

Mike Hedges
Committee Chair – Climate Change, Environment and
Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

6 November 2018

Natural Resources Wales

Dear Mike,

As you know, the Public Accounts Committee has been scrutinising Natural Resources Wales (NRW) on its Annual Report and Accounts 2015–16 and we anticipate publishing a report on the 12 November 2018. The Committee undertook this scrutiny following the qualification of the Auditor General for Wales (AGW) regularity opinion on NRW's financial statements in respect of its award of timber sales contracts to a sawmill operator in May 2014. This was the third consecutive year in which the financial statements have had to be qualified for this reason.

The focus of the Committee's report is the awarding of the timber sales contracts, but the Committee also took the opportunity to consider wider issues arising from NRW's Annual Report and Accounts for 2017 – 18. I am aware that the Climate Change, Environment and Rural Affairs Committee undertakes an annual scrutiny of NRW during the autumn term and I wanted to share with you some of the wider issues arising from our consideration of the Accounts and Annual Report, which are listed below.

- **Securing Value for Money**

We explored how NRW measure the effectiveness of the funding of NRW and ensure overall value for money. We asked whether it was satisfactory that the opinion of the Internal Audit Manager that NRW has 'moderate assurance'



regarding the adequacy and effectiveness of its internal control environment. NRW have increased their focus on internal governance to protect their resources and ensure value for money for the Welsh taxpayer.

- Payment to the former Chief Executive

A payment was made to the former Chief Executive of NRW under a settlement agreement, the details of which remain confidential. The Committee has concerns about the lack of transparency around the nature of the payment.

- Staffing/Organisation Design/Transformation

NRW are currently consulting with their staff on a new structure that will be the point at which integration between the three legacy bodies is achieved. This will be a whole organisation restructure with the aim being to be operating the new model from 1 April 2019. NRW estimate that these changes will realise over £171 million in terms of benefits.

- Sickness Absence

The Committee noted that NRW's reported sickness absence has been higher in the last two years than in 2015 – 16. One of the major increased areas is around mental health, which NRW are taking seriously in terms of providing support to its staff. They have introduced a system of mental health first aiders and are working towards the Welsh Government's corporate health standard.

- Potential liabilities

The Annual Report and Accounts 2017 – 18 sets out information about NRW's potential liabilities. The report notes:

'Formal proceedings has been served for a civil claim by a third party of the use of stones by Natural Resources Wales and one of its predecessor bodies'.

NRW quantified its related potential liability, at 31 March 2018, to be £225,000.

Page 96 of the Annual Report also states:

'Two Judicial Reviews have been brought against NRW during the year'.

The report also sets out further information about the Judicial Reviews: in respect of a suspension notice served by NRW; and regarding a statutory notice issued by NRW in respect of the repatriation of waste.



The CCERA Committee may wish to seek an update in respect of the two Judicial Reviews and the likely costs of defending them and any potential liability that may rest with NRW as a result of the decisions.

I hope these issues will be of interest and assistance to you during your scrutiny.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long, sweeping underline.

Nick Ramsay AM
Chair

