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Mr N Ramsay
Public Accounts Committee

By email: SeneddPAC@Assembly.Wales

Dear Nick,

As requested in your report of 26 November 2018, I am now sending the findings and recommendations of the independent review of our commercial forestry operations and NRW's response and actions. I look forward to discussing this with you and your colleagues when we meet next week.

To set this in context, following the qualification of our Annual Report and Accounts last summer and your Committee's subsequent inquiry, I committed to undertake a review of NRW's commercial forest operations. In August 2018 I appointed Grant Thornton to carry out an independent review and sent you the terms of reference (attached).

It is encouraging that our staff were comfortable to come forward and participate in the review. As a result, the report is wide-ranging and gives us a full picture of the performance of this area of business. Whilst the findings make very uncomfortable reading, they are also a powerful tool for change. We have already taken action, building on the work that we did in response to the earlier WAO inquiries and your reports, to address all the issues identified by Grant Thornton.

You will see our response and actions set alongside the findings and recommendations. We are already making good progress and are working at pace.

- We have set out new Timber Sales Governance standards, which cover all of the areas in Grant Thornton's recommendations. We are currently training staff in these new procedures, before finalising them by the end of March. In future these will be reviewed annually.
- As of December 2018 we have introduced new terms and conditions to all new contracts.
- All staff are receiving training in Public Law and relevant teams have also been trained in State Aid.
- Although Grant Thornton didn't identify any fraud, they highlighted that we could be exposed to the risk of fraud. For this reason, we have initiated further investigations in a number of areas.

This work is being driven forward by a Project Team, led by our Head of Procurement, who is working on it full-time, with support from across the business and from Grant Thornton. We report regularly to the Board and ARAC, and the work is overseen by a new task and finish sub-group of the Board, chaired by Sir David Henshaw.

Alongside this work, there are many other changes underway at NRW which will improve the work of our forestry teams. On 1 April we will move to a new operating model for the whole organisation. This will create strong, place-based teams, with clear leadership and a focus on community and customer engagement. They will be supported by expert central, policy teams who will set standards and ensure consistency. Two new roles have been created that will directly impact on our forestry work: a Head of Commercial and a Head of Land Stewardship. We are in the process of recruiting to both these roles.

Finally, our relationship with the timber industry is very important to us and we recognise that we have a job to do in rebuilding trust and resetting this relationship. We started this process at our annual timber customer liaison meeting on 28 January, where I updated them on progress with the Grant Thornton review and the changes that we are making. I will be happy to answer your questions on this report when we give evidence on 11 February. I look forward to seeing you then.

Yours sincerely



Clare Pillman
Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales