

THE NATIONAL ASSEMBLY FOR WALES: AUDIT COMMITTEE

**REPORT 00-05 – Presented to the National Assembly on 23 August 2000 in
accordance with section 102 (1) of the Government of Wales Act 1998.**

*General Report of the Auditor General for Wales: Financial Audit of
1998-99 Accounts*

<u>Contents</u>	Paragraph
Introduction	2
Progress with Resource Accounting	2
The Assembly's new accounting system	5
Prescription pricing	6
The monitoring of grant schemes	7
Summary of Recommendations	9

Annexes

Annex A: Relevant proceedings of the Committee – Minutes of Evidence
(Thursday 15th June 2000)

Annex B The Audit Committee

Introduction

1. The General Report of the Auditor General for Wales¹ summarises the results of the financial audits and related work in Wales of the National Audit Office in respect of the 1998-99 financial year - the last full financial year before the National Assembly for Wales (the Assembly) was established. The report therefore highlights the main features of the financial control environment for which the Assembly is now responsible. It outlines what the Assembly and its sponsored bodies have inherited in terms of accounting arrangements, and identifies the challenges for the future.
2. We took evidence from Mr Jon Shortridge, the Permanent Secretary and Principal Accounting Officer for the Assembly, who was accompanied by Mr Laurie Pavelin, the Head of the Assembly's Financial Accountability Division. The transcript of this evidence is at [Annex A](#). We would like to thank Mr Shortridge and Mr Pavelin for the positive and informative way in which they responded to the Committee's questions.
3. In this report we examine four issues:
 - i) Progress with Resource Accounting;
 - ii) The Assembly's proposed new financial accounting system;
 - iii) Prescription pricing;
 - iv) The monitoring of grant schemes.

Progress with Resource Accounting

4. Under the Treasury's Resource Accounting and Budgeting initiative, all central government departments are required to prepare their accounts on an accruals, or "resource" basis (rather than on a cash basis) from the 1999-2000 financial year². The first set of accounts prepared by the Assembly itself, covering the period 7 May 1999 to 31 March 2000, will also be produced on this basis.
5. As part of the Treasury's timetable for the implementation of resource accounting, the former Welsh Office (in common with all other departments) was required to

¹ Published and presented to the National Assembly for Wales on 17 March 2000

² AGW's Report, paragraph 5.2

produce a “dry run” resource account covering the 1998-99 financial year. The National Audit Office Wales audited and formed an opinion on these “dry run” accounts, although the accounts themselves were not published.

6. We were told that the National Audit Office Wales had given a qualified opinion on the “dry run” accounts for 1998-99 because the Welsh Office had not been able to produce a statement of resources by departmental aims and objectives ³. This statement is a new type of primary statement that provides a breakdown of expenditure by function. It is designed to inform users of the account how resources have been allocated between a department’s different objectives ⁴.

Mr Shortridge acknowledged that the Finance Group had been unable to meet the Treasury timetable for preparing this statement and that the information system put in place for this purpose was inadequate. Mr Shortridge did, however, express his confidence that Assembly officials would be able to produce a statement for the 2000-2001 accounts of the Assembly ⁵.

7. Under the resource accounting regime, the accounts of health authorities should be consolidated into the Assembly’s accounts. The Treasury granted dispensation from this consolidation for the 1998-99 dry-run accounts and the Assembly’s accounts for 1999-2000, but the Assembly is required to produce a consolidated balance sheet at 31 March 2000 ⁶. Mr Shortridge told us that his staff were still in the process of preparing the consolidated balance sheet. He indicated that this would contain a series of assumptions, and that the National Audit Office Wales would need to be satisfied that these assumptions were reasonable ⁷.
8. Mr Pavelin told us that, in common with the Department of Health in England, there were three issues in particular that need to be addressed in order for the consolidation to succeed. First, the NHS had only been producing aggregated accounts as opposed to consolidated accounts, thereby inflating both income and expenditure by the inclusion of inter-authority transactions. The Assembly would be producing the summarised accounts of the NHS in Wales on a consolidated

³ Q2

⁴ AGW’s Report, paragraph 5.4

⁵ Q2

⁶ AGW’s Report, paragraph 5.6

⁷ Q 3

basis from 1999-2000. Secondly, the valuation of NHS assets, particularly buildings, had not been as accurate as it ought to be. The District Valuer was expected shortly to complete a report that would revise the valuation basis of the NHS estate. If time permits, Assembly officials would then ask the District Valuer to complete a further revaluation of the assets of the health authorities (which predominantly comprise disused hospitals). If this was impractical, other ways would need to be found to produce the consolidated accounts, disclosing the differences in valuations. The final issue – concerned with differences in calculations of interest payable on the capital employed by health authorities - could be addressed by Assembly staff through a desktop exercise ⁸.

9. Mr Shortridge informed us that his staff had successfully prepared a set of resource accounts for the Welsh Office for the first three months of the 1999-2000 financial year (up to the date of the transfer of functions on 1 July 1999), that these were the first resource accounts to be prepared in central government, and had received an unqualified opinion from the Comptroller and Auditor General ⁹. The Treasury exempted the Welsh Office from the requirement to consolidate the results of the health authorities for that period.
10. Our main findings, conclusions and recommendations on the progress made by the Assembly towards producing resource accounts are:
 - i) We note the Permanent Secretary's assurance that the problems highlighted by the National Audit Office's qualification of the 1998-99 'dry-run' resource accounts are being addressed;
 - ii) We are pleased that the 3-month resource account produced by the Welsh Office to 30 June 1999 was the first live resource account ever to be prepared and published in the United Kingdom, albeit with certain disclosure exemptions, and that it received a clear audit opinion from the Comptroller and Auditor General;
 - iii) We are concerned at the difficulties faced by the Assembly in consolidating the accounts of the five Welsh health authorities into the

⁸Q3
⁹Q2

Assembly's 2000-01 accounts, and we expect the necessary corrective action to be taken without delay.

- iv) We look to the Assembly's Finance Group to ensure that the Permanent Secretary's confidence in the robustness of the 1999-2000 resource accounts of the Assembly is not misplaced.

The Assembly's New Accounting System

11. The Welsh Office was reliant in some areas on a manual system for collection and analysis of financial information for the preparation of the annual accounts (for example, to identify year-end debtors and creditors). The Assembly is planning to introduce a new accounting system to replace this manual system with an automated accruals based package. Mr Shortridge told us that the introduction date had been put back from April 2001 to April 2002, which would allow a significant amount of time to test and parallel-run the system during the 2001-02 financial year prior to implementation ¹⁰.
12. Mr Pavelin informed us that the Assembly had recruited additional staff to oversee the testing and implementation of the new system, and that the Central Computer and Telecommunications Agency, which had a wide expertise in this area, had been consulted. Mr Pavelin reassured the Committee that the Assembly has adopted the PRINCE system of project management, which was viewed as best practice within central government ¹¹.
13. Mr Pavelin also informed us that no supplier had yet been chosen for this new system, which was at an early stage in the procurement process, and that (like its predecessor) it would run separately from the Assembly's main network for reasons of security ¹².
14. Our main findings, conclusions and recommendations on the progress made by the Assembly towards implementing a new accounting system are:
 - i) We note that central government generally has a particularly poor record in the implementation of new information technology systems. For the

¹⁰ Q 5

¹¹ Q 5

¹² Q 6

future, however, we expect the Assembly to act as a role model for its sponsored public bodies in the adoption of best practice in information systems procurement;

- ii) In this context, we endorse the prudent decision of Assembly officials to delay the implementation of the new financial accounting system until April 2002 to allow adequate time for the system design, development, testing and parallel running;
- iii) We are pleased to note that the Assembly is using the expertise of the Central Computer and Telecommunications Agency, as recommended by the National Audit Office and the Public Accounts Committee;
- iv) We expect senior management to request accurate and timely progress reports from the project team on the implementation of the new system, to allow appropriate corrective action to be taken at the earliest opportunity if needed.

Prescription Pricing

15. The five Welsh health authorities, in common with the Assembly, need to account for liabilities arising from the pricing of prescriptions within their annual accounts. Mr Pavelin told us that the National Audit Office Wales had raised this as a potential problem in its management letter, and that Assembly officials were seeking to broker an agreement on behalf of the health authorities. This would resolve how to fund pharmacists and also ensure that the records were absolutely reliable. He warned us that he was unsure how long this process would take¹³.

16. Mr Shortridge told us that he had been applying pressure to all the parties involved to reach a solution, and that progress was being made on implementing a payment system that provides materially accurate payment information and that is fair to the industry¹⁴.

17. Our main findings, conclusions and recommendations regarding progress on prescription pricing are:

¹³ Q7
¹⁴ Q 10

- i) We note that the Assembly's Finance Group is discussing with the National Audit Office the accounting implications for the National Health Service of the delays in prescription pricing;
- ii) We are concerned about the potential impact on Welsh pharmacists and the National Health Service of the delays currently being experienced in prescription pricing;
- iii) We urge all parties in the ongoing prescription pricing negotiations to reach rapidly a settlement that is regular, fair and equitable both to pharmacists and the taxpayer.

The Monitoring of Grant Schemes

18. The Welsh Office paid some £4 billion in grants to third parties during the 1998-99 financial year, including the funding to Non-Departmental Public Bodies (now Assembly Sponsored Public Bodies). Individual grant schemes vary enormously in both size and complexity ¹⁵.
19. Each grant scheme has its own conditions against which the Assembly and its sponsored public bodies monitor compliance by the recipients of those awards. Mr Shortridge informed us that there were certain fundamental principles that all monitoring processes should satisfy. For example, in the case of local authority grants, these included ensuring that third party audit certificates to support project completion or annual progress had been received. It also meant having appropriate arrangements for post-completion monitoring, including follow-up visits. Mr Shortridge told us that he was satisfied that, for the most part, the systems for monitoring grants were adequate ¹⁶.
20. Mr Shortridge explained to us that inspection visits to grant recipients were expensive, and that the Assembly had adopted a complex set of arrangements to monitor grants, which included reviews of annual accounts and audit certificates, and the provision of written reports by the recipients. Where appropriate, grants were paid in instalments so that progress could be reviewed, and a continuing

¹⁵ AGW's Report, paragraph 2.42

¹⁶ Q 13

entitlement to the grant could be demonstrated at each stage by the recipient. Around this, site visits and regular meetings with the grant recipients were undertaken as part of general monitoring¹⁷. Mr Pavelin added that, where appropriate, the Assembly aimed to pay grants in arrears, that is, once the grant objectives had been met. The need for clawback was therefore rare, and mostly related to schemes such as Regional Selective Assistance where grants were awarded on the proviso that agreed levels of capital expenditure were incurred and specific numbers of jobs either created or safeguarded¹⁸.

21. Mr Shortridge informed us that he had commissioned a review of grant schemes operated by the Assembly which would establish whether there was a systematic problem with monitoring, or whether individual bodies were not operating schemes quite as well as they should. The first part of this review would look at grant schemes and programmes in relation to social disadvantage, and Mr Shortridge had asked for this to be extended to encompass improvements in monitoring arrangements. He had also requested a paper on this topic to come before his Corporate Governance Committee, which comprised senior Assembly officials and considered issues of internal control and accountability within the Assembly¹⁹.
22. The Permanent Secretary told us that he had not previously considered providing a report on the work of the Corporate Governance Committee, but he agreed to consider whether this would be appropriate. Mr Shortridge did note, however, that he envisaged that the Assembly's own annual report would deal in part with issues of corporate governance²⁰.
23. Our main findings, conclusions and recommendations on monitoring of grants are:
 - i) We note that a variety of mechanisms exist to monitor grant schemes operated by the Assembly and its sponsored public bodies, and that there is no certainty that, taken together, they are equally effective in all areas;

¹⁷ Q14

¹⁸ Q15

¹⁹ Q13

²⁰ Q18

- ii) We welcome the Permanent Secretary's decision to commission a review of grant schemes and programmes in relation to social disadvantage, and to consider the issue of grant monitoring in greater detail at the Assembly's Corporate Governance Committee;
- iii) We recommend that issues of corporate governance are given due prominence in the Assembly's Annual Report, and urge the Permanent Secretary to provide Assembly Members with an annual summary of the work of his Corporate Governance committee.

Summary of Recommendations

24. In the light of our findings and conclusions, we make the following recommendations:

- i) We expect Assembly staff to take the necessary corrective action to ensure that the Welsh health authorities are consolidated successfully into the Assembly's 2000-2001 accounts;
- ii) We look to the Assembly's Finance staff to ensure that the Permanent Secretary's confidence in the robustness of the 1999-2000 resource accounts is not misplaced;
- iii) We expect the Assembly to be a role model for its sponsored bodies in the adoption of best practice in information systems procurement;
- iv) We look to the project team tasked with implementing the new accounting system to provide accurate timely progress reports to senior management, so that appropriate corrective action can be taken at the earliest opportunity, if needed;
- v) We urge all parties in the ongoing prescription pricing negotiations rapidly to reach a settlement that is regular, fair and equitable both to pharmacists and the taxpayer; and

We recommend that issues of corporate governance are given due prominence in the Assembly's Annual Report, and urge the Permanent Secretary to provide Assembly Members with an annual summary of the work of his Corporate Governance committee.



Cynulliad Cenedlaethol Cymru

Pwyllgor Archwilio

The National Assembly for Wales

Audit Committee

**Adroddiad Cyffredinol Archwiliwr Cyffredinol Cymru:
Archwiliad Ariannol o Gyfrifon 1998-99**

**General Report of the Auditor General for Wales:
Financial Audit of 1998-99 Accounts**

Cwestiynau 1-21

Questions 1-21

Dydd Iau 15 Mehefin 2000

Thursday 15 June 2000

Aelodau o'r Cynulliad yn bresennol: Janet Davies (Cadeirydd), Lorraine Barrett, Peter Black, Alun Cairns, Jane Davidson, Geraint Davies, Brian Gibbons, Alison Halford, Dafydd Wigley.

Swyddogion yn bresennol: Gillian Body, Swyddfa Archwilio Genedlaethol Cymru; Syr John Bourn, Archwilydd Cyffredinol Cymru; Sharon Davies, Swyddog Cydymffurfio Cyllid Gweithredol Cynulliad Cenedlaethol Cymru.

Tystion: Jon Shortridge, Ysgrifennydd Parhaol, Cynulliad Cenedlaethol Cymru; Laurie Pavelin, Pennaeth Is-adran Atebolrwydd Ariannol, Cynulliad Cenedlaethol Cymru.

Assembly Members present: Janet Davies (Chair), Lorraine Barrett, Peter Black, Alun Cairns, Jane Davidson, Geraint Davies, Brian Gibbons, Alison Halford, Dafydd Wigley.

Officials present: Gillian Body, National Audit Office Wales; Sir John Bourn, Auditor General for Wales; Sharon Davies, Acting Finance Compliance Officer of the National Assembly for Wales.

Witnesses: Jon Shortridge, Permanent Secretary, National Assembly for Wales; Laurie Pavelin, Head of Financial Accountability Division, National Assembly for Wales.

*Dechreuodd y sesiwn cymryd tystiolaeth am 11.52 a.m.
The evidence-taking session began at 11.52 a.m.*

[1] **Janet Davies:** We will now consider the general report for the Welsh Office in its last year, the *Financial Audit of 1998-99 Accounts*. Clearly this will not be as long a session as the one earlier today. Mr Shortridge has already introduced himself; perhaps Mr Pavelin could do so too.

Mr Pavelin: I am Laurie Pavelin, the chief accountant of the Assembly. I am responsible for preparing the Assembly's accounts.

[2] **Janet Davies:** Thank you. I understand that David Richards, the Principal Finance Officer and Peter Jones, Head of the Resource Accounting Team may be asked to comment if necessary. I will begin with a

[1] **Janet Davies:** Ystyriwn yn awr yr adroddiad cyffredinol ar gyfer y Swyddfa Gymreig yn ei blwyddyn olaf, sef yr *Archwiliad Ariannol o Gyfrifon 1998-99*. Yn amlwg ni fydd y sesiwn hwn yn parhau mor hir â'r sesiwn yn gynharach heddiw. Mae Mr Shortridge eisoes wedi cyflwyno ei hun; efallai y gallai Mr Pavelin wneud hynny hefyd.

Mr Pavelin: Laurie Pavelin wyf fi, prif gyfrifydd y Cynulliad. Yr wyf yn gyfrifol am baratoi cyfrifon y Cynulliad.

[2] **Janet Davies:** Diolch. Yr wyf ar ddeall efallai y gofynnir i David Richards, y Prif Swyddog Cyllid, a Peter Jones, Pennaeth y Tîm Cyfrifo Adnoddau, roi sylwadau os oes angen. Dechreuaf drwy ofyn cwestiwn am

question on resource accounting. I will allow Members to ask questions, but we will not be able to have such a long session as that on Coleg Gwent.

This is to Mr Shortridge. Paragraph 5.4 states that the National Audit Office gave a qualified opinion on the dry run accounts for 1998-99 because the former Welsh Office was not able to produce a statement of resources by departmental aims and objectives. Could you tell us why you were unable to produce such a statement and what progress you have made this year to correct the situation?

Mr Shortridge: I think that essentially there were two related reasons. We ran out of time, because we did subsequently prepare it and it was audited satisfactorily. Also, the information system that we put in place to do it just did not do the job. This is one of the things that you learn through a trial process. So it was for those two related reasons.

In terms of the future, I am certainly confident that we will be able to do it for the next year's accounts. I think that I can say that with confidence, because we did, during the course of this year, produce a set of resource accounts for the Welsh Office for the first three months of the last financial year. I think that I am right in saying that they were actually the first resource accounts ever to be prepared in central Government. So we do have a system, which, albeit only for those three months, has passed Sir John's test satisfactorily.

[3] **Janet Davies:** I also note that the Treasury granted a dispensation from consolidation of the health authority accounts into the dry-run accounts, but that the Assembly must produce a consolidated balance sheet by 31 March of this financial year. What steps have you taken to ensure the full consolidation of the health authorities into the 2000-01 resource accounts? Can that

gyfrifo adnoddau. Caniatâf i'r Aelodau ofyn cwestiynau, ond ni fydd yn bosibl inni gael sesiwn mor hir â'r un a gawsom ar Goleg Gwent.

Mae'r cwestiwn hwn i Mr Shortridge. Mae paragraff 5.4 yn nodi bod y Swyddfa Archwilio Genedlaethol wedi rhoi barn amodol ar ymarfer cychwynnol cyfrifon 1998-99 am na allai'r Swyddfa Gymreig gynt gynhyrchu datganiad o adnoddau yn ôl nodau ac amcanion adrannol. A allech ddweud wrthym pam nad oeddech yn gallu cynhyrchu datganiad o'r fath a pha gynnydd a wnaethoch eleni i unioni'r sefyllfa?

Mr Shortridge: Credaf fod dau reswm cysylltiedig yn y bôn. Aethom yn brin o amser, oherwydd llwyddasom i'w baratoi yn y pen draw a chafodd ei archwilio'n foddhaol. Yn ogystal, methodd y system wybodaeth a roddasom yn ei lle i wneud hynny â chyflawni'r dasg mewn gwirionedd. Dyma'r math o beth yr ydych yn ei ddysgu drwy gynnal proses brawf. Felly yr oedd am y ddau reswm cysylltiedig hynny.

Gan edrych at y dyfodol, yr wyf yn gwbl hyderus y byddwn yn gallu ei wneud ar gyfer cyfrifon y flwyddyn nesaf. Credaf y gallaf ddweud hynny'n hyderus, am inni lwyddo, yn ystod y flwyddyn hon, i gynhyrchu set o gyfrifon adnoddau ar gyfer y Swyddfa Gymreig i'r tri mis cyntaf o'r flwyddyn ariannol ddiwethaf. Credaf fy mod yn gywir wrth ddweud mai'r rhain oedd y cyfrifon adnoddau cyntaf erioed a gafodd eu paratoi gan Lywodraeth ganolog. Felly mae gennym system, sydd, er am y tri mis hynny yn unig, wedi bodloni prawf Syr John.

[3] **Janet Davies:** Nodaf hefyd fod y Trysorlys wedi rhoi goddefeb rhag cyfuno cyfrifon yr awdurdodau iechyd o fewn ymarfer cychwynnol y cyfrifon, ond bod yn rhaid i'r Cynulliad gynhyrchu mantolen gyfunol erbyn 31 Mawrth yn y flwyddyn ariannol hon. Pa gamau yr ydych wedi eu cymryd i sicrhau y caiff yr awdurdodau iechyd eu cyfuno'n llawn o fewn cyfrifon

be achieved?

Mr Shortridge: I will hand over in a minute to Mr Pavelin on the detail of that. Again, I am certainly hopeful that it can be achieved. We are still in the process of preparing the consolidated balance sheet. It is clear that a series of assumptions will have to be made in order to do that and we will therefore need to satisfy the NAO that those are reasonable assumptions to make in the circumstances. What we have here is a clash of accounting systems, assumptions and arrangements, which is having to be addressed and having to be addressed in a very short space of time. There are particular problems in relation to the national health service, which we share with the Department of Health in England. I will ask Mr Pavelin to briefly outline those.

Mr Pavelin: Essentially there were three issues that we had to address. First of all was the fact that the NHS has only been producing aggregated accounts as opposed to consolidated accounts. It is now producing consolidated accounts for 1999-2000. That has dealt with the first issue. So the health authority accounts will come to us on a consolidated basis rather than on the previous basis, where they were just basically added together and consolidation issues were ignored.

The second issue relates to the basis of valuation of NHS assets. The central Government sector is now moving over to the resource accounting manual. The NHS will also be moving that way fairly shortly, but it has been valuing, particularly, its buildings on a basis that has been found to be not as accurate as perhaps it ought to be. The result of that is that there has been a study by the district valuer, which is due to be completed in the next month or two. That will revise the valuation of NHS estates.

We have been looking at the assets owned by the health authorities. Most of those are actually empty hospitals. We should be able to deal with the valuation of those. This

adnoddau 2000-01? A ellir cyflawni hynny?

Mr Shortridge: Gofynnaf i Mr Pavelin roi manylion am hynny mewn eiliad. Unwaith eto, yr wyf yn bendant yn obeithiol y gellir ei gyflawni. Yr ydym yn dal yn y broses o baratoi'r fantolen gyfunol. Mae'n amlwg y bydd angen llunio cyfres o ragdybiaethau er mwyn gwneud hynny a bydd angen inni felly fodloni'r Swyddfa Archwilio Genedlaethol bod y rheini'n rhagdybiaethau rhesymol i'w gwneud o dan yr amgylchiadau. Yr hyn sydd gennym yma yw gwrthdaro rhwng systemau, rhagdybiaethau a threfniadau cyfrifo y mae'n rhaid ymdrin ag ef ac y mae'n rhaid ymdrin ag ef mewn cyfnod byr iawn. Mae problemau penodol o ran y gwasanaeth iechyd gwladol, yr ydym yn eu rhannu â'r Adran Iechyd yn Lloegr. Gofynnaf i Mr Pavelin nodi'r rheini'n fras.

Mr Pavelin: Cafwyd tri mater yn y bôn yr oedd yn rhaid inni roi sylw iddynt. Yn gyntaf oll oedd y ffaith mai cyfrifon cyfansymiol yn unig a gynhyrchai'r NHS yn hytrach na chyfrifon cyfunol. Bellach mae'n cynhyrchu cyfrifon cyfunol ar gyfer 1999-2000. Mae hynny wedi delio â'r mater cyntaf. Felly daw cyfrifon yr awdurdodau iechyd atom ar sail gyfunol yn hytrach nag ar yr hen sail, lle yr oeddynt yn y bôn ond wedi eu cyfansymio a lle diystyriwyd unrhyw faterion cyfuno.

Mae'r ail fater yn ymwneud â sail prisio asedau'r NHS. Mae'r sector Llywodraeth ganol bellach yn cymud i'r llawlyfr cyfrifo adnoddau. Bydd yr NHS hefyd yn symud i'r cyfeiriad hwnnw cyn bo hir, ond mae wedi bod yn prisio ei adeiladau, yn enwedig, ar sail y canfuwyd nad yw mor gywir ag y dylai fod o bosibl. O ganlyniad i hynny, mae'r prisiwr dosbarth wedi cynnal astudiaeth y bwriedir ei chwblhau yn ystod y deufis nesaf. Bydd honno'n diwygio prisiad ystadau'r NHS.

Yr ydym wedi bod yn ystyried yr asedau o dan berchenogaeth yr awdurdodau iechyd. Ysbytai segur yw'r rhan fwyaf o'r rheini mewn gwirionedd. Dylem fod yn gallu

week, I have received some information from the district valuer, which will at least give us some ballpark figures that we can use for revaluation of the two or three NHS hospitals that are owned by health authorities. If they complete their exercise in time, then we will be asking the district valuer to complete a further revaluation if time permits. If not—and I am already in discussion with the National Audit Office about this—we are going to see whether there are other ways in which we can produce the consolidated accounts and provide the necessary note, which discloses what the differences in valuations are.

The third element relates to interest on the capital employed in the NHS. We can literally deal with that in the form of a desktop exercise, so that we can undertake the consolidation.

[4] **Alison Halford:** I think that this is a question that affects certainly all Members. It is all to do with the fact that, in April 2001, you are going to introduce a new computerised accounting system. Is it going to work and what steps are you taking to ensure that it is going to work, bearing in mind that, as an avid reader of *Private Eye*, I am well aware that the record of central Government sponsored information technology systems is truly shocking? We have only to mention passports, ambulances and housing benefits. I could be thoroughly disingenuous and say that, a year on, my own system in Delyn leaves much to be desired.

Mr Shortridge: One of the things that we are doing in order to seek to ensure that it does work is that we have decided to put the introduction date back to April 2002. It is a bit more complicated than that. Partly for procurement reasons and partly because of a study, which consultants did for us in terms of our approach to accounting generally, we reached the conclusion that it would not be sensible to introduce it from April 2001. Nonetheless, we hope that it will be up and running, if not in April 2001, very shortly

ymdrin â'r gwaith o brisio'r rheini. Yr wythnos hon, yr wyf wedi derbyn gwybodaeth gan y prisiwr dosbarth, a fydd o leiaf yn rhoi rhai ffigurau bras inni y gallwn eu defnyddio i ailbrisio'r ddau neu dri o ysbytai NHS sydd dan berchenogaeth yr awdurdodau iechyd. Os byddant yn cwblhau eu hymarfer yn brydlon, yna byddwn yn gofyn i'r prisiwr dosbarth gwblhau ailbrisiad pellach os bydd amser. Os na fydd hynny'n bosibl—ac yr wyf eisoes yn trafod hyn gyda'r Swyddfa Archwilio Genedlaethol—byddwn yn ystyried a oes unrhyw ffordd arall y gallwn gynhyrchu'r cyfrifon cyfunol a darparu'r nodyn angenrheidiol, sydd yn datgelu'r gwahaniaethau yn y prisiadau.

Mae'r drydedd elfen yn ymwneud â llog ar y cyfalaf a ddefnyddir yn yr NHS. Gallwn ymdrin yn llythrennol â hynny drwy ymarfer desg, fel y gallwn ymgymryd â'r cyfuniad.

[4] **Alison Halford:** Credaf fod hwn yn gwestiwn sydd, yn sicr, yn effeithio ar bob un o'r Aelodau. Mae hyn oll yn ymwneud â'r ffaith y byddwch, yn Ebrill 2001, yn cyflwyno system gyfrifo gyfrifiadurol newydd. A fydd yn gweithio a pha gamau yr ydych yn eu cymryd i sicrhau y bydd yn gweithio, gan gofio, fel darllenwraig selog o *Private Eye*, fy mod yn gwbl ymwybodol bod hanes cwbl syfrdanol i systemau technoleg gwybodaeth a noddir gan Lywodraeth ganolog? Nid oes ond angen sôn am basportiau, ambiwlansiau a budd-daliadau tai. Gallwn fod yn hollol blwmp ac yn blaen a dweud nad yw fy system fy hun yn Nelyn, ar ôl blwyddyn, yn berffaith o bell ffordd.

Mr Shortridge: Un o'r pethau yr ydym yn eu gwneud er mwyn ceisio sicrhau ei bod yn gweithio yw ein bod wedi penderfynu gohirio'r dyddiad cyflwyno i Ebrill 2002. Mae ychydig yn fwy cymhleth na hynny. Yn rhannol oherwydd rhesymau caffael ac yn rhannol oherwydd astudiaeth a wnaethpwyd ar ein rhan gan ymgynghorwyr ar ein hymagwedd tuag at gyfrifo yn gyffredinol, daethom i'r casgliad na fyddai'n synhwyrol ei chyflwyno o Ebrill 2001. Eto i gyd, gobeithiwn y bydd yn weithredol, os nad yn

afterwards. So there will be a significant amount of time to test it and, later in the year, to do some parallel running of the system. That is the basic position. Again, if you would like more information, Mr Pavelin can elaborate.

[5] **Alison Halford:** I will let other people take over.

Mr Pavelin: I think that you are just looking for assurance that we will actually get there. We have employed some additional staff for this purpose. We have also brought on board the Central Computer and Telecommunications Agency, which is the one organisation in central Government that has wide expertise and which both the Comptroller and Auditor General, in his reports in England, and the Public Accounts Committee, have recommended that we should have on board. Therefore, we have it on board. We have instituted very wide-ranging project management, using the Prince methodology and we are providing ourselves with a very long run-in comfort period. The procurement process has already started. We are expecting to have the software delivered, together with any new hardware, by 1 April 2001. That will give us a 12-month run-in period. To the extent that we might need consultancy support in order to help us introduce the chosen software, whatever that turns out to be, we will undertake that. We are determined to make sure that the system that we get in is actually tested for quite a long period and actually works.

[6] **Alison Halford:** Nobody, it would appear, chose to allow Assembly Members—and I accept that you did not know who they would be—to test the system in constituency offices with the National Assembly for Wales. Therefore, we have been given a system that, frankly, is very difficult to operate. It lets us down frequently: e-mails fail and the phones have been off for periods of time. That is unacceptable. Yet you have used a firm that has had a fairly chequered experience in the provision of other services.

Ebrill 2001, yn fuan iawn wedi hynny. Felly bydd cryn amser gennym i'w phrofi ac, yn ddiweddarach yn y flwyddyn, i gynnal ymarfer rhedeg ochr yn ochr o'r system. Dyna'r sefyllfa yn fras. Unwaith eto, os hoffech gael rhagor o wybodaeth, gall Mr Pavelin ymhelaethu.

[5] **Alison Halford:** Gadawaf i bobl eraill holi.

Mr Pavelin: Credaf eich bod am gael sicrwydd y byddwn, mewn gwirionedd, yn cyrraedd y nod. Yr ydym wedi cyflogi rhai aelodau ychwanegol o staff i'r diben hwn. Yr ydym hefyd wedi cysylltu â'r Asiantaeth Gyfrifiadurol a Thelathrebu Ganolog, sef un o sefydliadau Llywodraeth ganolog sydd ag arbenigedd eang ac y mae'r Rheolwr ac Archwilydd Cyffredinol, yn ei adroddiadau yn Lloegr, a'r Pwyllgor Cyfrifon Cyhoeddus wedi argymhell y dylem gydweithio â hi. Felly, yr ydym yn cydweithio â hi. Yr ydym wedi cyflwyno dulliau rheoli prosiect eang iawn eu cwmpas, gan ddefnyddio methodoleg Prince ac yr ydym yn rhoi cyfnod ymbaratoi hir iawn i'n hunain. Mae'r broses gaffael eisoes wedi dechrau. Yr ydym yn disgwyl i'r feddalwedd, ynghyd ag unrhyw galedwedd newydd, gyrraedd erbyn 1 Ebrill 2001. Bydd hynny yn rhoi cyfnod ymbaratoi o 12 mis inni. I'r graddau y bydd arnom angen cymorth ymgynghorol o bosibl er mwyn ein helpu i gyflwyno'r feddalwedd a ddewiswyd, waeth beth fydd hynny, byddwn yn mynnu hynny. Yr ydym yn benderfynol o sicrhau y bydd y system sydd gennym yn cael ei phrofi o ddifrif am gyfnod go hir a'i bod yn gweithredu'n gywir.

[6] **Alison Halford:** Ymddengys nad oedd unrhyw un am ganiatáu i Aelodau'r Cynulliad—a derbyniasf nad oeddech yn gwybod pwy a fyddent—brofi'r system yn y swyddfeydd etholaeth â Chynulliad Cenedlaethol Cymru. Felly, yr ydym wedi cael system, sydd, a dweud y gwir, yn anodd iawn i'w gweithredu. Mae'n ein siomi'n aml: nid yw negeseuon e-bost yn cyrraedd ac ni ellir defnyddio ffonau am gyfnodau. Mae hynny'n annerbyniol. Er gwaethaf hynny yr ydych wedi defnyddio cwmni â chanddo

I do not understand that and, quite frankly, it causes me, as a constituency Member, and my staff quite a lot of heartache.

Mr Pavelin: In terms of our accounting system, we have not chosen a software supplier at the moment. Our accounting system is one of the few systems within the Assembly that is not actually running, in general terms, via the Siemens network. Therefore, we actually run it ourselves, with our own staff. We have firewalls with the general network within the office, although we use it as a means of communication to our system. The reason why we have done that is because security is paramount as far as we are concerned. At the end of the day, cheques are going out for very large sums and we need that information and the whole process to be absolutely secure.

[7] **Geraint Davies:** I declare an interest as a pharmacist in contract with the NHS. I would like to ask some questions on health authority accounts. You are supposed to produce a consolidated balance by 31 March. Are you having problems getting that balance because of the delay in pricing prescriptions?

Mr Shortridge: Clearly, that is something about which some assumptions will have to be made. However, I am not aware that it is any more significant a problem than the ones that Mr Pavelin has already mentioned.

Mr Pavelin: Fortunately, the consolidated balance sheet relates to the health authorities. Therefore, the absolute detail of the prescription pricing does not actually come through directly into those accounts, although the funding of some of those elements will come through. We have been put on warning by the Auditor General's management letter in respect of the NHS that there may well be an issue there. We are following that up at the moment. Those dealing with prescription pricing are in the process of trying to resolve

hanes go gymysg o ran darparu gwasanaethau eraill. Ni ddeallaf hynny ac, a dweud y gwir, mae'n peri cryn drafferth i mi, fel Aelod etholaeth, ac i'm staff.

Mr Pavelin: O ran ein system gyfrifo, nid ydym wedi dewis cyflenwr meddalwedd ar hyn o bryd. Mae ein system gyfrifo gyda'r ychydig o systemau o fewn y Cynulliad nad yw'n gweithredu, yn gyffredinol, drwy rwydwaith Siemens. Felly, ni sydd yn ei rhedeg, gyda'n staff ein hunain. Mae gennym furiau tân o fewn y swyddfa gyda'r prif rwydwaith, er ein bod yn ei defnyddio fel modd o gyfathrebu â'n system ni. Y rheswm inni wneud hynny yw bod diogelwch, yn ein tyb ni, yn holl bwysig. Wedi'r cyfan, mae sicciau am symiau mawr iawn yn cael eu darparu ac mae angen i'r wybodaeth honno a'r holl broses fod yn gwbl ddiogel.

[7] **Geraint Davies:** Hoffwn ddatgan diddordeb fel fferyllydd sydd â chontract gyda'r NHS. Hoffwn ofyn ychydig o gwestiynau am gyfrifon yr awdurdodau iechyd. Yr ydych i fod i gynhyrchu mantolen gyfunol erbyn 31 Mawrth. A ydych yn cael problemau wrth baratoi'r fantolen honno oherwydd yr oedi mewn prisio presgripsiynau?

Mr Shortridge: Yn amlwg, mae hwnnw'n faes y bydd yn rhaid llunio rhai rhagdybiaethau ynglŷn ag ef. Fodd bynnag, nid wyf yn ymwybodol ei fod yn fwy o broblem na'r problemau hynny y mae Mr Pavelin wedi eu crybwyll eisoes.

Mr Pavelin: Yn ffodus, â'r awdurdodau iechyd y mae'r fantolen gyfunol yn ymwneud. Felly ni chaiff manylion llawn pris presgripsiynau eu cynnwys yn uniongyrchol yn y cyfrifon hyn, er y caiff cyllid rhai o'r elfennau hynny ei gynnwys. Mae llythyr rheoli'r Archwilydd Cyffredinol ynglŷn â'r NHS wedi ein rhybuddio efallai y cyfyd mater yn hynny o beth. Yr ydym yn gweithredu ar hynny ar hyn o bryd. Mae'r sawl sydd yn ymwneud â phrisio presgripsiynau wrthi'n ceisio datrys sut y

how we can fund the pharmacists and ensure that our records are absolutely reliable. It is an issue that we know exists, and we are trying to address it as best we can. We are not quite sure exactly how long it is going to take to finally resolve.

In terms of the accounts, one issue is that the accounts are required to show a true and fair view. That involves the making of estimates. We have historical information on what the trend has been in regards to prescription pricing and the total amount going out. Therefore, there is some history there that can help us to make estimates. I am sure that we will be involved in making some estimates.

[8] **Dafydd Wigley:** May I ask a supplementary question?

[9] **Janet Davies:** Yes, but before we go any further, Dafydd, I ask that, if anyone else has any mobile phones or noisy electronic toys with them, including the Members, to please switch them off now.

[10] **Dafydd Wigley:** Mae'r hyn yr oeddwn eisiau ei ofyn yn dilyn, efallai mewn ffordd sydd yn anodd i Geraint ei wneud oherwydd ei fod yn gweithio yn y maes hwn.

Nid problem newydd yw'r broblem o dalu am nwyddau gan fferyllwyr. Euthum â dirprwyaeth i'r Swyddfa Gymreig ddwy neu dair blynedd yn ôl yn Llundain i weld Isysgrifennydd oherwydd methiant y system. Faint yn fwy o amser a gymer i gael system taliadau cywir sydd yn gweithio o ran tegwch i'r rhai yn y diwydiant yn ogystal ag o ran sefyllfa ffeithiol gywir i'r Cynulliad?

Mr Shortridge: All I can say is that I share that concern. I have been applying pressure to try to get a solution to it and have been seeking advice on it. As I understand it, progress is being made and I am expecting to hear something quite shortly. However, it would be quite wrong of me to provide any

gallwn roi cyllid i'r fferyllwyr a sicrhau bod ein cofnodion yn gwbl ddibynadwy. Gwyddom bod y mater hwn yn bodoli, ac yr ydym yn ceisio rhoi sylw iddo orau y gallwn. Nid ydym yn gwbl sicr faint o amser a gymer i'w ddatrys yn derfynol.

O ran y cyfrifon, un mater yw ei bod yn ofynnol i'r cyfrifon roi darlun teg a chywir. Mae hynny'n golygu llunio amcangyfrifon. Mae gennym wybodaeth hanesyddol am y tuedd o ran prisiau presgripsiynau a'r cyfanswm sydd yn cael ei wario. Felly, mae rhywfaint o hanes a all fod o gymorth inni lunio amcangyfrifon. Yr wyf yn siŵr y bydd gofyn inni lunio rhai amcangyfrifon.

[8] **Dafydd Wigley:** A gaf ofyn cwestiwn atodol?

[9] **Janet Davies:** Cewch, ond cyn inni symud ymlaen, Dafydd, a gaf ofyn i unrhyw un arall, gan gynnwys yr Aelodau, sydd â ffôn symudol neu degan electronig swnllwyd i'w troi i ffwrdd yn awr os gwelwch yn dda.

[10] **Dafydd Wigley:** What I wanted to ask follows on, perhaps in a way that is difficult for Geraint to do because he works in this field.

The problem of paying for goods from pharmacists is not a new problem. I took a delegation to the Welsh Office two or three years ago in London to see an Undersecretary because of the system's failure. How much more time will it take to get a correct payment system that works in terms of being fair to those in the industry as well as in terms of a factually correct situation for the Assembly?

Mr Shortridge: Y cwbl y gallaf ei ddweud yw fy mod yn rhannu'r pryder hwnnw. Yr wyf wedi bod yn pwyso i geisio ei ddatrys ac wedi ceisio cyngor yn ei gylch. Yn ôl yr hyn a ddeallaf, mae'r cynnydd yn digwydd ac yr wyf yn disgwyl clywed rhywbeth cyn bo hir. Fodd bynnag, byddai'n hollol amhriodol imi

assurance to the Committee on that matter now because I have not seen the proposed solution.

[11] **Janet Davies:** Has what you wanted to ask about, Jane, been covered?

[12] **Jane Davidson:** I would like to speak about the monitoring of grant schemes.

[13] **Janet Davies:** We will come to that. We will, therefore, move on from resource accounting to monitoring grant schemes. Attention has been drawn to possible lacks of consistency, but perhaps they are justified. However, the report states that there is no standard approach to monitoring compliance by grant recipients with the conditions that have been specified. What procedures do you have in place to monitor the compliance of the recipients?

Mr Shortridge: One of the problems is—I will not say that every grant schemes is different, but a lot of them are different—that they are operated by different organisations and, in some cases, they were established by an English department and we have just carried them over. I do not think that it is practical to propose an entirely standardised approach to the monitoring of grant schemes. On the other hand, there are clearly certain fundamental principles that all such monitoring processes should satisfy. Those relate to, if it is a local authority grant, ensuring that you have all the certificates. It means having arrangements where appropriate and, in terms of applying particular criteria, for follow-up visits and so on. I must say that, from the information that I have seen, from studying the management letter of the NAO and from looking at internal audit reports, I am pretty satisfied that, for the most part, the systems are adequate.

I have taken careful note of what Sir John has said in his report. I want to put in place further work within the office to see whether there is a systemic problem here that I have

roi unrhyw fath o sicrwydd i'r Pwyllgor ynglŷn â'r mater hwnnw ar hyn o bryd gan nad wyf wedi gweld yr ateb a gynigir.

[11] **Jane Davies:** A ydym wedi trafod yr hyn yr oeddech am holi yn ei gylch, Jane?

[12] **Jane Davidson:** Hoffwn drafod monitro cynlluniau grant.

[13] **Janet Davies:** Trafodwn hynny ymhen ychydig. Symudwn ymlaen, felly, o gyfrifo adnoddau i fonitro cynlluniau grant. Tynnwyd sylw at ddiffygion cysondeb posibl, ond efallai bod cyfiawnhad iddynt. Fodd bynnag, mae'r adroddiad yn nodi nad oes ymagwedd safonol tuag at fonitro'r modd y mae derbynwyr grantiau yn cydymffurfio â'r amodau a bennwyd. Pa weithdrefnau sydd gennych yn eu lle i fonitro cydymffurfriad y rhai sydd yn derbyn grantiau?

Mr Shortridge: Un o'r problemau yw—ni honnaf fod pob cynllun grant yn wahanol, ond mae llawer ohonynt yn wahanol—y cânt eu gweithredu gan wahanol sefydliadau ac, mewn rhai achosion, fe'u sefydlwyd gan adran yn Lloegr a dim ond wedi cadw atynt yr ydym ni. Ni chredaf ei bod yn ymarferol i gynnig ymagwedd gwbl safonol tuag at fonitro cynlluniau grant. Ar y llaw arall, mae egwyddorion hanfodol y dylai pob proses fonitro o'r fath eu bodloni wrth reswm. Mae'r rheini yn golygu, yn achos grantiau awdurdodau lleol, sicrhau bod pob un o'r tystysgrifau gennych. Mae'n golygu cael trefniadau, lle bo hynny'n briodol ac, o ran defnyddio meini prawf penodol, ar gyfer ymweliadau dilynol ac ati. Rhaid imi ddweud, yn ôl y wybodaeth yr wyf wedi ei gweld, o astudio llythyr rheoli'r Swyddfa Archwilio Genedlaethol ac o edrych ar yr adroddiadau archwilio mewnol, fy mod yn eithaf bodlon bod y systemau, at ei gilydd, yn ddigonol.

Yr wyf wedi nodi'n ofalus yr hyn a ddywedodd Syr John yn ei adroddiad. Yr wyf am drefnu rhagor o waith o fewn y swyddfa i ganfod ai problem systematig nad wyf wedi

not fully appreciated, or whether what we have here is individual bodies that are operating grant schemes not quite as well as they should. I would not want to give the wrong impression. I have looked at all of the management statements and the number of audit criticisms in relation to grant schemes is not enormous. It is more than I would like, but it is not enormous. What I will be doing, and what I have already done, is to put in place a review of grant schemes and programmes in relation to social disadvantage, of which, as you can imagine, there are a large number. The first part of this review will be carried out over two months. It is, therefore, quite a quick review, and I have asked for it to be extended to encompass improvements to monitoring arrangements, having regard in particular to the points made in this report. I have also asked for a paper to come before the corporate governance committee that I chair, which will address this issue for me and make recommendations on whether there is more that we should be doing to address and deal with this as a systemic problem, rather than as a number of separate problems.

[14] **Jane Davidson:** I would like more detailed information about how you choose, for example, when to undertake an inspection visit. We have £4 billion distributed and then we have approximately £500 million in grant funding, which is further distributed by the bodies to whom we distribute. In a sense, the chain of accountability extends a long way away. Could you say on what basis we make inspection visits to grant recipients? If recipients have failed to comply with grant conditions, we have the clawback mechanism. How much are we clawing back and under what conditions are we doing so?

Mr Shortridge: It would be wrong to give the impression that we rely to a significant extent on site visits. It is very expensive, as you can imagine, for officials to travel around Wales following up individual grant schemes where, in some cases, the amount of money that will have been received is quite small. In

ei llawn werthfawrogi sydd yma, ynteu ai'r hyn sydd gennym yw cyrff unigol nad ydynt yn gweithredu cynlluniau grant cystal ag y dylent. Ni hoffwn roi camargraff. Yr wyf wedi edrych ar bob un o'r datganiadau rheoli ac ni cheir nifer enfawr o feirniadaethau gan archwilwyr mewn perthynas â chynlluniau grant. Ceir mwy nag yr hoffwn eu gweld, ond nid oes nifer enfawr. Yr hyn y byddaf yn ei wneud, a'r hyn yr wyf eisoes wedi ei wneud, yw trefnu adolygiad o gynlluniau a rhaglenni grant mewn perthynas ag anfantais gymdeithasol, ac mae nifer fawr ohonynt, fel y gallwch ddychmygu. Caiff rhan gyntaf yr adolygiad hwn ei gynnal dros gyfnod o ddau fis. Felly, bydd yn adolygiad eithaf sydyn, ac yr wyf wedi gofyn iddo gael ei ymestyn i gwmpasu gwelliannau i drefniadau monitro, gan ystyried yn benodol y pwyntiau a wnaethpwyd yn yr adroddiad hwn. Yr wyf hefyd wedi gofyn i bapur gael ei gyflwyno gerbron y pwyllgor llywodraethu corfforaethol yr wyf yn ei gadeirio, a fydd yn rhoi sylw i'r mater hwn ar fy rhan ac yn argymhell a oes rhagor y dylem ei wneud i fynd i'r afael a delio â hyn fel problem systematig, yn hytrach nag fel nifer o broblemau ar wahân.

[14] **Jane Davidson:** Hoffwn gael gwybodaeth fanylach ynglŷn â sut yr ydych yn dewis, er enghraifft, pryd i wneud ymweliad arolygu. Mae gennym £4 biliwn wedi ei ddsbarthu ac yna mae gennym tua £500 miliwn mewn cyllid grant, a ddsbarthir ymhellach gan y cyrff yr ydym yn ddsbarthu iddynt. Ar un olwg, mae'r gadwyn atebolrwydd yn ymestyn yn bell iawn i ffwrdd. A allech ddweud ar ba sail yr ydym yn ymgymryd ag ymweliadau arolygu â derbynwyr grantiau? Os yw derbynwyr wedi methu â chydymffurfio ag amodau'r grant, mae gennym ddull o ad-hawlio'r arian. Faint o arian a ad-hawlrir gennym ac o dan ba amodau yr ydym yn gwneud hyn?

Mr Shortridge: Ni fyddai'n gywir rhoi'r argraff ein bod yn dibynnu ar ymweliadau safle i raddau helaeth. Mae'n gostus iawn, fel y gallwch ddychmygu, i swyddogion deithio ledled Cymru yn gwirio cynlluniau grant unigol, lle mai bach iawn fyddai swm yr arian a dderbynnir mewn rhai achosion. O ran

terms of the procedures that we have for monitoring compliance in relation to grants, we review, depending on the nature of the applicant, the annual accounts submitted by the applicants and recipients to ensure that they still need a grant. We also review the accounts to ensure that the grants have been used and not retained in reserves. Where appropriate, we ensure the receipt of audit certificates, which are completed by independent third parties—either independent firms of accountants or the district audit service. Where we can, and where it is appropriate, we pay in instalments so that we have an opportunity to review progress and, in any case, we only pay a grant where need has been demonstrated. Around that, we have site visits where appropriate. We have regular meetings with the recipients of grants and, as part of general monitoring, we require written reports on the assessment of the extent to which the outputs that have been achieved match what was promised and whether they have been achieved against agreed timetables. Therefore, we put a complex set of arrangements in place as opposed to relying largely on site visits.

y gweithdrefnau sydd gennym i fonitro cydymffurfiad mewn perthynas â grantiau, yr ydym yn arolygu, gan ddibynnu ar natur yr ymgeisydd, y cyfrifon blynyddol a gyflwynwyd gan yr ymgeiswyr a'r derbynwyr i sicrhau eu bod angen y grant o hyd. Yr ydym hefyd yn arolygu'r cyfrifon i sicrhau bod y grantiau wedi cael eu defnyddio ac nad ydynt wedi eu cadw mewn cronfeydd wrth gefn. Lle y bo'n briodol, yr ydym yn sicrhau ein bod yn derbyn tystysgrifau archwilio, a gwblheir gan drydydd parti annibynnol—naill ai cwmnïau annibynnol o gyfrifwyr neu'r gwasanaeth archwilio dosbarth. Pan fo'n bosibl, a lle y bo'n briodol, yr ydym yn talu mewn rhandaliadau fel y gallwn gael cyfle i arolygu'r cynnydd, a, beth bynnag, nid ydym yn talu grant oni phrofir bod ei angen. O gylch hynny, yr ydym yn trefnu ymweliadau safle lle y bo hynny'n briodol. Yr ydym yn cyfarfod â derbynwyr y grantiau'n rheolaidd ac, fel rhan o fonitro cyffredinol, yr ydym gofyn am adroddiadau ysgrifenedig sydd yn asesu i ba raddau y mae'r allbynuau a gyflawnwyd yn cyfateb i'r hyn a addawyd ac a ydynt wedi eu cyflawni yn ôl y graddfeydd amser y cytunwyd arnynt. Felly, yr ydym yn rhoi cyfres gymhleth o drefniadau yn eu lle yn hytrach na dibynnu ar ymweliadau safle yn bennaf.

[15] **Jane Davidson:** Could you respond to the clawback issue?

[15] **Jane Davidson:** A allech ymateb i fater yr adhawliad?

Mr Shortridge: I will ask Mr Pavelin to respond to that.

Mr Shortridge: Gofynnaf i Mr Pavelin ymateb i hynny.

Mr Pavelin: There are occasions when we seek clawback. However, as far as possible, we try to pay grants in arrears. So, in other words, whatever is being provided has been provided, so that we can assure ourselves that it is there and that we do not need to seek clawback. The instances where we need to seek clawback and the large areas in which we have sought clawback, are mostly related to matters such as regional selective assistance, where an organisation has said that it will do a certain thing. In many instances, it has done it, but it is required to continue doing it for a period. There are

Mr Pavelin: Mae adegau pan fyddwn yn ceisio adhawlio arian. Fodd bynnag, yr ydym, gymaint ag sydd yn bosibl, yn ceisio talu grantiau fel ôl-daliadau. Hynny yw, mae'r hyn sydd yn cael ei ddarparu wedi cael ei ddarparu, fel y gallwn sicrhau ein hunain ei fod yno ac nad oes angen inni geisio adhawlio'r arian. Mae'r achosion lle y mae angen inni geisio adhawlio'r arian a'r meysydd eang lle y buom yn ceisio adhawlio, yn ymwneud â materion megis cymorth dethol rhanbarthol yn bennaf, lle mae sefydliad wedi dweud y bydd yn gwneud tasg benodol. Mewn llawer o'r achosion, mae

monitoring and direct follow-up procedures, because it is a high-risk area. Therefore, the extent of site visits is almost always related to risk assessment. When it is found that the requirements for maintaining whatever it has been required to do have not been complied with, then we often ask for our money back. There have been some quite high profile cases over the years, which have been reported in the press, where we have sought our money back.

wedi ei wneud, ond mae'n ofynnol iddo barhau i'w wneud dros gyfnod. Ceir gweithdrefnau monitro a gwirio uniongyrchol, oherwydd ei fod yn faes â risg uchel. Felly, mae nifer yr ymweliadau safle bron bob tro yn ymwneud ag asesiad o risg. Pan ganfyddir na chydymffurfiwyd â'r gofynion i gynnal beth bynnag y mae angen iddo ei wneud, yna byddwn yn aml yn gofyn am ein harian yn ôl. Bu nifer o achosion eithaf enwog dros y blynyddoedd, sydd wedi cael sylw yn y wasg, lle yr ydym wedi mynnu ein harian yn ôl.

[16] **Brian Gibbons:** I have some factual questions and a question about policy.

[16] **Brian Gibbons:** Mae gennyf ychydig o gwestiynau ffeithiol a chwestiwn am bolisi.

How many fraud cases were referred to the Crown Prosecution Service in 1998-99? Is there a report from the corporate governance committee and who is allowed to see it? Are there any difficulties in encouraging the placing of contracts and tendering with Welsh firms, which is mentioned in paragraph 3.7? Since coming to the Assembly, one of the things that has struck me is that many Assembly sponsored public bodies and national charities, if one may call them that, seem to be able to bestow lavish hospitality and receptions on Assembly Members and so on.

Faint o achosion o dwyll a gyfeiriwyd at Wasanaeth Erlyn y Goron yn 1998-99? A yw'r pwyllgor llywodraethu corfforaethol wedi cyflwyno adroddiad a phwy a gaiff ei weld? A oes unrhyw anawsterau o ran annog bod contractau a gwaith tendro yn cael eu rhoi i gwmnïau yng Nghymru, y cyfeirir at hyn ym mharagraff 3.7? Ers imi ddod i'r Cynulliad, un o'r pethau sydd wedi fy nharo yw yr ymddengys y gall llawer o gyrff cyhoeddus a noddir gan y Cynulliad a'r elusennau cenedlaethol, os caf gyfeirio atynt felly, fod yn hael iawn eu lletygarwch a'u derbyniadau i Aelodau'r Cynulliad ac ati.

[17] **Janet Davies:** Do you want to declare an interest?

[17] **Janet Davies:** A ydych am ddatgan buddiant?

[18] **Brian Gibbons:** Yes. I suppose I declare an interest because they are usually quite enjoyable. However, I wonder about the probity of it and whether or not it could have a distorting effect on the way certain services are delivered. For example, I have never seen a local authority providing hospitality. I am sure that if a local authority tried to provide hospitality on the same scale as other organisations, it might find itself in difficulty.

[18] **Brian Gibbons:** Ydwyf. Datganaf fuddiant, debyg iawn, am eu bod yn eithaf hwyliog fel arfer. Fodd bynnag, tybiaf ynglŷn ag uniondeb hynny ac a allai gael effaith wyrddroadol ar y modd y caiff rhai gwasanaethau eu darparu. Er enghraifft, nid wyf erioed wedi gweld awdurdod lleol yn darparu lletygarwch. Yr wyf yn siŵr, pe bai un o'r awdurdodau lleol yn ceisio darparu lletygarwch ar yr un raddfa â sefydliadau eraill, y gallai wynebu anawsterau.

Mr Shortridge: I cannot give you a figure on the number of cases of fraud, but Mr Pavelin may be able to do so. The corporate

Mr Shortridge: Ni allaf roi ffigur ichi ynglŷn â nifer yr achosion o dwyll, ond efallai y gall Mr Pavelin wneud hynny.

governance committee is a committee of officials from within the office that I chair. It used to be called the audit committee but I changed the name for two reasons. First, I did not want confusion with this Committee. Secondly, it is progressive and right that we look at much wider issues than purely audit now. That committee meets about four times a year. A member of the National Audit Office sits on it as an observer because I think it should be an open process. I am keen that there should be an entirely open-book relationship with the NAO. I have not given any thought until now to providing some sort of report specifically on that. I will reflect on that. There will be an annual report of the Assembly, which I imagine will deal in part with issues of corporate governance. It may be that we all just need to learn in this new organisation what is the best way of providing Members with what they consider to be the information that they need. I will reflect on that point.

[19] **Brian Gibbons:** What about tendering?

Mr Shortridge: Tendering? You said that there was a problem with placing contracts?

[20] **Brian Gibbons:** No. I meant that as Assembly Members we frequently get representations asking why the Assembly does not tender more in Wales.

Mr Shortridge: If it is a significant procurement, we are bound by the European directive. If it is not a significant procurement, we still tend to use the relevant trade media. I do not think, as a matter of policy, that I would want to explicitly constrain it. However, we are not in the business of not allowing Welsh firms to compete on a level playing field for the work that we are putting out.

On the lavish hospitality point, I am

Pwyllgor o swyddogion o fewn y swyddfa o dan fy nghadeiryddiaeth i yw'r pwyllgor llywodraethu corfforaethol. Y pwyllgor archwilio oedd yr enw arno o'r blaen ond newidiais yr enw am ddau reswm. Yn gyntaf, nid oeddwn am achosi unrhyw ddryswch â'r Pwyllgor hwn. Yn ail, mae'n briodol ac yn gywir ein bod bellach yn ystyried materion llawer ehangach na materion archwilio yn unig. Mae'r pwyllgor yn cyfarfod tua phedair gwaith y flwyddyn. Mae un o aelodau'r Swyddfa Archwilio Genedlaethol yn mynychu fel arsyllydd oherwydd credaf y dylai fod yn broses agored. Yr wyf yn awyddus ein bod yn meithrin perthynas hollol agored â'r Swyddfa Archwilio Genedlaethol. Nid wyf wedi ystyried hyd yn hyn gyflwyno rhyw fath o adroddiad yn benodol ar hynny. Gwnaf feddwl am hynny. Caiff adroddiad blynyddol y Cynulliad ei gyhoeddi, a fydd, fe debygaf, yn ymdrin yn rhannol â materion llywodraethu corfforaethol. Efallai bod angen i bob un ohonom yn y sefydliad newydd hwn ddysgu pa un yw'r ffordd orau o ddarparu i Aelodau yr wybodaeth yr ystyriant sydd ei hangen arnynt. Ystyriaf y pwynt hwnnw.

[19] **Brian Gibbons:** Beth am dendro?

Mr Shortridge: Tendro? Dywedasoich fod problem gyda gosod contractau?

[20] **Brian Gibbons:** Naddo. Yr hyn a olygwn oedd ein bod, fel Aelodau'r Cynulliad, yn aml yn derbyn sylwadau yn gofyn pam nad yw'r Cynulliad yn tendro mwy yng Nghymru.

Mr Shortridge: Os ydyw'n gaffael sylweddol, yr ydym yn rhwymedig i'r gyfarwydddeb Ewropeaidd. Os nad yw'n gaffael sylweddol, byddwn o hyd yn tueddu i ddefnyddio'r wasg fasnach berthnasol. Ni chredaf, fel mater o bolisi, y byddwn am ei gyfyngu yn benodol. Fodd bynnag, nid atal cwmnïau o Gymru rhag cystadlu'n deg am y gwaith a gynigir gennym yw ein hamcan ni.

O ran y pwynt am letygarwch hael, yr wyf yn

personally very uncomfortable about lavish hospitality. I think that you will find that it does not happen within the Assembly. In the first instance it is a matter for the accounting officers of the organisations concerned and their auditors. Unless and until concerns are raised with me about particular instances or the generality of it, I do not think that I, along with everything else, would pursue it.

bersonol yn anghysurus iawn ynglŷn â lletygarwch hael. Credaf y gwelwch nad yw'n digwydd o fewn y Cynulliad. Mater i swyddogion cyfrifo'r sefydliadau o dan sylw a'u harchwilwyr ydyw yn y lle cyntaf. Hyd ac onibai y caiff pryderon eu dwyn i'm sylw am achosion penodol neu'r mater yn gyffredinol, ni chredaf y byddwn yn mynd ar ei drywydd ynghyd â phopeth arall.

[21] **Janet Davies:** We draw this evidence session to a close at this point. I thank both the witnesses for their very good answers. A draft transcript will be sent to you so that you can check its factual accuracy before it is published.

[21] **Janet Davies:** Terfynwn y sesiwn tystiolaeth hwn yn awr. Diolchaf i'r ddau dyst am eu hatebion da iawn. Caiff trawsgrifiad drafft ei anfon atoch er mwyn ichi allu gwirio ei gywirdeb ffeithiol cyn iddo gael ei gyhoeddi.

*Daeth y sesiwn cymryd tystiolaeth i ben am 12.20 p.m.
The evidence-taking session ended at 12.20 p.m.*

Annex B THE AUDIT COMMITTEE

The National Assembly's Audit Committee ensures that proper and thorough scrutiny is given to the Assembly's expenditure. In broad terms, its role is to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales; and to consider reports by the Auditor General for Wales on examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions. The responsibilities of the Audit Committee are set out in detail in Standing Order 12.

2.2 The membership of the Committee as appointed on 05 April 2000 is:

Chair: Janet Davies (Plaid Cymru)
Lorraine Barrett (Labour)
Brian Gibbons (Labour)
Jane Davidson (Labour)
Alison Halford (Labour)
Dafydd Wigley (Plaid Cymru)
Geraint Davies (Plaid Cymru)
Alan Cairns (Conservative)
Peter Black (Liberal Democrat)

NB: Christine Chapman and Alun Pugh were members of the Committee from 23 June 1999 to 5 April 2000.

Further information about the Committee can be obtained from:

Andrew George
Clerk to the Audit Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA
Tel: (029) 20 898155
Email: Audit.comm@wales.gsi.gov.uk

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