



Ein cyf/Our ref: NRW17-058

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Mr Nick Ramsay AM
Chair
National Assembly for Wales Public Accounts
Committee
National Assembly for Wales
Cardiff Bay
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5 July 2017

Dear Nick,

Natural Resources Wales: Scrutiny of Annual Report and Accounts 2015-16

Thank you for the PAC Report on the above, published on 15 June.

The report made 3 recommendations; NRW accepts those recommendations in full. I attach the Action Plan showing how NRW intends to take forward each of the recommendations, including timelines. You will see that the actions are due to be completed by the end of October 2017; we will write to the Committee during November 2017 to update you on progress.

With best wishes,



Emyr Roberts

**Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales**

PAC Recommendation 1: We recommend that Natural Resources Wales **undertake a full evaluation of its governance arrangements relating to contracting processes**, clearly setting out lessons learned with specific reference to timber sales contracts referred to in this report.

Action Ref.	NRW Action	NRW Lead	Update	Status
1.1	Identify the key areas of the organisation that are charged with entering or the ongoing management of contracts.	Executive Director of Finance and Corporate Services	Timber Sales, Procurement, Grants & Partnerships, New Enterprises, Future Regulations and initiatives delivered jointly with other bodies	Completed
1.2	Review the process of evaluation, negotiation and awarding of contracts and other external commitments for the key areas identified in action 1.1	Head of Governance and Planning		Ongoing / Completed / Overdue
1.3	Review and strengthen the controls around financial decisions and external commitments which involve commitments under market value and single tenders.	Executive Director of Finance and Corporate Services		Ongoing / Completed / Overdue
1.4	Ensure teams handling contract decisions are aware of NRW response to improve quality of documentation and records of decision making (See action 3.4)	Head of Governance and Planning		Ongoing / Completed / Overdue
1.5	A protocol is put in place for handling post contract negotiations and evidence requirements of any amendments.	Head of Commercial Services		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
1.6	Enterprise Programme Board to review their process to ensure they are effective in challenging/scrutinising all aspects of new enterprises	Head of Commercial Services		Ongoing / Completed / Overdue

PAC Recommendation 2: We recommend Natural Resources Wales **review its delegation arrangements** alongside its **awareness raising of State Aid law, public law and the processes for awarding contracts**. We recommend the **findings of this evaluation are shared with the Public Accounts Committee** to enable this Committee to monitor implementation and progress against identified changes.

Action Ref.	NRW Action	NRW Lead	Update	Status
2.1	Review the Financial Scheme of Delegation (FSoD) to ensure appropriate checks / actions / escalation that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	FSoD Coordinator		Ongoing / Completed / Overdue
2.2	Review Non-Financial Scheme of Delegation to ensure appropriate checks / actions / escalations that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	Governance Partner		Ongoing / Completed / Overdue
2.3	Develop a workshop to cover State Aid and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships, • New Enterprises, • Future Regulations • Procurement 	Head of Legal Services		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
2.4	Develop a presentation on Public Law including documentation of decision making and concepts of novel, contentious and repercussive issues; and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships • New Enterprises • Future Regulations • Procurement 	Head of Legal Services		Ongoing / Completed / Overdue
2.5	Share results with Public Accounts Committee through this action plan and subsequent updates.	Chief Executive		Ongoing / Completed / Overdue

PAC Recommendation 3: We recommend that Natural Resources Wales **review its internal governance arrangements to ensure that its accounting officer, Executive Team and Board should have a much greater role in scrutinising contracting processes and the awarding of contracts.** It is imperative that **these processes are robust with a clear and demonstrable audit trail that decisions have been taken on a fair and sound basis.**

Action Ref.	NRW Action	NRW Lead	Update	Status
3.1	Review internal governance arrangements to ensure <ul style="list-style-type: none"> • clarity of the remit of Boards and Committees • appropriateness of the escalation routes • effectiveness of the oversight they provide 	Head of Governance and Planning		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
3.2	<p>Review NRW Governance arrangements to ensure all 'significant' income and expenditure contracts (above a financial ceiling to be set by NRW) should:</p> <ul style="list-style-type: none"> • consider the approval limit within the FSoD of the letting of timber sales contracts • be referred to Executive Committee/NRW Board for approval; and • be subjected to appropriate scrutiny which may include seeking legal advice on State aid rules and/or compliance with procurement regulations, and formal consideration as to whether the contracts should be referred to the Welsh Government as potentially novel, contentious or repercussive. 	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
3.3	<p>Review governance arrangements of Sales and Procurement contracts to ensure all 'significant' contracts let without competition (individually or collectively) are:</p> <ul style="list-style-type: none"> • considerate of the approval limit within the FSoD of the letting of timber sales contracts • reported to the Audit and Risk Assurance Committee (as single tender actions) for scrutiny; • the rationale for letting contracts without competition is documented, including clear evidence of matters such as urgency and market conditions or evidence that there is a single source of supply or single unique supplier; and • the letting is subject to a legal assessment which takes into consideration procurement regulations, State aid and risk of legal challenge. 	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>		Ongoing / Completed / Overdue
3.4	<p>Roll out an initiative to improve the quality of</p> <ul style="list-style-type: none"> • the documentation submitted to the Boards, Committees and Senior Management Groups • the record taking to document decisions they make. 	Head of Governance and Planning		Ongoing / Completed / Overdue