, like the Arts Council of Wales, et cetera, and some people go for a small grant from one, and they appear then to be compliant. If they pass the small grant test, then everybody else, sort of in a herd mentality, follows on. That's one of the problems we discovered with Penmon fish farm, for example: once one said 'yes', everybody else rushed in to say 'yes' as well. Would such a shared service involve people not accepting the first one that went in there, but actually having a group view on it?

[77] **Sir Derek Jones:** I haven't decided on a shared service approach to grants yet. It's something that we're exploring as part of a wider programme to consider how we can just be more efficient and economical in our administration. There are risks and advantages to both options. Some of the advantages to a shared service are that you can develop real expertise in grants management, and have that expertise stretch over a wider range of business. So grants aren't managed in, as it were, the policy teams, or the divisions and departments where they are at the moment, but you would bring together the management, create more expertise in grants management, and thereby, I think, avoid perhaps the sort of risk that you were describing. The potential disadvantages are, however, that you then lose the expertise—you know, you create expertise in grants management generally, but you may lose it in the specific policy or operational area that is also a strength. So, we're considering it. I need to look at everything that, for the future, might make the organisation more economical to run, because times will continue to be hard, and this could be more efficient, it could

reduce some of our risks, but I think we need to test the case quite hard.

[78] **Mike Hedges:** Can I just push you a little further on that then? I know you're still thinking about it. I'm just thinking about indirect grants from, say, the arts council, who are almost totally wholly funded from the Welsh Government, being involved in it. And are you thinking of talking to the Lottery, et cetera? Because my understanding of people who go for grants is they just fill in a whole range of grant applications, each one is checked—or should be checked—but the problem is that people get a small grant from one body and then everybody else says, 'Well, if they think it's okay, then it must be okay.' The fish farm was a classic example of that—once the first one went, everybody else seemed to just follow on.

[79] **Sir Derek Jones:** I remember. I suppose at one level it's understandable that some organisations might want to rely on another's due diligence work. I think sometimes other organisations want to rely on the Welsh Government's due diligence work. But, actually, if you're an accountable officer, you've got to do enough of your own due diligence, and not just follow on. But I think the direct answer to your question is: at the moment we're only considering Welsh Government grants as a possible shared service, although, if we did go down in that direction, and it was successful, potentially, it could go more widely.

[80] **Mike Hedges:** You're talking about direct Welsh Government grants, are you, as opposed to indirect ones—grants by people you give money to give grants out to?

[81] **Sir Derek Jones:** Yes, I think we're looking at the grants that we make. David is catching my eye.

[82] **Mr Richards:** Yes, if I could just come in on that. Both the lottery and the arts council are on our grants community of practice¹. So, the other major funders we meet round the table on a regular basis, and we would see that forum as the basis on which we exchange information to identify people who are trying to pick us off as individual funders.

[83] **Darren Millar:** Right, okay. Jenny, you wanted to come in on this.

[84] **Jenny Rathbone:** Yes. I suppose I wanted to turn your question around

¹ The witness has noted that this should read as 'good governance group'.

a bit, because, if you had—[*Inaudible.*]—then we risk squeezing out innovative, small projects that everybody says, ‘Oh, we don’t know anything about them.’ How are you enabling ideas that are thinking outside the box, which may prove to be very effective, simply not being squeezed out by this sort of process of bureaucratic management?

[85] **Sir Derek Jones:** If I go back to that first session on grants management with the committee, I can’t remember how it came up—

[86] **Jenny Rathbone:** We have spoken about this before.

[87] **Sir Derek Jones:** —but it is—. I think it’s a constant challenge. If we always emphasise risk—whether it’s the risk of fraud or mismanagement or just incompetence in our grant recipients at every level of the organisation—then we’ll become hopelessly bureaucratic for smaller businesses, particularly in the third sector, but also small firms, with whom we have many grant relationships. And, again, arriving as a new Permanent Secretary and listening to what our clients were telling me—and also listening to my own staff—I had the impression that, in some areas, we were lacking agility and we had become overly cautious. Because of some hard pounding, I think, on individual areas or individual officials a degree of risk aversion had crept in, and I felt I needed to—and I did—talk and push quite a lot, early on, to improve that and I think we have improved.

[88] But, there is a permanent tension between these things. All I can tell you is that we’ve got to aim to get the balance right. But, I think you’re absolutely correct that one of—. This is what I meant by the risks of moving to a shared service: you might get your grant expertise, but you’d lose the more finely grained understanding of the sector or the area or the client base that you’ll have in the operational division. It’s the balance of those risks that we’re trying to explore through this process.

[89] **Jenny Rathbone:** Okay, because in my experience as Chair of the European programme monitoring committee, some of the most socially transformative projects were some of the smallest—the leader projects that came from the bottom up. How does your grants management process enable us to acknowledge the successes of quite small projects to feed into our understanding of what we’re looking for in the future?

[90] **Sir Derek Jones:** I hope at some point, maybe, to get back to the general theme of good practice on grants management, but on other things

too. We aim to make our processes proportionate to the risk that's involved. So, that means the amount of money that's involved, the knowledge that we have of the client, which might be a little or a lot, and the nature of the business. Going back to the customer survey, both on the third sector and the private sector, a lot of the feedback was very positive about the experience of being a grant recipient and the extent to which grant managers were helpful and supportive. So, if we had a big problem, I think we would have got more negative feedback through that survey.

[91] **Jenny Rathbone:** But there were—

[92] **Sir Derek Jones:** It's the first one we've done. I'm hoping the committee might give me a bit of credit for asking the clients what they think. You'll always hear some things you don't want to, but on this the feedback seemed to be generally positive.

[93] **Jenny Rathbone:** And there was sufficient feedback from small grant recipients.

[94] **Sir Derek Jones:** Yes, I think so.

[95] **Jenny Rathbone:** Okay, that's very good. Can I just move on to ask you about the learning from some of the more difficult issues that you've faced and that this committee has investigated, around the regeneration investment fund for Wales, River Lodge and the All-Wales Ethnic Minority Association? Some of the problems have been relating to—

[96] **Darren Millar:** Sorry, Jenny, but we're going to move on to more general, broader sorts of issues later on. Sandy, you wanted to come in, didn't you?

[97] **Sandy Mewies:** Yes, thank you. I think it is a good idea to survey your client base and to do it on a regular basis. I don't know how regularly you plan to do it because I've got two areas of questioning here and I did wonder, with 195 external respondents, what percentage that was of the 19,000 people. They could be the same people. I mean, there could be 5,000 applying for the same ones. What was the percentage?

[98] **Sir Derek Jones:** The 19,000 is individual offers, I think, so it's not necessarily a different client—

[99] **Sandy Mewies:** You've got more than 195 organisations applying for grants.

[100] **Sir Derek Jones:** I don't know the answer to that question, I'm afraid.

[101] **Sandy Mewies:** You don't; okay.

[102] **Sir Derek Jones:** I'm sure somebody will.

[103] **Sandy Mewies:** How often are you going to do it?

[104] **Sir Derek Jones:** But not David. [*Laughter.*]

[105] **Sandy Mewies:** Not David, okay, because 14 per cent didn't know about the centre of excellence either. I don't know how important that is, actually. So, how are you going to consistently do this, use this information and build on it?

[106] **Sir Derek Jones:** Well, we will. I think the centre of excellence has the core role here. It is an interesting finding that awareness amongst our client group of the centre of excellence was not high, but I'm not sure that I'm bothered by that. In asking the question I don't know if my colleagues in the centre of excellence were hoping that their profile was massive out there, but I'm not sure that that would be a good thing. I think what it really demonstrates is that the work the centre of excellence has done to improve the quality of our processes has not ticked off our clients to the extent that they were giving us negative feedback about it. It is not part of my ambition that the grants centre of excellence in the Welsh Government should be anything other than very effective in its internal processes. It doesn't need an external profile and if it had one, that might not be a particularly good one.

[107] **Sandy Mewies:** [*Inaudible.*—in the slightest really, but it's how this information is going to be used now, so that you're actually going to drive further improvements in grant management. So, how regularly are you going to do it and will you be using indicators, or what, in future years to do that?

09:45

[108] **Sir Derek Jones:** We will do it regularly. This is the first, I think, going to our private sector clients, and it's the second covering third sector and public sector clients. We will do it regularly. I'm not sure about frequency yet,

and I'm open to suggestions. I don't think we should make it annual, because I think, particularly for smaller businesses, that can feel like pestering. A year can fly by quite quickly and, 'Oh blimey, here's another form from the Welsh Government that we've got to fill in.' So, I don't think it should be annual, but biannual, or once every three years—something along those lines. But, this is new; it's the first time we've done this.

[109] **Sandy Mewies:** The second area is actually about the bureaucracy that people sometimes complain that they face when they are filling in forms for grants. In another life, I've been on the other end of this, and thought—. Actually, I was just the talking piece of the organisation, but the person who actually did fill in the grant forms found it quite tedious sometimes to be asked the same things and to jump through hoops. You'll recall, in our interim report, the committee really were talking about the cost of administration for grants. There was a case where, for one grant given to an organisation, three quarters of the percentage of the cost matched the grant. Three quarters of the grant had gone in costs, or was matched by costs. There was a suggestion then that you publish in your annual report what progress you were making on reducing costs. That didn't happen in 2015, but can you now provide any evidence of improvements that have been undertaken following that interim report to reduce the costs of administration, and whether it will be going into your next annual report?

[110] **Sir Derek Jones:** Well, I can take that as a request from the committee to put it in the next report, and we will, but I think I can provide some feedback. I remember the case where a very, very small grant had a very high administration cost. I think the committee gave me a really hard time about that, and I had to go off and find out about it, which I did, and it wasn't as crazy in reality as it might have seemed at first blush. I think it was a grant to an individual for some transport for them to seek work. But, the main opportunity for reducing administration costs is by having fewer grant schemes in the first place.

[111] Quite a lot of work has been done to reduce the number and to merge schemes in particular areas. The figures that I've got are really quite striking in that, a few years ago, I think there were 900 individual grant schemes in the organisation; there are now about 450, if I'm remembering this correctly—half that number. So, there has been considerable progress, but more to come, though, I think. Quite recently, in the education department, which makes a number of grants to local authorities, 11 schemes, I think it is, have been brought together and merged into one. You can imagine the

kind of processing economies that you'd get from that. There's something similar in the environment department, with half a dozen or possibly more, actually—I think it's 20 schemes in the environmental field—again merged. So, I can't give you a figure to say how much administrative cost that's saving, and I'm not sure it would be worth trying to work it out, but the economies of administration are pretty clear when you're able to rationalise to that extent. So, a good bit has been done, but I think we can aim for more.

[112] Again, I'm thinking of Jenny Rathbone's point: if all you do is try to agglomerate, there's a risk of losing sensitivity. So, I don't regard myself as in the process of leading a campaign to wipe out individual or small grants schemes, but where the business manager who is under considerable resource constraint can find ways to do this we will save our administration costs, but it's also a big benefit to our clients. So, if these are grants to local government or to arm's-length bodies in the environment field, they will get efficiency savings from this process as well.

[113] **Sandy Mewies:** I know you said we can imagine, or I can imagine, the savings made, but it is difficult. In the longer term, will there be a way of analysing some sort of cost benefit from what you've done?

[114] **Sir Derek Jones:** Can I take that away and undertake to include it in next year's report because we did do some analysis previously? I think we've made a lot of progress and I'd be very happy to make sure that there's a section in next year's report that reports back on that and to do the best we can anyway, without creating a huge industry, to make a good estimate of what the cash benefits are.

[115] **Sandy Mewies:** Thank you; I think that would be useful. Thank you.

[116] **Darren Millar:** You've shared lots of information in the responses that you've given that could have usefully perhaps been in the report in terms of the number of grants, et cetera, that are actually happening as it were, and the aim, obviously, is to reduce the administrative costs. I'm sure the committee will come up with some useful recommendations at the end of this session.

[117] **Sir Derek Jones:** I'm sorry, Chair, this is perfectly solid information that I'm giving you that could, indeed, have been in the grants report. I haven't deliberately kept it out.

[118] **Darren Millar:** The committee will reflect on these things and obviously write to you with some suggestions. Can I just ask in terms of the survey, because, clearly, you obviously found it useful to determine the satisfaction with the grants management system by undertaking a survey and, as other Members have said, it's a useful tool in helping to bring the judgement call as to whether things are working right or not, but you haven't published that survey anywhere?

[119] **Sir Derek Jones:** I think we have.

[120] **Darren Millar:** It is published, is it?

[121] **Mr Richards:** The link is in the report.

[122] **Darren Millar:** Yes, the link is in the report. That's right, okay, and it's available to the public as well, that link.

[123] **Sir Derek Jones:** Yes.

[124] **Darren Millar:** Excellent. And, it would be your intention to publish all future surveys as well, depending on the regularity of them. And, that was a representative sample that was taken in terms of the 195 returns.

[125] **Mr Richards:** Well, I think it was a representative sample that we went out to. What we can't control, of course, is the number of people who are going to respond.

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

[127] **Mr Richards:** But, we had a pretty good spread across the different sectors.

[128] **Darren Millar:** Okay, excellent. I think that concludes our questions on grants, if Members are content.

[129] Just very briefly to turn to our final ongoing inquiry as a committee, if I may, in terms of the purchase and workings of Cardiff Airport. Can you tell us, Permanent Secretary, were you involved in any way in the purchase process or the oversight of the purchase process and the arrangements for the governance of the airport now that it's in public hands?

[130] **Sir Derek Jones:** Yes, I was. Put like that it sounds like rather an ominous question from the Chairman of the Public Accounts Committee: ‘Were you involved in any way?’ But, yes, I was. Just before the purchase, I think, would be where I was primarily involved, in that I took the view that buying an airport was an unusual piece of business for the Government service. And, therefore, although I had a high level of confidence in the team dealing with it and no suggestion of anything else, I felt that as principal accounting officer I ought, on a transaction of that kind, to intervene sufficiently to satisfy myself about the basics. At that point it was not to substitute my judgment for the judgment of the team or the additional accounting officer managing it, but to satisfy myself that they’d put themselves in a good position to make judgments about value for money, also the right price, about the conduct of the negotiations, and that they were in a good position to advise Ministers on those things as well. So, I went through the necessary information and held a sort of final challenge session with the team to go through those issues. I reached the view that the team had put itself in a good position to be able to conclude the negotiations. The final price hadn’t been determined at that point, but the approximate value had. But it was more, from my point of view, that the team had been going about the process of ascertaining, through good independent and expert advice, evaluation and that the negotiations were being conducted appropriately.

[131] So, having satisfied myself about that, the process was then concluded. Subsequently, I’ve needed to just be sure that the governance arrangements, with David as director of governance, are appropriate, not least because of the committee’s work and the auditor general’s work identifying potential problems or previous problems with the governance of arm’s-length bodies. Again, it’s fairly new, and some improvements are being made but I think the governance is appropriate. I’m encouraged in saying all of this from having seen the auditor general’s report—[*Inaudible.*]

[132] **Darren Millar:** Just in terms of the ongoing performance at the airport, are you satisfied that it’s performing in a way that you expected? Clearly, the passenger numbers targets that were in the business plan haven’t quite been achieved, although the trajectory is certainly in the right direction.

[133] **Sir Derek Jones:** That’s a bit of a Permanent Secretary question as much as a principal accounting officer question, I think—‘How’s the business going?’ It’s a really tough business to be in and, at one level, nobody would be happier than me if we weren’t in it and if the airport were owned by a

highly successful private sector company investing imaginatively and competently in it, but that's not where we are. It's a tough business, but I think that, last month, passenger numbers were up 40 per cent on the same month the previous year. So, it's tough, it's not going to get a great deal easier, it's highly competitive, but I think that, so far, we have an airport in Wales—an international airport—and its performance is improving measurably.

[134] **Darren Millar:** One of the issues that that performance trajectory has raised is the fact that there are obviously sizeable loans being made available to the airport, which has an impact on the ability of the Welsh Government to lend elsewhere. We know from some of the evidence that we've received that many of the other airports around the UK have significant banks of loans, if you like, that they are managing all of the time. Do you think that there may be an implication elsewhere in the Welsh Government's finances, given the potential extent of the finance that might need to be made available to Cardiff Airport in the future?

[135] **Sir Derek Jones:** I hope that our budgets aren't the sole source of finance for the airport in times ahead, but I think that, at one level, yes, inevitably, there is competition for funding in tight budgets. Generally, in Government, there are always several options for where the Government will want to invest to best effect. So, at that level, the airport, I think, could expect to have to compete for priority for Ministers' decisions on investment, and I don't think I could say anything else. But I don't think I can say anything more either, really, in specific terms.

[136] **Darren Millar:** Obviously, the current loans that have been extended are, as we understand it, in the region of £25 million to £26 million at present. To what extent do you see that growing in the future? What sort of level would you be comfortable with?

[137] **Sir Derek Jones:** I don't think I want to try and answer that, Chair. It's too operational for me today.

[138] **Darren Millar:** But you recognise the risks of not being able to invest or support other areas of the Welsh Government's work.

[139] **Sir Derek Jones:** Well, I recognise the tensions, but I don't think they're—. As I say, at one level they are the inevitable and almost daily issues for investment of Government funds across a range of competing

opportunities.

10:00

[140] **Darren Millar:** Okay. Alun Ffred, governance. No? Jenny, do you want to pick up where you left off in terms of the oversight of the governance issues?

[141] **Jenny Rathbone:** Yes, just reflecting on some of the inquiries we've done, one of the issues that came through from the various inquiries was the way in which information was handled and passed on to Ministers as they changed portfolio. I just wondered whether you could tell us how we can be certain that difficult problems are pointed out to incoming Ministers, rather than buried.

[142] **Sir Derek Jones:** Well, nothing should ever be buried in Government business.

[143] **Jenny Rathbone:** But they have been.

[144] **Sir Derek Jones:** This is the regeneration investment fund for Wales case—

[145] **Jenny Rathbone:** Well, I'm thinking more of River Lodge, actually.

[146] **Sir Derek Jones:** Oh, River Lodge.

[147] **Jenny Rathbone:** There were lots of changes of Ministers, and the Ministers who took on responsibility for it didn't seem to be updated on some of the issues that were being raised.

[148] **Sir Derek Jones:** All right. I might invite David to say something specifically about River Lodge. He was involved in the aftermath of that case. But I think a similar point arose on the regeneration investment fund for Wales, RIFW, which I am aware of, as you would expect. I'm not sure that anything was buried, but things got lost or fell between the cracks of management changes reflecting portfolio changes, and therefore some of the teams had not put themselves in a good position to be clear about accountability. That's not good enough. I think that wouldn't happen now. We've drawn up some specific guidance, which has been disseminated as a principal accounting officer note. I think it's principal accounting officer note

007, which sticks in my mind for obvious reasons, but it describes what processes should follow when there's a change of ministerial or management responsibility.

[149] **Jenny Rathbone:** So, correspondence—

[150] **Sir Derek Jones:** That's not to say that we won't need to—. Putting out guidance is one thing, but I think there's good awareness now, through the line of management, about the risks here. But we have an election coming up. Let's state the obvious. Then a new Cabinet will be reset, with new ministerial portfolios. So, that will be a very important point in time for myself and my management team—and the cabinet secretariat have an important role here—to make sure that responsibilities are clear.

[151] **Jenny Rathbone:** Okay. I might wish to come back to you when I've heard from David Richards.

[152] **Sir Derek Jones:** This is about River Lodge.

[153] **Mr Richards:** At the time, with River Lodge, we refreshed our guidance on when issues should come up to Ministers, and reminded everybody of just the importance of doing it. It's always a judgment call for the official at the desk because there are so many things coming in that you can't refer everything to Ministers. What we have done more recently is refreshed the format in which we actually give advice to Ministers. We have a standard template in which we go to Ministers for a decision. We've made it clear and more explicit, but we've also made it easier and simpler for officials to simply keep Ministers up to date with what's going on. So, it's much easier now just to draw something to a Minister's attention. So, the processes are there. The continual thing is to just keep officials reminded of the need to draw Ministers' attention to anything that might be novel or contentious—anything, effectively, where the Minister might say to you afterwards, 'You should have told me that'. That's a judgment call, and I think that's a training issue. Moving accounting officer responsibility further down, as Derek has done, I think, will increasingly concentrate people's minds on the need for their area of attention, to make sure that Ministers are kept in the loop as well.

[154] **Jenny Rathbone:** Okay, because one of the biggest contributing factors in River Lodge was that the Assembly Member for the area in which River Lodge was, was ill at the time and therefore was only raising issues by

written concerns and wasn't available to corner people as they went into Plenary. So, I suppose I come back to my original question, which is: if organisations are writing to Ministers, expressing concerns about a matter, does the Minister always get to see it?

[155] **Darren Millar:** This issue of ministerial correspondence has crept up on a number of occasions in relation to the health service as well, so, perhaps you want to just comment more broadly on at what point does ministerial correspondence help to inform the Welsh Government or alert it to potential problems that you need to take more seriously.

[156] **Sir Derek Jones:** It's a really important source of information and opinion. I don't think I've ever worked with a Minister who didn't want to read their own correspondence. Private secretaries will ensure that Ministers see their correspondence and, nine times out of 10, be advised on it for the purposes of a reply, either directly from the Minister or on the Minister's decision by someone else. The Welsh Government, like all Governments, is politically led and so correspondence to Ministers is an absolutely key part of the Government's process.

[157] **Mr Richards:** The Minister, or the Minister's office, will have a correspondence unit, to trigger advice on a letter, and the advice might come back to say, 'Look, this isn't actually anything that the Minister themselves need to deal with', but that advice would go back to the Minister, and usually it's, 'Please can I have advice and a draft reply for the Minister to send?'

[158] **Darren Millar:** Okay. Mike Hedges.

[159] **Mike Hedges:** Can I carry on with River Lodge? You and I seem to have drawn entirely different lessons from it and perhaps you could explain why I'm wrong and you're right. I thought the problem with River Lodge was that the decisions were being made far too low down the organisation by somebody who had huge enthusiasm for the project, and dealing with somebody else who was hugely enthusiastic about the project. I've dealt with people like this in a previous existence and what you try and do is send them off to a community centre and say, 'Try and get it to work in a community centre first and if it works there, come back to us', not, 'Let's invest £1.5 million—' or whatever it was '—in buying a building'. The lesson, I think, is that the decision needed to be made higher up the organisation. The decision you've come to is that we need further delegation. Why am I wrong and why are you right?

[160] **Sir Derek Jones:** I don't think we're disagreeing. I'm not sure about the point about further delegation. River Lodge is a little bit before my time, but I am generally aware of the case and my view is that the key lesson—there may be two—but, the first lesson from it is that optimism and goodwill are not enough. You need a good business plan and that business plan needs to be challenged and tested, and, for a decision involving that degree of investment of funds, a sufficiently senior-level hand on it as well. I agree with that analysis. The second issue is concerning conflicts of interest, I think, and their management.

[161] **Mike Hedges:** I think, again, that conflicts of interest are always going to be complicated, because people have interests in all sorts of things. I mean, you, Chair, discussing a religious body might be considered to have a conflict of interest, but it wouldn't really affect the decision you're making. So, you have these people who do have conflicts of interest, but it's just over their general beliefs, and you have people who are involved in that organisation. Now, councils are straightforward with it. If you're a member or involved in an organisation, you cannot take part in any decision regarding it. I'm not quite sure why that doesn't work with civil servants.

[162] **Sir Derek Jones:** I think public confidence is going to be a big factor here and that means that actual or perceived conflicts of interest have to be managed absolutely rigorously, particularly where public funds are being directly managed. It is possible to do this. Having an interest that could be seen to conflict with a piece of business is not, in itself, an insurmountable problem, but it just needs to be managed very effectively and very transparently in order to maintain public confidence in the objectivity of the decision making.

[163] **Mike Hedges:** Can I just say—? We talked about Karen Sinclair and her interest in Powys Fadog and the letter she sent in and the reply she got, which was sort of stalling and trying to keep it off. Now, things haven't changed very much. I mean, there's an issue I've been raising, which I don't want to raise here, for which I've had the same types of replies coming in. It's nothing to do with grants management, but I've had the same sort of stalling replies and the same sort of replies. It doesn't seem to have changed very much in that the Minister has signed these letters, some of which are struggling on fact—but they've signed them, obviously having been drafted by civil servants. I don't see any difference to what happened then, and I'm around a lot. What happened then? How can you reassure me regarding that?

[164] **Sir Derek Jones:** It's a bit difficult to respond without knowing what—

[165] **Darren Millar:** Well, if you just respond more broadly about how you monitor the quality and the accuracy of the advice that goes to Ministers.

[166] **Sir Derek Jones:** Well, actually, Ministers are the key client here and are pretty quick, in my experience, to point out any shortcomings that they see in the quality of advice and draft replies to letters that they get. But this is absolutely, quintessentially a line-management responsibility, so all of my senior team realise the importance of ministerial correspondence. It's usually copied widely to the senior team so that people can intervene if they feel it's not good enough, and Ministers' private offices have a key role as well. They are a filter through which all advice and draft replies go, and they will often spot something that they think needs some extra work before it goes in to the Minister.

[167] I can't quite respond to Mike Hedges's point as specifically as I'd like to about whether that's evidence that things haven't budged at all without knowing more about the—

[168] **Mike Hedges:** I'll speak to you privately outside of the meeting.

[169] **Darren Millar:** Thank you. Aled.

[170] **Aled Roberts:** Mae'n rhaid imi ddweud, ar ddiwedd ymchwiliad Powys Fadog a River Lodge, nid oeddwn yn rhannu eich hyder chi bod yr arweinyddiaeth yn nwylo'r gwleidyddion yn hytrach na'r gwasanaeth sifil, a dweud y gwir. Rwyf jest eisiau gweld a ydy'r rheolau wedi newid mewn unrhyw fodd, achos rwy'n meddwl mai un o'r pethau a oedd yn syndod i'r rhan fwyaf ohonom ni oedd bod yna reolau o fewn y gwasanaeth sifil ynglŷn â pha fath o wybodaeth oedd yn cael ei rhannu â Llywodraeth newydd.

Aled Roberts: I have to say, after the end of the inquiry into Powys Fadog and River Lodge, I didn't share your confidence that the leadership lay in the hands of the politicians rather than the civil service, to be honest. I would just like to see whether the rules surrounding this have changed in any way, because I think that one of the things that did cause surprise for most of us was that there were rules and regulations within the civil service about what kind of information was being shared with a new Government.

[171] Ond, yn waeth byth, beth sy'n digwydd ydy bod y gwasanaeth sifil erbyn hyn yn gallu gweithredu mewn sefyllfa lle, hwyrach, mae yna glymblaid, a bod yna Weinidogion o wahanol bleidiau yn cymryd cyfrifoldeb ar wahanol adegau. Achos beth oedd yn cael ei ddweud wrthym ni oedd bod yr un rheolau o ran peidio â rhannu gwybodaeth o un Llywodraeth i'r llall yn cael eu gweithredu o ran peidio â rhannu gwybodaeth lle'r oedd yna Weinidog o wahanol blaid o fewn yr un glymblaid yn cymryd cyfrifoldeb yn ystod un Llywodraeth.

But, even worse than that, what is happening presently is that the civil service can operate by now in a situation where, for instance, there's a coalition, and there are Ministers from different parties taking responsibility at different points. Because what we were told was that the same rules and regulations in terms of not sharing information from one Government to the next were being implemented in terms of not sharing information where there was a Minister from a different party, but within the same coalition, taking on responsibility during one Government.

[172] Rwyf i jest eisiau gweld a ydy'r rheolau wedi newid, un ai ar lefel Gymreig, neu os ydych chi'n dal yn gweithredu o ran rheolau gwasanaeth sifil Prydain, ac a oes unrhyw newid wedi dod i rym o achos ein hymchwiliad ni i River Lodge.

I'd just like to see whether the rules and regulations have changed, either on a Welsh level or whether you are still operating under the British civil service rules and regulations, and whether any change has come into force because of our inquiry into River Lodge.

[173] **Sir Derek Jones:** I think I know the answer to that question, although I'm puzzled by the references to the advice that was given about handling papers within a coalition. The convention about a change of Government is that the papers of a previous administration are not made available to the next administration.

[174] **Aled Roberts:** A ydy hynny'n rheol yng ngwasanaeth sifil Prydain? Achos o fewn llywodraeth leol, nid oes yna'r un fath o reol.

Aled Roberts: Is that a British civil service rule? Because I'm a bit confused about these things. [*Translation should read:* 'Because within local government, there isn't the same type of rule.']

[175] **Sir Derek Jones:** Yes, it's a civil service rule generally, and I would aim to apply it to a change of Government here. But that isn't a convention that applies to the management of papers within a coalition, and I would expect that within one Government administration, whether it's a coalition or not, papers would be shared or be available or be copied to the extent that was practical and necessary for good administration. Even the convention about papers of a previous administration doesn't mean that no information that was available to Ministers in the previous administration could be made available to the next one. So, facts, as it were, that are necessary for ministerial decisions might be the same facts for both the previous and an existing administration.

[176] **Aled Roberts:** O ran y **Aled Roberts:** In terms of the civil confensiwn yn y gwasanaeth sifil, service convention, who decided on pwys benderfynodd ar y confensiwn that convention and the fact that it hynny a'r ffaith ei fod o'n cael ei would be followed here in Wales? ganlyn yma yng Nghymru?

[177] **Sir Derek Jones:** Gosh. Like most conventions, it stretches back beyond my knowledge of who decided it.

[178] **Aled Roberts:** Was it decided by the civil service?

[179] **Sir Derek Jones:** All decisions, fundamentally, are for Ministers, but the civil service would have advised on this at the beginning of devolution.

10:15

[180] **Darren Millar:** Alun Ffred.

[181] **Alun Ffred Jones:** Rwyf ar yr un **Alun Ffred Jones:** I'm on the same trywydd, a dweud y gwir. Yn y ddau topic, to tell you the truth. In those achos, gyda River Lodge a RIFW, yn y two cases, River Lodge and RIFW, pen draw, yr amddiffyniad oedd nad ultimately, the defence was that the oedd y Gweinidogion yn gwybod dim Ministers didn't know anything. In byd. Yn achos River Lodge, fe the River Lodge case, you said, Mr ddywedoch chi, Mr Richards, fod y Richards, that the directive had cyfarwyddyd wedi'i newid, a'i changed and had been bolstered, but gryfhau, ond pan ddaeth RIFW heibio, when RIFW came along, the same mi oedd yr un peth yn digwydd: mi thing happened: civil servants, at oedd gweision sifil, ar lefel weddol quite a high level, decided not to

uchel, yn penderfynu peidio â rhoi gwybodaeth i Weinidogion achos nad oedd yn berthnasol, er eu bod nhw'n aml iawn yn newid polisi a strategaeth oedd yn ymwneud ag arian cyhoeddus. Felly, nid wyf yn siŵr a wyf yn credu'r dystiolaeth yma i gyd, nad oedd dim gwybodaeth yn mynd i Weinidogion, ond os ydy hynny'n wir, mae'n amddiffyniad da iawn i'r Gweinidogion, onid ydy, ond nid wyf yn siŵr a ydy o'n gwneud llawer iawn o les i hyder y cyhoedd bod yna reolaeth a gwarchodaeth i'w hasedau nhw yn y pen draw?

provide information to Ministers because it wasn't relevant, even though, very often, they were changing policies and strategies that related to public money. So, I am not sure whether I believe all of this evidence, that no information went to Ministers, but if that is true, it is a very good defence for the Ministers, isn't it, but I'm not sure that it does much good to the public confidence in terms of the fact that there is management and oversight of their assets ultimately?

[182] **Sir Derek Jones:** The RIFW case has been looked into at great length and in great depth now, and I can't try to go through it all again now. My understanding is that the civil servants dealing with that at the time believe confidently that they were carrying out previous ministerial decisions about how this piece of business would be conducted, and they didn't see a need to refer any of the operational matters that were being dealt with to Ministers. Now, that might have been a poor judgment in some cases, but I think it was an honest judgment on their part. There are, and have to be, many quite significant programmes that are established by a ministerial decision but which are then conducted by officials without the day-to-day involvement of Ministers. To that extent, Ministers are dependent on the good judgment of their officials to bring matters to their attention. I guess those judgments aren't always made correctly, but I think more go right than go wrong.

[183] **Darren Millar:** Where there is a case of very poor judgment that leads, potentially, to tens of millions of pounds being lost to taxpayers, people find it extraordinary that some people are still in their jobs, frankly. Is there any disciplinary action being taken as a result of the RIFW situation?

[184] **Sir Derek Jones:** I was sufficiently concerned about the RIFW case, and I don't think it's been established that there had been a loss of funds to that extent—[*Interruption.*] We were not able to establish that there was value for money. We did see some cases of confusion around accountability and I was sufficiently concerned, actually, to ask my director of governance to consider

whether there was a case for disciplinary action as a result of that. I asked that question a little while back actually, knowing that I'd also want to take account of the committee's inquiries and investigations. But I did make that request, and David did advise me.

[185] **Darren Millar:** And the advice was what, Mr Richards? No disciplinary action?

[186] **Mr Richards:** It's not our normal practice to talk about any results of any disciplinary action, Chair, from which I would not wish you to infer one thing or the other, but I think, to come back to our conventions, we don't talk about any possible individual case issue.

[187] **Darren Millar:** Okay. Mohammad Asghar.

[188] **Mohammad Asghar:** Thank you very much, Chair. Sir Derek, you made some changes to the organisation—its senior management—with some 10 additional accounting officers being appointed. My first question is: how did you miss out the NHS? You haven't appointed any accounting officer there. That's one.

[189] **Sir Derek Jones:** I haven't missed it out. The changes to accounting officer arrangements primarily affect the areas of my business where the senior management changes were most significant. And the changes were relatively modest in the health field, so I didn't feel the need to change the accounting officer relationships. So, the director general for health and social care, who is also the chief executive of the national health service, is my first tier additional accounting officer. I haven't made any further designations within his team. He looks to chief executives of the local health boards, who also have designated accountable officer status, to support his own accountability. But in the other two areas, there were quite significant management changes, and I've tried to reflect those with fresh additional accounting officer designations below the first tier.

[190] **Mohammad Asghar:** All right. Appointing them, anyway—. Are there studies into best practice and pay mechanisms, and the delivery of relevant training for these officers? And what is the pay scale? Have you got any plans to publish their pay scale?

[191] **Sir Derek Jones:** There aren't any pay rises or pay additions related to the additional accounting officer status. [*Interruption.*] They do it for love,

and that's been the case through all of the management changes that I've made.

[192] **Mohammad Asghar:** The thing is, the extent to which the action that Welsh Government is to take on senior management pay extends to coverage of the further education, higher education and registered social landlord sectors, as featured in the committee inquiry.

[193] **Darren Millar:** We've obviously had some correspondence from you on this.

[194] **Sir Derek Jones:** I've written to the Chair recently. I gave evidence to the committee, actually, on senior management pay shortly after the Wales Audit Office published their report, and we are following up quite a wide range of the committee's recommendations. And my Ministers are very keen that we should do so, as you might imagine. The picture that emerged for senior level pay in the public services in Wales was, in some respects, a really difficult and challenging one, where it was very hard to see a rational pattern across the whole of the public sector for pay related to job weight responsibilities or accountabilities. What seemed to have occurred instead was that a series of relatively self-contained markets were at work in the public services in local government, in health, in the civil service and in other areas, and that those market forces had driven senior level pay rates in those areas. Actually, with—. I don't want to get into trouble with the executive search industry, but I think those market forces are sometimes accentuated by the use of management consultants tending to look at the last highest pay award, and then, you know, advise around being able to attract and retain the right talent in relation to that award.

[195] So, really, it's quite a difficult and challenging picture, and I think the committee was looking to the Welsh Government to exert itself in any ways that it could to try to improve that picture, and that's what we're doing. I think we accepted pretty well all of the committee's recommendations, but there are some difficult areas. Some of the bodies concerned have their own democratic accountability as far as local government is concerned. But in the area where the committee's been pressing me in correspondence—higher and further education institutions, in particular, where there are some, you know, by any standards, I think, high levels of senior pay—these again are not bodies whose management is controlled by the Welsh Government. And the question was whether the fact that we provide funding, either directly or through the Higher Education Funding Council for Wales to these bodies,

should mean that we can attach conditions to that funding related to levels of pay in the institutions. And the legal advice that I've got—and I have challenged it, but it is pretty clear—is that we would not be entitled to attach that kind of condition to that funding. Now—

[196] **Darren Millar:** I've got a couple of Members who want to come in, but, just on that specific point—and I'm sorry to interrupt you, Sir Derek, but the request of the committee was to require disclosure, certain disclosure requirements, as part of the grant conditions, not necessarily to be able to cap pay or influence the rate of pay of those senior managers within those organisations.

[197] **Sir Derek Jones:** I think we can act on disclosure. It isn't that there's no disclosure already. So, universities are subject to an accounting direction anyway, but we provide for both further and higher education institutions—via HEFCW in the latter case—an accounts direction. And my plan is to look at those accounts directions and see whether there is any scope for improvement in transparency and publication.

[198] **Darren Millar:** It's how and where those disclosures are made. One of the things that we found quite alarming was that it was even difficult for the Wales Audit Office to collate the information in a format that was digestible by this committee, because of the difficulty in trying to rummage around in individual organisations' accounts in order to find the data.

[199] **Sir Derek Jones:** I think you've passed that problem to me, Chair, because we're going to have to do the annual report now on this.

[200] **Darren Millar:** That's right.

[201] **Sir Derek Jones:** I think I may have over-interpreted what the committee was asking, then, because I think we can look again at transparency, and I think we have got some tools at our disposal, through the accounts directions, to improve transparency if we're not satisfied about it. So, that work is going to take place.

[202] **Darren Millar:** I've got a couple of Members who want to come in: Aled, and then Mike.

[203] **Aled Roberts:** Rwyf i eisiau **Aled Roberts:** I want to ask you about gofyn i chi am yr amserlen, a dweud the timescale, to be honest, because

y gwir, achos rydym ni wedi cael cyfle i ystyried eich llythyr o 12 Chwefror. Rwy'n meddwl bod eich ymateb gwreiddiol chi'n dweud eich bod chi'n rhagweld eich bod chi'n mynd i weithredu'r rhan fwyaf o argymhellion y pwyllgor erbyn diwedd Hydref 2015. Eto, mae'ch llythyr diweddar chi yn awgrymu mai ond yn ystod y flwyddyn ariannol nesaf y bydd rhai o'r argymhellion yn cael eu gweithredu, sef hyd yn oed mis Mawrth 2017. Felly, mae'r holl oedi yma, rwy'n meddwl, yn rhywbeth y buaswn i eisiau ei ddeall, o ran yn union pam mae yna gymaint o oedi.

we've had an opportunity to study your letter of 12 February. I think that your original response said that you foresaw that you would implement the majority of the committee's recommendations by the end of autumn 2015. Yet, your most recent letter suggests that it will only be during the next financial year that some of the recommendations will be implemented, which may lead us into March 2017 even. So, all these delays, I believe, are something that we would like to have a proper understanding of, as to why they're taking place.

[204] Ac a gaf i hefyd ofyn i chi—? Mae'r Cadeirydd wedi cyfeirio at beth roeddem ni'n ofyn amdano, sef mwy o dryloywder o ran rhai o'r sectorau yma, wrth gofio eu bod nhw'n derbyn llawer iawn o arian cyhoeddus. Rydych chi'n ymwybodol, mae'n debyg, bod yna lythyru yn mynd yn ôl ac ymlaen at Aelodau Cynulliad ar hyn o bryd, yn herio cronfeydd wrth gefn, ac ati, o ran y prifysgolion.

And may I also ask you—? The Chair has referred to what we were asking for, which was a greater transparency in terms of some of these sectors, bearing in mind that they do receive a great deal of public money. You will be aware, I would imagine, that there is correspondence being received by Assembly Members at present, referring to reserves, and so on, in terms of universities.

[205] A ydych chi'n meddwl ei bod hi'n dderbyniol, wrth gofio bod rhai o'r sefydliadau yma'n derbyn miliynau o bunnau gan Lywodraeth Cymru, bod yna is-ganghellor—drwy gais Deddf Rhyddid Gwybodaeth 2000 yr wythnos diwethaf—mae'n debyg wedi cael codiad cyflog o 30 y cant, tra bod y brifysgol yn diswyddo staff cyffredin, a bod hynny ond ar gael i'r cyhoedd o achos bod papur

Do you believe that it is acceptable, given that some of these institutions receive millions of pounds from the Welsh Government, that a vice-chancellor—through a Freedom of Information Act 2000 request last week—apparently received a pay rise of 30 per cent, while the university was making staff members redundant, and that this information was only available to the public

newydd wedi gwneud cais Deddf Rhyddid Gwybodaeth? A ydy'r math yna o wybodaeth yn cael ei rhoi i Lywodraeth Cymru, neu a ydych chi'n dibynnu ar gyfrifon y sefydliadau yma i gael y fath wybodaeth?

because a newspaper made an FOI request? Is this kind of information being shared with the Welsh Government, or do you depend upon these organisations' accounts to receive that information?

[206] **Sir Derek Jones:** Can I start with the time frame? You're absolutely right—classic mistake, actually; over-promised and under-performed on how long this would take. Peter hasn't said anything yet, so I'll say it's all his fault, and invite him to say a bit more about the time frame. *[Laughter.]* But it is a difficult and complicated piece of work. I think, when I first hazarded a timeframe for the committee, I did mention the fact that this would be dependent on how able we were to deploy resources to it—it's new and quite complicated work. And I think it's probably fair to say that our client group are not going to be entirely comfortable with what we're trying to do. So, I think, when I wrote to the Chair, I said that we were working up a revised time frame and that we were going to consult the workforce partnership council about it and then, when we felt we had a good timetable and plan, I would send it to the committee. So, Peter might like to say a bit more about that, but that's the basic position.

10:30

[207] I think you then went on to ask about the terms of the vice chancellor at Glyndŵr University—

[208] **Aled Roberts:** I didn't name it.

[209] **Darren Millar:** I'm sure there'll be lots of individual examples—

[210] **Sir Derek Jones:** I hesitate a bit because the reality is that the Welsh Government does not govern those matters in a university. Having said that, from what I've read, I wouldn't want to give Aled Roberts any kind of argument about the issue, but it is not an accountability for me to decide what the pay rates or terms of departure of a vice chancellor are. This is the area of difficulty and you can imagine that my Ministers would not stand in the way of change in this area either. The legal advice about that is clear, but transparency, I think, is potentially the solution all around.

[211] **Aled Roberts:** Rwy'n derbyn **Aled Roberts:** I accept the point that

eich pwynt chi nad oes gennych chi reolaeth, ond y cwestiwn oedd: a ydych yn cael gwybodaeth yn ystod y flwyddyn ynglŷn ag unrhyw—? Mi oedd cyflogau eraill wedi codi o ryw 18 y cant yn ystod y flwyddyn yn yr un sector. Felly, a ydych chi'n derbyn y fath wybodaeth drwy HEFCW neu a ydych chi'n dibynnu ar ddatganiadau ariannol ar ddiwedd y flwyddyn gyllidebol i gael y fath wybodaeth? A ydy HEFCW yn cael unrhyw fath o wybodaeth yn ystod y flwyddyn sydd yn creu rhyw fath o—er nad ydych yn gallu gweithredu—bryder ymysg y Llywodraeth?

you're making that you are not in charge of this, but the question was about whether you receive information during the year about any of these issues. There were other instances of pay rises of about 18 per cent during the year within the same sector. So, do you receive this kind of information through HEFCW or do you depend on financial statements at the end of the financial year to receive this information? Does HEFCW receive any kind of information during the year that, although you may not be able to act here, does raise concerns among the Government?

[212] **Sir Derek Jones:** Concerns about the same sort of issue?

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

[214] **Sir Derek Jones:** I don't receive that kind of information because, as I say, I don't feel that I have a direct accountability. I don't think I can, off the cuff, answer the question about what information HEFCW might require from universities; I would be happy to explore further and provide any information.

[215] **Darren Millar:** But, clearly, the pace of progress has not been as quick as we would like, as a committee, on this, and we did conclude that shining a light on these things brings a pressure to bear on those organisations that are paying what many people regard as unacceptable rates to senior managers. I'll bring you back in in a second, Aled, but I'm keen to hear from Peter Kennedy just on where things are at on this. Peter, can we hear from you and then I'll bring Aled back in?

[216] **Mr Kennedy:** Thank you, Chair. As the Permanent Secretary has said, we didn't really appreciate how complex the recommendations were and how difficult it would be to actually achieve this. It is disappointing that we've not delivered against our policies.

[217] In terms of the timeline that we've worked up in draft and that will be discussed at the workforce partnership council meeting in March, we prioritised the report and recommendations in particular with a view to certainly—I know we said in September, with a fair wind, that we will be in a position to have a link through our website to the pay disclosure arrangements that exist to make it easier and improve that transparency. There are other components of the reporting elements to the recommendations, including the publishing of an audit-office-style report on senior management pay, based on 2015 accounts. So, we're aiming to achieve that by the end of the calendar year.

[218] Some of the guidance and best-practice recommendations that also fall out, we're putting after that. So, the aim is to have a timeline that we can share with the committee once we've been through the workforce partnership council meeting next month.

[219] **Darren Millar:** Okay. Aled.

[220] **Aled Roberts:** Jest un cwestiwn olaf: mae'r datganiadau o fewn llywodraeth leol erbyn hyn yn cynnwys pethau fel ceir ac unrhyw beth arall. A ydy'r trafodaethau efo'r sector addysg uwch yn arbennig yn cynnwys—? Nid oedd modd inni fel pwyllgor, er enghraifft, gael unrhyw fath o wybodaeth ynglŷn â cheir, ac roedd yna rai sefydliadau a oedd yn cynnig *grace-and-favour residences*. A oes unrhyw fwriad gan y Llywodraeth i gynnwys y rheini o fewn unrhyw fath o ddatganiad os ydych yn ei drafod o o fewn y bartneriaeth?

Aled Roberts: Just one final question: the local government statements now include things such as cars and anything else. Do the discussions that are ongoing with the higher education sector in particular include—? There was no way for us as a committee, for instance, to get any kind of information about cars, and there were some organisations that were offering grace-and-favour residences. Does the Welsh Government have any intention to include those kinds of information into any kind of statement if you are discussing that within the partnership council?

[221] **Sir Derek Jones:** That's precisely the kind of area that I had in mind when I said to the Chair earlier that I would be looking afresh at what the requirements are through our accounts directions to further and higher education institutions. As I say, in the latter, it's via HEFCW, but I think we can look at that. I think, if there's any scope for increasing transparency,

then I think we do have the means to do it, and that can include provision of lease cars and grace-and-favour residences. I'm not saying that those things aren't already transparent, but I'm going to check.

[222] **Darren Millar:** We're almost at the end of our evidence session. We've made a number of changes in this Assembly to the way in which this committee works. If I may, I'd just like to ask you to reflect on some of those changes. One the most significant ones has been the introduction of an annual session on the Welsh Government's consolidated accounts and some of the work we've done with commissioners and the public services ombudsman and other Welsh Government sponsored bodies. Have you, Sir Derek, and has the wider Welsh Government, found those sessions to be helpful? Is there any feedback that you'd like to give the committee on the changes that we've made to our ways of working?

[223] **Sir Derek Jones:** I'm not just trying to butter up the committee when I say this, but I think the introduction of a session on the annual accounts is welcome. Apart from anything else, it probably doubles our readership. [*Laughter.*] We had a plan to simplify and improve and make more accessible the annual report and accounts, which is not a page turner, as I think we agreed at the last session. But the committee's pressed me a bit on that and I think I undertook at the last scrutiny on the accounts to make sure that, by the time the next accounts were published, they would be significantly different and more readable and more accessible. There are many things that have to go into our accounts because of Government accounting requirements. So, to that extent, not all of the material is going to be what a lay reader would regard as accessible or useful or interesting. But we will make sure that, at the early part of the accounts, there is that kind of material. We'll continue to improve but I'll be very interested in the successor committee's views on how we've improved accessibility of the accounts.

[224] I said at the beginning that you won't find me trying to dodge scrutiny on these things. Signing the accounts, for me, is a very sobering annual event. I mean, I am the principal accounting officer for the Welsh Government. Those accounts encapsulate the £15 billion or so of public money that flows through our business every year in all its complexity, but also the importance of the work that's done through that expenditure. And so I pause for thought and sign the accounts. The auditor general has to sign them off as well, so it's a shared accountability to that extent. But, because of all of that, I couldn't possibly regret the Public Accounts Committee taking an annual interest in an annual session on the accounts.

[225] The other thing I would have mentioned actually, reflecting, is grants management. Have I already said it? But I think the challenge from the committee focusing on that was justified in the circumstances of the events, and we've raised our game as a result.

[226] **Darren Millar:** The other significant change that we've made to our working arrangements is that we've had inquiries that have been initiated by the committee rather than triggered by publication of a report by the auditor general. Have you found those things to be useful as a Government?

[227] **Sir Derek Jones:** You'll have to remind me, Chair, which inquiries—

[228] **Darren Millar:** Our senior management pay inquiry, for example. Obviously, I don't want you to comment on every single report, but just those changes in our working practices. You've found them to be useful, clearly, from the evidence that you've put on the record. Are there any recommendations that you'd like to make to us about the working practices perhaps of the PAC in the next Assembly?

[229] **Sir Derek Jones:** I think the committee should be much nicer to the principal accounting officer. [*Laughter.*] I'm not sure that many accounting officers are given the opportunity to give that kind of feedback to a PAC, so I do welcome it. It's a balance sheet, I guess, if I can try to give the committee a balanced answer. I've talked about grants management, which I think has been a very productive outcome and a constructive intervention by the committee, and the annual accounts. The simple fact is that having a Public Accounts Committee that makes it very clear that the principal accounting officer is going to be publicly scrutinised on anything and everything that would be of interest enormously strengthens the position of the accounting officer within my organisation, and it buttresses all of the work we do on regularity, propriety and value for money. So, that role is constructive from my point of view. Like I said, it's not always at all comfortable, but it's a fundamentally constructive thing for good governance.

[230] On the other side of the balance sheet, there are two things that I've mentioned. Huw knows that I've got some views on this. I'm not sure whether value-for-money reports always justify that title. With public funding inevitably very tight, looking ahead, I think audit office work that is clearly aimed at trying to find value-for-money propositions from best practice elsewhere, from the work of other audit organisations, either in the

UK or anywhere else, that kind of value-for-money study could be incredibly valuable for the Government, given the tightness of funds. So, I put that, perhaps, on the suggestion side of the balance sheet.

[231] I have one last point, which is relevant to some of the questions that Jenny Rathbone was putting to me: good practice is very valuable. I think my teams would expect me to make this point to you, given the opportunity. I'm completely realistic about the committee's interest and the public and political interest in looking at where things have gone wrong, but many more things go right than go wrong in my organisation, and I've mentioned some of the metrics on that in terms of grants and right-offs. I think the committee could have a stronger role in identifying good practice and examining why things went well, because you can learn as much from good practice as bad and people are often very effectively motivated by the recognition of good practice and may be better motivated by that than by the punishment of bad practice.

[232] **Darren Millar:** It sounds like you're making a case for the committee to have extra time to undertake more work. Is that what you're suggesting, Sir Derek?

[233] **Sir Derek Jones:** No, I think it was more a replacement proposition, Chair.

[234] **Darren Millar:** Okay. On that note, Sir Derek, I thank you for your attendance this morning. David Richards, thank you, and to Peter Kennedy. Gawain Evans, you've got off lightly this morning, but thank you for coming in. We're going to move into private session now, but we'll certainly be writing to you. You'll receive a copy of the transcript of the proceedings and, if there's anything that you need to correct, then please get in touch with the clerks, and, no doubt you'll liaise with them about any further information that needs to be sent on. Thank you very much indeed.

[235] **Sir Derek Jones:** Okay. Thank you, Chair. Diolch yn fawr iawn, bawb.

10:43

**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.*

*accordance with Standing Order
17.42.*

Cynigiwyd y cynnig.

Motion moved.

[236] **Darren Millar:** We'll now move on to item 5.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:43.

The public part of the meeting ended at 10:43.