



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

**Y Cyngor Cenedlaethol—ELWa: Rheolaeth Ariannol o
Brosiectau Partneriaeth ac Arloesi a Phrosiectau Datblygu
National Council—ELWa: Financial Management of
Partnership and Innovation and Development Projects**

**Cwestiynau 1-196
Questions 1-196**

**Dydd Iau 25 Medi 2003
Thursday 25 September 2003**

Aelodau o'r Cynulliad yn bresennol: Janet Davies (Cadeirydd), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Christine Gwyther, Mark Isherwood, Denise Idris Jones, Val Lloyd, Carl Sargeant.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Lew Hughes, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru; Mike Usher, Swyddfa Archwilio Genedlaethol Cymru.

Tystion: Syr Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; Peter Higson, Prif Weithredwr Dros Dro Cyngor Cenedlaethol Cymru dros Addysg a Hyfforddiant; Steve Martin, Prif Weithredwr Cyngor Cyllido Addysg Uwch Cymru.

Assembly Members present: Janet Davies (Chair), Leighton Andrews, Mick Bates, Alun Cairns, Jocelyn Davies, Christine Gwyther, Mark Isherwood, Denise Idris Jones, Val Lloyd, Carl Sargeant.

Officials present: Sir John Bourn, Auditor General for Wales; Lew Hughes, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer; Mike Usher, National Audit Office Wales.

Witnesses: Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales; Peter Higson, Interim Chief Executive, National Council for Education and Training for Wales; Steve Martin, Chief Executive, Higher Education Funding Council for Wales.

Dechreuodd y cyfarfod am 9.30 a.m.

The meeting began at 9.30 a.m.

[1] **Janet Davies:** Good morning. I welcome Committee members, as we are all here at the moment. I also welcome the witnesses, members of the public and National Audit Office representatives. We have not received any apologies for today's meeting. Mick Bates will, unfortunately, have to leave at about 11.30 a.m. as he has another meeting. Mark Isherwood will not be here for this afternoon's session. I hope that not all witnesses will be here this afternoon, provided that we get through this session in reasonable time.

Before we go any further, may I ask Members whether they have any declarations of interest to make?

[2] **Carl Sargeant:** Chair, I declare an interest as a board member of Deeside College in north Wales.

[3] **Janet Davies:** Thank you. Next, I would like to remind people that the Committee operates bilingually and that you can use the headsets provided to hear a translation of Welsh contributions. The headsets can also

[1] **Janet Davies:** Bore da. Hoffwn groesawu aelodau'r Pwyllgor, gan ein bod ni i gyd yma ar hyn o bryd. Yr wyf hefyd am groesawu'r tystion, aelodau o'r cyhoedd a chynrychiolwyr y Swyddfa Archwilio Genedlaethol. Nid ydym wedi cael unrhyw ymddiheuriadau ar gyfer y cyfarfod heddiw. Yn anffodus, bydd yn rhaid i Mick Bates adael tua 11.30 a.m. gan fod ganddo gyfarfod arall. Ni fydd Mark Isherwood yma ar gyfer sesiwn y prynhawn. Gobeithiaf na fydd yr holl dystion yma y prynhawn yma, cyn belled â'n bod yn gallu cwblhau'r sesiwn hwn mewn amser rhesymol.

Cyn i ni fynd ymhellach, a gaf fi ofyn i'r Aelodau a dydynt am ddatgan buddiant o gwbl?

[2] **Carl Sargeant:** Gadeirydd, yr wyf yn datgan buddiant fel aelod o fwrdd Coleg Glannau Dyfrdwy yng ngogledd Cymru.

[3] **Janet Davies:** Diolch. Nesaf, hoffwn atgoffa pobl fod y Pwyllgor yn gweithredu'n ddwyieithog ac y gallwch ddefnyddio'r ffonau clust a ddarparwyd i glywed cyfieithiad o gyfraniadau Cymraeg. Gallwch ddefnyddio'r ffonau clust hefyd

be used to hear English-language contributions more clearly. The pillar in the middle of this room is not conducive to always being able to understand what is going on. Please turn off mobile telephones, pagers and other electronic devices, as they interfere with the broadcasting and translation systems, and can cause an unpleasant buzzing for those who use the headsets.

Before we go any further, I want to get the minutes of the previous meeting out of the way. Do any Members have questions about those minutes? Do you agree those minutes? I see that you do. That is fine, thank you.

We now move on to the hearing on the report, 'ELWa/National Council for Education and Training for Wales: Financial Management of Partnership and Innovation and Development Projects'. The witnesses are Sir Jon Shortridge, the Permanent Secretary, Peter Higson, interim chief executive of the national council, and Steve Martin, chief executive of the Higher Education Funding Council for Wales and former chief executive and accounting officer of the national council.

This will be quite a lengthy session. I would like to make a few points at the start of the session. First, I remind Members of the role and remit of this Committee. Standing Order No. 12.4 states that

'In the performance of its responsibilities... the Committee shall not question the merits of the policy objectives of the Assembly, or those of any other body or person which is the subject of the Committee's report.'

I think that that is something that should be borne in mind.

We have a great deal of ground to cover today, but I am determined that we do a thorough job of today's hearing and get at the facts that lie behind this. It may be that some other items on the agenda will have to be squeezed or postponed. Above all, I want to make it clear to Members and witnesses that I will be looking for concise questions and answers. All Committee members have

i glywed cyfraniadau Saesneg yn gliriach. Nid yw'r piler yng nghanol yr ystafell bob amser yn gymorth i allu deall yr hyn sy'n cael ei ddweud. Diffoddwch eich ffonau symudol, blipwyr a dyfeisiau electronig eraill, gan eu bod yn amharu ar y systemau darlledu a chyfieithu, ac yn gallu achosi sŵn sŵo annymunol i'r rhai sy'n defnyddio ffonau clust.

Cyn i ni fynd ymhellach, yr wyf am ddelio â chofnodion y cyfarfod blaenorol. A oes gan unrhyw Aelodau gwestiynau am y cofnodion hynny? A ydych yn cytuno bod y cofnodion hynny'n rhai cywir? Yr wyf yn gweld eich bod chi. Mae hynny'n iawn, diolch yn fawr.

Yr ydym yn symud ymlaen yn awr i wrandawriad ymroddiad, 'ELWA/Cyngor Cenedlaethol Cymru dros Addysg a Hyfforddiant: Rheolaeth Ariannol o Brosiectau Partneriaeth ac Arloesi a Phrosiectau Datblygu'. Y tystion yw Syr Jon Shortridge, yr Ysgrifennydd Parhaol, Peter Higson, prif weithredwr dros dro y cyngor cenedlaethol, a Steve Martin, prif weithredwr Cyngor Cyllido Addysg Uwch Cymru a chyn brif weithredwr a swyddog cyfrifo y cyngor cenedlaethol.

Bydd hwn yn sesiwn cymharol faith. Hoffwn wneud ychydig bwyntiau ar ddechrau'r sesiwn. Yn gyntaf, yr wyf am atgoffa Aelodau o rôl a chylch gwaith y Pwyllgor hwn. Mae Rheol Sefydlog Rhif 12.4 yn datgan y canlynol:

'Wrth gyflawni ei gyfrifoldebau...ni fydd y Pwyllgor yn amau rhagoriaethau amcanion polisi'r Cynulliad nac amcanion polisi unrhyw gorff neu berson arall sy'n destun adroddiad gan y Pwyllgor.'

Credaf fod hynny'n rhywbeth y dylid ei gadw mewn cof.

Mae gennym lawer o faterion i'w trafod heddiw, ond yr wyf yn benderfynol o ymdrin yn drylwyr â gwrandawriad heddiw a chael at y ffeithiau sy'n gefndir i hyn. Efallai y bydd yn rhaid cywasgu neu ohirio rhai eitemau eraill ar yr agenda. Yn anad dim, yr wyf am fynegi'n glir i'r Aelodau a'r tystion fy mod am gael cwestiynau ac atebion cryno. Mae holl aelodau'r Pwyllgor wedi cael copïau o adroddiadau blaenorol yr Archwilydd Cyffredinol

received copies of the previous Auditor General and Committee reports on the national council, so there is no need for witnesses to refer back to them, because we are aware of the context in which this hearing is taking place.

I draw Members' attention to paragraph 1.12 of the report, which notes the ongoing work of the independent investigating officer at the national council. As for previous Committee hearings, it would be inappropriate to delve into issues of individual culpability, since to do so could potentially prejudice the disciplinary process.

This afternoon's session with Sir Jon Shortridge will focus on wider issues to do with the Welsh Assembly Government's oversight of Assembly sponsored public bodies. Members may wish to pursue some of the issues that are raised this morning in that session.

I welcome the witnesses. Would you be kind enough to introduce yourselves to the Committee and to members of the public? We will begin with Sir Jon.

Sir Jon Shortridge: I am Jon Shortridge, Permanent Secretary of the Assembly.

Dr Higson: I am Peter Higson, interim chief executive of the National Council—ELWa.

Mr Martin: I am Steve Martin, chief executive of the Higher Education Funding Council for Wales and chief executive of the National Council—ELWa at the time of the events to which the report refers.

[4] **Janet Davies:** Thank you very much. I will begin the questioning. Most of the questions will be directed at you, Mr Higson, so I am afraid that you are going to bear the brunt of this. We will say if we want someone else to answer particular questions. If I could start by looking at part 2 of the Auditor General's report, the core issue seems to be the breakdown in controls arising from some rather frenzied efforts by the national council to spend money towards the end of the 2001-02 financial year, money which would otherwise have had to be surrendered to the Assembly. How did this

a'r Pwyllgor ar y cyngor cenedlaethol, felly, nid oes angen i dystion gyfeirio yn ôl atynt, gan ein bod yn ymwybodol o gyd-destun cynnal y gwrandawriad hwn.

Yr wyf yn tynnu sylw Aelodau at baragraff 1.12 yn yr adroddiad, sy'n nodi gwaith parhaus y swyddog ymchwilio annibynnol yn y cyngor cenedlaethol. Fel yng ngwrandawriadau blaenorol y Pwyllgor, byddai'n amhriodol ymchwilio i faterion yn ymwneud ag euogrwydd unigolion, gan y byddai hynny'n gallu niweidio'r broses ddisgyblu.

Bydd sesiwn y prynhawn yma gyda Syr Jon Shortridge yn canolbwyntio ar faterion ehangach sy'n ymwneud â gorolwg Llywodraeth Cynulliad Cymru o gyrff cyhoeddus a noddir gan y Cynulliad. Efallai y bydd aelodau'n dymuno trafod rhai o'r materion a godir y bore yma ymhellach yn y sesiwn hwnnw.

Yr wyf yn croesawu'r tystion. A fydddech cystal â chyflwyno eich hunain i'r Pwyllgor ac i aelodau'r cyhoedd? Fe ddechreuwn ni gyda Syr Jon.

Syr Jon Shortridge: Fi yw Jon Shortridge, Ysgrifennydd Parhaol y Cynulliad.

Dr Higson: Fi yw Peter Higson, prif weithredwr dros dro y Cyngor Cenedlaethol—ELWa.

Mr Martin: Fi yw Steve Martin, prif weithredwr Cyngor Cyllido Addysg Uwch Cymru a phrif weithredwr y Cyngor Cenedlaethol—ELWa adeg y digwyddiadau mae'r adroddiad yn cyfeirio atynt.

[4] **Janet Davies:** Diolch yn fawr iawn. Yr wyf am ddechrau'r holi. Bydd y rhan fwyaf o'r cwestiynau wedi'u cyfeirio atoch chi, Mr Higson, felly, chi fydd yn gorfod dwyn y baich, yn anffodus. Byddwn yn dweud a ydym yn dymuno i rywun arall ateb cwestiynau penodol. A gaf fi ddechrau drwy edrych ar ran 2 yn adroddiad yr Archwilydd Cyffredinol: mae'n ymddangos mai'r mater craidd yma yw methiant mewn mesurau rheoli yn deillio o ymdrechion digon gwyllt gan y cyngor cenedlaethol i wario arian tua diwedd blwyddyn ariannol 2001-02, arian a fyddai wedi gorfod mynd yn ôl i'r Cynulliad fel arall. Sut y digwyddodd hyn?

happen?

Dr Higson: Thank you. These events took place before I was appointed chief executive, so if I may ask Steve Martin—

Mr Martin: Could I pick that up?

[5] **Janet Davies:** Yes.

Mr Martin: My overall assessment, which you might want me to come back to in more detail later, is that we were trying to do too much too quickly on a wide range of fronts and for various reasons. Now, given your injunction about keeping the answers short, I will not spell all that out now, but if the Committee would like more details I am, of course, very happy to give them.

In terms of these particular projects, the situation was that, having taken over from the predecessor bodies—the four training and enterprise councils, the Council of Welsh Training and Enterprise Councils and the Further Education Funding Council for Wales—we had the business of running the existing systems and deriving information from those systems, on the basis of which we could do our budgeting and planning for the year. In about July—which was about the normal time you would start thinking about this in any organisation—the directors' group discussed the need, by September, to have gathered the information together on the basis of which we could assess the extent to which we needed to move money between programmes, seek Assembly approval, and have the capacity to take on new projects. What then happened was that, between September, when we first considered that, and the refinement of information, we needed end of period 6—that is, the end of September—out-turn figures before we could go back to the council with a coherent picture. That was not available for the October meeting but it was available for the November meeting. So it was at the November meeting that we were really taking stock. I have to say that we had great difficulty in getting reliable information from the different accounting systems that we were operating, particularly from the former TECs.

In November, we asked the council to look,

Dr Higson: Diolch. Digwyddodd hyn cyn i mi gael fy mhenodi yn brif weithredwr, felly os gallaf holi Steve Martin—

Mr Martin: A gaf fi sôn am hyn?

[5] **Janet Davies:** Cewch.

Mr Martin: Fy asesiad cyffredinol, y byddwch am ddychwelyd ato'n fanylach yn ddiweddarach efallai, yw ein bod wedi ceisio gwneud gormod yn rhy gyflym mewn llawer maes ac am amrywiol resymau. Nawr, o gofio eich gorchymyn i gadw atebion yn fyr, nid wyf am ymhelaethu ar hynny yn awr, ond os yw'r Pwyllgor am gael rhagor o fanylion, yr wyf yn hapus iawn i'w rhoi iddynt.

O ran y prosiectau penodol hyn, y sefyllfa, ar ôl cymryd drosodd oddi wrth y cyrff a'n rhagflaenodd—y pedwar cyngor hyfforddiant a menter, Cyngor Cyngorau Hyfforddiant a Menter Cymru a Chyngor Cyllido Addysg Bellach Cymru—oedd fod yn rhaid i ni ddefnyddio'r systemau a oedd yno'n barod a chael gwybodaeth o'r systemau hynny, fel sail i baratoi ein cyllidebau a'n cynlluniau am y flwyddyn. Ym mis Gorffennaf—sef tua'r amser arferol i ddechrau meddwl am hyn mewn unrhyw sefydliad—trafododd grŵp y cyfarwyddwyr yr angen am gasglu'r wybodaeth angenrheidiol ynghyd erbyn mis Medi i allu asesu i ba raddau yr oedd angen i ni symud arian rhwng rhaglenni, cael cymeradwyaeth y Cynulliad, a gallu dechrau ar brosiectau newydd. Yr hyn a ddigwyddodd wedyn, rhwng mis Medi, pan ystyriwyd hyn gyntaf, a diwygio'r wybodaeth, yr oedd arnom angen ffigurau canlyniadau diwedd cyfnod 6—hynny yw, diwedd mis Medi—cyn y gallem fynd yn ôl at y cyngor gyda darlun cydlynol. Nid oedd y rheini ar gael ar gyfer cyfarfod mis Hydref ond yr oeddent ar gael erbyn cyfarfod mis Tachwedd. Felly, yng nghyfarfod mis Tachwedd yr oeddem yn adolygu pethau'n wirioneddol. Mae'n rhaid i fi ddweud ein bod wedi cael anhawster mawr i gael gwybodaeth ddibynadwy o'r gwahanol systemau cyfrifo yr oeddem yn eu gweithredu, yn arbennig gan y cyn Gyngorau Hyfforddiant a Menter.

Ym mis Tachwedd, gofynasom i'r cyngor edrych

as the Auditor General's report describes, at the various options. We immediately had to spend about £1.5 million on covering the costs of value added tax that had not been allowed for in our initial budget. We also decided that it was a good idea to pay off some of the inherited debts of the further education sector, so we did that. That left us with a figure which, at that time, looked to be about £10 million that we could spend on other projects. The council decided that this should be regarded as an opportunity rather than a problem, and that we should move on as quickly as we could to identify projects if we could, making it very clear that we should not spend in advance of need. So that is a taste of how we got to the point of wanting to have these kinds of projects launched in the last few months of that first year of the council.

[6] **Janet Davies:** But given that you did realise that to spend this £10 million was going to be very challenging, why did you not put into place extra-specially robust measures to prevent the breakdown in control that eventually occurred?

Mr Martin: Well, first of all, we did establish a small central team to steer the projects. The prime responsibility for the identification of projects was with the regional directors in particular. In retrospect, one can now see clearly from the findings of the report that the arrangements were not as robust as they should have been. I think that there is a very clear distinction, however, between the weakness in respect of non-FE projects and the robustness of the arrangements that were used for the FE projects—which constituted a substantial number—where, although the conclusion of the audit was that there was not a proper risk assessment, there was actually a very robust process. Indeed, there was a bit of an argument about whether that constituted a full enough process. However, those FE projects, most of which have delivered or are well on the way to delivering, I think did go through a very clear process of expert evaluation. We had a panel looking at them and they were picked up, for the most part, from an earlier scheme that had been very rigorously run—these were projects that we had not been able to fund under that earlier

ar y gwahanol ddewisiadau, fel y mae adroddiad yr Archwilydd Cyffredinol yn eu disgrifio. Yr oedd yn rhaid i ni wario tua £1.5 miliwn ar unwaith i dalu costau treth ar werth nad oeddent wedi'u cynnwys yn ein cyllideb gychwynnol. Penderfynsom hefyd ei bod yn syniad da talu rhai o'r dyledion a etifeddwyd gan y sector addysg bellach, felly gwnaethom hynny. Gadawodd hynny ffigur a oedd yn ymddangos tua £10 miliwn ar y pryd y gallem ei wario ar brosiectau eraill. Penderfynodd y cyngor y dylid ystyried hyn yn gyfle yn hytrach na phroblem, ac y dylem symud ymlaen mor gyflym ag y gallem i nodi prosiectau os y gallem, gan fynegi'n glir na ddylem wario cyn bod angen. Felly, dyna gipolwg ar sut y daethom i'r fan lle yr oeddem am lansio'r mathau hyn o brosiectau yn y misoedd olaf ym mlwyddyn gyntaf y cyngor.

[6] **Janet Davies:** Ond o ystyried eich bod yn sylweddoli bod gwario'r £10 miliwn hwn yn mynd i fod yn dasg llawn her, pam na fyddech chi wedi cyflwyno mesurau eithriadol o gadarn i atal y methiant mewn rheolaeth a ddigwyddodd yn y pen draw?

Mr Martin: Wel, yn gyntaf oll, sefydlwyd tîm canolog bychan i lywio'r prosiectau. Y cyfarwyddwyr rhanbarthol yn arbennig a oedd yn bennaf gyfrifol am nodi prosiectau. Wrth edrych yn ôl, mae rhywun yn gallu gweld yn glir erbyn hyn o ganfyddiadau'r adroddiad nad oedd y trefniadau mor gadarn ag y dylent fod. Credaf fod gwahaniaeth clir iawn, fodd bynnag, rhwng y gwendid o ran prosiectau nad ydynt yn rhai addysg bellach a'r trefniadau cadarn a ddefnyddiwyd ar gyfer y prosiectau addysg bellach—a oedd yn nifer sylweddol—lle yr oedd proses gadarn iawn, er bod yr archwiliad wedi casglu na wnaed asesiad risg priodol. Yn wir, cafwyd dadl ynglŷn â'r cwestiwn a oedd honno'n broses ddigon cyflawn. Fodd bynnag, credaf fod y prosiectau addysg bellach hynny, y rhan fwyaf ohonynt wedi'u cwblhau neu bron iawn â'u cwblhau, wedi bod trwy broses glir iawn o werthuso arbenigol. Yr oedd gennym banel yn edrych arnynt a dewiswyd y rhan fwyaf ohonynt o gynllun cynharach a oedd wedi'i redeg yn drylwyr iawn—prosiectau oedd y rhain nad oeddem wedi gallu eu hariannu o dan y cynllun cynharach hwnnw.

scheme.

So those were on the one hand. On the other hand were projects that were managed and developed within the offices of the former training and enterprise councils. There, frankly, I and others assumed—wrongly—that there was the experience, and that there were the skills and understanding, that would have enabled them to have developed and managed those projects successfully. The findings of the report make it very clear that that was not a safe assumption, as it turned out. It seemed a reasonable assumption at the time. It is clearly not the way I would go about it again, if I had another opportunity.

[7] **Janet Davies:** Given that there have been some suggestions that the reorganisation took place in order to ensure that further education was run more effectively and in a better way, would it not have been reasonable to look very hard at the experience and previous practices to ensure that improved practices were in place? It does seem that there were assumptions made that the previous situation was fine, and that therefore it would continue to be fine.

Mr Martin: We gained progressive knowledge of those weaknesses. We inherited a number of audit reports, which I referred to when we were discussing the procurement deficiencies at a previous evidence session, and we also programmed, very consciously, a programme of audit activity that would pick up progressively on the practices in the former TECs. That did not give us enough information quickly enough to understand what was going on and, in retrospect, it clearly would have been very helpful to have tried to design a more rigorous project process. There was a project process in place, there were forms that the staff had to fill in, there was guidance in the operational plan about the way in which projects under the innovation and development programme should have been carried out.

There was also, of course, existing good practice. I do not want to convey the impression that everything that happened in the former TECs was bad; it was not at all. There are two things to say about that. First,

Felly, yr oedd gennym y prosiectau hynny ar y naill law. Ar y llaw arall yr oedd prosiectau a gâi eu rheoli a'u datblygu yn swyddfeydd y cyn gynghorau hyfforddiant a menter. A bod yn blwmp ac yn blaen, yr oeddwn i ac eraill yn tybio—yn anghywir—fod yno'r profiad, y sgiliau a'r ddealltwriaeth a fyddai wedi'u galluogi i ddatblygu a rheoli'r prosiectau hynny'n llwyddiannus. Mae canfyddiadau'r adroddiad yn mynegi'n glir iawn nad oedd hon yn dybiaeth ddiogel, fel y digwyddodd pethau. Yr oedd yn ymddangos yn dybiaeth resymol ar y pryd. Ni fyddwn yn mynd ati fel hyn eto petawn i'n cael cyfle arall.

[7] **Janet Davies:** O ystyried fod rhai awgrymiadau wedi'u gwneud bod yr ad-drefnu wedi digwydd i sicrhau bod addysg bellach yn cael ei rhedeg yn fwy effeithiol ac mewn ffordd well, oni fyddai wedi bod yn rhesymol edrych yn fanwl iawn ar brofiad ac arferion blaenorol i sicrhau bod gwell arferion ar waith? Mae'n ymddangos bod rhagdybiaethau wedi'u gwneud bod y sefyllfa flaenorol yn iawn, ac y byddai'n parhau i fod felly.

Mr Martin: Cawsom fwy a mwy o wybodaeth am y gwendidau hynny. Yr oeddem wedi etifeddu nifer o adroddiadau archwilio, a chyfeiriais atynt wrth i ni drafod diffygion caffael mewn sesiwn tystiolaeth blaenorol, Aethom ati hefyd i gynllunio, yn gydwbybodol iawn, raglen o weithgarwch archwilio a fyddai'n rhoi sylw cynyddol i arferion y cyn CHM. Nid oedd hynny yn rhoi gwybodaeth ddigonol i ni yn ddigon cyflym i allu deall beth a oedd yn digwydd, ac o edrych yn ôl mae'n glir y byddai cynllunio proses brosiectau gadarnach wedi bod yn gam defnyddiol iawn. Yr oedd proses prosiectau ar waith, ffurflenni i'r staff eu llanw, a chanllawiau yn y cynllun gweithredol ar y ffordd i gynnal prosiectau dan y rhaglen arloesedd a datblygiad.

Yr oedd yna arferion da hefyd, wrth gwrs. Nid wyf am roi'r argraff fod popeth a ddigwyddodd yn y cyn CHM yn wael; nid dyna'r achos o gwbl. Mae dau beth i'w ddweud am hynny. Yn gyntaf, yr oedd rhai o'r arferion da hynny—er enghraifft, gwneud

some of that good practice—for instance, the carrying out of financial appraisals, which would be good practice in any sector—was not something that we felt at the time that we should have to spell out in relation to these particular projects, because it was established good practice in those offices for, for instance, all work-based training contracts and any variations to them. However, I think that it is fair to say that we could and should have done more to have identified a very rigorous project appraisal process. I thought that we had one; it clearly did not operate properly and it could have been improved, and the report makes some important suggestions about that.

[8] **Janet Davies:** Thank you, Mr Martin. Mr Higson, as you are now in post and you have access to all the papers, is there anything that you would like to add to that?

Dr Higson: Not about the events at that time, no. I can talk about what we have done since April to put in place further strengthening of our controls framework within the national council, if you wish. We have implemented a comprehensive programme of strengthening governance, project management, project appraisal and approval, and processes and documentation, picking up very much on the weaknesses identified by our internal audit team and the National Audit Office's reports.

[9] **Janet Davies:** Thank you, Mr Higson. Alun, you wanted to come in here?

[10] **Alun Cairns:** Yes. Thank you. I am a bit surprised by Mr Martin's response, to be frank, Cadeirydd. He seems to be placing a lot of blame on the structures of the former TECs. However, bearing in mind that this underspend came to light in November 2001, or around that period, at the same time they were filing accounts well over the date for the previous investigation of the Audit Committee that was conducted. Bearing in mind the qualifications that the Auditor General had to put on those accounts at the time, did you not think, Mr Martin, because of the difficulties that you had had in your accounting processes and this major underspend, that you now needed to have extra rigorous procedures in place to ensure value for money?

gwerthusiadau ariannol, a fyddai'n arfer da mewn unrhyw sector—yn rhywbeth yr oeddem yn teimlo na ddylem ni orfod ei bwysleisio mewn perthynas â'r prosiectau arbennig hyn, gan ei fod yn arfer da sefydledig yn y swyddfeydd hynny, er enghraifft, ar gyfer pob contract hyfforddi yn y gweithle ac unrhyw amrywiadau arnynt. Fodd bynnag, mae'n deg dweud y gallem ac y dylem fod wedi gwneud mwy i nodi proses drylwyr iawn o werthuso prosiectau. Credwn fod gennym ni un; yn amlwg, nid oedd yn gweithio'n briodol a gellid bod wedi ei gwella, ac mae'r adroddiad yn gwneud rhai awgrymiadau pwysig ynglŷn â hynny.

[8] **Janet Davies:** Diolch, Mr Martin. Mr Higson, gan mai chi sydd yn y swydd erbyn hyn a chithau'n gallu cael gafael ar yr holl bapurau, a oes unrhyw beth yr hoffech ei ychwanegu at hynny?

Dr Higson: Nid am y digwyddiadau bryd hynny, nac oes. Gallaf sôn am hyn yr ydym wedi'i wneud ers mis Ebrill i gryfhau ein fframwaith rheoli ymhellach yn y cyngor cenedlaethol, os dymunwch. Yr ydym wedi gweithredu rhaglen gynhwysfawr o gryfhau trefniadau llywodraethu, rheoli prosiectau, gwerthuso a chymeradwyo prosiectau, a phrosesau a dogfennaeth, gan roi sylw mawr i'r gwendidau a nodwyd gan ein tîm archwilio mewnol ac adroddiadau'r Swyddfa Archwilio Genedlaethol.

[9] **Janet Davies:** Diolch, Mr Higson. Alun, credaf eich bod am gyfrannu yma?

[10] **Alun Cairns:** Ydw. Diolch. Yr wyf wedi synnu braidd at ymateb Mr Martin, i fod yn onest, Gadeirydd. Mae fel pe bai'n rhoi llawer o fai ar strwythurau'r cyn CHM. Fodd bynnag, o ystyried bod y tanwario hwn wedi dod i'r amlwg ym mis Tachwedd 2001, neu tua'r adeg honno, ar yr un pryd yr oeddent yn cyflwyno cyfrifon ymhell ar ôl y dyddiad ar gyfer yr ymchwiliad blaenorol gan y Pwyllgor Archwilio. O gofio'r amodau yr oedd yn rhaid i'r Archwilydd Cyffredinol eu rhoi ar y cyfrifon hynny ar y pryd, onid oeddech chi'n credu, Mr Martin, oherwydd yr anawsterau yr oeddech wedi eu cael yn eich prosesau cyfrifo a'r tanwario sylweddol hwn, fod arnoch angen gweithdrefnau mwy trylwyr na'r arfer yn awr i sicrhau gwerth am arian?

Mr Martin: The events that we are talking about here were in the same financial year as those in which the procurement deficiencies occurred. In fact, all these events were concentrated around the autumn. So we are talking about the same period. I am accepting that we did not do enough to identify those weaknesses. They became progressively apparent to us. However, we did not have the information about the other deficiencies in the report of the Auditor General to take into account at the time. This is the same accounting period. Can I also make another point, which I should have drawn attention to in my earlier answer? We did have a discussion with the Assembly Government officials, as sponsors, about the situation in about September time. We did see whether there was any flexibility around, perhaps, special arrangements for the council's budget to take a two-year look at it for the first two years, because there was clearly a danger in trying to identify and spend money in that relatively short period. We were advised, on policy grounds, that there was not to be flexibility around the normal 2 per cent carry-over rule, and we obviously had to operate within that framework. However, I think that it is important for you to understand that we were looking at ways of trying to spread, as it were, this expenditure and this activity over a longer period, recognising the particularly challenging circumstances under which the council was trying to work. Of course, at the same time as we were doing all this, the principal preoccupation of myself and my senior colleagues was the major restructuring that was taking 20 per cent of the staff out of the organisation.

[11] **Janet Davies:** Val, would you like to continue with the questions?

[12] **Val Lloyd:** Thank you, Chair. I would like to look in a little more depth at some of the things that have already been mentioned. If I could just set the scene, you said, and it says in the report, that it was not until November 2001 that council members were alerted to the potential underspend. Therefore, why was it nearly eight months into the financial year that that information was given to council members? Why was it not given earlier?

Mr Martin: Mae'r digwyddiadau hyn yn ymwneud â'r un flwyddyn ariannol â phan ddigwyddodd y diffygion caffael. Mewn gwirionedd, digwyddodd y pethau hyn i gyd tua'r hydref. Felly, yr ydym yn siarad am yr un cyfnod. Yr wyf yn derbyn na wnaethom ddigon i nodi'r gwendidau hynny. Daethant yn gynyddol amlwg inni. Fodd bynnag, nid oedd y wybodaeth gennym am y diffygion eraill yn adroddiad yr Archwilydd Cyffredinol i'w hystyried ar y pryd. Dyma'r un cyfnod cyfrifo. A gaf fi wneud pwynt arall, y dylwn i fod wedi tynnu sylw ato yn fy ateb cynharach? Cawsom drafodaeth gyda swyddogion Llywodraeth y Cynulliad, fel noddwyr, am y sefylla tua mis Medi. Buom yn edrych a oedd unrhyw hyblygrwydd yn bosibl, efallai cael trefniadau arbennig i gyllideb y cyngor gymryd golwg dwy flynedd arno am y ddwy flynedd cyntaf, oherwydd yr oedd perygl yn amlwg o geisio nodi a gwario arian yn y cyfnod cymharol fyr hwnnw. Cawsom ein cyngori, am resymau polisi, na fyddai modd bod yn hyblyg ynghylch y rheol cario drosodd arferol o 2 y cant, ac felly yr oedd yn rhaid i ni weithredu o fewn y fframwaith hwnnw. Fodd bynnag, credaf ei bod yn bwysig i chi ddeall ein bod yn edrych ar ffyrdd o geisio rhannu'r gwariant a'r gweithgarwch hwn dros gyfnod hwy, gan gydnabod fod y cyngor yn ceisio gweithio o dan amgylchiadau heriol iawn. Wrth gwrs, tra oeddem yn gwneud hyn i gyd, y prif fater oedd yn mynd â'm sylw pennaf i â'm huwch gydweithwyr oedd y gwaith ad-drefnu mawr a oedd yn golygu bod 20 y cant o'r staff yn gadael y sefydliad.

[11] **Janet Daveis:** Val, a hoffech chi barhau gyda'r cwestiynau?

[12] **Val Lloyd:** Diolch, Gadeirydd. Hoffwn edrych yn fanylach ar rai o'r pethau a grybwyllwyd eisoes. Os caf fi roi'r sefyllfa i chi, dywedasoeh chi, ac mae'n dweud yn yr adroddiad, na chafodd aelodau'r cyngor wybod am y tanwario posibl tan fis Tachwedd 2001. Felly, pam yr oedd bron i wyth mis o'r flwyddyn ariannol wedi mynd heibio cyn i aelodau'r cyngor gaely wybodaeth honno? Pam na roddwyd y wybodaeth ynghynt?

Mr Martin: First of all, I would say that it is fairly common only to start looking really seriously at end-of-year outturn—unless there are exceptional circumstances—and to start to broker money around, as it were, and to seek fresh approvals and new projects, about September time, because of the pattern of spending. Of course, in the case of the council, we did not have any historic pattern, as it were, to rely on. It was a new council and we had the patterns that we had inherited, which we were understanding progressively through the year. However, we did not actually have our own corporate history. Once you run a body for some time, you have a pretty good idea about what patterns of spending and so on are going to be like. As I said earlier, we did have considerable difficulty in getting reliable figures from all the offices using the existing systems. We tried to hit the October meeting of the council. Our analysis was not complete by then and we went to council in November in the light of the full analysis of the picture, as we understood it at that time. I think that it would have been extremely difficult for us to do it earlier. I think that the other thing that was going on, of course, was that during the summer there was a huge amount of attention being given to the shaping of the council's first own operational plan, as opposed to delivering the inherited plans, and also a corporate strategy for a long, 10-year, period, and a corporate plan for three years. We were very keen, generally, to understand what the council's priorities were and where it was going before we started making major decisions about new projects, new money, and so on. So it was a combination of those factors, but the predominant one was that we did not feel that we had an ample fix on the financial position until around the end of October.

[13] **Val Lloyd:** Mr Martin, given that you say that you had no historic pattern on which to base your judgment, would it perhaps not have been even more important to have been more stringent before being two thirds of the way into the financial year?

Mr Martin: We were collecting information from early in the financial year, but establishing the reliability of that

Mr Martin: Yn gyntaf oll, hoffwn ddweud ei bod yn eithaf cyffredin i beidio â dechrau edrych o ddifrif ar alldro diwedd blwyddyn—oni bai fod amgylchiadau eithriadol—nac i ddechrau broceru arian, fel petai, na cheisio cael cymeradwyaethau newydd a phrosiectau newydd, tan tua mis Medi, oherwydd y patrwm gwario. Wrth gwrs, yn achos y cyngor, nid oedd gennym unrhyw batrwm hanesyddol, fel petai, i ddibynnu arno. Yr oedd yn gyngor newydd ac yr oedd gennym y patrymau yr oeddem wedi eu hetifeddu, yr oeddem yn dod i'w ddeall yn gynyddol drwy gydol y flwyddyn. Fodd bynnag, nid oedd gennym ein hanes corfforaethol ein hunain mewn gwirionedd. Ar ôl i chi redeg corff am ychydig amser, mae gennych syniad eithaf da sut fydd y patrymau gwario ac ati. Fel y dywedais ynghynt, cawsom anhawster mawr i gael ffigurau dibynadwy gan yr holl swyddfeydd a oedd yn defnyddio'r systemau cyfredol. Bu i ni geisio bod yn barod erbyn cyfarfod y cyngor ym mis Hydref. Nid oedd ein dadansoddiad yn barod erbyn hynny ac aethom at y cyngor ym mis Tachwedd gyda'r dadansoddiad llawn o'r sefyllfa, fel yr oeddem yn ei ddeall ar y pryd. Credaf y byddai wedi bod yn anodd iawn i ni fod wedi gwneud hynny'n gynharach. Rhywbeth arall a oedd yn digwydd hefyd, wrth gwrs, oedd bod llawer o sylw wedi'i roi dros yr haf i lunio cynllun gweithredol cyntaf y cyngor ei hun, a strategaeth gorfforaethol am gyfnod hir iawn o 10 mlynedd, a chynllun corfforaethol am dair blynedd yn hytrach na chyflawni'r cynlluniau a etifeddwyd. Yn gyffredinol, yr oeddem yn awyddus iawn i ddeall beth oedd blaenoriaethau'r cyngor a'i gyfeiriad cyn i ni ddechrau gwneud penderfyniadau pwysig am brosiectau newydd, arian newydd, ac ati. Felly, yr oedd yn gyfuniad o'r ffactorau hyn, ond y prif ffactor oedd nad oeddem yn teimlo fod gennym ni afael ddigonol ar y sefyllfa ariannol tan tua diwedd mis Hydref.

[13] **Val Lloyd:** Mr Martin, gan eich bod chi'n dweud nad oedd gennych batrwm hanesyddol i seilio'ch barn arno, oni fyddai wedi bod yn bwysicach fyth i fod yn fwy llym cyn i ddwy ran o dair o'r flwyddyn ariannol fynd heibio?

Mr Martin: Yr oeddem yn casglu gwybodaeth ers dechrau'r flwyddyn ariannol, ond nid oedd yn bosibl gweld pa mor ddibynadwy oedd y

information, and establishing what the real pattern of outturn was going to be, was not possible earlier. Typically, and I have worked in a number of public organisations, you do not begin to have a clear picture of your possible end-of-year outturn position—unless something exceptional is going on—until around September time. You are monitoring it all the time up to then. However, in the first period, we certainly did not have reliable information, and we had to work extremely hard to generate it. So, we were a little bit behind the pace at which I would normally expect to be, but I would say that we were perhaps a month and a half or so behind the pace, rather than four or five months behind the point where we could have started to redirect expenditure.

[14] **Val Lloyd:** Thank you. My next question is to Sir Jon, please. It is outlined quite clearly in paragraph 2.6 that Assembly sponsored public bodies have a limit of 2 per cent of carry-over on the grant-in-aid funding. Sir Jon, why was a 2 per cent carry-over limit imposed on the national council?

Sir Jon Shortridge: It was the policy of the Assembly Government at that time, and it remains so, that sponsored bodies should only have the flexibility to carry over 2 per cent of their grant-in-aid. While that is the policy, obviously, if any sponsored body wants to make a special case, formally, to the Assembly, we would consider that case on its merits, as we have on at least one other occasion. However, I think that this is a policy that is certainly something that the Finance Minister at the time, and, I believe, the present Finance Minister, believe to be in the best interests of the Assembly.

[15] **Val Lloyd:** Thank you, Sir Jon. Mr Martin, given that the council paper acknowledged that it would be difficult to spend £10 million wisely by the end of March, why was no case made to the Welsh Assembly Government for permission to carry this funding forward to the next financial year?

Mr Martin: We had put that case a little earlier, as I said earlier, and we received what we believed to be a very firm indication that

wybodaeth honno, a phennu beth fyddai patrwm gwirioneddol yr alldro, tan yn hwyrach. Yn nodweddiadol, ac yr wyf wedi gweithio mewn nifer o sefydliadau cyhoeddus, nid yw'n bosibl dechrau cael darlun clir o'r alldro diwedd blwyddyn posibl—oni bai fod rhywbeth eithriadol yn digwydd—tan tua mis Medi. Yr ydych yn ei fonitro drwy'r amser tan hynny. Fodd bynnag, yn y cyfnod cyntaf, mae'n sicr nad oedd gennym wybodaeth ddibynadwy, a bu'n rhaid i ni weithio'n galed iawn i gael y wybodaeth honno. Felly, yr oeddem ychydig yn fwy ar ei hôl hi na'r disgwyl, tua mis a hanner ddywedwn i, yn hytrach na phedwar neu bum mis ar ôl y man lle gallem fod wedi dechrau ailgyfeirio gwariant.

[14] **Val Lloyd:** Diolch. Hoffwn ofyn y cwestiwn nesaf i Syr Jon, os gwelwch chi'n dda. Mae paragraff 2.6 yn amlinellu'n ddigon clir fod cyrff cyhoeddus a noddir gan y Cynulliad yn cael cario uchafswm o 2 y cant drosodd ar y cyllid cymhorthdal. Syr Jon, pam gafodd terfyn cario drosodd o 2 y cant ei osod ar y cyngor cenedlaethol?

Syr Jon Shortridge: Dyna bolisi Llywodraeth y Cynulliad ar y pryd, ac mae'n parhau felly, sef mai dim ond 2 y cant o'u cymhorthdal y gall cyrff a noddir ei gario drosodd. Er mai dyma'r polisi, mae'n amlwg, pe byddai unrhyw gorff a noddir am gyflwyno achos arbennig, yn ffurfiol, i'r Cynulliad, byddem yn ystyried yr achos yn ôl ei haeddiant, fel y gwnaethom ar o leiaf un adeg arall. Fodd bynnag, credaf fod y Gweinidog Cyllid ar y pryd, a'r Gweinidog Cyllid presennol, mi gredaf, o'r farn fod hwn yn bolisi sy'n rhoi'r budd mwyaf i'r Cynulliad.

[15] **Val Lloyd:** Diolch, Syr Jon. Mr Martin, o ystyried bod papur y cyngor yn cydnabod y byddai'n anodd gwario £10 miliwn yn ddoeth erbyn diwedd mis Mawrth, pam na chyflwynwyd achos i Lywodraeth Cynulliad Cymru am ganiatâd i drosglwyddo'r arian hwn i'r flwyddyn ariannol nesaf?

Mr Martin: Yr oeddem wedi cyflwyno'r achos ychydig ynghynt, fel y dywedais yn gynharach, ac wedi cael yr hyn a gredem oedd yn arwydd clir

there would not be flexibility. Of course, we did work subsequently very closely with the Assembly Government, as is described in the report, as this programme developed and the process of approvals went through. So the Assembly Government was well aware of the fact that we were continuing to try to spend the money in that period and, indeed, it very helpfully agreed the accelerated approval process that is described in the report. Could we have made a case subsequently? I suppose we could, but we proceeded together—and as I say, this was effectively a partnership in developing and taking forward the schemes—in this way on the assumption that we would not be carrying over 2 per cent. The very clear indication that we had generally was that our credibility as an organisation—with indeed possible implications for future years' budgeting—did depend on us being able to show that we were using money sensibly. However, I accept that there was a possibility for us to go back, but that was not the working assumption, I think it is fair to say, on either side, from the period when the first refusal to change the arrangements, which was expressed in more general terms, was made to the Assembly Government.

[16] **Val Lloyd:** So there is no 'use it or lose it' attitude, if you like, held by officials that could put at risk the value for money?

Mr Martin: There certainly should not have been, and, as the council paper in November 2001 made clear, we were very plain that we could not spend money in advance of need and in breach of the requirements in *Government Accounting*. Clearly, things went pretty badly wrong later because significant amounts of money were made available in advance of need, and that is not acceptable. However, I never regarded it as any part of spending in this way that we should try to duck and weave around the rules; we knew that we had to operate within them.

[17] **Val Lloyd:** I have no further questions.

[18] **Janet Davies:** I would like to make one point clear to the witnesses, namely that the convention for the Audit Committee is that the accounting officer in post is responsible

iawn na fyddai unrhyw hyblygrwydd. Wrth gwrs, buom yn gweithio'n agos iawn wedi hynny gyda Llywodraeth y Cynulliad, fel y mae'r Adroddiad yn ei ddisgrifio, wrth i'r rhaglen hon ddatblygu ac wrth i'r broses o gymeradwyo fynd rhagddi. Felly, yr oedd Llywodraeth y Cynulliad yn ymwybodol iawn o'r ffaith ein bod ni'n parhau i geisio gwario'r arian yn y cyfnod hwnnw ac, yn wir, rhoddodd hwb i bethau trwy gytuno'r broses gymeradwyo gyflymach a ddisgrifir yn yr adroddiad. A allem ni fod wedi cyflwyno achos wedi hynny? Mae'n debyg y gallem, ond aethom ymlaen gyda'n gilydd—ac fel yr wyf wedi crybwyll, yr oedd hon mewn gwirionedd yn bartneriaeth i ddatblygu a symud cynlluniau yn eu blaenau—yn y ffordd hon ar y dybiaeth na fyddem yn cario 2 y cant drosodd. Yr arwydd clir iawn a gawsom yn gyffredinol oedd bod ein hygredd fel sefydliad—gydag oblygiadau posibl yn wir ar gyfer cyllideb y blynyddoedd a ddaw—yn dibynnu ar ein gallu i ddangos ein bod yn defnyddio arian yn synhwyrol. Fodd bynnag, derbynias fod posibilrwydd i ni fod wedi mynd yn ôl, ond nid dyna oedd y dybiaeth ymarferol, mae'n deg dweud, ar y naill ochr na'r llall, o'r adeg pan wnaed y gwrthodiad cyntaf i newid y trefniadau, a fynegwyd mewn termau mwy cyffredinol, gan Lywodraeth y Cynulliad.

[16] **Val Lloyd:** Felly, os hoffech chi, nid oes gan swyddogion agwedd 'defnyddiwch yr arian neu ei golli' a allai beryglu'r gwerth am arian?

Mr Martin: Yn sicr, ni ddylai fod, ac fel mae papur y cyngor ym mis Tachwedd 2001 yn ei nodi'n glir, yr oeddem yn glir iawn na allem wario arian cyn bod angen na thorri gofynion *Government Accounting*. Yn amlwg, aeth pethau o le yn sylweddol yn ddiweddarach gan fod llawer o arian wedi'i neilltuo cyn bod angen, ac nid yw hynny'n dderbyniol. Fodd bynnag, nid ystyriais erioed y dylem geisio canfod ffordd o osgoi'r rheolau; yr oeddem yn gwybod fod yn rhaid i ni weithredu o'u mewn.

[17] **Val Lloyd:** Nid oes gennyf ragor o gwestiynau.

[18] **Janet Davies:** Hoffwn wneud un pwynt yn glir i'r tystion, sef ei bod hi'n arferol yn y Pwyllgor Archwilio i'r swyddog cyfrifo sydd yn y swydd ar y pryd fod yn gyfrifol am ateb y cwestiynau ar

for answering the questions on a particular topic that is relevant to his or her responsibilities. While we can invite former accounting officers to attend Committee, it could have been that Mr Martin did not attend, as he had the right to refuse if he wished. Therefore, the answers being given are the responsibility of the present accounting officer. So, Mr Higson, I think that it is right that Committee members ask if you at least agree with Mr Martin's answers, because you are in post at the moment.

Dr Higson: Thank you, Chair. I understand fully what you are saying. It is rather difficult because I was not working for the national council at the time that the events took place. I have had access to the papers and have had discussions with my predecessor, obviously. So I think that, in many ways, I can only offer limited comment, unfortunately, because I was not there when these events were occurring. So far, the answers that Mr Martin have given concur with what I have read.

[19] **Janet Davies:** Thank you. I am sure that all Committee members will want to ensure that that is the case. Alun, did you want to come back in?

[20] **Alun Cairns:** I would like to ask Mr Shortridge when the Welsh Assembly Government became aware of the likely underspend by the national council.

Sir Jon Shortridge: From our own work in the sponsor division, we became concerned around about October that it looked as if there might be an underspend. I think that we wrote or spoke to the finance director and the council's operations director at that time. The figure that Mr Martin has referred to became apparent to us, if not at the end of October, certainly during November.

[21] **Alun Cairns:** So if the information became apparent at the end of October or in early November, was the Welsh Assembly Government and its officials a little concerned that this money could be spent according to the rigour of the value-for-money requirements that we would expect of any sponsored body, particularly bearing in mind that this was a new quango?

bwnc penodol sy'n berthnasol i'w gyfrifoldebau ef neu hi. Er y gallwn wahodd cyn swyddogion cyfrifo i fynychu'r Pwyllgor, efallai na wnaeth Mr Martin hynny, gan fod ganddo'r hawl i wrthod. Felly, cyfrifoldeb y swyddog cyfrifo presennol yw'r atebion a roddir. Felly, Mr Higson, credaf ei bod yn iawn i aelodau'r Pwyllgor ofyn a ydych yn cytuno o leiaf ag atebion Mr Martin, gan mai chi sydd yn y swydd ar hyn o bryd.

Dr Higson: Diolch, Gadeirydd. Deallaf eich pwynt yn llwyr. Mae'n anodd braidd gan nad oeddwn yn gweithio i'r cyngor cenedlaethol pan ddigwyddodd y materion hyn. Yr wyf wedi gweld y papurau ac wedi trafod gyda'm rhagflaenydd, mae'n amlwg. Felly, credaf mai dim ond sylwadau cyfyngedig y gallaf eu cynnig, yn anffodus, gan nad oeddwn yn bresennol pan ddigwyddodd y materion hyn. Hyd yn hyn, mae atebion Mr Martin yn cyd-fynd â'r hyn a ddarllenais.

[19] **Janet Davies:** Diolch. Yr wyf yn siŵr y bydd holl aelodau'r Pwyllgor am sicrhau bod hynny'n wir. Alun, a oeddech chi am ddweud rhywbeth yn y fan hon?

[20] **Alun Cairns:** Hoffwn ofyn i Mr Shortridge pryd y daeth Llywodraeth Cynulliad Cymru yn ymwybodol o'r tanwario tebygol gan y cyngor cenedlaethol.

Syr Jon Shortridge: Yn sgil ein gwaith ein hunain yn yr is-adran nawdd, dechreusom fod yn bryderus tua mis Hydref fod tanwario posibl. Credaf ein bod wedi siarad â chyfarwyddwr cyllid a chyfarwyddwr gweithrediadau'r cyngor ar y pryd neu wedi ysgrifennu atynt. Yr oedd y ffigur y mae Mr Martin wedi cyfeirio ato yn hysbys i ni yn bendant yn ystod mis Tachwedd, os nad ddiwedd mis Hydref.

[21] **Alun Cairns:** Felly, os oedd y wybodaeth ar gael ddiwedd mis Hydref neu ddechrau mis Tachwedd, a oedd Llywodraeth Cynulliad Cymru a'i swyddogion ychydig yn bryderus y gallai'r arian hwn gael ei wario yn unol â'r gofynion gwerth am arian llym a fyddai'n ddisgwyliedig o unrhyw gorff a noddir, yn arbennig o gofio fod hwn yn gwango newydd?

Sir Jon Shortridge: I think that it was for that reason that we got in touch with the council's officials and asked them to explain to us what they were proposing to do about it.

[22] **Alun Cairns:** So with such a large underspend so late on in the year, just a few months before the end of the financial year, did you ever envisage that we would end up in this position and that money would be spent willy-nilly?

Sir Jon Shortridge: Certainly not personally, and my understanding is that the officials concerned were clearly concerned about the situation and wanted to satisfy themselves that this matter was going to be managed properly and effectively. I would like to say that, with hindsight, I wish that we had acted differently in those circumstances.

[23] **Alun Cairns:** If it was an overspend, what action would the Assembly Government take?

Sir Jon Shortridge: If there was a projected overspend in October—

[24] **Alun Cairns:** On this scale.

Sir Jon Shortridge: For a projected overspend on that scale, we would expect the council to go through all its relevant baselines and identify savings that could be made in order to bring its budget back into balance. If it were unable to satisfy us that that could be done credibly, we would have to look at the possibility of providing it with extra provision.

[25] **Alun Cairns:** Finally—

[26] **Janet Davies:** I do not think that we want to pursue overspend, as it is not particularly relevant to this report. Carl, you want to come in on this?

[27] **Carl Sargeant:** Just to clarify, was there a formal application for the 2 per cent carry-over?

Sir Jon Shortridge: No, there was no formal application. I think, as Mr Martin has said, that there were clearly discussions between

Syr Jon Shortridge: Credaf mai dyna'r rheswm i ni gysylltu â swyddogion y cyngor a gofyn iddynt egluro wrthym beth oedd eu cynlluniau ar gyfer hyn.

[22] **Alun Cairns:** Felly, gyda chymaint o danwario mor hwyr yn y flwyddyn, dim ond ychydig fisoedd cyn diwedd y flwyddyn ariannol, a oeddech yn rhag-weld o gwbl y byddem yn diweddu yn y sefyllfa hon ac y byddai arian yn cael ei wario rywsut rywsut?

Syr Jon Shortridge: Ddim yn bersonol, naddo, yn sicr, ac yn ôl yr hyn a deallaf yr oedd y swyddogion dan sylw yn amlwg yn bryderus am y sefyllfa ac am fodloni eu hunain fod y mater hwn yn mynd i gael ei reoli'n briodol ac effeithiol. O edrych yn ôl, hoffwn ddweud fy mod yn gresynu na wnaethom ni ymddwyn yn wahanol dan yr amgylchiadau hynny.

[23] **Alun Cairns:** Os oedd yn orwario, pa gamau y byddai Llywodraeth y Cynulliad yn eu cymryd?

Syr Jon Shortridge: Os oedd gorwario arfaethedig ym mis Hydref—

[24] **Alun Cairns:** Ar y raddfa hon.

Syr Jon Shortridge: Yn achos gorwario arfaethedig ar y raddfa honno, byddem yn disgwyl i'r cyngor fynd drwy ei holl linellau sylfaen perthnasol a nodi arbedion y byddai modd eu gwneud er mwyn cydbwysu'r gyllideb unwaith eto. Pe bai'n methu â'n bodloni y gellid gwneud hynny mewn ffordd gredadwy, byddai'n rhaid i ni edrych ar y posibilrwydd o roi darpariaeth ychwanegol iddo.

[25] **Alun Cairns:** Yn olaf—

[26] **Janet Davies:** Nid wyf yn credu ein bod am drafod gorwario ymhellach gan nad yw'n arbennig o berthnasol i'r adroddiad hwn. Carl, a ydych am gyfrannu yma?

[27] **Carl Sargeant:** Dim ond i gadarnhau, a wnaed cais ffurfiol ar gyfer y cario drosodd o 2 y cant?

Syr Jon Shortridge: Na, ni chafwyd unrhyw gais ffurfiol. Credaf, fel y dywedodd Mr Martin, fod trafodaethau mae'n amlwg wedi bod rhwng

officials and I think that officials would have rightly given the impression that, given the nature of the policy, they could not give council officials any comfort on this, particularly in November. To be anticipating that you want to be able to carry money forward that early in the year was not something that we would normally be contemplating. I think that a special case would need to be made towards the end of the financial year, when you know that there are commitments out there that you could not meet properly during the course of the financial year.

[28] **Janet Davies:** Mark, you have some questions to ask.

[29] **Mark Isherwood:** The exchange of letters between the national council and Assembly Government officials sets out a procedure of qualified approval for projects

‘in order that the National Council could resolve outstanding points in parallel with making operational progress.’

What does this mean in practice?

Mr Martin: Well, this was an Assembly Government arrangement which, as I said earlier, I think was intended to be very helpful. What it meant in practice was—as the report describes, and I do not think that I can really improve on that—that there was a process of putting projects for approval to the Assembly Government. The Assembly Government was very helpful in turning those projects around quickly in the interest of our being able to get on with the job. The onus was clearly on national council staff, in the light of the comments from the Assembly on the individual projects, to ensure that any issues that the Assembly Government wished to register in giving approval—namely to make the approval conditional on X and Y happening—were carried out. However, it was an Assembly Government process, so in terms of the details of how it was intended to operate at the Assembly end I cannot answer, but perhaps Sir Jon can help you.

Sir Jon Shortridge: Yes. We made it clear that, in order to assist the council, we would give it approval, but if we could not give

swyddogion, a chredaf y byddai swyddogion wedi rhoi'r argraff gywir na allent roi unrhyw gysur i swyddogion y cyngor ar hyn, o ystyried natur y polisi, yn arbennig ym mis Tachwedd. Fel rheol, ni fyddem yn ystyried gallu rhag-weld yr angen am ario arian trosodd mor gynnar yn y flwyddyn. Credaf y byddai angen gwneud achos arbennig tua diwedd y flwyddyn ariannol, pan fyddwch yn gwybod fod ymrwymadau na allech eu bodloni'n iawn yn ystod y flwyddyn ariannol.

[28] **Janet Davies:** Mark, mae gennych chi gwestiynau i'w gofyn.

[29] **Mark Isherwood:** Mae'r llythyrau rhwng y cyngor cenedlaethol a swyddogion Llywodraeth y Cynulliad yn gosod allan weithdrefn gymeradwyo amodol ar gyfer prosiectau

‘er mwyn i'r Cyngor Cenedlaethol allu datrys pwyntiau a oedd yn weddill tra'n gwneud cynnydd gweithredol.’

Beth mae hyn yn ei olygu yn ymarferol?

Mr Martin: Wel, trefniant gan y Cynulliad oedd hwn a fwriadwyd i fod yn ddefnyddiol iawn, fel y dywedais eisoes. Yr hyn yr oedd yn ei olygu yn ymarferol oedd—fel mae'r adroddiad yn ei ddisgrifio, ac ni allaf wella ar hynny—bod proses ar gyfer cyflwyno prosiectau i gael eu cymeradwyo gan Lywodraeth y Cynulliad. Yr oedd Llywodraeth y Cynulliad o gymorth mawr o ran cymeradwyo'r prosiectau hyn yn gyflym er mwyn i ni allu mynd ymlaen â'r gwaith. Staff y cyngor cenedlaethol, ar sail sylwadau'r Cynulliad ar y prosiectau unigol, yn amlwg a oedd yn gyfrifol am sicrhau bod unrhyw faterion yr oedd Llywodraeth y Cynulliad yn dymuno eu cofrestru wrth roi cymeradwyaeth—sef rhoi cymeradwyaeth amodol cyn belled ag y byddai X ac Y yn digwydd—yn cael eu cyflawni. Fodd bynnag, proses Llywodraeth y Cynulliad oedd hon, felly ni allaf ddweud sut y bwriadwyd iddi weithredu yn y Cynulliad. Efallai y gall Syr Jon eich helpu.

Syr Jon Shortridge: Gallaf. Bu i ni nodi'n glir y byddem yn rhoi cymeradwyaeth i'r cyngor er mwyn ei helpu, ond os na allem gymeradwyo

absolute approval on anything upfront, then we would indicate the matters that we expected the council to have addressed itself before it committed the expenditure. That is what the relevant letters make clear.

[30] **Mark Isherwood:** Thank you. Did this entail the national council coming back to the Assembly Government for fresh approvals if there was a significant change to a project after qualified approval had been given?

Mr Martin: That must be the clear implication of the arrangement. One of the points that I presume that the Committee will wish to turn to is the general issue of why certain questions—whether they were raised by the Assembly Government, by myself or by the chairman—were not followed up. However, manifestly, if somebody gives qualified approval and there is a significant change—or as a result of dealing with those issues, fresh issues are thrown up—then I would certainly expect there to have been further discussions with the Assembly Government about that.

[31] **Mark Isherwood:** If we could clarify a little, why does it appear that this was not done on any of the projects that were covered by the Auditor General's report? Bearing in mind the risk, what extra steps did officials take to support this?

Mr Martin: I cannot give you a categorical answer on that because, on a range of issues, reports were not made back to the chairman and me and to the Assembly Government, as required. There is quite a significant overlap—they are not exactly the same cases, or the same elements of each case, but there is quite a significant overlap. Clearly, there was a breakdown in the arrangements for reporting back that meant that those issues were not addressed properly and that is what led to the commitment of funds and the payments in advance of need and the other irregularities that are described in the report.

[32] **Mark Isherwood:** May I just slip in another question briefly, Chair? Was this because, as you said earlier on, you were trying to do too much too quickly on a wide range of fronts, and was that because of a

unrhyw beth ymlaen llaw yn llwyr, byddem yn nodi'r materion y byddem yn disgwyl i'r cyngor ei hun fynd i'r afael â hwy cyn ymrwymo i'r gwariant. Dyna sy'n cael ei nodi'n glir yn y llythrau perthnasol.

[30] **Mark Isherwood:** Diolch. A oedd hyn yn golygu bod yn rhaid i'r cyngor cenedlaethol ddod yn ôl at Lywodraeth y Cynulliad i gael cymeradwyaeth o'r newydd os oedd newid sylweddol mewn prosiect ar ôl rhoi'r gymeradwyaeth amodol?

Mr Martin: Rhaid mai dyna yw awgrym clir y trefniant. Un o'r pwyntiau y tybiaf y bydd y Pwyllgor am droi atynt yw'r mater cyffredinol pam na roddwyd sylw dilynol i rai cwestiynau—boed yn gwestiynau a godwyd gan Lywodraeth y Cynulliad, gennyf fi neu gan y cadeirydd. Fodd bynnag, yn amlwg, os oes rhywun yn rhoi cymeradwyaeth amodol a bod newid sylweddol—neu bod materion newydd wedi dod i'r fei wrth ddelio â'r materion hynny—yna byddwn yn sicr yn disgwyl bod trafodaethau pellach wedi'u cynnal gyda Llywodraeth y Cynulliad am hynny.

[31] **Mark Isherwood:** Os gallwn gael rhywfaint o eglurhad, pam mae'n ymddangos na chafodd hyn ei wneud gydag unrhyw un o'r prosiectau sydd yn adroddiad yr Archwilydd Cyffredinol? O gofio'r risg, pa gamau ychwanegol a gymerwyd gan swyddogion i gefnogi hyn?

Mr Martin: Ni allaf roi ateb pendant i chi ar hynny gan na chyflwynwyd adroddiadau i'r cadeirydd nac i mi nac i Lywodraeth y Cynulliad ar ystod o faterion, yn ôl y gofyn. Mae gorgyffwrdd eithaf sylweddol yma—nid yw'r achosion yn hollol yr un fath, ac nid yr un elfennau o bob achos sydd yma, ond mae gorgyffwrdd sylweddol. Yn amlwg, yr oedd methiant yn y trefniadau ar gyfer adrodd yn ôl a olygodd na chafodd y materion hynny sylw priodol, a dyna a arweiniodd at ymrwymo arian a thalu cyn bod angen, a'r achosion eraill o afreoleidd-dra a ddisgrifiwyd yn yr adroddiad.

[32] **Mark Isherwood:** A gaf fi ofyn cwestiwn arall yn gyflym, Gadeirydd? Ai'r rheswm am hyn, fel y dywedasoch yn gynharach, oedd eich bod yn ceisio gwneud gormod yn rhy fuan mewn nifer eang o feysydd, ac a oedd hynny oherwydd mater

policy issue or a delivery issue?

Mr Martin: I think that it is a whole range of things. The council was, as I described earlier—and I do not want to run over everything that was going on in the council at the time, as the Chairman said that we should not at the beginning. However, there was a huge weight of expectation and a huge agenda. That was not just from the Assembly itself through the old education and training action plan project, but through the remit letter from the Assembly Government, and from the council itself, which was properly ambitious that it should make a real impact and make it quickly, and also, I must say, from myself and the senior team—we were very keen that we should be responsive to that agenda and not whinge about it and say that it was too difficult. Retrospect tells me, particularly in light of the Auditor General's findings, that that was a mistaken approach, and that the remit letter from the Assembly Government and the council's own expectations and its own plans should have been more modest. I think that we would have placed a much greater emphasis on making sure that we understood the skills, systems and so on of the existing staff and that we would have, frankly, been deeply conservative before we moved on and tried to do anything clever and new. There would have been downsides to that approach, of course, as well, because many of the things that the council has achieved would not have been achieved, but we would not, I think, have had the shortcomings that are before you today.

This is not an absolute thing, it does not mean that you could not do anything—of course it does not. However, it does mean that we were too ambitious. I do believe, in particular, that it was a mistake to begin the process of sharply reducing the council's running costs and staffing before we had agreed with the Assembly Government the nature of the future agenda, which would provide a solid basis for knowing what the running costs base should be going forward. As I said earlier, a huge preoccupation for the senior team and me at this time—all senior managers—was a fundamental restructuring and taking 20 per cent of the staff out. That is not an excuse for things that go wrong—there

polisi neu fater cyflawni?

Mr Martin: Credaf ei fod yn gyfuniad o nifer o bethau. Yr oedd y cyngor, fel y disgrifiais yn gynharach—ac nid wyf am sôn am bopeth a oedd yn digwydd yn y cyngor ar y pryd, yn ôl cais y Cadeirydd ar y dechrau. Fodd bynnag, yr oedd llawer o ddisgwyliadau ac agenda anferth. Yr oedd hynny nid yn unig gan y Cynulliad ei hun drwy'r hen brosiect cynllun gweithredu addysg a hyfforddiant, ond drwy'r llythyr cylch gwaith gan Lywodraeth y Cynulliad, a chan y cyngor ei hun, a oedd yn briodol ddigon yn uchelgeisiol ynglŷn â'i allu i gael effaith wirioneddol a hynny'n gyflym, a hefyd, mae'n rhaid i mi ddweud, gennyf fi a'r uwch-dîm—yr oeddem yn awyddus iawn i ymateb i'r agenda, nid cwyno amdani a dweud ei bod yn anodd. O edrych yn ôl, yn arbennig yng ngoleuni canfyddiadau'r Archwilydd Cyffredinol, yr oedd hynny'n gamgymeriad, a dylasai llythyr cylch gwaith Llywodraeth y Cynulliad a disgwyliadau a chynlluniau'r cyngor ei hun fod yn fwy cymedrol. Credaf y byddem wedi rhoi llawer mwy o bwyslais ar sicrhau ein bod yn deall sgiliau, systemau ac ati y staff presennol ac y byddem, i fod yn onest, wedi bod yn geidwadol iawn cyn symud ymlaen a cheisio gwneud unrhyw beth clyfar a newydd. Byddai anfanteision i'r agwedd honno, wrth gwrs, gan na fyddai nifer o gyflawniadau'r cyngor wedi'u cyflawni, ond ni chredaf y byddai gennym y diffygion sydd ger eich bron heddiw.

Nid yw hwn yn rhywbeth absoliwt, nid yw'n golygu na allech wneud unrhyw beth—wrth gwrs nad yw'n golygu hynny. Fodd bynnag, mae yn golygu i ni fod yn rhy uchelgeisiol. Credaf, yn arbennig, mai camgymeriad oedd dechrau ar y broses o leihau costau rhedeg a staffio yn sylweddol cyn i ni gytuno ar natur agenda'r dyfodol gyda Llywodraeth y Cynulliad, a fyddai wedi darparu sail gadarn i wybod beth ddylai'r syflaen costau rhedeg fod wrth symud ymlaen. Fel y dywedais yn gynharach, mater anferth a oedd yn mynd â'm sylw i a sylw'r uwch-dîm ar yr adeg hon—pob uwch reolwr—oedd ad-drefnu sylfaenol a olygai bod 20 y cant yn gadael y sefydliad. Nid yw hynny'n esgus dros bethau sy'n mynd o le—ni fyddai'n bosibl rhoi esgus byth dros y rheini. Fodd

could never be any excuse for those. However, it was the context in which people were trying to do this. Yes, we tried to do too much, and those are some of the ingredients. We were trying to do too much on other fronts. We were trying to take on a big role in relation to the European partnerships. I was chairing two of the human resource partnership groups for Objective 1 and Objective 3. We were launching the new individual learning accounts system, which, in Wales, we did successfully, actually, within the framework in which we were operating. We were the only part of the UK that did not have huge losses. We ran that well, we believe, and it provided the basis for the new system that is being introduced now. It is a mixed picture, but, on aggregate, my conclusion is that we did far too much too quickly. We should have taken more time, we should have been 'steady as she goes' for probably about a year and a half, and only then moved on to do the really ambitious things that we were created to achieve.

[33] **Janet Davies:** I think that those answers are very interesting. We need to bear them in mind for this afternoon's session perhaps. We now move on to part 3 of the Auditor General's report, which is about the Pop Centre MP3 Cafe project. In almost every respect, that particular project displays how public business should not be conducted. Before we look at that in detail, I would like to ask Mr Higson whether he has any overall comments on how he thinks this project was handled.

Dr Higson: Thank you, Chair. Notwithstanding the obvious errors in terms of payment in advance and so on, quite clearly there needed to be much stronger project management disciplines in its implementation. Since April, a number of things have been happening, which I will just tell the Committee about. We have been reviewing the progress of the project, because the decision was made earlier this year, before April, to allow the first module to continue to its fruition. That happened in July. It has had an initial evaluation, which is generally positive. Otherwise, the project is effectively on hold at the moment. We have strengthened the project management arrangements around that element that has

bynag, dyma'r cyd-destun lle yr oedd pobl yn ceisio gwneud hyn. Oeddem, yr oeddem yn ceisio gwneud gormod, a dyna rai o'r cynhwysion. Yr oeddem yn ceisio gwneud gormod mewn cyfeiriadau eraill. Yr oeddem yn ceisio ymgymryd â swyddogaeth o bwys mewn perthynas â phartneriaethau Ewropeaidd. Yr oeddwn yn cadeirio dau o'r grwpiau partneriaeth adnoddau dynol ar gyfer Amcan 1 ac Amcan 3. Yr oeddem yn lansio'r system cyfrifon dysgu unigol newydd, a lansiwyd yn llwyddiannus iawn gennym yng Nghymru o fewn ein fframwaith gweithredu. Ni oedd yr unig ran o'r DU na chafodd golledion anferth. Credwn ein bod wedi rhedeg hynny'n dda a'i fod wedi rhoi sail i'r system newydd sy'n cael ei chyflwyno yn awr. Mae'n ddarlun cymysg, ond, rhwng popeth, fy nghasgliad yw i ni wneud gormod o lawer yn rhy gyflym. Dylem fod wedi cymryd mwy o amser, dylem fod wedi cymryd pethau'n raddol am ryw flwyddyn a hanner, ac yna symud ymlaen i wneud y pethau gwirioneddol uchelgeisiol y crewyd ni i'w cyflawni.

[33] **Janet Davies:** Credaf fod yr atebion hynny yn ddiddorol iawn. Mae angen i ni eu cadw mewn cof ar gyfer sesiwn y prynhawn, efallai. Yr ydym yn symud ymlaen yn awr i ran 3 o adroddiad yr Archwilydd Cyffredinol, sy'n ymwneud â phrosiect Caffi MP3 y Ganolfan Bop. Ym mhob agwedd bron iawn, mae'r prosiect arbennig hwnnw'n dangos sut na ddylid cynnal busnes cyhoeddus. Cyn i ni edrych ar hynny'n fanwl, hoffwn ofyn i Mr Higson a oes ganddo unrhyw sylwadau cyffredinol am y ffordd y mae'n credu y deliwyd â'r prosiect hwn.

Dr Higson: Diolch, Gadeirydd. Serch y camgymeriadau amlwg o ran talu ymlaen llaw ac yn y blaen, yr oedd hi'n amlwg bod angen mesurau rheoli prosiect llawer cryfach wrth weithredu'r prosiect. Er mis Ebrill, mae nifer o bethau wedi digwydd, a soniaf amdanynt wrth y Pwyllgor. Yr ydym wedi bod yn adolygu datblygiad y prosiect, gan fod penderfyniad wedi'i wneud yn gynharach eleni, cyn mis Ebrill, i ganiatáu'r modiwl cyntaf i barhau nes iddo orffen. Digwyddodd hynny ym mis Gorffennaf. Gwnaed gwerthusiad cychwynnol ohono, sy'n gadarnhaol ar y cyfan. Fel arall, mae'r prosiect mewn gwirionedd wedi'i atal dros dro ar hyn o bryd. Yr ydym wedi cryfhau trefniadau rheoli'r prosiect o gwmpas yr elfen honno sydd wedi parhau. Mae cyfarfodydd yn cael eu cynnal o leiaf bob pythefnos gyda'r cwmni i fonitro

continued. There are at least fortnightly meetings with the company to monitor progress on module developments. We have been looking at the whole project structure and, in particular, we are carrying out, and will be finishing in the next few weeks, an evaluation of the value-for-money element of continuing with the project. We have also had counsel opinion about state aid. There is an issue of state aid, both retrospectively and, if we were to continue, prospectively. We are working with the company, in a collaborative way I must say, to try to resolve the state aid issue and other issues surrounding the project.

[34] **Janet Davies:** Right, thank you. I am sure that we will get to the state aid issue later on. However, I am a bit concerned to hear you say that the module that was—there was a pilot-run in July—that the whole thing is now on hold. Did I understand you correctly in saying that?

Dr Higson: Other than that module development, there has been no further work on the project, subject to us completing our review of progress and looking at the options, because we cannot effectively continue until we have resolved some of the other matters such as state aid, because we would be in further breach if we continued without resolving it. If we are to continue with the project, which has not yet been decided, we have to get that one out of the way. Also, we would have to bring together a new project proposal, subject to our new procedures within the national council—which are far more stringent in terms of appraisal, risk assessment and value for money—and put it to the national council, hopefully in November, and if it approves continuation, we will take that to the Assembly for approval.

[35] **Janet Davies:** Would it be fair to say then, Mr Higson, that the way the national council was working could almost be said to have been a case of more haste less speed because, in fact, the fact that everything was being done very quickly is now resulting in things happening later than they might have otherwise happened?

Dr Higson: That is generally true because I

cynnydd ar ddatblygiadau'r modiwl. Yr ydym wedi bod yn edrych ar strwythur y prosiect cyfan, ac yn arbennig yn gwneud gwerthusiad gwerth am arian o barhau'r prosiect, a fydd yn dod i ben yn ystod yr wythnosau nesaf. Yr ydym hefyd wedi cael cyngor am gymorth gwladol. Mae yna fater o gymorth gwladol, o edrych yn ôl, a phetaem yn parhau yn y dyfodol hefyd. Yr ydym yn gweithio gyda'r cwmni, mewn ffordd gydweithredol mae'n rhaid i mi ddweud, i geisio datrys mater y cymorth gwladol a materion eraill sy'n gysylltiedig â'r prosiect.

[34] **Janet Davies:** Iawn, diolch. Yr wyf yn siŵr y byddwn yn cyrraedd mater cymorth gwladol yn ddiweddarach. Fodd bynnag, yr wyf braidd yn bryderus o'ch clywed yn dweud am y modiwl—y gwnaed treial ohono ym mis Gorffennaf—fod y cyfan ar stop ar y funud. A ddeallais hyn yn gywir?

Dr Higson: Ac eithrio datblygiad y modiwl hwnnw, ni wnaed unrhyw waith pellach ar y prosiect, yn amodol arnom yn cwblhau ein hadolygiad o gynnydd ac yn edrych ar y dewisiadau, gan na allwn barhau'n effeithiol nes i ni ddatrys rhai o'r materion eraill fel cymorth gwladol, gan y byddem yn torri'r rheolau ymhellach pe baem yn parhau heb ei ddatrys. Os ydym i barhau gyda'r prosiect, ac nid yw wedi'i benderfynu eto, mae'n rhaid i ni gael hwnnw o'r ffordd. Hefyd, byddai'n rhaid i ni feddwl am gynllunio cynnig am brosiect newydd, yn amodol ar ein gweithdrefnau newydd o fewn y cyngor cenedlaethol—sydd lawer yn fwy llym o ran gwerthuso, asesu risg a gwerth am arian—a'i gyflwyno i'r cyngor cenedlaethol, ym mis Tachwedd gobeithio. Os bydd yn cymeradwyo parhad y prosiect, byddwn yn ei gyflwyno i'r Cynulliad i'w gymeradwyo.

[35] **Janet Davies:** A fyddai'n deg dweud, felly, Mr Higson, fod dull gweithio'r cyngor cenedlaethol yn achos o fwya'r brys, mwya'r rhwystr oherwydd, mewn gwirionedd, mae'r ffaith fod popeth wedi'i wneud yn gyflym iawn yn awr yn golygu fod pethau'n digwydd lawer yn hwyrach nag y byddent wedi digwydd fel arall?

Dr Higson: Mae hynny'n wir yn gyffredinol gan i

initiated a review of all of our current projects at the end of April, and that has also shown a number of breaches of procedure, on which, you are quite right, Chair, we are having to spend time, I think, sorting things out before we can move forward, quite properly.

[36] **Janet Davies:** Right, thank you. May I just ask you then also, before I ask Christine to come in, whether you can give any reason as to why the national council's operating procedures did not require staff to conduct financial viability checks of project applicants, risk assessments and option appraisals?

Dr Higson: It is a clear omission and it is certainly one which we have remedied now in terms of any new projects that we are looking at.

[37] **Christine Gwyther:** Obviously, I want to come on to the Avanti Media Group. Now, a financial viability check was performed on this company, but only seven months after the contract was signed. To most of us, that sounds like quite an alarming lapse of time before checks were made. Can you tell me why they were not made until six months after that company had received £4 million?

Dr Higson: Again, with respect, may I pass the question to my predecessor, because I was not involved in those events?

[38] **Christine Gwyther:** Yes. Mr Martin?

Mr Martin: Well, as I said earlier, it was a routine part of the main part of TEC business to carry out financial viability checks, and I think that it is reasonable, where it is common and good and accepted practice, to expect that that would be carried out routinely in respect of any transaction. I mean, we do not issue fresh guidance every time we introduce a new programme. It is not the normal practice to say 'and there must be a financial viability check'. I have to say that, having lived through this, I would not make that assumption again. I would spell it out absolutely clearly. However, actually, my understanding is that the staff did, acting on their understanding of best practice as it operated within the TECs' work-based

mi ddechrau adolygiad o'n holl brosiectau cyfredol ddiwedd mis Ebrill, a bod hynny hefyd wedi dangos llawer achos o dor-gweithdrefn, a ninnau'n gorfod treulio amser arnynt, fel y bu i chi nodi'n gywir, Gadeirydd, i ddatrys pethau cyn y gallwn symud ymlaen yn briodol.

[36] **Janet Davies:** Iawn, diolch. A gaf i ofyn i chi hefyd, cyn i fi ofyn i Christine gyfrannu, a allwch chi roi unrhyw reswm pam nad oedd gweithdrefnau gweithredu'r cyngor cenedlaethol yn ei gwneud yn ofynnol i staff archwilio hyfywedd ariannol ymgeiswyr prosiectau, gwneud asesiadau risg a gwerthusiadau o ddewisiadau?

Dr Higson: Mae hyn yn achos clir o fethu ac yn un yn sicr yr ydym wedi ei unioni yn awr o ran unrhyw brosiectau newydd yr ydym yn edrych arnynt.

[37] **Christine Gwyther:** Yn amlwg, yr wyf am drafod Grŵp Cyfryngau Avanti. Yn awr, gwnaed archwiliad hyfywedd ariannol o'r cwmni hwn, ond saith mis ar ôl i'r contract gael ei lofnodi. I'r rhan fwyaf ohonom, mae hynny'n swnio fel amser maith iawn cyn gwneud archwiliadau. A allwch chi ddweud wrthyf pam na chafodd yr archwiliadau eu gwneud tan chwe mis ar ôl i'r cwmni gael £4 miliwn?

Dr Higson: Unwaith eto, gyda phob parch, a gaf fi drosglwyddo'r cwestiwn i'm rhagflaenydd, gan nad oeddwn i'n rhan o'r digwyddiadau hynny?

[38] **Christine Gwyther:** Iawn. Mr Martin?

Mr Martin: Wel, fel y dywedais yn gynharach, yr oedd archwiliadau hyfywedd ariannol yn elfen reolaidd o brif fusnes y CHM, a chredaf ei bod yn rhesymol, lle mae'n arfer cyffredin, da a derbyniol, i ddisgwyl y byddai hynny'n cael ei wneud yn rheolaidd mewn perthynas ag unrhyw achos. Hynny yw, nid ydym yn cyhoeddi canllawiau newydd bob tro wrth gyflwyno rhaglen newydd. Nid yw'n arferol i ddweud 'ac mae'n rhaid cael archwiliad hyfywedd ariannol'. Mae'n rhaid i mi ddweud, o fod wedi bod trwy hyn, na fyddwn yn gwneud y dybiaeth honno eto. Byddwn yn ei fynegi'n hollol glir. Fodd bynnag, mewn gwirionedd, yn ôl yr hyn yr wyf yn ei ddeall, bu i'r staff ystyried y mater a ddylid gwneud archwiliad hyfywedd ariannol ai peidio gan weithredu ar eu dealltwriaeth o arferion gorau fel yr oeddent yn

training, consider the issue of whether there should be a financial viability check. The reason they did not undertake one was not because they did not think that they needed to undertake one, but because they applied that literally to the Learn to Live Ltd company, which had been established as a subsidiary especially for this purpose by Avanti. As Learn to Live Ltd had only just been created, it clearly did not have any accounts, and they did not then take the next logical step, which was to say 'Let us look at the parent company's accounts'. So, I do not think that it is an issue of not considering whether there should be a financial viability check. They were considering it, but considering it too narrowly in respect of the new company created for this project, rather than the overall company, which would ultimately have to make sure that the project proceeded.

[39] **Christine Gwyther:** Yes. Chair, if I could just pursue that, that is not a case of considering something too narrowly. That is missing an absolutely basic, fundamental principle of due diligence when you are actually looking at a company of this kind. I am finding that really quite hard to accept. The Avanti Media Group had reasonably small capacity, and I think that we need to know if it was being considered whether the group could handle such a large project, and whether that consideration should have formed a key part of the project assessment criteria, if it was known to the national council at that time. Can you tell me, Mr Higson or Mr Martin, was this factor also overlooked in the decision to provide the whole of the national council's £4 million funding on an upfront, front-loading basis? Again, this is a very unusual—I am hesitating over the word 'irregular', but it was certainly unusual—procedure over the three-year life of the project.

Mr Martin: Could I start, perhaps? First of all, may I make clear, in the light of your response to what I said in reply to the previous question, that I am not saying that that is what should have happened. I am not trying to defend it at all; I agree with you that that should not have happened. They should have looked at the parent company, but what happened is that they did not. In terms of the general payment, the comments which the

gweithio o fewn hyfforddiant y CHM yn y gweithle. Ni wnaed hynny, nid am nad oeddent yn credu y dylent wneud archwiliad, ond am eu bod wedi cymhwysu hynny'n llythrennol i'r cwmni Learn to Live Cyf, a sefydlwyd fel isgwmni gan Avanti yn arbennig i'r diben hwn. Gan mai newydd ei sefydlu yr oedd Learn to Live Cyf, mae'n amlwg nad oedd ganddo unrhyw gyfrifon, ac ni chymerwyd y cam rhesymegol nesaf ganddynt wedyn, sef dweud 'Gadewch i ni edrych ar gyfrifon y rhiant gwmni'. Felly, nid wyf yn credu mai mater o beidio ag ystyried a ddylid bod wedi gwneud archwiliad hyfywedd ariannol sydd yma. Yr oeddent yn ystyried hynny, ond yn ei ystyried yn rhy gyfyng o ran y cwmni newydd a oedd wedi ei greu ar gyfer y prosiect hwn, yn hytrach na'r cwmni cyffredinol, a fyddai wedi gorfod sicrhau yn y pen draw bod y prosiect yn mynd rhagddo.

[39] **Christine Gwyther:** Iawn. Gadeirydd, a gaf fi ddweud nad yw'n fater o ystyried rhywbeth yn rhy gyfyng. Mae hynny'n methu egwyddor hollol sylfaenol o sylw dyledus pan fyddwch yn edrych ar gwmni o'r math hwn. Yr wyf yn ei chael yn anodd iawn derbyn hynny. Gallu cymharol fychan oedd gan Grŵp Cyfryngau Avanti, a chredaf fod angen i ni wybod a oedd disgwyl i'r grŵp allu delio â phrosiect mor fawr, ac a ddylasai'r ystyriaeth honno fod yn rhan allweddol o feini prawf asesu'r prosiect, pe bai'r cyngor cenedlaethol wedi gwybod am hynny ar y pryd. A allwch chi ddweud wrthyf, Mr Higson neu Mr Martin, a esgeuluswyd y ffactor hwn hefyd wrth benderfynu darparu'r £4 miliwn i gyd gan y cyngor cenedlaethol ar sail buddsoddi'n drwm ymlaen llaw? Unwaith eto, mae hon yn weithdrefn anarferol iawn—yr wyf yn oedi cyn defnyddio'r gair 'afreolaidd', ond yr oedd yn anarferol yn bendant—dros dair blynedd y prosiect.

Mr Martin: A gaf fi ddechrau, efallai? Yn gyntaf oll, a gaf fi ddatgan yn glir, yng ngoleuni eich ymateb i'r hyn a ddywedais yn yr ateb i'r cwestiwn blaenorol, nad ydwyf yn dweud mai hyn a ddylai fod wedi digwydd. Nid wyf yn ceisio amddiffyn hyn o gwbl; yr wyf yn cytuno â chi na ddylai hyn fod wedi digwydd. Dylent fod wedi edrych ar y rhiant gwmni, ond ni wnaethant hynny. O ran y taliad cyffredinol, yr oedd y sylwadau a wnaeth y cadeirydd a mi am y cynllun pan gyflwynwyd ef i

chairman and I made about the scheme when it was submitted to us in December were about a range of issues, but they included the question of making sure that we could protect public assets. We asked for further work to be done on that. As you know, that did not come back to us. What was actually done in terms of letting the contract clearly did not provide adequate protections and, indeed, this is something that you may want to come back to later in terms of the legal advice that council officers received, where the lawyers themselves expressed some concerns about those issues. Those, too, were not followed up. So there is a whole series of things that should have been tighter. The chairman and I asked for them to be addressed; they were not addressed. Obviously, I regret very much that I did not personally—rather than relying on the senior staff to oversee it and make sure that it happened—make absolutely sure that those things had been done.

Dr Higson: Could I add something to that?

[40] **Janet Davies:** Yes.

Dr Higson: What we have done since April is to put in place and develop a project appraisal and approval system, which requires positive proof that these things have been covered—risk assessment, financial viability, state aid issues and so on—to ensure that we have an audit trail internally for new projects and that these matters have actually been dealt with properly before they are submitted for any approvals internally or to the Assembly.

[41] **Christine Gwyther:** Mr Higson, you have gone through the paperwork concerned with this project very thoroughly, I am quite sure. Can you tell me why you believe that there was no risk assessment of the project undertaken?

Dr Higson: All I can offer is an opinion, having read the paperwork, that, for a new company with a parent company with a small turnover, there was an obvious risk there that needed looking at and mitigating or managing. That is not to say that one should not have taken any risk, but certainly there should have been a more explicit process of

ni ym mis Rhagfyr yn ymwneud ag amrywiaeth o faterion, ond yn cynnwys sicrhau y gallem warchod asedau cyhoeddus. Bu i ni ofyn am waith pellach ar hynny. Fel y gwyddoch, ni ddaeth hynny yn ôl i ni. Nid oedd yr hyn a wnaethpwyd mewn gwirionedd o ran rhoi'r contract yn amlwg yn amddiffyniad digonol, ac yn wir mae hyn yn rhywbeth y byddwch efallai am ddod yn ôl ato'n ddiweddarach o ran y cyngor cyfreithiol a gafodd swyddogion y cyngor, lle yr oedd y cyfreithwyr eu hunain yn mynegi rhai pryderon am y materion hynny. Nid aethpwyd ar ôl y rhain ychwaith. Felly, mae cyfres gyfan o bethau a ddylai fod wedi'u gweithredu'n fwy caeth. Gofynnodd y cadeirydd a minnau am roi sylw i'r materion hyn; ni roddwyd sylw iddynt. Yn amlwg, yr wyf yn edifar iawn na wneuthum yn hollol sicr yn bersonol fod y pethau hynny wedi eu gwneud, yn hytrach na dibynnu ar uwch staff i oruchwylio hynny a gofalu ei fod yn digwydd.

Dr Higson: A gaf fi ychwanegu rhywbeth at hynny?

[40] **Janet Davies:** Cewch.

Dr Higson: Yr hyn yr ydym wedi'i wneud ers mis Ebrill yw sefydlu a datblygu system werthuso a chymeradwyo prosiectau, sy'n gofyn am dystiolaeth gadarnhaol fod y pethau canlynol wedi cael sylw—asesiad risg, hyfywedd ariannol, materion cymorth gwladol, ac yn y blaen—i sicrhau bod gennym lwybr archwilio mewnol ar gyfer prosiectau newydd, a bod y materion hyn wedi cael sylw priodol cyn eu cyflwyno ar gyfer unrhyw gymeradwyaeth fewnol neu i'r Cynulliad.

[41] **Christine Gwyther:** Mr Higson, yr ydych wedi mynd trwy waith papur y prosiect hwn yn drylwyr iawn, yr wyf yn siŵr. A allwch chi ddweud wrthyf pam na wnaethpwyd asesiad risg o'r prosiect?

Dr Higson: Y cyfan y gallaf ei roi yw fy marn, ar ôl darllen y gwaith papur, sef bod risg amlwg i gwmni newydd a oedd â rhiant gwmni gyda throshiant bychan, a bod angen edrych ar y risg honno a'i lleihau neu ei rheoli. Nid yw hynny'n golygu na ddylai rhywun fod wedi cymryd unrhyw risg, ond yn bendant dylid bod wedi cael proses fanylach o adnabod y risg dan sylw a phennu

recognising the risk involved and setting out the ways and means to actually manage and mitigate that if the project were to go ahead.

[42] **Christine Gwyther:** Can I ask Mr Martin then, as the person responsible at the time, why no risk assessment was undertaken?

Mr Martin: Well, as I say, in responding to the project that came to us, the chairman and I took the view that we did need to have much greater assurance that the public assets that would be purchased would be protected. Part of the process and the dialogue that should have taken place subsequently, which did not, would have answered those points. I think that, clearly, the kinds of mature controls that Peter Higson has just described are the ones that you need in place. As I said earlier, you can contrast very sharply the good inherited practice we had from the further education council, which was saturated in public sector disciplines in this area for the FE projects, with the sort of thing that happened in the Pop Factory. There was a major risk there, and as I have said to the Committee before, clearly, in that first year, having operated under this business-as-usual regime, which was necessary and, you know, everybody understood that we had little choice but to do that until we could introduce single systems to the new organisation, I and my colleague should have done more to have managed the individual risks in a very rigorous way to make sure that these kinds of things could not happen. We assumed too much about the ability of the staff to get this right based on what we thought to be the existing practice that they would have followed. However, that was not tested enough in an environment, where, as I said earlier, we were just trying to do too much too quickly.

[43] **Christine Gwyther:** Right. If I can just press you on that, given that this project was considered very innovative, why was a risk assessment not undertaken? I cannot accept that the inherited TEC procedures would have stopped people, under your leadership, undertaking a risk assessment.

Mr Martin: As I said earlier, the chairman and I did ask, when the project was submitted

ffyrdd a dulliau o'i rheoli a'i lleihau pe byddai'r prosiect yn mynd yn ei flaen.

[42] **Christine Gwyther:** A gaf fi ofyn i Mr Martin, felly, fel y person cyfrifol ar y pryd, pam na wnaethpwyd unrhyw asesiad risg?

Mr Martin: Wel, fel yr wyf yn dweud, wrth ymateb i'r prosiect a ddaeth i ni, yr oedd y cadeirydd a minnau o'r farn bod angen i ni gael llawer mwy o sicrwydd y byddai'r asedau cyhoeddus a fyddai'n cael eu prynu yn cael eu gwarchod. Byddai rhan o'r broses a'r ddeialog a ddylai fod wedi digwydd yn sgîl hynny, ond na ddigwyddodd, wedi ateb y pwyntiau hynny. Credaf, yn bendant, mai'r mathau o fesurau aeddfed a ddisgrifiwyd gan Peter Higson yw'r rhai y dylid eu cael. Fel y dywedais yn gynharach, gallwch weld cyferbyniad llwyr rhwng yr arferion da yr oeddem wedi'u hetifeddu gan y cyngor addysg bellach, a oedd yn gyforiog o ddisgyblaethau'r sector cyhoeddus yn yr ardal hon ar gyfer prosiectau addysg bellach, â'r math o beth a ddigwyddodd yn y Ffatri Bop. Yr oedd risg anferth yno, ac fel y dywedais wrth y Pwyllgor hwn o'r blaen, mae'n amlwg, yn y flwyddyn gyntaf honno, o fod wedi gweithredu dan y drefn busnes-fel-arfer hon, a oedd yn angenrheidiol ac yr oedd pawb yn deall, fel y gwyddoch, nad oedd gennym lawer o ddewis ond gwneud hynny nes gallem gyflwyno systemau unigol i'r sefydliad newydd, y dylwn i a'm cydweithiwr fod wedi gwneud mwy i reoli'r risgiau unigol mewn ffordd fwy grymus i sicrhau na allai'r mathau hyn o bethau ddigwydd. Cymerwyd gormod yn ganiataol gennym am allu'r staff i wneud hyn yn iawn ar sail yr hyn a gredem oedd yn arferion cyfredol. Fodd bynnag, ni phrofwyd hynny'n ddigonol mewn amgylchedd lle yr oeddem, fel y dywedais yn gynharach, yn ceisio gwneud gormod yn rhy gyflym.

[43] **Christine Gwyther:** Iawn. Os caf fi bwysu arnoch ar hynny, o gofio fod y prosiect hwn yn cael ei ystyried yn arloesol iawn, pam na wnaethpwyd asesiad risg? Ni allaf dderbyn y byddai'r gweithdrefnau a etifeddwyd gan y CHM wedi atal pobl, dan eich arweinyddiaeth chi, rhag gwneud asesiad risg.

Mr Martin: Fel y dywedais yn gynharach, gofynnodd y cadeirydd a minnau, pan gyflwynwyd

to us—and that was the same project that was submitted to the Assembly, which, of course, subsequently changed—to be satisfied about the way in which the public assets would be protected in going forward and how the other contributions would be made, because we, at that point, were supposed to be contributing some £4 million to a project with a total value of £13.7 million—and with other partners. So we were spreading the risk in that way, but we wished to be assured that those contributions were going to be secured and that the public assets being purchased would be secured in the future, so that if anything went wrong, or we had to reclaim because the project was not going to plan and so on, we could do so. However, on the fundamental point about the lack of a risk assessment, you are absolutely right: it should have happened. The points that we and the Assembly Government made about that were not picked up, and that is clearly what led to the subsequent difficulties with the project and, of course, a set of other issues—which I am sure that you will come to—which are about a fundamental change in the nature and the structure of the project that was contracted for, which took it into new territory and created a new set of risks, which were never open to wider scrutiny. They were dealt with by the staff concerned and were not referred back.

[44] **Christine Gwyther:** Yes, but the fact is that the old set of risks was not assessed either. I am not comfortable with muddying the waters with talk about new sets of risks when even the old set of risks, which were risky enough, were not assessed. I really think that we need to get to the bottom of that, Chair.

Coming back to Mr Higson, can you give us some comfort that there are currently risk assessment procedures in place at the moment so that we do not face this sort of difficulty again?

Dr Higson: There are two parts to the answer. For any new projects that we have initiated this year, there are rigorous appraisals of risk viability and so on, which, as I said earlier, have to have proof positive that they have been looked at and dealt with. All projects are now considered by directors

y prosiect i ni—a chafodd yr un prosiect ei gyflwyno i'r Cynulliad, a newidiodd wedyn, wrth gwrs—i ni gael ein bodloni am y ffordd y byddai'r asedau cyhoeddus yn cael eu gwarchod wrth fynd ymlaen, a sut y byddai'r cyfraniadau eraill yn cael eu gwneud, gan ein bod ni, bryd hynny, i fod i gyfrannu tua £4 miliwn at brosiect a oedd â chyfanswm gwerth o £13.7 miliwn—a chyda phartneriaid eraill. Felly, yr oeddem yn rhannu'r risg yn y ffordd honno, ond yr oeddem am gael sicrwydd fod y cyfraniadau hynny yn mynd i fod yn ddiogel ac y byddai'r asedau cyhoeddus a gâi eu prynu yn ddiogel yn y dyfodol, fel y gallem wneud hynny pe bai unrhyw beth yn mynd o'i le neu pe byddai'n rhaid i ni adennill am nad oedd y prosiect yn cael ei gyflawni yn ôl y bwriad. Fodd bynnag, o ran y pwynt sylfaenol o ddiffyg asesiad risg, yr ydych yn hollol gywir: dylai fod wedi digwydd. Ni roddwyd sylw i'r pwyntiau a wnaethom ni a Llywodraeth y Cynulliad am hynny, a dyna'n amlwg a arweiniodd at yr anawsterau dilynol gyda'r prosiect. Wrth gwrs, arweiniodd hynny at set o faterion eraill—ac mae'n siŵr y byddwch yn eu trafod yn nes ymlaen—sy'n ymwneud â newid sylfaenol yn natur a strwythur y prosiect y gwnaethom gontract ar ei gyfer. Yr oedd hynny'n mynd â'r mater i dir newydd ac yn creu set newydd o risgiau, na chawsant eu harchwilio'n ehangach o gwbl. Y staff dan sylw a ddeliodd â hwy ac ni chyfeiriwyd hwy yn ôl o gwbl.

[44] **Christine Gwyther:** Ie, ond y ffaith yw na chafodd yr hen set o risgiau eu hasesu ychwaith. Nid wyf yn gyfforddus ynglŷn â chymhlethu pethau trwy siarad am setiau newydd o risgiau pan nad aseswyd yr hen set o risgiau hyd yn oed, a oedd yn ddigon o risg ynddynt eu hunain. Credaf fod angen i ni fynd i wraidd hyn, Gadeirydd.

Gan fynd yn ôl at Mr Higson, a allwch chi roi rhywfaint o sicrwydd i ni fod yna weithdrefnau asesu risg ar waith ar hyn o bryd, ac na fyddwn yn gorfod wynebu'r math hwn o anhawster eto?

Dr Higson: Mae dwy ran i'r ateb. Yn achos unrhyw brosiectau newydd yr ydym wedi'u dechrau eleni, gwneir gwerthusiadau trylwyr o risg hyfywedd ac yn y blaen, a ddylai, fel y dywedais yn gynharach, orfod cael tystiolaeth gadarnhaol ein bod wedi edrych arnynt ac wedi delio â hwy. Mae pob prosiect yn awr yn cael ei ystyried gan y

and myself and are thoroughly appraised. Those that need approvals, which are those above the £50,000 delegation that we have, go to the national council, which has developed, in conjunction with me, a much more thorough appraisal process within the council itself. Then, they go to the Assembly for its appraisal. It may be a longer process, but it is a much more thorough and proper process.

[45] **Christine Gwyther:** Finally, Chair, if I may, coming on to Learn to Live Ltd, I understand that it did not complete the necessary project application form, but that the national council prepared it on its behalf. Can you confirm that that was the case?

Mr Martin: I believe that that was the case. There was a dialogue going on between the staff concerned and Learn to Live Ltd. I believe that they worked together in terms of mechanically filling the form in, as it were. I believe that that was undertaken by national council staff. There was a second part to the form that had to be signed off by them, anyway.

Would you mind if I just commented briefly on the earlier answer? I was not suggesting for one moment that the change in the project should muddy the waters. I agree with you totally that there should have been a risk assessment and there is nothing between us on that, I am sure.

[46] **Christine Gwyther:** Right. Coming back to the application form, is it normal practice within the national council for members or officials of the council to help complete an application form?

Mr Martin: It is not normal practice. I was not aware that it was being done in this case at the time. I think, to be fair to those involved, when we were developing these projects generally, we were looking for partners that we could work with to deliver those projects as quickly as possible. So, these were not quite normal circumstances. I can imagine that the view would have been taken by the staff concerned that it would have been quite difficult for the Pop Factory managers to complete that application form

cyfarwyddwyr a minnau ac yn cael eu gwerthuso'n drylwyr. Mae'r rhai sydd ag angen cymeradwyaeth ar eu cyfer, sef y rhai uwchlaw'r ddirprwyaeth o £50,000 sydd gennym, yn mynd at y cyngor cenedlaethol, sydd wedi datblygu proses werthuso llawer mwy trylwyr, ar y cyd â mi, o fewn y cyngor ei hun. Yna, byddant yn mynd at y Cynulliad i gael ei werthusiad. Efallai ei bod hi'n broses hwy, ond mae hi lawer yn fwy trylwyr a phriodol.

[45] **Christine Gwyther:** Yn olaf, Gadeirydd, os caf fi, wrth ddod at fater Learn to Live Cyf, yr wyf yn deall na chwblhaodd y prosiect hwnnw y ffurflen gais angenrheidiol ar y gyfer y prosiect, ond bod y cyngor cenedlaethol wedi paratoi'r ffurflen ar ei ran. A allwch chi gadarnhau mai dyna a ddigwyddodd?

Mr Martin: Credaf mai dyna'r sefyllfa. Yr oedd deialog rhwng y staff dan sylw a Learn to Live Cyf. Credaf eu bod wedi cydweithio o ran llanw'r ffurflen yn fecanyddol, fel petae. Credaf mai staff y cyngor cenedlaethol a wnaeth hynny. Yr oedd yn rhaid iddynt hwy lofnodi ail ran y ffurflen beth bynnag.

A fyddai ots gennych pe bawn i'n rhoi ychydig sylwadau ar yr ateb cynharach? Nid oeddwn yn awgrymu am eiliad y dylai'r newid yn y prosiect gymhlethu pethau. Yr wyf yn llwyr gytuno â chi y dylem fod wedi gwneud asesiad risg ac nid ydym yn anghytuno ar hynny, yr wyf yn siŵr.

[46] **Christine Gwyther:** Iawn. Gan ddychwelyd at y ffurflen gais, a yw'n arferiad yn y cyngor cenedlaethol i aelodau neu swyddogion y cyngor helpu pobl i lanw ffurflen gais?

Mr Martin: Nid yw hynny'n arferol. Nid oeddwn yn ymwybodol fod hyn yn digwydd yn yr achos hwn ar y pryd. I fod yn deg â'r bobl dan sylw, credaf wrth i ni ddatblygu'r prosiectau hyn yn gyffredinol ein bod ni'n edrych am bartneriaid y gallem gydweithio â hwy i ddarparu'r prosiectau hynny mor gyflym â phosibl. Felly, nid amgylchiadau arferol oedd y rhain. Gallaf ddychmygu y byddai'r staff dan sylw wedi meddwl y byddai'n anodd i reolwyr y Ffatri Bop lanw'r ffurflen gais honno heb y math hwnnw o gymorth o fewn y terfynau amser a oedd gennym ar gyfer

without that sort of assistance within the timescales that were involved in making the application and so on. We were not, in this case, putting out to tender, as it were. We did not have the idea. The ideas came from the Pop Factory and we were, therefore, working with it to see how those ideas could be realised, and also in partnership, as I said earlier, with the Welsh Development Agency and Rhondda Cynon Taf County Borough Council. In those circumstances, it was not a case of having to go out to the market and say, here is what we want to buy, who wants the tender for it, where it would, clearly, be quite improper to work with someone who was tendering to make an application. This was an application for something that was intended to be a partnership.

[47] **Christine Gwyther:** I will just end with this if I may, Chair. Coming back to Mr Higson, would you consider it proper for the body receiving an application to assist in the completion of that application?

Dr Higson: Up to a point, to give general advice, but not to give detailed help, it would, to my mind, be a proper procedure. I think that sometimes public bodies can be a little impenetrable for people making applications for project grant aid or whatever. I think that there is a case to actually be able to offer general advice and support, but not to go into detail over the particulars of any one application.

[48] **Christine Gwyther:** Finally, you would question the probity of an organisation filling out the application form?

Dr Higson: One would have to.

[49] **Janet Davies:** Alun wants to come in, and then I will call Leighton.

[50] **Alun Cairns:** Mr Martin, in some of your responses to Ms Gwyther earlier you, to my mind, blamed the TECs—organisations that did not even exist at the time that the applications were being pursued—and you said that you had asked for further work to come back to you, which did not come back to you, and you had also made additional requests, which, in your words, were not followed up. Mr Martin, you were the

gwneud y cais ac ati. Nid oeddem yn rhoi'r contract allan i dendr, fel petae, yn yr achos hwn. Nid ein syniad ni oedd y prosiect. Y Ffatri Bop a oedd yn gyfrifol am y syniadau, a chydweithio â'r ffatri oeddem ni, felly, i weld sut y gellid gwireddu'r syniadau hynny, a hefyd mewn partneriaeth, fel y dywedais yn gynharach, gydag Awdurdod Datblygu Cymru a Chyngor Bwrdeistref Sirol Rhondda Cynon Taf. Dan yr amgylchiadau hynny, nid oedd yn fater o orfod mynd allan i'r farchnad a dweud, dyma'r hyn yr ydym am ei brynu, pwy sydd am gael y tendr i wneud hynny, lle byddai'n hollol amhriodol, mae'n amlwg, i weithio ar gais gyda rhywun a oedd yn tendro. Yr oedd hwn yn gais am rywbeth a fwriadwyd yn bartneriaeth.

[47] **Christine Gwyther:** Yr wyf am orffen gyda hyn, os caf fi, Gadeirydd. Gan ddychwelyd at Mr Higson, a fyddech yn ei hystyried yn briodol i'r corff sy'n cael cais i helpu cwblhau'r cais hwnnw?

Dr Higson: I ryw fan, byddai rhoi cyngor cyffredinol, ond nid cymorth manwl, yn weithdrefn briodol, yn fy meddwl i. Credaf fod cyrff cyhoeddus, ar brydiau, yn gallu bod ychydig yn astrus i bobl sy'n gwneud ceisiadau am gymorth grant i brosiectau neu beth bynnag. Credaf fod rheswm dros allu cynnig cyngor a chefnogaeth gyffredinol, ond nid i fynd i fanylder am fanylion unrhyw gais.

[48] **Christine Gwyther:** Yn olaf, a fyddech yn cwestiynu gonestrwydd sefydliad sy'n llanw'r ffurflen gais?

Dr Higson: Byddai'n rhaid i rywun wneud hynny.

[49] **Janet Davies:** Mae Alun am gyfrannu yma, ac yna byddaf yn galw ar Leighton.

[50] **Alun Cairns:** Mr Martin, yn rhai o'ch ymatebion i Ms Gwyther yn gynharach, yr oeddech yn rhoi'r bai, o'r hyn a ddeallaf, ar y CHM—sefydliadau nad oeddent mewn bodolaeth adeg gwneud y ceisiadau—a dywedasoed eich bod wedi gofyn am i waith pellach ddod yn ôl atoch chi, ond ni ddaeth yn ôl atoch. Yr oeddech hefyd wedi gwneud ceisiadau ychwanegol na chawsant, yn eich geiriau chi. Mr Martin, chi oedd y swyddog cyfrifo. Onid chi oedd yn gyfrifol am sicrhau bod y

accounting officer. Was it not up to you to ensure that these obligations had been fulfilled and was it not up to you to make sure that this work had been done?

Mr Martin: First of all, I am not blaming the TECs at all. What I am saying is that we were relying on what we understood to be their best practice and so on and that was an unsafe assumption. Secondly, I hope that nothing I say will in any way suggest that I am trying to shuffle off my responsibilities as accounting officer at the time. I have always accepted those and I continue to accept them. In an earlier answer, I did say that I very much regretted that I relied on senior staff getting on and doing these things without having a full check in place to make sure that all of them had been done. So, I accept that point.

[51] **Leighton Andrews:** Going back to the application form that came in from Learn to Live Ltd for a moment, this was actually unclear, as we understand it, on the training outcomes of the project and how these would have fit with the national council's strategic targets. Can you tell us why those clear deficiencies were not picked up in the final contract wording so that your position could be properly protected? Is it, frankly, the case that you were simply under pressure to spend money by 31 March?

Mr Martin: I do not think that the reasons for the deficiencies can be explained in terms of people spending money, because the rules on this are very clear. You do not pay in advance of need and you do not, indeed, pay in advance unless you have a very compelling case to do so. There can be a case for payment in advance, and that is allowed for in *Government Accounting*, but this is for special cases. In the case of the training element of the contract, that was introduced at a late stage and links to the points that I made earlier. The proposal as submitted, not just to the chairman and myself, but also to the Assembly Government, was a proposal for the purchasing and refurbishing of a supermarket, which would house the pop cafe. The notion of the contract as it was finally let, which has these three annexes, one of which is concerned with training, one of which with the learning modules, and one of

rhwymedigaethau hyn wedi'u cyflawni ac am sicrhau bod y gwaith hwnnw wedi'i wneud?

Mr Martin: Yn gyntaf oll, nid wyf yn beio'r CHM o gwbl. Yr hyn a ddywedaf yw ein bod yn dibynnu ar yr hyn a ddealllem oedd eu harferion gorau ac yn y blaen, ac yr oedd hynny yn rhagdybiaeth anniogel. Yn ail, yr wyf yn gobeithio na fydd unrhyw beth a ddywedaf yn awgrymu mewn unrhyw ffordd fy mod yn ceisio osgoi fy nghyfrifoldebau fel swyddog cyfrifo ar y pryd. Yr wyf bob amser wedi derbyn y rheini ac yn parhau i'w derbyn. Mewn ateb cynharach, dywedais fy mod yn edifarhau am ddibynnu ar uwch staff i wneud y pethau hyn heb fod archwiliad llawn ar waith i ofalu eu bod i gyd wedi'u cyflawni. Felly, yr wyf yn derbyn y pwynt hwnnw.

[51] **Leighton Andrews:** Gan ddychwelyd am funud at y ffurflen gais a ddaeth gan Learn to Live Cyf, yr oedd hyn yn aneglur, mewn gwirionedd, fel yr ydym yn deall pethau, am ganlyniadau hyfforddiant y prosiect a sut y byddai'r rhain wedi cyd-fynd â thargedau strategol y cyngor cenedlaethol. A allwch ddweud wrthym pam na sylwyd ar y diffygion clir hynny yng ngeiriad terfynol y contract, fel y byddai modd gwarchod eich sefyllfa'n briodol? Ai'r rheswm, i fod yn onest, yw eich bod dan bwysau i wario arian erbyn 31 Mawrth?

Mr Martin: Ni chredaf fod modd egluro'r rhesymau am y diffygion o ran pobl yn gwario arian, gan fod y rheolau ar hyn yn glir iawn. Ni fyddwch yn talu cyn bod angen nac yn talu ymlaen llaw oni bai fod gennych achos cryf iawn dros wneud hynny. Gall fod achos dros dalu ymlaen llaw, a chaniateir ar gyfer hynny yn *Government Accounting*, ond mae hyn ar gyfer achosion arbennig. Yn achos elfen hyfforddiant y contract, cafodd hynny ei gyflwyno'n ddiweddar ac mae'n cysylltu â'r pwyntiau a wnaethpwyd gennyf yn gynharach. Yr oedd y cynnig a gafodd ei gyflwyno, nid yn unig i'r cadeirydd ac i minnau, ond i Lywodraeth y Cynulliad hefyd, yn gynnig i brynu ac adnewyddu archfarchnad, a fyddai'n gartref i'r caffî pop. Cafodd syniad y contract fel y cafodd ei roi yn y pen draw, sy'n cynnwys tri atodiad, un yn ymwneud â hyfforddiant, un gyda modiwlau dysgu, ac un yn ymwneud ag offer cyfalaf, ei lunio'n ddiweddarach, ac nid ymgynghorwyd â mi yn ei gylch. Fel y dywedais, derbyniaf bwynt Mr Cairns

which with capital equipment, was devised at a subsequent stage, and I was not consulted about it. As I said, I accepted Mr Cairns's point that I should have had a more rigorous process to satisfy myself personally that all those things had been done. However, they were not done and, clearly, the effect of that was to make it very difficult to see whether the contract had been achieved. I understand that what the staff who introduced that shape to the training end of the contract were doing was relying on what had been a previous practice in TEC South East Wales, which was to—in respect of eligible employers who offered growth and development prospects for their areas—support a training plan. This was often linked to the work of an inward investor, for instance. The whole thing would be funded at the point where you had a plan. That is clearly in breach of the provisions in *Government Accounting* for payments in advance of need.

[52] **Leighton Andrews:** Mr Martin, the project also breaches your own guidelines for your innovation and development projects. For example, it does not consider the issue of EU state aid requirements, nor does it set effective project milestones. Can you explain why?

Mr Martin: On the issue of state aids, as staff were completing their appraisal, there is an element of the process that requires them to certify that the state aids regulations have been considered, and that they have satisfied themselves about them. As Peter Higson was saying earlier, he has now properly instituted a very rigorous process by which you can say that it is not just our staff asserting that it has been done, but you can prove that it has been done. At the time, we were relying on staff saying that it had been done, so in respect of state aids, that was the position. I must say that there is one issue here that may, I think, have led staff to believe that state aids were not an issue when they should have been, and it is this: there is detailed guidance about the rules governing innovation and development projects in schedule 8 of the management statement from the Assembly. In that schedule, there is a definition of state aids as they apply to innovation and development projects, which is solely in terms of work-based training. I suspect—and this would

y dylwn fod wedi cael proses fwy llym i fodloni fy hun fod yr holl bethau hyn wedi'u cyflawni. Fodd bynnag, ni chawsant eu cyflawni ac effaith hynny, yn amlwg, oedd ei gwneud yn anodd iawn gweld a gafodd y contract ei gyflawni ai peidio. Deallaf mai'r hyn yr oedd y staff a gyflwynodd y siâp hwnnw yn yr elfen hyfforddiant ar ddiwedd y contract yn ei wneud oedd dibynnu ar arferion blaenorol CHM De Ddwyrain Cymru, sef cefnogi cynllun hyfforddiant—mewn perthynas â chyflogwyr cymwys a oedd yn cynnig rhagolygon twf a datblygiad yn eu hardaloedd. Yr oedd hyn yn aml yn cael ei gysylltu â gwaith buddsoddwyr mewnol, er enghraifft. Byddai'r cyfan yn cael ei gyllido yn y man lle yr oedd gennyhych gynllun. Mae hyn yn amlwg yn groes i'r darpariaethau yn *Government Accounting* ar gyfer taliadau cyn bod angen.

[52] **Leighton Andrews:** Mr Martin, mae'r prosiect hefyd yn groes i'ch canllawiau chi eich hun ar gyfer eich prosiectau arloesedd a datblygiad. Er enghraifft, nid yw'n ystyried mater gofynion cymorth gwladol yr UE, nac yn gosod cerrig milltir effeithiol ar gyfer prosiectau. A allwch egluro pam?

Mr Martin: O ran cymorth gwladol, pan oedd staff yn cwblhau eu gwerthusiad, mae elfen yn y broses sy'n gofyn iddynt dystio bod ystyriaeth wedi'i rhoi i reoliadau cymorth gwladol, a'u bod wedi bodloni eu hunain amdanynt. Fel y dywedodd Peter Higson yn gynharach, mae bellach wedi sefydlu proses lem iawn sy'n gallu profi fod y gwaith wedi'i wneud yn hytrach na dibynnu ar honiadau'u staff yn unig. Ar y pryd, yr oeddem yn dibynnu ar staff i ddweud fod y gwaith wedi'i gyflawni, felly, dyna oedd y sefyllfa o ran cymorth gwladol. Mae'n rhaid i mi ddweud fod yma un mater, yn fy marn i, a achosodd i staff gredu nad oedd cymorth gwladol yn fater i'w ystyried pan ddylai fod, sef: mae atodlen 8 yn natganiad rheoli y Cynulliad yn cynnwys canllawiau manwl ar y rheolau sy'n llywodraethu prosiectau arloesedd a datblygiad. Yn yr atodlen honno mae diffiniad o gymorth gwladol fel mae'n gymwys i brosiectau arloesedd a datblygiad, sy'n ymwneud yn unig â hyfforddiant yn y gweithle. Tybiaf—a byddai hon yn sefyllfa gyfarwydd iawn i'r staff dan sylw, gan mai dyna'r system y byddent yn ei defnyddio i weithredu eu prif fusnes; ond ni allaf warantu mai

have been very familiar territory for the staff concerned, because that is the system that they were used to operating for their main business; but I cannot guarantee that this was the case, particularly because the project manager in this case has left the organisation some time since—that if they looked at that guidance, they might well have been led to feel that the state aids issue was not an issue in this case because it was not a work-based training project; it was something different.

[53] **Leighton Andrews:** Well, my understanding, although others will come to this, is that you had advice on this from lawyers. However, let us move on if we can. I want to go back to the whole issue of your own role in the consideration of this project. It is quite clear in the report. An assessment went out from you and the chair on 19 December to senior managers, outlining a range of key concerns that you had about the pop centre project. You have said that you regret that you did not do more to follow up with staff the necessary actions that needed to be taken. We do want to know better why that is. The quotation in the appendix from the paper that went out from you and the chair states:

‘This one needs to go to Steve again as, as Accounting Officer, he needs to be comfortable with it’.

Can I ask you then, why you did not follow up?

Mr Martin: I can only explain that in terms of relying too much on something that I have been able to rely on in my career hitherto, which was that, if senior staff are asked to do something, they do it. However, that does not exonerate me; I have already accepted that I should have followed it up, and the only other thing I can say is that all the senior staff, not just myself, were in the middle of an extraordinarily challenging process of restructuring and reducing the staff of the organisation. However, that is not an excuse. I took my eye off the ball. Clearly, other people did so too, but I have to accept responsibility as accounting officer, and I do.

[54] **Leighton Andrews:** But, Mr Martin, it seems that your eye was off the ball for

dyma'r achos, yn arbennig gan fod rheolwr y prosiect yn yr achos hwn wedi gadael y sefydliad rywbyrd ers hynny—pe byddent wedi edrych ar y canllawiau, y byddent wedi cael eu harwain i gredu nad oedd cymorth gwladol yn fater i'w ystyried yn yr achos hwn gan nad oedd yn brosiect hyfforddiant yn y gweithle, ond yn rhywbeth gwahanol.

[53] **Leighton Andrews:** Wel, fy nealltwriaeth i oedd, er y bydd eraill yn trafod hyn yn y man, yw eich bod wedi cael cyngor ar hyn gan gyfreithwyr. Fodd bynnag, gadewch i ni symud ymlaen, os gallwn. Yr wyf am ddychwelyd at fater eich swyddogaeth chi wrth ystyried y prosiect hwn. Mae hynny'n glir yn yr adroddiad. Anfonwyd asesiad gennych chi a'r cadeirydd at uwch reolwyr ar 19 Rhagfyr yn amlinellu amrywiaeth o bryderon allweddol a oedd gennych am brosiect y ganolfan bop. Yr ydych wedi dweud eich bod yn edifarhau na wnaethoch fwy i fynd ar ôl y camau gweithredu angenrheidiol gyda'r staff. Yr ydym am wybod mwy pam na wnaethoch hynny. Mae'r dyfyniad yn atodiad y papur a anfonwyd gennych chi a'r cadeirydd yn datgan:

‘Mae angen rhoi hwn i Steve eto gan fod angen iddo ef, fel Swyddog Cyfrifo, fod yn fodlon arno’.

A gaf fi ofyn i chi, felly, pam nad aethoch ar ôl hyn?

Mr Martin: Yr unig ffordd i egluro hynny yw mod wedi dibynnu'n ormodol ar rywbeth yr wyf wedi gallu dibynnu arno yn fy ngyrfa hyd yn hyn, sef, os yw uwch staff yn cael cais i wneud rhywbeth, y byddant yn gwneud hynny. Fodd bynnag, nid yw hynny yn fy esgusodi; yr wyf eisoes wedi derbyn y dylwn fod wedi mynd ar ôl hynny, a'r unig beth arall y gallaf ei ddweud yw fod yr holl uwch staff, nid fi yn unig, yng nghanol proses eithriadol llawn her o ad-drefnu a lleihau nifer y staff yn y sefydliad. Fodd bynnag, nid yw hynny'n esgus. Nid oeddwn yn canolbwyntio. Yn amlwg, yr oedd pobl eraill yr un mor euog, ond mae'n rhaid i mi dderbyn cyfrifoldeb fel swyddog cyfrifo, ac yr wyf yn gwneud hynny.

[54] **Leighton Andrews:** Ond, Mr Martin, mae'n ymddangos nad oeddech yn canolbwyntio am

several months because you signed off on this memo on 19 December that it needed to come back to you. You had expressed serious concerns about it. Officials did not come back to you. Did you make any attempt to follow up your concerns prior to signature of the contract?

Mr Martin: What happened subsequently was that, in January, a report was made to council members, including myself, on the progress of the projects. What that report said was that various projects were being progressed and that among them was the Pop Factory project. That was described at that time in terms entirely of the project that went to the chairman and myself. So, at that time, in January, I believed that those matters were still under consideration. Of course, by that time, there had also been the discussions with the Assembly, and the Assembly approval process. I did not know that the meeting about that had taken place; that was not reported to me. What then happened in February was that there was a further report to council on progress, which spelt out—perhaps I can try to find the actual words used in the report that came to council. If I may quote from it, it says:

‘many of the projects approved may not be progressed if Assembly approval is not given or if project sponsors cannot deliver expenditure before the end of the financial year’.

It goes on:

‘all project sponsors have been informed that their projects might not be progressed’.

It also notes that:

‘we are currently reviewing the capacity of all projects to deliver the required projected outturns. Decisions will be made as soon as possible as to whether to proceed’.

So, at that point, these things were still in play. That report was made to myself and council the day before the contract was signed, and I had no idea that the contract was being signed at that time.

fisoedd lawer gan i chi lofnodi ar y memo hwn ar 19 Rhagfyr fod angen ei ddychwelyd atoch. Yr oeddech wedi mynegi pryderon difrifol amdano. Ni ddaeth y swyddogion yn ôl atoch. A wnaethoch unrhyw ymgais i gael ateb i'ch pryderon cyn llofnodi'r contract?

Mr Martin: Yr hyn a ddigwyddodd wedi hynny, ym mis Ionawr, oedd bod adroddiad wedi'i gyflwyno i aelodau'r cyngor, gan gynnwys fi, ar gynnydd y prosiectau. Yr oedd yr adroddiad hwnnw'n dweud fod nifer o brosiectau'n cael eu datblygu a bod prosiect y Ffatri Bop yn eu mysg. Cafodd hynny ei ddisgrifio ar y pryd yn llwyr o ran y prosiect a aeth at y cadeirydd a minnau. Felly, bryd hynny, ym mis Ionawr, credaf fod y materion hynny yn dal i gael eu hystyried. Wrth gwrs, erbyn hynny, yr oedd trafodaethau wedi'u cynnal gyda'r Cynulliad, a phroses gymeradwyo'r Cynulliad wedi'i chwblhau. Nid oeddwn yn gwybod fod y cyfarfod ynglŷn â hynny wedi'i gynnal; ni chefais wybod am hynny. Yr hyn a ddigwyddodd wedyn ym mis Chwefror oedd adroddiad pellach ar gynnydd i'r cyngor, a oedd yn nodi—efallai y gallaf ddod o hyd i'r union eiriau a ddefnyddiwyd yn yr adroddiad a anfonwyd at y cyngor. Os caf fi ddyfynnu ohono, mae'n dweud:

‘efallai na fydd llawer o'r prosiectau a gymeradwywyd yn mynd yn eu blaenau os na dderbynnir cymeradwyaeth gan y Cynulliad neu os na all noddwyr y prosiect ddarparu gwariant cyn diwedd y flwyddyn ariannol’.

Mae'n mynd ymlaen:

‘hysbyswyd holl noddwyr y prosiect nad oedd sicrwydd i'w prosiectau ddatblygu’.

Mae hefyd yn nodi:

‘ar hyn o bryd, yr ydym yn adolygu gallu pob prosiect i ddarparu'r alldroau arfaethedig angenrheidiol. Byddwn yn gwneud penderfyniadau ynglŷn â bwrw ymlaen gyda'r prosiect cyn gynted ag sy'n bosibl’.

Felly, ar y pwynt hwnnw, yr oedd pethau'n dal ar waith. Cyflwynwyd yr adroddiad hwnnw i mi a'r cyngor ddiwrnod cyn llofnodi'r contract, ac nid oedd gennyf syniad bod y contract yn cael ei lofnodi bryd hynny.

[55] **Leighton Andrews:** Mr Martin, do you not discuss important papers that go to council with your staff before they are tabled for council?

Mr Martin: I do indeed, and I approve papers. I took that to be a faithful record of where we had got to on the project. I did not at the time, and would not routinely expect to, discuss the details of every project with staff. I wish I had done, but this was part of a portfolio that included £700 million-worth of expenditure, and I did not discuss those individual projects. I must say, in relation to the Pop Factory, that I do accept that that was a mistake. It was a substantial project and I should have had such a discussion.

[56] **Leighton Andrews:** But, Mr Martin, is this not really, frankly, an issue of basic and fundamental management errors? Is it not the case—I speak as someone who has been a manager in the private, public and voluntary sectors—that any manager who has a decision that concerns them and is delegated to line managers reporting to them normally has in place recall mechanisms to ensure that issues are flagged back up to them?

Mr Martin: I do have such a system and it normally works very well. It did not work in this case.

[57] **Leighton Andrews:** It clearly did not work in this case. I have a question for Mr Higson. Faced with a project over which you had doubts, how would you handle your supervisory role in relation to desk staff dealing with the project approval?

Dr Higson: I think that there are a number of points here. First, one has to establish a very strong controls framework, where there are positive checks on the progress of any project approvals as they go through the system. To achieve that, we are establishing a compliance unit within the national council. We decided to do this two or three months ago. We are now populating it with staff. We have support from the Assembly in terms of secondees to embed and put in place the proper requirements. That is the kind of system one needs in order to ensure that there is a control framework that identifies where

[55] **Leighton Andrews:** Mr Martin, onid ydych yn trafod papurau pwysig sy'n mynd at y cyngor gyda'ch staff cyn iddynt gael eu cyflwyno gerbron y cyngor?

Mr Martin: Ydw, ac yn cymeradwyo papurau. Cymerais hynny fel cofnod cywir o ble yr oeddem wedi cyrraedd prosiect. Nid oeddwn ar y pryd yn disgwyl trafod manylion pob prosiect gyda staff, ac ni fyddwn yn disgwyl gwneud hynny'n arferol. Yr wyf yn edifarhau na wneuthum i hynny, ond yr oedd hyn yn rhan o bortffolio a gynhwysai werth £700 miliwn o wariant, ac ni thrafodais y prosiectau unigol hynny. Mae'n rhaid i mi ddweud, mewn perthynas â'r Ffatri Bop, fy mod yn derbyn bod camgymeriad wedi'i wneud. Yr oedd yn brosiect sylweddol a dylwn fod wedi cael trafodaeth felly.

[56] **Leighton Andrews:** Ond, Mr Martin, onid yw hyn, a bod yn blwmp ac yn blaen, yn fater o gamgymeriadau rheoli sylfaenol? Onid oes gan unrhyw reolwr—a siaradaf fel rhywun sydd wedi bod yn rheolwr yn y sectorau preifat, cyhoeddus a gwirfoddol—sydd i wneud penderfyniad yn ymwneud ag ef ac sydd wedi'i ddirprwyo i reolwyr llinell sy'n adrodd yn ôl iddo ddulliau dwyn i gof ar waith fel rheol i sicrhau ei fod yn cael ei atgoffa o faterion?

Mr Martin: Mae gennyf system o'r fath ac mae'n gweithio'n dda iawn fel rheol. Ond ni weithiodd yn yr achos hwn.

[57] **Leighton Andrews:** Mae'n amlwg na weithiodd yn yr achos hwn. Mae gen i gwestiwn i Mr Higson. Wrth wynebu prosiect yr oedd gennych amheuan yn ei gylch, sut y byddech yn delio â'ch rôl oruchwylio mewn perthynas â staff desg sy'n delio â chymeradwyo'r prosiect?

Dr Higson: Credaf fod nifer o bwyntiau yma. Yn gyntaf, mae'n rhaid sefydlu fframwaith rheoli cryf iawn, sy'n cynnwys archwiliadau cadarnhaol o gynnydd unrhyw gymeradwyaeth prosiect wrth iddynt fynd trwy'r system. I wneud hynny, yr ydym yn sefydlu uned gydymffurfio yn y cyngor cenedlaethol. Penderfynasom wneud hyn ddau neu dri mis yn ôl. Yr ydym wrthi'n ei staffio ar hyn o bryd. Cawn gefnogaeth gan y Cynulliad o ran gweithwyr ar secondiad i osod y gofynion priodol a'u sefydlu. Dyna'r math o system y mae ei hangen i sicrhau fframwaith rheoli sy'n nodi ble y mae penderfyniadau wedi cyrraedd a phryd y dylid eu hatal a'u dwyn yn ôl. Felly, fel swyddog cyfrifo,

decisions have got to and when they need to be stopped and brought back. So, I think, as an accounting officer, the duty is to put the systems in place and then make them work.

[58] **Leighton Andrews:** Would that system involve reminders in a sense, or, as I call them, recall mechanisms, for you to chase progress?

Dr Higson: Yes.

[59] **Leighton Andrews:** Thank you. I would like to move on to paragraphs 3.26 to 3.29. These, really, are questions for Sir Jon. There was a meeting of Assembly officials in the sponsor department and ELWa officials to discuss the project. It is clear from the report that Assembly officials had serious concerns about the project, and these are expressed, as we know, in e-mails between them over a two-week period in December 2001 and January 2002. However, I think that the critical issue is the meeting that took place in January, of which there is no minute, Sir Jon. Can you explain that?

Sir Jon Shortridge: There certainly should have been a note of that meeting and I very much regret that there was not one. When I discovered that there had not been one, I did ask the officials concerned to prepare, so far as they could, a retrospective note, which the report refers to. That retrospective note was actually prepared on the basis of manuscript notes that had been retained, so I have some understanding, on the basis of what I have now been given, of what went on at that meeting. However, the basic point is, and I agree with you, that on important issues like this, there has to be a proper audit trail and, therefore, there have to be proper records.

[60] **Leighton Andrews:** Have you discussed with officials who were at that meeting, not only the failure to produce minutes of the meeting, but what took place? Have you discussed in detail with them what matters were discussed at the meeting?

Sir Jon Shortridge: Yes, although I am relying mainly on the three-page note that I asked them to prepare for me, so I do have my own record of what went on at that meeting. I have also this week, as it happens,

credaf ei bod hi'n ddyletswydd rhoi'r systemau ar waith a gwneud iddynt weithio.

[58] **Leighton Andrews:** A fyddai'r system honno yn cynnwys mesurau atgoffa, neu ddulliau dwyn i gof, fel y byddaf yn eu galw, i chi ddilyn cynnydd?

Dr Higson: Byddai.

[59] **Leighton Andrews:** Diolch. Hoffwn symud ymlaen i baragraffau 3.26 i 3.29. Cwestiynau i Syr Jon yw'r rhain, mewn gwirionedd. Cynhaliwyd cyfarfod rhwng swyddogion adran noddwyr y Cynulliad a swyddogion ELWa i drafod y prosiect. Mae'n amlwg o'r adroddiad fod swyddogion y Cynulliad yn pryderu'n ddifrifol am y prosiect, a mynegwyd hyn, fel y gwyddom, mewn negeseuon e-bost rhyngddynt dros gyfnod o bythefnos ym mis Rhagfyr 2001 a mis Ionawr 2002. Fodd bynnag, credaf mai'r mater tyngedfennol yw'r cyfarfod a gynhaliwyd ym mis Ionawr, nad oes cofnodion ar ei gyfer, Syr Jon. A allwch egluro hynny?

Syr Jon Shortridge: Dylid yn sicr fod wedi cofnodi'r cyfarfod hwnnw, ac mae'n flin gennyf nad oes cofnod ohono. Pan ddarganfŵm nad oedd cofnod, gofynnais i'r swyddogion dan sylw baratoi, cyn belled ag y gallent, nodyn ôl-weithredol, ac mae'r adroddiad yn cyfeirio ato. Cafodd y nodyn ôl-weithredol hwnnw ei baratoi ar sail nodiadau llawysgrif a oedd wedi'u gwneud, felly, mae gennyf ryw fath o ddealltwriaeth, ar sail yr hyn yr wyf wedi ei gael yn awr, o'r hyn a ddigwyddodd yn y cyfarfod hwnnw. Fodd bynnag, y pwynt sylfaenol yw, ac yr wyf yn cytuno â chi, fod yn rhaid cael llwybr archwilio priodol ar gyfer materion pwysig fel hyn, ac felly mae'n rhaid cael cofnodion priodol.

[60] **Leighton Andrews:** A ydych wedi trafod y methiant i ddarparu cofnodion a'r hyn a ddigwyddodd yn y cyfarfod gyda swyddogion a oedd yn y cyfarfod hwnnw? A ydych wedi trafod yn fanwl gyda hwy pa faterion a drafodwyd yn y cyfarfod?

Syr Jon Shortridge: Do, er fy mod yn dibynnu'n bennaf ar nodyn tair tudalen y gofynnais iddynt ei baratoi i mi. Felly, mae gennyf gofnod fy hun o'r hyn a ddigwyddodd yn y cyfarfod hwnnw. Yr wythnos hon, fel mae'n digwydd, yr wyf hefyd

sent a further reminder around to all my senior staff about the importance of recording important meetings and maintaining an audit trail.

[61] **Leighton Andrews:** Have you reviewed the recommendations made to the Minister as a result of that meeting and the minutes that you subsequently had prepared retrospectively?

Sir Jon Shortridge: I have satisfied myself, on the basis of the discussions that I have held and on the basis of the retrospective note, that the advice that went forward to the Minister was entirely proper and appropriate.

[62] **Leighton Andrews:** So you are convinced that the recommendations that went to the Minister were consistent with the information that was supplied at the meeting and that the conclusions drawn by officials were made on a sound basis?

Sir Jon Shortridge: Yes, I am. However, I should perhaps make it clear, lest there is any misunderstanding, that the Minister was involved in this case very much on an exception basis. This was the only one of these projects that was referred to the Minister. Officials dealt with everything else on her behalf—perfectly properly in my view. This was referred to her, not so that she could do the officials' work for them, but because we felt that there were political aspects to this that she needed to be aware of. This was a very expensive project, it was one that was going to be very high profile, and it was very much at the innovative end of innovation. The officials concerned rightly felt that they needed to share that with her and that she needed to be told in advance of the nature of this project, for which we were recommending approval, so that she could be satisfied, and so that we could be satisfied, that she felt that it was fit for purpose in policy terms.

[63] **Leighton Andrews:** This meeting between officials from the Assembly and ELWa took place just over two months before the end of a financial year. Did the meeting discuss a schedule of payments for the project?

wedi anfon nodyn atgoffa pellach at fy uwch staff i gyd ynglŷn â phwysigrwydd cofnodi cyfarfodydd pwysig a chynnal llwybr archwilio.

[61] **Leighton Andrews:** A ydych wedi adolygu'r argymhellion a gyflwynwyd i'r Gweinidog yn sgil y cyfarfod hwnnw a'r cofnodion a baratowyd gennych wedyn ar ôl y cyfarfod?

Syr Jon Shortridge: Yr wyf wedi bodloni fy hun, ar sail y trafodaethau a gefais ac ar sail y nodyn ôl-weithredol, fod y cyngor a roddwyd i'r Gweinidog yn hollol briodol.

[62] **Leighton Andrews:** Felly, a ydych wedi'ch darbwylllo fod yr argymhellion a gyflwynwyd i'r Gweinidog yn gyson â'r wybodaeth a roddwyd yn y cyfarfod, a bod y casgliadau a wnaed gan swyddogion wedi'u gwneud ar sylfaen gadarn?

Syr Jon Shortridge: Ydwyf. Fodd bynnag, efallai y dylwn ddatgan yn glir, i osgoi unrhyw gamddealltwriaeth, fod y Gweinidog yn ymwneud â'r achos hwn fel eithriad i raddau helaeth. Dyma'r unig un o'r prosiectau hyn a gafodd ei gyfeirio at y Gweinidog. Swyddogion fu'n delio â phopeth arall ar ei rhan—yn hollol briodol, yn fy marn i. Cafodd hwn ei gyfeirio ati, nid fel y gallai wneud gwaith y swyddogion drostynt, ond gan ein bod yn teimlo bod agweddau gwleidyddol i'r prosiect yr oedd angen iddi fod yn ymwybodol ohonynt. Yr oedd hwn yn brosiect drud iawn, yn un fyddai bob amser â phroffil uchel iawn, ac yn arloesol o arloesol. Yr oedd y swyddogion dan sylw yn teimlo y dylent rannu hynny gyda hi, yn briodol, a bod angen iddi gael gwybod ymlaen llaw am natur y prosiect yr oeddem yn argymhell ei gymeradwyo, fel y gallai hi gael ei bodloni a ninnau ein bodloni ei bod yn teimlo'i fod y prosiect addas i'r diben.

[63] **Leighton Andrews:** Cafodd y cyfarfod hwn rhwng swyddogion y Cynulliad ac ELWa ei gynnal ychydig dros ddeufis cyn diwedd blwyddyn ariannol. A drafodwyd amserlen taliadau'r prosiect yn y cyfarfod?

Sir Jon Shortridge: No—not on the evidence that I have. What we were doing throughout was making a distinction between approval on operational matters, which we made very clear was a matter for the national council, and on fitness for purpose in policy terms, if I can put it like that. The sorts of things that were being discussed were: could not the objectives of this project be met more satisfactorily, or as satisfactorily, by using the New Deal for musicians; would not this project actually sit more properly within mainstream further education. It was these policy issues which, as officials, we wanted to be satisfied on before we were prepared to let the national council go ahead with the scheme. However, it was always very explicit that it was for the council to satisfy itself that the proposal itself met the operational requirements of the guidelines.

[64] **Leighton Andrews:** So, on the basis of the evidence that you have, there was no question of any issue of prepayment being raised at that meeting?

Sir Jon Shortridge: Not at all. It is my understanding, from talking to the officials, that they were very clear that they were giving approval for these projects to assist the council to make progress with its innovation development schemes, but under no circumstances to encourage it to make payments in advance of need. That was just not an issue.

[65] **Leighton Andrews:** Finally, Sir Jon, having been through this episode of the missing minutes, are you now satisfied that procedures are tight enough in terms of relationships between sponsor divisions and ASPBs to ensure that no further meetings of this kind take place without minutes?

Sir Jon Shortridge: I would like to give you an absolute assurance on that and, as I say, I have given a reminder this week, but you are dealing with people who are often working under great pressure and, in even the best managed and regulated of organisations, there will be lapses of that nature. So, I think that it would be foolish of me to give you an absolute assurance that never again will notes of meetings not be taken, and there are human error issues there. However, my views

Syr Jon Shortridge: Naddo—nid yn ôl y dystiolaeth sydd gennyf. Yr hyn yr oeddem yn ei wneud drwy gydol yr amser oedd gwahaniaethu rhwng cymeradwyo materion gweithredol - agwnaethom yn glir fod hwnnw'n fater i'r cyngor cenedlaethol - a materion ateb y diben o ran polisi, os gallaf ei roi fel hynny. Y math o bethau a oedd yn cael eu trafod oedd: onid oedd modd cyflawni amcanion y prosiect hwn yn fwy boddhaol, neu mor foddhaol, trwy ddefnyddio'r Fargen Newydd i gerddorion; oni fyddai'r prosiect hwn yn fwy priodol mewn addysg bellach brif ffrwd. Y materion polisi hyn yr oeddem ni, fel swyddogion, am fod yn fodlon arnynt cyn i ni adael i'r cyngor cenedlaethol fynd ymlaen â'r cynllun. Fodd bynnag, yr oedd yn amlwg iawn o'r dechrau mai'r cyngor fyddai'n penderfynu a fyddai'r cynnig ei hun yn bodloni gofynion gweithredol y canllawiau.

[64] **Leighton Andrews:** Felly, ar sail y dystiolaeth sydd gennych, ni chodwyd unrhyw gwestiwn am achos o dalu ymlaen llaw yn y cyfarfod hwnnw?

Syr Jon Shortridge: Dim o gwbl. Yn ôl yr hyn a ddeallaf, o siarad â'r swyddogion, yr oeddent yn bendant iawn eu bod yn rhoi cymeradwyaeth i'r prosiectau hyn i helpu'r cyngor i wneud cynnydd gyda'i gynlluniau datblygu arloesedd. Ond nid oeddent dan unrhyw amgylchiadau yn annog taliadau cyn bod angen. Nid oedd hynny'n codi o gwbl.

[65] **Leighton Andrews:** Yn olaf, Syr Jon, ar ôl bod trwy'r achos hwn o gofnodion coll, a ydych yn awr yn fodlon bod gweithdrefnau yn ddigon tynn o ran y berthynas rhwng adrannau noddi a Chyrff Cyhoeddus a Noddir gan y Cynulliad i sicrhau na fydd unrhyw gyfarfod pellach o'r math hwn yn cael ei gynnal heb wneud cofnodion?

Syr Jon Shortridge: Hoffwn roi sicrwydd pendant i chi am hynny, ac fel y dywedais, yr wyf wedi anfon nodyn atgoffa yr wythnos hon. Ond yr ydych yn delio â phobl sy'n gweithio dan bwysau mawr yn aml, ac mae diffygion fel hynny'n gyffredin yn y sefydliadau sy'n cael eu rheoli a'u rheoleiddio orau hyd yn oed. Felly, credaf y byddai'n annoeth i mi roi sicrwydd pendant na fydd achos o beidio â gwneud cofnodion yn digwydd eto, ac mae yma faterion yn gysylltiedig â chamgymeriadau dynol. Fodd bynnag, mae fy marn ar y mater yn glir iawn

on the subject are very clear now, and I am sure that they are the same as yours.

[66] **Janet Davies:** On that, Sir Jon, I think that you would agree that, if several people go to a meeting, they all come away with a slightly different recollection. It is inevitable—we all look at things in a subjective way. Therefore, in preparing that retrospective note, presumably the people who were present from the Assembly had to come to an understanding with each other of what exactly happened.

Sir Jon Shortridge: I am sure that that was the case. As it happens, one of the people at the meeting had retained her manuscript notes, and that was the starting point for this note that was prepared and, I am sure, agreed among those concerned. What remains unsatisfactory about it is that it is an internal note of the Assembly, not one that was prepared at the time and shared with the national council. The Auditor General has quite rightly said that he cannot rely on it absolutely to give him the evidence that he requires.

[67] **Janet Davies:** You say that proper and appropriate advice was given to the Minister on the basis of that, yet here we are today looking at a fairly devastating National Audit Office report, are we not?

Sir Jon Shortridge: Yes, but just to repeat the point, the issues in the National Audit Office's report relate to failures by officials to do a job properly. There was never any question of referring the detail of those operational issues to the Minister. We just needed to be assured that she felt that this project was sufficiently consistent with the objectives of this scheme for it to be allowed to go ahead.

[68] **Janet Davies:** Thank you. Jocelyn, you have some questions?

[69] **Jocelyn Davies:** Yes, thank you. May I ask Mr Martin about some things that he has already told us today? You have previously told us, on previous visits here, Mr Martin, that you knew that your staff lacked experience and knowledge in handling these projects. This was a large contract. It was

yn awr, ac yr wyf yn sicr ei fod yr un fath â'ch barn chi.

[66] **Janet Davies:** Ynglŷn â hynny, Syr Jon, credaf y byddech yn cytuno, os bydd nifer o bobl yn mynd i gyfarfod, y byddant i gyd yn dod oddi yno gydag argraff ychydig yn wahanol. Mae'n anochel—mae pawb yn edrych ar bethau yn oddrychol. Felly, wrth baratoi'r nodyn ôl-weithredol hwnnw, tybiaf fod y bobl a oedd yn bresennol o'r Cynulliad wedi gorfod dod i ddealltwriaeth gyda'i gilydd am yr hyn a ddigwyddodd.

Syr Jon Shortridge: Yr wyf yn sicr mai dyna a ddigwyddodd. Fel y mae'n digwydd, yr oedd un o'r bobl a oedd yn y cyfarfod wedi cadw ei nodiadau llawysgrif, a dyna oedd y pwynt cychwyn ar gyfer y nodyn hwn a gafodd ei baratoi, a'i gytuno, yr wyf yn sicr, gan y rhai dan sylw. Yr hyn sy'n parhau'n anfoddhaol am y sefyllfa yw ei fod yn nodyn mewnol gan y Cynulliad, nid yn un a gafodd ei baratoi adeg y cyfarfod a'i rannu gyda'r cyngor cenedlaethol. Yr oedd yr Archwilydd Cyffredinol yn iawn i ddweud na all ddibynnu arno'n llwyr i roi'r dystiolaeth y mae arno ei hangen.

[67] **Janet Davies:** Yr ydych yn dweud fod cyngor priodol wedi'i roi i'r Gweinidog ar sail hynny, ond eto yr ydym yma heddiw yn edrych ar adroddiad eithaf deifiol gan y Swyddfa Archwilio Genedlaethol, onid ydym?

Syr Jon Shortridge: Ydym, ond i ailadrodd y pwynt, mae'r materion yn adroddiad y Swyddfa Archwilio Genedlaethol yn ymwneud â methiannau gan swyddogion i wneud tasg yn iawn. Nid oedd yn fwrriad o gwbl cyfeirio manylion y materion gweithredol hynny at y Gweinidog. Yr unig beth yr oeddem angen ei sicrhau oedd ei bod yn teimlo bod y prosiect hwn yn ddigon cyson ag amcanion y cynllun hwn i'w ganiatáu i barhau.

[68] **Janet Davies:** Diolch. Jocelyn, mae gennych gwestiynau?

[69] **Jocelyn Davies:** Oes, diolch. A gaf fi holi Mr Martin am rai pethau y mae wedi sôn amdanynt eisoes heddiw? Yr ydych wedi dweud wrthym o'r blaen, mewn ymweliadau blaenorol, Mr Martin, eich bod yn gwybod fod gan eich staff ddiffyg profiad a gwybodaeth o ddelio â phrosiectau fel hyn. Yr oedd hwn yn gontract mawr. Yr oedd

high risk. You and the chair of the board had expressed reservations. It required the personal approval of the Minister, which, we have just heard, is unique, and that approval was unusually conditional. Yet you appear today to be giving us the impression that it was quite routine and did not require your personal attention. Can you explain the conflict that exists there, that it would require the personal attention of the Minister, but not yours?

Mr Martin: I did give the project my personal attention, in the sense that it was referred to me, I made my comments and I asked for further work to be done with the chairman. I have already accepted that I should have had a more effective system for making sure that I followed up on it. So, it was not the case that it did not have my personal attention. What is the case is that it did not get enough of my personal attention in the subsequent stages. The issue of the Minister's approval, I have to say, was not drawn to my attention. I did not know the terms of that. Clearly, had I followed it up, I would have found out about that. However, I only learned about that subsequently. As I say, at the time when the projects were being reported to myself and council on 21 February, immediately before the contract was signed, I had not been given information to suggest that the issues relating to the project had been clarified. As I said earlier, I can only explain the omission in terms of following up those earlier points, and in terms of making absolutely sure that those issues that we had addressed, never mind the ones that the Assembly Government had picked up on—and there was a substantial overlap, I think, in terms of the concerns. I very much regret now that I did not do that. Clearly, there was an awful lot of activity going on that was not being referred back to me and, in this case, my normally excellent bring forward system for making sure that issues are followed up and so on, broke down.

[70] **Jocelyn Davies:** May I ask, did you have one of your auditors assigned to the team that was looking after this project to manage the high-risk areas?

llawer o risg yn perthyn iddo. Yr oeddech chi a chadeirydd y bwrdd wedi mynegi'ch amheuan. Yr oedd angen cael cymeradwyaeth bersonol gan y Gweinidog, a oedd, fel yr ydym newydd glywed, yn arfer unigryw, ac yr oedd y gymeradwyaeth honno, yn anarferol iawn, yn amodol. Ond eto, heddiw yr ydych yn ymddangos fel pe baech yn rhoi'r argraff bod hyn yn arferol ac nad oedd yn gofyn am eich sylw personol. A allwch chi egluro'r gwrthdaro sydd yma, sef y byddai hyn yn gofyn am sylw personol y Gweinidog, ond nid eich sylw personol chi?

Mr Martin: Rhoddais sylw personol i'r prosiect, o ran bod y prosiect wedi'i gyfeirio ataf. Cyflwynais fy sylwadau a gofyn am i waith pellach gael ei wneud gyda'r cadeirydd. Yr wyf eisoes wedi derbyn y dylwn fod wedi sicrhau system fwy effeithiol ar gyfer sicrhau camau dilynol. Felly, nid yw dweud na chafodd fy sylw personol yn gywir yn yr achos hwn. Yr hyn a ddigwyddodd oedd na roddais ddigon o sylw personol yn y cyfnodau a ddilynodd. Ni chefais wybod am gymeradwyaeth y Gweinidog, mae'n rhaid i mi ddweud. Nid oeddwn yn ymwybodol o amodau hynny. Yn amlwg, pe byddwn wedi dilyn y mater, byddwn wedi dod i wybod am hynny. Fodd bynnag, ar ôl yr achos y daeth y wybodaeth honno yn hysbys i mi. Fel y dywedais, adeg adrodd am y prosiectau i mi a'r cyngor ar 21 Chwefror, yn union cyn llofnodi'r contract, nid oeddwn wedi cael gwybodaeth i awgrymu bod y materion a oedd yn gysylltiedig â'r prosiect wedi eu hegluro. Fel y dywedais yn gynharach, ni allaf ond egluro'r methiant o ran dilyn y pwyntiau cynharach hynny, ac o ran gwneud yn hollol siŵr bod y materion hynny a gafodd sylw gennym, heb sôn am y rhai yr oedd Llywodraeth y Cynulliad wedi'u codi—ac yr oedd gorgyffwrdd sylweddol, yn fy meddwl i, o ran y pryderon. Yr wyf yn edifar iawn yn awr na wneuthum i hynny. Yn amlwg, yr oedd llawer yn digwydd bryd hynny na chafodd ei gyfeirio yn ôl ataf, ac yn yr achos hwn methodd fy system tynnu sylw i sicrhau bod materion yn cael sylw dilynol, system sy'n gweithio'n rhagorol fel rheol.

[70] **Jocelyn Davies:** A gaf fi ofyn, a drefnwyd gennych i un o'ch archwilwyr, a oedd wedi'i benodi i'r tîm a oedd yn gofalu am y prosiect hwn, reoli'r meysydd uchel eu risg?

Mr Martin: We did not have an auditor. It would not routinely be part of a process to have an auditor attached to a project; I agree that it can be a useful approach. One of the things that we did as part of the reorganisation, which was taking place at the time and which we were planning at the time, was to recognise that what you needed would not be an auditor, but a financial accountant, who would actually be available to work with operational colleagues on projects. Now, that system was not in place at this time. I think that if it had been in place, it would have made a significant contribution. There was finance involvement at a moderately senior level in terms of discussions around the contract, but that clearly was not as thorough-going as it should have been to have picked up on these issues and made absolutely sure that what happened, in terms of letting the contract, was acceptable.

[71] **Jocelyn Davies:** Just referring back to something that you said the last time you visited us, you did say at that time that,

‘where there are high-risk contracts... major, big contracts, we put in some extra effort, for instance assigning one of our auditors to make sure that they sat alongside the people who were responsible and that they dealt with those high-risk areas.’

That was not in place at that time, but you have it in place now?

Mr Martin: The system of having specialist finance accountants who work with teams is now in place, and that was put in place as part of the reorganisation that occurred in the early part of the financial year 2002-03. The comments that I made, as I recall, were what ideally should have happened to manage risk in those circumstances. One of the clear things that I would do now and, indeed, is a routine part— If I may just refer to the way in which I conduct these matters in relation to the Higher Education Funding Council for Wales, as we look, for instance, at a major merger proposal or any major special capital expenditure proposal, or whatever, in that sector, finance staff are part of the team. Finance staff are working alongside the operational staff to make sure that all those angles are covered. That is clearly best

Mr Martin: Nid oedd gennym archwilydd. Ni fyddai cael archwilydd ynghlwm wrth brosiect yn arfer rheolaidd; cytunaf y gall hynny fod yn ddull defnyddiol. Un o'r pethau a wnaethom wrth ad-drefnu, a oedd yn digwydd yr adeg hon ac yr oeddem yn ei gynllunio ar yr adeg hon, oedd cydnabod mai'r hyn y byddai arnoch ei angen fyddai cyfrifydd ariannol, yn hytrach nag archwilydd, a fyddai'n gallu gweithio gyda chydweithwyr gweithredol ar brosiectau. Ond nid oedd y system honno ar waith bryd hynny. Credaf y byddai wedi gwneud cyfraniad sylweddol pe byddai ar waith. Yr oedd y prosiect yn cynnwys elfen ariannol ar lefel gymharol uchel o ran trafodaethau ynglŷn â'r contract, ond nid oedd hynny mor drylwyr ag y dylai fod, mae'n amlwg, i sylwi ar y materion hyn ac i wneud yn hollol siŵr bod yr hyn a ddigwyddodd, o ran rhoi'r contract, yn dderbyniol.

[71] **Jocelyn Davies:** Gan gyfeirio yn ôl at rywbeth a ddywedasoch y tro diwethaf i chi fod yma, dywedasoch bryd hynny,

‘lle mae contractau risg-uchel...contractau mawr, pwysig, gwnaethom rywffaint o ymdrech ychwanegol, er enghraifft penodi un o'n harchwilwyr i sicrhau eu bod yn eistedd ochr yn ochr â'r bobl a oedd yn gyfrifol a'u bod yn delio â'r meysydd risg-uchel hynny.’

Nid oedd hynny ar waith bryd hynny, ond mae ar waith yn awr?

Mr Martin: Mae'r system o gael cyfrifwyr ariannol arbenigol sy'n gweithio gyda thimau yn awr ar waith, ac fe'i sefydlwyd fel rhan o'r ad-drefnu a ddigwyddodd yn rhan gyntaf blwyddyn ariannol 2002-03. Yr oedd y sylwadau a wneuthum, os cofiaf yn iawn, yn ymwneud â'r hyn a ddylai fod wedi digwydd yn ddelfrydol i reoli risg dan yr amgylchiadau hynny. Dyna un o'r pethau amlwg y byddwn yn eu gwneud yn awr, ac sy'n arfer rheolaidd—. Os caf fi gyfeirio at y ffordd yr wyf yn cynnal y materion hyn mewn perthynas â Chyngor Cyllido Addysg Uwch Cymru, wrth i ni edrych, er enghraifft, ar gynnig uno sylweddol neu unrhyw gynnig gwariant cyfalaf mawr arbennig, neu beth bynnag, yn y sector hwnnw, mae staff cyllid yn rhan o'r tîm. Bydd staff cyllid yn gweithio ochr yn ochr â'r staff gweithredol i sicrhau bod yr holl agweddau hynny'n cael sylw. Dyna'n amlwg yw arferion gorau.

practice.

[72] **Jocelyn Davies:** But when you were talking to us then you were not referring to the time when this contract was taking place?

Mr Martin: Yes. The issues in relation to procurement, which was the subject of the earlier hearing and, indeed, the report that I think you are quoting from, were happening more or less at the same time as these processes were going on.

[73] **Jocelyn Davies:** Okay. There were material changes to the nature of the project and the purpose to which the national council funding was to be put. That was after the approval had been sought, but before the contract had actually been signed. These were not referred back to you or to the Assembly officials. Can you confirm that?

Mr Martin: Perhaps it would be helpful if I take you through what I understand the sequence of events to have been. Subsequent to the project's having been put to the chairman and me and to the Assembly Government, the finance department did become involved. It expressed concern about a particular aspect of the contract. It was concerned that the proposal to spend a good part of the total expenditure on the project on buildings would be very hard to reconcile and to safeguard in terms of some of the provisions of the financial memorandum, namely, what happens if an asset in the private sector is subsequently sold. How are you going to make sure that you secure the public interest in that asset? Normally, if you were doing this with a college, it is not a problem because you simply make it a condition that, in perpetuity, unless it is subsequently agreed otherwise for very good reasons, you have a lien on the relevant part of the asset. That led then to an instruction to the national council's solicitors, who were advising on this, to take that concern into account and to develop what became annex B to the contract for services—this is the element of the contract for the learning modules. So that was a fundamental change that arose from a worthy attempt to safeguard public assets, which ended up having a rather perverse result. It is very odd, because on the basis of what I have subsequently discovered,

[72] **Jocelyn Davies:** Ond pan oeddech yn siarad â ni, nid oeddech yn cyfeirio at amser pan oedd y contract hwn yn digwydd?

Mr Martin: Oeddwn Yr oedd y materion yn gysylltiedig â chaffael, a oedd yn destun y gwrandawriad cynharach ac, yn wir, yr adroddiad y credaf eich bod yn dyfynnu ohono, yn digwydd fwy neu lai yr un adeg â'r prosesau hyn.

[73] **Jocelyn Davies:** Iawn. Yr oedd newidiadau perthnasol yn natur y prosiect a diben y cyllido gan y cyngor cenedlaethol. Yr oedd hynny ar ôl ceisio'r gymeradwyaeth, ond cyn llofnodi'r contract. Ni chafodd y rhain eu cyfeirio yn ôl atoch chi na swyddogion y Cynulliad. A allwch chi gadarnhau hynny?

Mr Martin: Efallai y byddai'n ddefnyddiol i fi fynd drwy'r dilyniant o ddigwyddiadau, yn ôl yr hyn a ddeallaf fi. Ar ôl i'r prosiect gael ei gyflwyno i'r cadeirydd ac i mi ac i Lywodraeth y Cynulliad, daeth yr adran gyllid i mewn. Mynegodd bryder am agwedd ar arbennig ar y contract. Yr oedd yn bryderus y byddai'r cynnig i wario rhan dda o gyfanswm y gwariant ar y prosiect ar adeiladau yn anodd iawn i'w gysoni ac i'w ddiogelu o ran rhai o ddarpariaethau'r memorandwm ariannol. Hynny yw, beth sy'n digwydd os bydd ased yn cael ei werthu yn y sector preifat. Sut allwch chi sicrhau y byddwch yn diogelu lles y cyhoedd yn yr ased honno? Fel rheol, pe baech yn gwneud hyn gyda choleg, nid yw'n broblem gan y gallwch wneud amod bod gennych hawlrwym ar ran berthnasol o'r ased, am byth, oni bai fod cytundeb fel arall am resymau da iawn. Arweiniodd hynny at gyfarwyddo cyfreithwyr y cyngor cenedlaethol, a oedd yn cynghori ar hyn, i ystyried y pryder hwnnw ac i ddatblygu yr hyn a ddaeth yn atodiad B i gontract y gwasanaethau—sef elfen y contract ar gyfer y modiwlau dysgu. Felly, yr oedd hynny'n newid sylfaenol a gododd o ymgais werth chweil i ddiogelu asedau cyhoeddus, ac a gafodd ganlyniad eithaf gwrthnysig. Mae'n rhyfedd iawn, oherwydd ar sail yr hyn a ddarganfûm wedyn, er bod y staff gweithredol yn rhan o hyn oll ac yn rhan o'r trafodaethau hynny am y newid yn natur y contract—y symudiad i ddarparu gwasanaethau ar gyfer y rhan fwyaf sylweddol ohono—yr oeddent yn dal i gredu, ac yr oedd Learn to Live Cyf yn dal i gredu, nad oedd gwraidd y prosiect, os hoffech

although the operational staff were party to all of this and were involved in those discussions about the change in the nature of the contract—the shift to the provision of services for the most substantial part of it—they continued to believe, and Learn to Live Ltd continued to believe, that the guts of the project, if you like, was really not about that, but about refurbishing, and later equipping, a building and capital works generally, and not about the provision of services. I cannot give you a categorical and straight answer to all that went on. However, that is my best understanding, having talked to the staff concerned, and having talked to the auditors who did this work about what was going on and what led to that change.

[74] **Jocelyn Davies:** But no fresh approvals were sought after the project obviously had material changes in it?

Mr Martin: That is correct.

[75] **Jocelyn Davies:** Staying with the contract, as you said, you had legal advisers, but the contract was actually provided by the national council. Eversheds, as I understand from the auditor's report, revised it in line with verbal instructions from your officials. Eversheds was so moved by this that it wrote to you—not to you personally, but to the national council—expressing certain reservations about the contract. Why was Eversheds ignored?

Mr Martin: Again, I cannot give you a satisfactory answer to that. I have not received one myself. Eversheds wrote on 18 February, which was four days before the contract was signed. Clearly, had the issues that Eversheds had raised been addressed, the council could have avoided the risk of the breach of the state aids issue and would have had a better basis for securing its assets. However, I cannot get from the staff concerned any satisfactory explanation of how that letter was dealt with.

[76] **Jocelyn Davies:** Although the contract for this project was signed just a few days later, and this legal advice that was offered to you by Eversheds was ignored—and obviously the contract was defective as a direct result of that—was that contract then

chi, yn ymwneud â hynny mewn gwirionedd, ond ynglŷn ag adnewyddu, a darparu adnoddau yn ddiweddarach, mewn adeilad a gwaith cyfalaf yn gyffredinol, ac nid ynglŷn â darparu gwasanaethau. Ni allaf roi ateb pendant a chlr am bopeth a ddigwyddodd. Fodd bynnag, dyna yw fy nealltwriaeth orau, ar ôl siarad â'r staff dan sylw, ac ar ôl siarad â'r archwilywyr a wnaeth y gwaith hwn am yr hyn a oedd yn digwydd a beth a arweiniodd at y newid hwnnw.

[74] **Jocelyn Davies:** Ond ni ofynnwyd am gymeradwyaeth newydd ar ôl gwneud newidiadau perthnasol amlwg yn y prosiect?

Mr Martin: Mae hynny'n gywir.

[75] **Jocelyn Davies:** I aros gyda'r contract, fel y dywedaso, yr oedd gennych gynghorwyr cyfreithiol, ond y cyngor cenedlaethol oedd yn darparu'r contract mewn gwirionedd. Adolygwyd ef gan Eversheds, fel y deallaf o adroddiad yr archwilydd, yn unol â chyfarwyddiadau llafar gan eich swyddogion. Effeithiodd hyn gymaint ar Eversheds fel ei fod wedi ysgrifennu atoch—nid atoch chi'n bersonol, ond at y cyngor cenedlaethol—yn mynegi rhai amheuan am y contract. Pam y cafodd Eversheds ei anwybyddu?

Mr Martin: Unwaith eto, ni allaf roi ateb boddhaol i hynny. Nid wyf wedi cael un fy hun. Ysgrifennodd Eversheds ar 18 Chwefror, sef pedwar diwrnod cyn llofnodi'r contract. Yn amlwg, pe bai'r materion a gafodd eu codi gan Eversheds wedi cael sylw, gallai'r cyngor fod wedi osgoi'r risg o dorri mater cymorth gwladol a chael gwell sail ar gyfer diogelu ei asedau. Fodd bynnag, ni allaf gael unrhyw eglurhad boddhaol o'r ffordd y deliwyd â'r llythyr hwnnw gan y staff dan sylw.

[76] **Jocelyn Davies:** Er bod y contract ar gyfer y prosiect hwn wedi'i lofnodi ychydig ddyddiau'n ddiweddarach, a'r cyngor cyfreithiol hwn a gynigiwyd i chi gan Eversheds wedi'i anwybyddu—ac yn amlwg yr oedd y contract yn ddiffygiol fel canlyniad uniongyrchol i hynny—a

used as a template for further contracts further down the line for other projects?

Mr Martin: I understand that that was a decision that arose from the role of the central unit that I described earlier—the small group of central staff under a senior member of staff—who decided that it would be a good idea to share that contract. I was not aware that that process was going on.

[77] **Jocelyn Davies:** So the answer to that was ‘yes’, even though this was a defective contract, and you had been advised by your solicitors that it was a defective contract, you had used it very quickly—within four days—and continued to use it for further projects later on?

Mr Martin: The council staff concerned had used it in that way, yes.

[78] **Jocelyn Davies:** When I say ‘you’, I do not mean you personally. So there are other contracts that are as defective as the original one?

Mr Martin: I understand that there were some, but this does not apply to all of the contracts. It should not have applied to any of them; it applies to a small number. The majority, of course, of the agreements—the grants and so on—that were made were to FE colleges, where we followed our normal procedures, did not involve any of these deficiencies in terms of the contracting process.

[79] **Janet Davies:** Leighton, you want to come in very briefly.

[80] **Leighton Andrews:** I just want to understand, Mr Martin, the reporting line to you of the person who signed the contract.

Mr Martin: At that time, at one remove. That is to say, there was a national director of operations and then there was a regional director reporting to the national director of operations.

[81] **Janet Davies:** Thank you. Alun, you have some questions.

[82] **Alun Cairns:** Mr Martin, I want to turn

ddefnyddiwyd y contract hwnnw fel templed wedyn ar gyfer contractau pellach yn ddiweddarach i brosiectau eraill?

Mr Martin: Deallaf fod hynny’n benderfyniad a gododd o rôl yr uned ganolog a ddisgrifiais yn gynharach—y grŵp bach o staff canolog dan aelod uwch o’r staff—a benderfynodd y byddai’n syniad da rhannu’r contract hwnnw. Nid oeddwn yn ymwybodol bod y broses honno’n digwydd.

[77] **Jocelyn Davies:** Felly yr ateb i hynny oedd ‘do’, er bod hwn yn gontract diffygiol, a’ch bod wedi cael cyngor gan eich cyfreithwyr ei fod yn gontract diffygiol, yr oeddech wedi’i ddefnyddio yn gyflym iawn—o fewn pedwar diwrnod—a pharhau i’w ddefnyddio ar gyfer prosiectau pellach yn ddiweddarach?

Mr Martin: Yr oedd y staff dan sylw wedi’i ddefnyddio yn y ffordd honno, oeddent.

[78] **Jocelyn Davies:** Pan ddywedaf ‘chi’, nid wyf yn golygu chi yn bersonol. Felly mae contractau eraill sydd mor ddiffygiol â’r un gwreiddiol?

Mr Martin: Deallaf fod rhai, ond nid yw hyn yn berthnasol i’r holl gontractau. Ni ddylai fod wedi bod yn wir am yr un ohonynt; mae’n wir am nifer fechan ohonynt. Yr oedd mwyafrif y cytundebau, wrth gwrs—y grantiau ac yn y blaen—a wnaethpwyd yn rhai i golegau addysg bellach, lle y dilynasom ein gweithdrefnau arferol, heb gynnwys dim un o’r diffygion hyn o ran y broses contractio.

[79] **Janet Davies:** Leighton, yr ydych am wneud sylw cryno yma.

[80] **Leighton Andrews:** Yr wyf am ddeall, Mr Martin, beth oedd llinell adrodd y sawl a lofnododd y contract i chi.

Mr Martin: Ar y pryd, yr oedd o fewn un radd i mi. Hynny yw, yr oedd cyfarwyddwr gweithrediadau cenedlaethol a chyfarwyddwr rhanbarthol yn adrodd i’r cyfarwyddwr gweithrediadau cenedlaethol.

[81] **Janet Davies:** Diolch. Alun, mae gennyh gwestiynau.

[82] **Alun Cairns:** Mr Martin, yr wyf am droi at y

to the matters relating to the concerns that European state aid regulations were breached by the arrangement of this contract. How was this degree of ambiguity and uncertainty, that is as to whether the regulations are breached or not, allowed to arise on a £4 million transaction?

Mr Martin: As I was saying earlier, the staff were asked to ensure—and the staff concerned, I think that it is reasonable to believe, had some experience of the state aids issue because it was directly relevant to the work-based training activities of the TECs. As I said earlier, they were working, however, on guidance, which is in the schedule 8 guidance from the Assembly, which is part of the management statement, and its annex, which defines state aids in a way which is rather more restrictive than it should be defined. There are some general statements in that management statement or schedule about the need always, obviously, to observe state aid regulations, but there is a categorical statement in the detailed guidance—this schedule 8—which states that, for the purposes of these projects, the annex describes what bits of state aids are relevant. That is not a direct quotation, but that is the sense of what is said in the guidance.

As I said earlier, if staff looking at that did not have any wider understanding of state aids, I think they would have immediately and logically been led to believe that they should, as it were, only apply the rules that are there. I am speculating, because the person involved in this particular case has long since ceased to be a member of the organisation—I have not been able to talk to that person, but I suspect that that may be what went on. I think that they judged it in the same way as they would have judged it had it been an application for work-based training. The sorts of state aids issues—the legal advice about which Peter Higson subsequently obtained—would not have been clear at that time because they are actually to do with quite different considerations in relation to the state aids process and not those that were covered by that guidance on work-based training.

[83] **Alun Cairns:** Mr Martin, is that not a

materion yn ymwneud â'r pryderon fod rheoliadau cymorth gwladol Ewropeaidd wedi'u torri gan drefniadau'r contract hwn. Sut y caniatawyd i gymainto amwysedd ac ansicrwydd, hynny yw ynghylch a dorwyd y rheoliadau ai peidio, godi ar daliad o £4 miliwn?

Mr Martin: Fel y dywedais yn gynharach, cafodd y staff gais i sicrhau—ac yr oedd gan y staff dan sylw, credaf ei bod hi'n rhesymol credu, beth profiad o gymorth gwladol gan ei fod yn uniongyrchol berthnasol i weithgareddau hyfforddiant yn y gweithle y CHM. Fel y dywedais yn gynharach, yr oeddent yn gweithio, fodd bynnag, ar ganllawiau, sydd yng nghanllawiau atodlen 8 y Cynulliad, sy'n rhan o'r datganiad rheoli, a'i atodiad, sy'n diffinio cymorth gwladol mewn ffordd fwy cyfyngol nag a ddylai fod. Mae rhai datganiadau cyffredinol yn y datganiad rheoli hwnnw neu'r atodlen am yr angen i gydymffurfio bob amser, mae'n amlwg, â'r rheoliadau ynghylch cymorth gwladol, ond mae'r canllawiau manwl— atodlen 8—yn cynnwys datganiad pendant sy'n nodi, at ddibenion y prosiectau hyn, pa ddarnau o gymorth gwladol sy'n berthnasol. Nid yw hwnnw'n ddyfyniad uniongyrchol, ond dyna ystyr yr hyn a ddywedir yn y canllawiau.

Fel y dywedais yn gynharach, os nad oedd gan y staff a oedd yn edrych ar hynny ddealltwriaeth ehangach o gymorth gwladol, credaf y byddent wedi cael eu harwain i gredu ar unwaith ac yn rhesymegol y dylent weithredu'r rheolau a oedd yno'n unig, fel petai. Dyfalu yr wyf, oherwydd bod y sawl oedd yn gysylltiedig â'r achos hwn wedi hen adael y sefydliad—nid wyf wedi llwyddo i siarad â'r unigolyn hwnnw, ond yr wyf yn amau mai dyna a ddigwyddodd. Credaf eu bod wedi'i ystyried yn yr un modd ag y byddent wedi'i ystyried pe bai'n gais am hyfforddiant yn y gweithle. Ni fyddai'r mathau o faterion yn ymwneud â chymorth gwladol—y cafodd Peter Higson gyngor cyfreithiol yn eu cylch wedi hynny—wedi bod yn glir ar y pryd gan eu bod a dweud y gwir yn ymwneud ag ystyriaethau gwahanol iawn mewn perthynas â'r broses cymorth gwladol ac nid y rhai sy'n cael eu cwmpasu gan y canllawiau hynny ar hyfforddiant yn y gweithle.

[83] **Alun Cairns:** Mr Martin, onid yw hynny'n

shortfall from the support that you really should have given the project? It should have been training for that person who did not quite understand the implications of it.

Mr Martin: At the time, it seemed a reasonable assumption that the staff concerned who had experienced the state aids issues would have had that understanding, and they certified that they had done that. Again, that was clearly a mistaken assumption based on our imperfect knowledge of the skills and understanding of the staff at that time. I have to say that at that time I was not aware of this, I think, deficiency in the terms of the detailed schedule which was said to apply to these projects that had been given to the organisation. Again, that is not an excuse because the general requirements in relation to state aids—although they are actually very complex and difficult to interpret—is that they are something that we are all very conscious that we need to get right.

[84] **Alun Cairns:** In your previous answer to me you mentioned the TECs again. However, is it not indicative of the culture of the organisation over which you presided as chief executive that such sloppy practices would endure?

Mr Martin: I think that that is too sweeping a generalisation.

[85] **Alun Cairns:** But come, Mr Martin, you were the chief executive and the accounting officer, surely you should have been responsible for all of these issues, and you seem to be blaming an organisation that did not even exist at the time that these contracts were agreed.

Mr Martin: No, I can only repeat what I said earlier. I accept fully my responsibility as accounting officer at the time. I am trying to help the Committee to understand what was going on in this very challenging first year—none of it by way of offering some kind of absolute excuse, that is not what you do as an accounting officer. However, I do not think that it is possible to understand what was happening unless you understand that, operating within a business-as-usual regime, we were reliant on predecessor systems. This

ddiffyg o ran y cymorth y dylech fod wedi'i roi i'r prosiect mewn gwirionedd? Dylai fod wedi bod yn hyfforddiant i'r unigolyn hwnnw nad oedd yn llwyr ddeall y goblygiadau.

Mr Martin: Ary pryd, yr oedd yn ymddangos yn rhesymol tybio bod gan y staff dan sylw a oedd â phrofiad o faterion yn ymwneud â chymorth gwladol y ddealltwriaeth honno, ac maent wedi tystio eu bod wedi gwneud hynny. Unwaith eto, yr oedd hynny'n dybiaeth anghywir yn seiliedig ar ein gwybodaeth ddiffygiol ni am sgiliau a dealltwriaeth y staff ary pryd. Mae'n rhaid i mi ddweud nad oeddwn, ary pryd, yn ymwybodol o'r diffyg hwn, fe gredaf, o ran yr atodlen fanwl a oedd yn berthnasol, meddid, i'r prosiectau hyn ac a oedd wedi'i rhoi i'r sefydliad. Unwaith eto, nid yw hynny'n esgus o gwbl gan fod y gofynion cyffredinol ynglŷn â chymorth gwladol—er eu bod a dweud y gwir yn gymhleth iawn ac yn anodd eu dehongli—yn rhywbeth yr ydym i gyd yn ymwybodol bod yn rhaid i ni ei gael yn iawn.

[84] **Alun Cairns:** Yn eich ateb blaenorol i mi, soniasoch am y CHM eto. Fodd bynnag, onid yw'r ffaith bod arferion llac o'r fath yn gallu parhau yn arwydd o ddiwylliant y sefydliad yr oeddech chi'n brif weithredwr arno?

Mr Martin: Credaf fod hynny'n gyffredinoli rhy ysgubol.

[85] **Alun Cairns:** Ond dewch, Mr Martin, chi oedd y prif weithredwr a'r swyddog cyfrifo, onid chi a ddylai fod wedi bod yn gyfrifol am yr holl faterion hyn, ac mae'n ymddangos eich bod yn beio sefydliad nad oedd hyd yn oed yn bodoli ar y pryd am fod y contractau hyn wedi'u derbyn.

Mr Martin: Na, ni allaf ond ailadrodd yr hyn a ddywedais yn gynharach. Derbyniaf yn llwyr fy nghyfrifoldeb fel swyddog cyfrifo ar y pryd. Yr wyf yn ceisio helpu'r Pwyllgor i ddeall beth oedd yn digwydd yn y flwyddyn gyntaf hon oedd yn anodd iawn—nid drwy gynnig rhyw fath o esgus absoliwt, nid dyna a ddylai rhywun ei wneud fel swyddog cyfrifo. Fodd bynnag, credaf nad yw'n bosibl deall beth oedd yn digwydd oni bai eich bod yn deall ein bod yn dibynnu ar systemau ein rhagflaenydd wrth weithredu o fewn trefn busnes-fel-arfer. Nid beirniadaeth ar y CHM yw hyn. O

is not a criticism of the TECs. In retrospect, as I said earlier, I believe that we should have tried to do a lot less and have concentrated rigorously on getting the kinds of frameworks, which Peter Higson was describing earlier, in place, which were only partially in place and which allowed these deficiencies to occur. I accept fully responsibility for that choice, and if I had the chance to do this again—and certainly it is the way that I conduct myself now—I would make absolutely sure that all the bases were in place before we attempted to do anything of this kind with the degree of ambition which we attempted it at the time.

[86] **Alun Cairns:** So, Mr Martin, are you in breach of either EU state aid rules or procurement regulations?

Mr Martin: I think that in this case it is my turn to ask Peter Higson to comment because he has had the updated advice, and so on, on that. Perhaps, I could just say on the procurement issue, I think that there is a genuine issue about whether procurement is an appropriate issue in a case such as this. The guidelines, again in schedule 8 of the management statement, do make it clear that it is perfectly proper for the council to have a one-to-one relationship with a body in particular circumstances to advance the council's ends. We would not see this, as I said earlier, as a tendering exercise and something that could be contracted for; I would argue, how could you? Because here is a company with a unique offering, which does appear to offer something very special for a particularly disadvantaged group. It is a particular attraction and a particular opportunity to develop learning possibilities that simply would not be there in other ways. I do not see, in those circumstances, how you can really procure that service. However, on the state aids issue, I would have to pass that back to Peter Higson, if I may.

Dr Higson: There are two points on the state aids issue. We have also looked at all other projects in which we are currently involved in this financial year, which I can return to later, but also any new projects. We do have some expertise in our European team, which gives them the appraisal. If there are any questions at all, they are then referred for

edrych yn ôl, fel y dywedais yn gynharach, credaf y dylem fod wedi ceisio gwneud llawer llai a chanolbwyntio'n drylwyr ar sicrhau bod y mathau o fframweithiau, yr oedd Peter Higson yn eu disgrifio yn gynharach, ar waith, nad oeddent ond yn rhannol ar waith ac a adawodd i'r diffygion hyn ddigwydd. Derbyniaf gyfrifoldeb llwyr am y dewis hwnnw, a phe bawn yn cael y cyfle i wneud hyn eto—a dyma'r ffordd yr wyf yn gweithredu erbyn hyn—byddwn yn gwneud yn hollol siŵr bod yr holl seiliau yn barod cyn ceisio gwneud dim byd o'r fath gyda'r lefel o uchelgais y ceisiasom ei wneud ary pryd.

[86] **Alun Cairns:** Felly, Mr Martin, a ydych wedi torri rheolau cymorth gwladol yr UE neu reoliadau caffael?

Mr Martin: Yn yr achos hwn, credaf y dylwn ofyn i Peter Higson siarad gan ei fod wedi cael y cyngor diweddaraf, ac yn y blaen, ar hynny. Efallai, os caf fi ddweud rhywbeth ynglŷn â chaffael, credaf fod pwynt gwirioneddol ynghylch a yw caffael yn fater priodol mewn achos felhyn. Mae'r canllawiau, unwaith eto yn atodlen 8 y datganiad rheoli, yn nodi'n glir ei bod yn hollol briodol i'r cyngor gael perthynas un-i-un gyda chorff dan amgylchiadau arbennig i hyrwyddo amcanion y cyngor. Ni fyddem yn gweld hyn, fel y dywedais yn gynharach, fel ymarfer tendro a rhywbeth y byddai modd cynnig contract ar ei gyfer; byddwn yn dadlau, sut y gallech chi? Oherwydd dyma gwmni sydd â chynnig unigryw, sy'n ymddangos fel pe bai'n cynnig rhywbeth arbennig iawn i grŵp sydd dan anfantaes arbennig. Mae'n atyniad arbennig ac yn gyfle arbennig i ddatblygu posibiladau dysgu na fyddent ar gael o gwbl fel arall. Ni allaf weld, dan yr amgylchiadau hynny, sut y gallwch mewn gwirionedd gaffael y gwasanaeth hwnnw. Fodd bynnag, o ran cymorth gwladol, byddai'n rhaid i mi droi'n ôl at Peter Higson, os caf fi.

Dr Higson: Mae dau bwynt ynglŷn â chymorth gwladol. Yr ydym hefyd wedi edrych ar yr holl brosiectau eraill sydd gennym yn y flwyddyn ariannol hon, y gallaf ddychwelyd atynt yn ddiweddarach, ac unrhyw brosiectau newydd hefyd. Mae gennym beth arbenigedd yn ein tîm Ewropeaidd, sy'n eu gwerthuso. Os bydd cwestiynau o gwbl, yna gofynnir am gyngor

legal advice. So, I can give an assurance that we are thoroughly checking the state aids for all our current projects.

In relation to the pop cafe project, we received senior counsel's advice at the end of July and, because the nature of the contract had changed to the purchase of equipment, it was felt that, on balance, that potentially gave the organisation an unfair commercial advantage. We are working with Avanti now to try to quantify and apportion what state aids benefits there may have been and which might be if we were to continue.

[87] **Alun Cairns:** So, what would be the implications of that?

Dr Higson: It is a very difficult position the national council is in because it has a contract of some form—going back to previous answers—with the company, which it can hold us to. Equally, we have a duty to try to recover state aids once we have identified that there has been such a grant. Where we sit today, we are trying to negotiate—and I must say that the company is being co-operative—to find a way forward on the state aids issue.

[88] **Alun Cairns:** So, will the outcomes be fines or would there be any other source of recompense by the European Commission?

Dr Higson: The outcome would be that we would identify what is agreed, or what we believe to be a state aids amount within the money paid so far, and we would seek to recover that.

[89] **Alun Cairns:** Mr Shortridge, what scrutiny did your officials have over the questions about the European element in relation to the contract?

Sir Jon Shortridge: To the best of my knowledge, none at all, because the approval we gave was on the clear requirement that the council should have satisfied itself that it was complying with all the guidelines. The state aid issue was one of the guidelines.

[90] **Alun Cairns:** Mr Martin, can you tell me what a module is in relation to the contract?

cyfreithiol arnynt. Felly, gallaf roi sicrwydd ein bod yn archwilio'n drylwyr y cymorth gwladol sydd ar gael ar gyfer ein holl brosiectau cyfredol.

O ran prosiect y caffi pop, cawsom gyngor uwchgwnsler ddiwedd Gorffennaf ac, oherwydd bod natur y contract wedi newid i brynu offer, yr oeddem yn teimlo, at ei gilydd, fod hynny o bosibl yn rhoi mantais fasnachol annheg i'r sefydliad. Yr ydym yn gweithio gydag Avanti yn awr i geisio pwyso a mesur pa fanteision o ran cymorth gwladol a gafwyd o bosibl a pha fanteision a allai fod pe byddem yn dal ati.

[87] **Alun Cairns:** Felly, beth fyddai goblygiadau hynny?

Dr Higson: Mae'r cyngor cenedlaethol mewn sefyllfa anodd iawn gan fod ganddo contract o ryw fath—gan fynd yn ôl at atebion blaenorol—gyda'r cwmni, y gall fynnu ein bod yn glynu wrtho. Yn yr un modd, mae'n ddyletswydd arnom geisio adennill cymorth gwladol wedi i ni weld bod grant o'r fath wedi'i roi. Y sefyllfa heddiw yw ein bod yn ceisio negodi—ac mae'n rhaid i mi ddweud bod y cwmni'n fodlon cydweithredu—i geisio canfod ffordd ymlaen ar fater cymorth gwladol.

[88] **Alun Cairns:** Felly, ai dirwyon fydd y canlyniadau neu a fyddai rhyw fath arall o iawndal gan y Comisiwn Ewropeaidd?

Dr Higson: Y canlyniad fyddai y byddem yn nodi swm y cytunir neu y credwn ei fod yn gymorth gwladol o fewn yr arian a gafodd ei dalu hyd yn hyn, a byddem yn ceisio ei adennill.

[89] **Alun Cairns:** Mr Shortridge, i ba raddau y cafodd eich swyddogion gyfle i graffu ar y cwestiynau am yr elfen Ewropeaidd mewn perthynas â'r contract?

Syr Jon Shortridge: Hyd y gwn i, dim o gwbl, gan fod y gymeradwyaeth a roddasom yn seiliedig ar y gofyniad pendant y dylai'r cyngor fod yn sicr ei fod yn cydymffurfio â'r holl ganllawiau. Yr oedd cymorth gwladol yn un o'r canllawiau.

[90] **Alun Cairns:** Mr Martin, a allwch ddweud wrthyf beth yw modiwl mewn perthynas â'r contract?

Mr Martin: The contract does not define clearly what a module is. That is one of the defects.

[91] **Alun Cairns:** Absolutely. So, can you tell me what a module is?

Mr Martin: The module was always intended, conceptually, to be a particular programme of training based on video-media technology, which would be particularly attractive, using good, solid learning criteria as the best way to work with this particular client group. That is indeed what has now been piloted. My understanding is that the July pilot, which was referred to earlier, has been that kind of learning module. It is intended to enable those who have not been very successful in their learning—who have perhaps been substantially outside the learning system, and have had a very bad experience—through the use of media technology associated with the Pop Factory and its products, so that they are then attracted back into learning in ways that work for them.

[92] **Alun Cairns:** With the greatest respect, Mr Martin, I do not think that I know yet what a module is. Maybe it is me: maybe I do not quite understand it. Can you explain in simple forms, for my benefit, exactly what a module is and why the number was reduced by one?

Mr Martin: Well, I cannot explain all of those things because some of those have happened subsequent to any involvement I had. What I can say, generally, if it helps you, is that a module normally is simply a programme of learning and a delivery mechanism for that programme of learning. This is an example of that, as I have said, making particular use of media and electronic technology to deliver it in an attractive way to a client group that is extremely difficult to reach in other ways. However, manifestly, those things are not defined in the contract in a satisfactory way or in a way that protected public money. My understanding—and Peter Higson may have more details—is that the reduction from five to four covers exactly the same range as was originally intended to be covered in terms of learning areas, but has simply amalgamated two of them into one,

Mr Martin: Nid yw'r contract yn diffinio'n glir beth yw modiwl. Dyna un o'r diffygion.

[91] **Alun Cairns:** Yn hollol. Felly, a allwch ddweud wrthyf beth yw modiwl?

Mr Martin: Yn syniadol, yr oedd y modiwl o'r dechrau wedi'i fwriadu i fod yn rhaglen benodol o hyfforddiant yn seiliedig ar dechnoleg fideo-cyfryngau, a fyddai'n arbennig o ddeniadol, ac yn defnyddio meini prawf dysgu cadarn, da fel y ffordd orau o weithio gyda'r grŵp arbennig hwn o gleientiaid. Dyna yn wir sydd wedi bod yn rhan o gynllun peilot erbyn hyn. Yn ôl yr hyn a ddeallaf, y math hwnnw o fodiwl dysgu oedd y cynllun peilot ym mis Gorffennaf, y cafwyd cyfeiriad ato'n gynharach. Ei ddiben yw galluogi'r rhai nad ydynt wedi bod yn llwyddiannus iawn wrth ddysgu—sydd wedi bod i raddau helaeth y tu allan i'r system ddysgu efallai, ac wedi cael profiad gwael iawn—trwy ddefnyddio technoleg cyfryngau sy'n gysylltiedig â'r Ffatri Bop a'i chynhyrchion, er mwyn eu denu yn ôl i ddysgu mewn ffyrdd sy'n gweithio iddynt hwy.

[92] **Alun Cairns:** Gyda phob parch, Mr Martin, ni chredaf fy mod yn gwybod eto beth yw modiwl. Efallai mai fi sydd ar fai: efallai nad wyf yn ei ddeall yn iawn. A allwch chi egluro'n syml, er fy mwyn i, beth yn union yw modiwl a pham y cafodd y nifer ei leihau o un?

Mr Martin: Wel, ni allaf egluro'r holl bethau hyn gan fod rhai ohonynt wedi digwydd ar ôl i'm cysylltiad i â'r mater ddod i ben. Yr hyn y gallaf ei ddweud, yn gyffredinol, os yw o gymorth i chi, yw bod modiwl fel rheol yn rhaglen ddysgu a dull o ddarparu'r rhaglen ddysgu honno. Mae hyn yn enghraifft o hynny, fel y dywedais, gan wneud defnydd arbennig o dechnoleg cyfryngau ac electronig i'w darparu mewn ffordd ddeniadol i grŵp o gleientiaid sy'n anodd iawn eu cyrraedd mewn ffyrdd eraill. Fodd bynnag, mae'n amlwg nad yw'r pethau hynny'n cael eu diffinio'n foddhaol yn y contract neu mewn modd oedd yn diogelu arian cyhoeddus. Yn ôl yr hyn a ddeallaf—ac efallai fod gan Peter Higson fwy o fanylion—mae'r lleihad o bump i bedwar yn cwmpasu yr un ystod yn union â'r hyn a fwriadwyd yn wreiddiol o ran y meysydd dysgu, ond ei fod wedi uno dau faes yn un, yn hytrach na'u gwneud ar wahân.

rather than doing them separately.

[93] **Alun Cairns:** I would like to come back to Mr Higson a little later because I want to pursue the issue a little bit further with you, Mr Martin. I now understand what a module is. It is a programme of learning making use of modern technology within this contract. Bearing in mind that it was costing £4 million, why was there no clarity within the contract on what the modules were and what was to be achieved with them?

Mr Martin: The total price of the modules was something like £2.3 million, relying on memory.

[94] **Alun Cairns:** I am talking about the scale of the project.

Mr Martin: The scale of the whole project? Well, manifestly, it should have been described in far plainer terms. The truth is that, at the point where the staff signed off the contract, the ideas for the nature of the modules had not yet been crystallised in a form that would enable them to be expressed in a contract, and that is not acceptable.

[95] **Alun Cairns:** How many students were envisaged to be trained within the modules? What were the targets?

Mr Martin: I do not have all those targets in front of me. I have some papers here that include them, if it would be helpful to the Committee later.

[96] **Alun Cairns:** Were they contained within the contract?

Mr Martin: No.

[97] **Alun Cairns:** There were no targets within this £4 million contract?

Mr Martin: There were targets included in the proposal that came forward. The contract is drawn up in different terms.

[98] **Alun Cairns:** Oh, okay. Is that usual?

Mr Martin: No. One would normally expect there to be a very clear indication of what you expect a contract to provide, and that is

[93] **Alun Cairns:** Hoffwn ddod yn ôl at Mr Higson maes o law gan fy mod am drafod y mater ychydig ymhellach gyda chi, Mr Martin. Deallaf yn awr beth yw modiwl. Rhaglen ddysgu ydyw sy'n defnyddio technoleg fodern o fewn y contract hwn. O gofio ei fod yn costio £4 miliwn, pam nad oedd eglurhad o fewn y contract ynghylch beth oedd y modiwlau a beth oedd am gael ei gyflawni â hwy?

Mr Martin: Tua £2.3 miliwn oedd pris y modiwlau yn gyfan gwbl, os cofiaf yn iawn.

[94] **Alun Cairns:** Sôn yr wyf am faint y prosiect.

Mr Martin: Maint y prosiect cyfan? Wel, mae'n amlwg y dylid bod wedi'i ddisgrifio mewn termau mwy plaen o lawer. Y gwir yw, ar yr adeg y llofnododd y staff y prosiect, nid oedd y syniadau am natur y modiwlau wedi'u crisialu mewn ffurf a fyddai'n ei gwneud yn bosibl iddynt gael eu mynegi mewn contract, ac nid yw hynny'n dderbyniol.

[95] **Alun Cairns:** Faint o fyfyrwyr yr oeddech yn disgwyl iddynt dderbyn hyfforddiant o fewn y modiwlau? Beth oedd y targedau?

Mr Martin: Nid yw'r holl dargedau hynny gennyf o'm blaen. Mae gennyf rai papurau yma sy'n eu cynnwys, pe bai hynny o ddefnydd i'r Pwyllgor yn ddiweddarach.

[96] **Alun Cairns:** A gawsant eu cynnwys yn y contract?

Mr Martin: Naddo.

[97] **Alun Cairns:** Nid oedd targedau yn y contract £4 miliwn hwn?

Mr Martin: Yr oedd targedau yn y cynnig a gyflwynwyd. Mae'r contract wedi'i lunio mewn termau gwahanol.

[98] **Alun Cairns:** O, iawn. A yw hynny'n arferol?

Mr Martin: Nac ydyw. Byddai rhywun yn disgwyl i'r hyn y disgwyliid i'r contract ei ddarparu gael ei ddangos yn glir fel rheol, a dyna pam yr oedd y

why the chairman and I, and indeed the Assembly Government, were very keen to see that there was a spelling out of exactly what learning outcomes and outputs would be achieved by the project. As I say, there were figures in the proposals that were originally developed.

[99] **Alun Cairns:** But the reality was that Avanti Media Group did not necessarily need to train a specific number of people within each module because it was not in the contract, or it might have been in its application, but it had already had the money so it did not really matter to it, did it?

Mr Martin: Well, I believe that it did matter to it because it was very committed to the project and it was very keen that it should succeed, and its reputation would ride on it being a successful project.

[100] **Alun Cairns:** But there was certainly no recompense by the Assembly Government or by the national council in protecting the public funds, was there?

Mr Martin: I think that it is true to say that even the original figures—and this is why we were pressing for more information—could not be substantiated. They were not based on anything solid enough, which is why we wanted that further work done.

[101] **Alun Cairns:** So we are now relying on the goodwill of the company in order to get some sort of value for money out of this project?

Mr Martin: Yes, but I believe that it is the case that the company is showing a lot of goodwill in wanting to take it forward.

[102] **Alun Cairns:** Well that is lucky, is it not?

Mr Martin: It is, and the contract clearly should have been very much tighter.

[103] **Alun Cairns:** Right. Can I ask Mr Higson why the number of modules has been reduced?

Dr Higson: My understanding is that the decision was made earlier this year to

cadeirydd a minnau, a Llywodraeth y Cynulliad yn wir, yn awyddus iawn i gael eglurhad manwl pa ganlyniadau ac allbynnau dysgu yn hollol a gâi eu sicrhau drwy'r prosiect. Fel y dywedais, yr oedd ffigurau yn y cynigion a ddatblygwyd yn wreiddiol.

[99] **Alun Cairns:** Ond y gwirionedd yw nad oedd yn rhaid i Grŵp Cyfryngau Avanti o reidrwydd hyfforddi nifer penodol o bobl o fewn pob modiwl gan nad oedd y contract yn nodi hynny, neu efallai ei fod yn ei gais, ond yr oedd wedi cael yr arian eisoes felly nid oedd hynny o bwys iddo, nac oedd?

Mr Martin: Wel, credaf ei fod o bwys iddo gan ei fod yn ymrwymedig iawn i'r prosiect ac yn awyddus iawn iddo lwyddo, a byddai ei enw da yn dibynnu ar lwyddiant y prosiect.

[100] **Alun Cairns:** Ond yn sicr nid oedd iawndal gan Lywodraeth y Cynulliad na'r cyngor cenedlaethol wrth ddiogelu'r arian cyhoeddus, nac oedd?

Mr Martin: Credaf ei bod yn wir dweud nad oedd modd profi hyd yn oed y ffigurau gwreiddiol—a dyna pam yr oeddem yn pwysu am ragor o wybodaeth. Nid oeddent yn seiliedig ar ddim byd digon cadarn, a dyna pam yr oeddem am weld y gwaith ychwanegol hwnnw'n cael ei wneud.

[101] **Alun Cairns:** Felly yr ydym yn dibynnu yn awr ar ewyllys da'r cwmni er mwyn i'r prosiect hwn roi rhyw fath o werth am arian?

Mr Martin: Ydym, ond credaf mai'r gwir yw bod y cwmni yn dangos llawer o ewyllys da yn ei ddyhead i ddatblygu'r prosiect.

[102] **Alun Cairns:** Wel mae hynny'n lwcus, onid yw?

Mr Martin: Ydyw, ac mae'n amlwg y dylai'r contract fod wedi bod yn dynnach o lawer.

[103] **Alun Cairns:** Iawn. A gaf fi ofyn i Mr Higson pam y cafodd nifer y modiwlau ei leihau?

Dr Higson: Yn ôl yr hyn a ddeallaf, cafodd y penderfyniad ei wneud yn gynharach eleni i

combine the television and video module in its developmental stage into one.

[104] **Alun Cairns:** What experience did Avanti Media Group have in developing this sort of module?

Dr Higson: I do not know, I would have to refer that to Mr Martin.

[105] **Alun Cairns:** Mr Martin, what experience did Avanti Media Group have in developing the module?

Mr Martin: It did not have experience in developing learning modules, which is why one of the proposals, which has been followed through, was that it would work closely with expert educational providers, because, clearly, you need to do that. It is very common now—and I have some experience of this in the broadcasting industry—for educationalists to work very closely with people with media expertise because you need two sets of skills to deliver really attractive learning products.

[106] **Alun Cairns:** Thank you.

[107] **Mick Bates:** I thought that your description of this challenging first year is so true as a background, and I appreciate that you are helping us to understand this process. To help my understanding, I just want to refer to paragraph 3.51 under 'Project Monitoring and Control'. Now, the contract was actually signed on 22 February 2002, but specified that all claims against the £4 million of national council funding must be received by 20 March 2002. Why was such a tight deadline set, given that the project itself had a three-year timescale?

Mr Martin: I can only imagine that the staff were of the view that, if they did not spend the money in that time, they would not have a project, and that they therefore, improperly, let the contract in those terms.

[108] **Mick Bates:** I find that quite shocking really. How could an arrangement like that be considered good value or a defensible way of spending public money?

gyfuno'r modiwl teledu a fideo yn un modiwl yn ystod ei gam datblygiadol.

[104] **Alun Cairns:** Pa brofiad a oedd gan Grŵp Cyfryngau Avanti o ddatblygu'r math hwn o fodiwl?

Dr Higson: Nid wyf yn gwybod, byddai'n rhaid i mi gyfeirio hynny at Mr Martin.

[105] **Alun Cairns:** Mr Martin, pa brofiad a oedd gan Grŵp Cyfryngau Avanti o ddatblygu'r modiwl?

Mr Martin: Nid oedd ganddo brofiad o ddatblygu modiwlau dysgu, a dyna pam yr oedd un o'r cynigion, a gafodd eiweithredu, yn datgan y byddai'n cydweithio'n glòs â darparwyr addysgol arbenigol, oherwydd, mae'n amlwg, bod angen i chi wneud hynny. Mae'n gyffredin iawn bellach—ac mae gennyf beth profiad o hyn yn y diwydiant darlledu—i addysgwyr weithio'n agos â phobl sydd ag arbenigedd ym maes y cyfryngau gan fod angen dwy set o sgiliau arnoch i ddarparu adnoddau dysgu gwirioneddol ddeniadol.

[106] **Alun Cairns:** Diolch.

[107] **Mick Bates:** Credaf fod eich disgrifiad o'r flwyddyn gyntaf anodd hon mor wir fel cefndir, a sylweddolaf eich bod yn ein helpu i ddeall y broses hon. I'm helpu i ddeall, yr wyf am gyfeirio at baragraff 3.51 dan 'Monitro a Rheoli'r Prosiect'. Yn awr, cafodd y contract ei lofnodi mewn gwirionedd ar 22 Chwefror 2002, ond yr oedd yn nodi bod yn rhaid i'r holl geisiadau am y £4 miliwn o gyllid y cyngor cenedlaethol fod mewn llaw erbyn 20 Mawrth 2002. Beth oedd y rheswm dros bennu dyddiad cau mor agos, o ystyried bod gan y prosiect ei hun amserlen o dair blynedd?

Mr Martin: Ni allaf ond dyfalu bod y staff yn credu na fyddai prosiect ganddynt pe na byddent yn gwario'r arian yn y cyfnod hwnnw, ac felly, eu bod, yn amhriodol, wedi rhoi'r contract dan yr amodau hynny.

[108] **Mick Bates:** Credaf fod hynny'n bur gywilyddus a dweud y gwir. Sut y gallai trefniant o'r fath gael ei ystyried yn werth da am arian neu'n ddull o wario arian cyhoeddus y gellir ei gyfiawnhau?

Mr Martin: It is a completely indefensible way of spending public money. There is not a cigarette paper between myself and the conclusions of the Auditor General about that matter.

[109] **Mick Bates:** Let us move on to 15 March. Learn to Live Ltd had written to you on 15 March requesting that, in the best interests of value for money, some expenditure should be deferred. On what basis was the decision taken to ignore this and, eventually, pay the whole £4 million on 27 March?

Mr Martin: It would appear that that letter, which went to the staff concerned, was received and filed, and it was not until the auditors found that correspondence, in pursuit of the detailed work that I commissioned, that we knew that such a letter had been received. It does not appear to have been drawn to the attention of any senior staff at all.

[110] **Mick Bates:** Could I ask for a little more explanation? To whom was the letter dated 15 March addressed?

Mr Martin: To the relevant project manager.

[111] **Mick Bates:** To the relevant project manager? Where did he put it?

Mr Martin: Where the auditors found it when we undertook this detailed work later.

[112] **Mick Bates:** Just out of interest, where exactly was that?

Mr Martin: I believe it was on a file, but I would have to check the precise detail.

[113] **Mick Bates:** It was on a file?

Mr Martin: Which is how the auditors came to find it.

[114] **Mick Bates:** To move on from my complete surprise that that happened, the project application form and the contract refer to formal monitoring arrangements. Why were they not put into practice if both documents referred to them?

Mr Martin: Mae'n ddull hollol anesgusodol o wario arian cyhoeddus. Nid oes trwch blewyn rhyngof a chasgliadau'r Archwilydd Cyffredinol ynglŷn â hynny.

[109] **Mick Bates:** Gadewch i ni symud at 15 Mawrth. Yr oedd Learn to Live Cyf wedi ysgrifennu atoch ar 15 Mawrth yn gofyn am ohirio peth gwariant, er mwyn cael gwerth am arian. Ar ba sail y cymerwyd y penderfyniad i anwybyddu hyn ac, yn y pen draw, i dalu'r £4 miliwn yn ei grynswth ar 27 Mawrth?

Mr Martin: Mae'n ymddangos bod y llythyr hwnnw, a anfonwyd at y staff dan sylw, wedi'i dderbyn a'i ffeilio, ac nid oeddem yn gwybod, tan i'r archwilwyr ddod o hyd i'r ohebiaeth honno, wrth ymchwilio i'r gwaith manwl a gomisiynwyd gennyf, fod llythyr o'r fath wedi'i dderbyn. Mae'n ymddangos na thynnwyd sylwneb o'r uwch staff ato o gwbl.

[110] **Mick Bates:** A gaf fi ofyn am ychydig mwy o eglurhad? At bwy yr oedd y llythyr dyddiedig 15 Mawrth wedi'i gyfeirio?

Mr Martin: At y rheolwr prosiectau perthnasol.

[111] **Mick Bates:** At y rheolwr prosiectau perthnasol? Ble y rhoddodd ef y llythyr?

Mr Martin: Yn y fan lle y daeth yr archwilwyr o hyd iddo pan wnaethom ni'r gwaith manwl hwn yn ddiweddarach.

[112] **Mick Bates:** O ran diddordeb, ble yn union yr oedd hynny?

Mr Martin: Credaf ei fod ar ffeil, ond byddai'n rhaid i mi edrych i gael yr union fanylion.

[113] **Mick Bates:** Yr oedd ar ffeil?

Mr Martin: Ac felly y daeth yr archwilwyr o hyd iddo.

[114] **Mick Bates:** A symud ymlaen o'm syndod llwyr bod hynny wedi digwydd, mae ffurflen gais y prosiect a'r contract yn cyfeirio at drefniadau monitro ffurfiol. Pam na chafodd y rhain eu rhoi ar waith os oedd y ddwy ddogfen yn cyfeirio atynt?

Mr Martin: It is clearly a failure of management to put those monitoring arrangements in place. The intention was that there would be, as you say, a regular programme of meetings. That regular programme of meetings, which took two forms—there was supposed to be monthly contact with the project manager and there was supposed to be, I think, at least a quarterly proper review meeting—was not instituted until, I think, it was October 2002. Do not hold me to the precise month, but it was certainly many months later. That is clearly not acceptable.

[115] **Mick Bates:** So what you are telling me, Mr Martin, is that no action was taken to chase Learn to Live Ltd for any financial report at all.

Mr Martin: That is my understanding.

[116] **Mick Bates:** When you say that that is your understanding, did you yourself, in the process of your monitoring of this, ask why it had not taken place?

Mr Martin: What happened is that I instituted, as part of the restructured organisation, a performance board, because it was quite clear that we needed a rigorous process of receiving information in a structured way about all projects and all major things in the operational plan. I had previously conducted quarterly monitoring meetings with all the directors, but I came to realise, particularly as the weight of the agenda on the higher education side increased, that I needed a process whereby one of the senior managers had a dedicated responsibility for overseeing performance and knowledge management issues. That group was established, and in fact Peter Higson subsequently chaired it from August last year onwards, or November, or at least from some point in the process, but certainly not at the stage—

[117] **Mick Bates:** No passing the buck there?

Mr Martin: None whatsoever. I am just trying to make it clear that we established that arrangement. I have to say that that performance board and its chair really found

Mr Martin: Mae'n amlwg bod y rheolwyr wedi methu â rhoi'r trefniadau monitro hynny ar waith. Y bwriad oedd cael rhaglen reolaidd o gyfarfodydd, fel yr ydych yn dweud. Ni sefydlwyd y rhaglen reolaidd honno o gyfarfodydd, a oedd â dwy ffurf iddi—yr oedd cysylltiad misol i fod gyda rheolwr y prosiect a chyfarfod adolygu iawn i fod bob chwarter o leiaf, yr wyf yn credu—tan fis Hydref 2002, yr wyf yn credu. Peidiwch â'm dal at y mis ynbenodol, ond ymhen misoedd lawer wedyn yr oedd yn sicr. Nid yw hynny, mae'n amlwg, yn dderbyniol o gwbl.

[115] **Mick Bates:** Felly yr hyn a ddywedwch wrthyf, Mr Martin, yw na chymerwyd camau gweithredu i ofyn i Learn to Live Cyf am adroddiad ariannol o gwbl.

Mr Martin: Felly yr wyf yn deall.

[116] **Mick Bates:** Pan ddywedwch mai felly yr ydych yn deall, a wnaethoch chi eich hun, wrth ichi fonitro hyn, ofyn pam nad oedd wedi digwydd?

Mr Martin: Yr hyn a ddigwyddodd oedd i mi sefydlu bwrdd perfformiad, fel rhan o'r sefydliad a ailstrwythurwyd, gan ei bod yn amlwg iawn bod arnom angen proses drylwyr o dderbyn gwybodaeth mewn modd strwythuredig am yr holl brosiectau a'r holl bethau pwysig yn y cynllun gweithredol. Yr oeddwn wedi cynnal cyfarfodydd monitro chwarterol gyda'r holl gyfarwyddwyr cyn hyn, ond deuthum i sylweddoli, yn arbennig wrth i bwysau'r agenda o ran addysg uwch gynyddu, fod angen i mi gael proses lle yr oedd gan un o'r uwch reolwyr gyfrifoldeb neilltuol am oruchwylio materion perfformiad a rheoli gwybodaeth. Sefydlwyd y grŵp hwnnw, a Peter Higson, mewn gwirionedd, oedd y cadeirydd o fis Awst, neu fis Tachwedd y llynedd ymlaen, neu o leiaf o ryw bwynt yn y broses, ond yn bendant nid ar yr adeg—

[117] **Mick Bates:** Nid ydych yn bwrw'ch cyfrifoldeb yma?

Mr Martin: Ddim o gwbl. Yr unig beth y ceisiaf ei wneud yw datgan yn glir ein bod wedi sefydlu'r trefniant hwnnw. Mae'n rhaid i mi ddweud bod y bwrdd perfformiad hwnnw a'i gadeirydd yn ei

it difficult to get quality information about projects coming back. It was incredibly hard work, and the first report, I believe, that the project board had on the Pop Factory project was in October 2002.

[118] **Mick Bates:** I think it was November. To delve deeper into this, the contract contains three conditions precedent that must be met before funds are released. Why were these specified in the contract and then not enforced prior to making the payment of £4 million?

Mr Martin: There is not an explanation that makes any sense about that. I mean, clearly, if those conditions are in a contract, those managing a contract should ensure that they have been met before the money is released and so on, and, as the report describes totally accurately, some of those conditions were not fulfilled; that is clearly a serious omission.

[119] **Mick Bates:** As a final question, we accept all these serious omissions and the challenging year, but just to help my understanding, Mr Higson, are you completely confident that you have systems, let us say project monitoring and control, that actually satisfy you, and that would never allow something like this to happen again?

Dr Higson: I will take that in a number of parts. We have identified a weakness in staff skills around project and contract management and we have training in place for them. By the end of this year approximately a quarter of all our staff will have gone through initial project and contract management training. That will be followed up by more advanced training for those who do it as a bigger part of their job.

We have developed a model contract with legal advice, which will be the standard contract, which will then be filled in with various content around various contracts that we will be letting. That will be scrutinised through our compliance function and through our finance directorate. I am a great believer that the finance directorate has to be at the heart of anything that we do and that anything that goes out through the door, in financial terms, has been checked thoroughly. In terms of project management, we have

chael yn wirioneddol anodd cael gwybodaeth werth chweil am y prosiectau. Yr oedd yn waith anodd iawn, ac ym mis Hydref 2002, yr wyf yn credu, y cafodd y bwrdd prosiectau yr adroddiad cyntaf ar brosiect y Ffatri Bop.

[118] **Mick Bates:** Credaf mai mis Tachwedd ydoedd. A threiddio'n ddyfnach i hyn, mae'r contract yn cynnwys tair amod gynsail sy'n rhaid eu bodloni cyn i'r arian gael ei ryddhau. Pam y cafodd y rhain eu nodi yn y contract ond na weithredwyd hwy cyn talu'r £4 miliwn?

Mr Martin: Ni cheir esboniad sy'n gwneud synnwyr am hynny. Mae'n amlwg, os yw'r amodau hynny mewn contract, dylai'r rhai sy'n rheoli contract sicrhau bod yr amodau wedi'u bodloni cyn i'r arian gael ei ryddhau ac yn y blaen, ac, fel y mae'r adroddiad yn disgrifio'n hollol gywir, ni chyflawnwyd rhai o'r amodau hynny; mae'n amlwg bod hynny'n esgeulustod difrifol.

[119] **Mick Bates:** Fel cwestiwn olaf, yr ydym yn derbyn yr holl ddiffygion difrifol hyn a'r flwyddyn anodd iawn, ond i'm helpu i ddeall, Mr Higson, a ydych chi'n hollol hyderus bod gennych systemau, gadewch i ni ddweud systemau monitro a rheoli prosiectau, yr ydych yn fodlon arnynt mewn gwirionedd, ac na fyddent byth yn caniatáu i rywbeth fel hyn ddigwydd eto?

Dr Higson: Atebaf hynny mewn nifer o rannau. Yr ydym wedi nodi gwendid yn sgiliau'r staff yn gysylltiedig â rheoli prosiectau a chontractau ac wedi darparu hyfforddiant ar eu cyfer. Erbyn diwedd eleni bydd tua chwarter ein holl staff wedi cael hyfforddiant dechreuol mewn rheoli prosiectau a chontractau. Bydd hynny'n cael ei ddilyn gan hyfforddiant uwch i'r rhai sy'n ei wneud fel rhan fwy sylweddol o'u swydd.

Yr ydym wedi datblygu contract enghreifftiol wedi cael cyngor cyfreithiol, a fydd yn gontract safonol, ac a fydd wedyn yn cael ei lanw â gwahanol gynnwys yn gysylltiedig â'r gwahanol gontractau y byddwn yn eu rhoi. Bydd hwnnw'n destun craffu drwy ein swyddogaeth gydymffurfio a thrwy ein cyfarwyddiaeth ariannol. Yr wyf yn gredwr cryf y dylai'r gyfarwyddiaeth ariannol fod yn ganolog i bopeth a wnawn a bod popeth sy'n mynd drwy'r drws, mewn termau ariannol, wedi'i archwilio'n drylwyr. O ran rheoli prosiectau, yr ydym wedi datblygu'r hyn a ddywedodd Mr Martin, ac wedi

built on what Mr Martin said, and have strengthened our project management arrangements. We have put a bit more staffing into it as well. We have also integrated into our general performance and project management arrangements our audit recommendations and a risk register for the organisation. So, my overall view is that we have actually put in place the systems, and that the next six months will see them getting firmly embedded so that we have the proof positive that things have been properly managed.

[120] **Mick Bates:** So, the letter that mysteriously remained on file—that would never happen again? A letter of significance in this process would get through?

Dr Higson: Anything of significance in a process like that, I think, would be a very unlikely occurrence from now on.

[121] **Mick Bates:** Thank you. Finally, Chair, for Jon Shortridge, when were you actually aware of this terrible mislaid letter in all this process? It is quite critical. I mean, it wanted to defer payments, yet payments were made.

Sir Jon Shortridge: I imagine that the first time that I became aware of it was when I read the national council's own internal audit report, which would have been probably about May.

[122] **Mick Bates:** Thank you, Chair.

[123] **Leighton Andrews:** May I come in on this, Chair?

[124] **Janet Davies:** One very brief question, Leighton.

[125] **Leighton Andrews:** Just so that we can understand all the elements of what appears to be a catalogue of incompetence, what is the reporting line of the person who filed the letter from Learn to Live Ltd to you?

Mr Martin: At a very considerable remove. I am trying to remember what it—

[126] **Leighton Andrews:** You called that person a project manager?

cryfhau ein trefniadau rheoli prosiectau. Yr ydym wedi ychwanegu at y staff yn ogystal. Yr ydym hefyd wedi integreiddio ein hargymhellion archwilio a chofrestr risg ar gyfer y sefydliad i mewn i'n trefniadau cyffredinol ar gyfer rheoli perfformiad a phrosiectau. Felly, fy marn gyffredinol yw ein bod mewn gwirionedd wedi rhoi'r systemau ar waith, ac y byddant yn cael eu sefydlu'n gadarn yn ystod y chwe mis nesaf fel y bydd gennym dystiolaeth bendant bod pethau wedi cael eu rheoli'n briodol.

[120] **Mick Bates:** Felly, y llythyr a arhosodd ar y ffeil yn anesboniadwy—ni fyddai hynny byth yn digwydd eto? Byddai llythyr o bwys yn y broses hon yn mynd trwodd?

Dr Higson: Credaf ei bod yn annhebygol iawn y byddai dim byd o bwys mewn proses o'r fath yn digwydd o hyn allan.

[121] **Mick Bates:** Diolch. Yn olaf, Gadeirydd, i Jon Shortridge, pryd yr oeddech yn ymwybodol mewn gwirionedd o'r llythyr hwn a gollwyd yn ddifrifol yn yr holl broses hon? Mae'n eithaf allweddol. Hynny yw, yr oedd am ohirio taliadau, ond eto cafodd taliadau eu gwneud.

Syr Jon Shortridge: Tybiaf mai'r tro cyntaf y deuthum yn ymwybodol ohono oedd pan ddarllenais adroddiad archwilio mewnol y cyngor cenedlaethol ei hun, sef tua mis Mai mae'n debyg.

[122] **Mick Bates:** Diolch, Gadeirydd.

[123] **Leighton Andrews:** A gaf fi ddod i mewn yma, Gadeirydd?

[124] **Janet Davies:** Un cwestiwn byr iawn, Leighton.

[125] **Leighton Andrews:** Er mwyn i ni allu deall holl elfennau'r hyn sy'n ymddangos fel catalog oaflerwch, beth yw llinell adrodd y sawl a ffeiliodd y llythyr oddi wrth Learn to Live Cyf i chi?

Mr Martin: Pell iawn oddi wrthyf. Yr wyf yn ceisio cofio beth oedd—

[126] **Leighton Andrews:** Galwasoch yr unigolyn hwnnw'n rheolwr prosiectau?

Mr Martin: Yes. The overall project responsibility lay with the director; there was a senior member of staff responsible for the Pop Factory project and there was a day-to-day project manager working for that person.

[127] **Leighton Andrews:** Okay.

[128] **Janet Davies:** Thank you. We will now break for coffee.

Mr Martin: Do. Y cyfarwyddwr sy'n gyfrifol am y prosiect yn gyffredinol; yr oedd uwch aelod o'r staff yn gyfrifol am brosiect y Ffatri Bop ac yr oedd rheolwr prosiectau o ddydd i ddydd yn gweithio i'r unigolyn hwnnw.

[127] **Leighton Andrews:** Iawn.

[128] **Janet Davies:** Diolch. Cawn egwyl goffi yn awr.

*Gohiriwyd y cyfarfod rhwng 11.22 a.m. a 11.33 a.m.
The meeting was adjourned between 11.22 a.m. and 11.33 a.m.*

[129] **Janet Davies:** Thank you for getting back pretty well on time. Before we go any further, would it be possible for the Audit Committee members to have a copy of the letter of 15 March?

Dr Higson: Yes, Chair.

[130] **Janet Davies:** Thank you. I would also like to say that I have decided to drop item 4 from today's agenda. That is the item concerning achieving cost savings through improved procurement in further education colleges. I will now ask Denise to continue the questioning.

[131] **Denise Idris Jones:** I refer to paragraph 3.64. Annex C to the contract addressed capital expenditure and required the company, which is not unnatural, to supply invoices to support its funding draw-down. For £1.2 million, only quotes or estimates were provided, but in fact the national council did pay in full. Why were there no invoices to support such claims for funding?

Mr Martin: Again, I can only repeat what I have said. These are breaches. The terms of the contract were very clear that these things should have been done, and they were not done.

[132] **Denise Idris Jones:** And nobody asked for these invoices?

Mr Martin: I cannot say that they did not ask for them, but they certainly paid before they got them.

[129] **Janet Davies:** Diolch am ddod yn ôl yn weddol brydlon. Cyn i ni fynd ymhellach, a fyddai modd i aelodau'r Pwyllgor Archwilio gael copi o lythyr 15 Mawrth?

Dr Higson: Byddai, Gadeirydd.

[130] **Janet Davies:** Diolch. Hoffwn ddweud hefyd fy mod wedi penderfynu dileu eitem 4 o agenda heddiw. Dyna'r eitem sy'n ymwneud â sicrhau arbedion yn y costau drwy gaffael gwell mewn colegau addysg bellach. Yr wyf yn awr am ofyn i Denise barhau â'r cwestiynau.

[131] **Denise Idris Jones:** Cyfeiriai at baragraff 3.64. Yr oedd Atodiad C yn y contract yn trafod gwariant cyfalaf ac yn mynnu bod y cwmni'ndarparu anfonebau i ategu ei geisiadau am arian, rhywbeth nad yw'n anarferol. Am £1.2 miliwn, dim ond dyfynbrisiau neu amcangyfrifon a ddarparwyd, ond talodd y cyngor cenedlaethol yn llawn mewn gwirionedd. Pam nad oedd anfonebau i ategu ceisiadau o'r fath amarian?

Mr Martin: Eto, yr unig beth y gallaf ei wneud yw ail-ddweud yr hyn yr wyf wedi ei ddweud. Mae'r rhain yn dor-cytundebau. Yr oedd amodau'r contract yn glir iawn y dylid bod wedi gwneud y pethau hyn, ac ni chawsant eu gwneud.

[132] **Denise Idris Jones:** Ac ni ofynnodd neb am yr anfonebau hyn?

Mr Martin: Ni allaf ddweud na ofynasant amdanynt, ond yn sicr yr oeddent wedi talu cyn eu cael.

[133] **Denise Idris Jones:** That is just unbelievable. Anyway, I will carry on. No case was prepared by national council staff to assess whether an advance payment was justified. Why was no business case prepared to assess whether an advance payment was justified on this contract?

Mr Martin: Again, clearly, that should have happened, and—

[134] **Denise Idris Jones:** We are talking about a lot of money here, are we not?

Mr Martin: Absolutely.

[135] **Denise Idris Jones:** Exactly, yes.

Mr Martin: I agree totally. It is very difficult for me to add to the conclusions in the Auditor General's report, because, manifestly, any payment in advance has to be justified on the basis of a business case. If what is proposed is not supported by a business case, or amounts to a payment in advance of need, then it should not happen.

[136] **Denise Idris Jones:** And how was it that nearly half of the £4 million was paid in advance of need, breaching the requirements of *Government Accounting*?

Mr Martin: Well, again, because the requirements were not followed as they should have been. The clear requirements of *Government Accounting* were not followed in that case, and the payment should not have been made in those circumstances.

[137] **Denise Idris Jones:** It was decided to bring forward a planned internal audit review of the project to December 2002. What prompted this decision to bring it forward to that date?

Mr Martin: The responsible senior manager had picked up that the expenditure return, which was made at that time, from the company, seemed out of kilter with what he understood to be the actual progress of the project. So he took the, I believe, very sensible step of asking the auditors to bring forward their review and then, subsequently, I was made aware of the issue at that time. In

[133] **Denise Idris Jones:** Mae hynny'n anghredadwy. Beth bynnag, af ymlaen. Ni pharatowyd achos gan staff y cyngor cenedlaethol i asesu a ellid cyfiawnhau taliad ymlaen llaw. Pam na pharatowyd achos busnes i asesu a ellid cyfiawnhau taliad ymlaen llaw gyda'r contract hwn?

Mr Martin: Eto, yn amlwg, dylai hynny fod wedi digwydd, a—

[134] **Denise Idris Jones:** Yr ydym yn siarad am lawer o arian yma, onid ydym?

Mr Martin: Yn sicr.

[135] **Denise Idris Jones:** Yn union, ydym.

Mr Martin: Yr wyf yn cytuno'n llwyr. Mae'n anodd iawn i mi ychwanegu at y casgliadau yn adroddiad yr Archwilydd Cyffredinol, oherwydd, ynmae'n amlwg, mae'n bod yn rhaid cyfiawnhau unrhyw daliad ymlaen llaw ar sail achos busnes. Os nad yw'r hyn a gynigir yn cael ei gefnogi gan achos busnes, neu'n cyfrif fel taliad cyn bod angen, yna ni ddylai ddigwydd.

[136] **Denise Idris Jones:** A sut y cafodd bron hanner y £4 miliwn ei dalu cyn bod angen, gan dorri gofynion *Government Accounting*?

Mr Martin: Wel, eto, oherwydd na ddilynwyd y gofynion fel y dylid bod wedi gwneud. Ni ddilynwyd gofynion clir *Government Accounting* yn yr achos hwnnw, ac ni ddylid bod wedi gwneud y taliad dan yr amgylchiadau hynny.

[137] **Denise Idris Jones:** Penderfynwyd dod ag adolygiad archwiliad mewnol arfaethedig o'r prosiect ymlaen i Ragfyr 2002. Beth a sbardunodd y penderfyniad hwn i ddod â'r adolygiad ymlaen i'r dyddiad hwnnw?

Mr Martin: Yr oedd yr uwch reolwr cyfrifol wedi sylwi bod yr adroddiad gwariant, a wnaed bryd hynny, gan y cwmni, yn ymddangos fel pe bai'n anghyson âgwir gynnydd y prosiect, yn ôl yr hyn a ddeallai. Felly, yn fy marn i, cymerodd y cam synhwyrol iawn o ofyn i'r archwilwyr ddod â'u hadolygiad ymlaen ac yna, wedi hynny, daeth y mater i'm sylw bryd hynny. Yng ngoleuni casgliadau adroddiad yr archwilydd a oedd yn dod

the light of the emerging findings of the audit report I then, in the following month, commissioned the very detailed internal audit work that has led to the findings in this report ultimately.

[138] **Denise Idris Jones:** So there was a feeling at that time that things were definitely going out of place?

Mr Martin: Yes, and there were rumours flying around as well about redundancies being made within the company. It was obviously a very prudent step at that point to make sure that proper checks were done by the auditors on what had happened to the money and what state the project had reached.

[139] **Jocelyn Davies:** Could I just ask a question on a point of clarification, Chair?

[140] **Janet Davies:** Yes.

[141] **Jocelyn Davies:** Was that done by the national council's audit committee?

Mr Martin: The audit committee, and I would have to check the papers to confirm this, was informed about this, and was kept informed throughout the process. The initial decision to actually send the auditors in was a management decision, and properly a management decision. Of course, what this enabled us to do then was to take rapid action to secure repayment of money that had not been spent on the project.

[142] **Jocelyn Davies:** So the audit committee was kept informed, and there was a National Assembly official on the audit committee?

Mr Martin: There is an observer from the National Assembly on the audit committee, yes.

[143] **Jocelyn Davies:** Thank you.

[144] **Janet Davies:** Thank you, Jocelyn. Do you have any further questions, Denise?

[145] **Denise Idris Jones:** I have finished, thank you.

yn hysbys, y mis wedyn comisiynaisy gwaith archwilio mewnol manwl iawn sydd wedi arwain at y casgliadau yn yr adroddiad hwn yn y pen draw.

[138] **Denise Idris Jones:** Felly yr oedd teimlad ar y pryd bod pethau'n sicr yn mynd o chwith?

Mr Martin: Oedd, ac yr oedd sibrydion ar led hefyd am ddiswyddiadau'n digwydd o fewn y cwmni. Yr oedd yn amlwg yn gam doeth iawn bryd hynny sicrhau bod archwiliadau trylwyr yn cael eu gwneud gan yr archwilwyr i'r hyn oedd wedi digwydd i'r arian a ble'r oedd y prosiect arni.

[139] **Jocelyn Davies:** A gaf fi ofyn cwestiwn er mwyn cael eglurhad, Gadeirydd?

[140] **Janet Davies:** Cewch.

[141] **Jocelyn Davies:** Ai pwyllgor archwilio'r cyngor cenedlaethol a wnaeth hynny?

Mr Martin: Hysbyswyd y pwyllgor archwilio, a byddai'n rhaid i mi edrych y papurau i gadarnhau hyn, am hyn, a chafodd wybod beth oedd yn digwydd drwy gydol y broses. Penderfyniad y rheolwyr oedd y penderfyniad dechreuol i anfon yr archwilwyr i mewn, a phenderfyniad y rheolwyr a ddylai fod. Wrth gwrs, galluogodd hyn ni i weithredu'n gyflym wedyn i sicrhau bod arian nad oedd wedi'i wario ar y prosiect yn cael ei ad-dalu.

[142] **Jocelyn Davies:** Felly cafodd y pwyllgor archwilio wybod beth oedd yn digwydd, ac yr oedd swyddog o'r Cynulliad Cenedlaethol ar y pwyllgor archwilio?

Mr Martin: Mae sylwedydd o'r Cynulliad Cenedlaethol ar y pwyllgor archwilio, oes.

[143] **Jocelyn Davies:** Diolch.

[144] **Janet Davies:** Diolch, Jocelyn. A oes gennyhych gwestiynau eraill, Denise?

[145] **Denise Idris Jones:** Yr wyf wedi gorffen, diolch.

[146] **Janet Davies:** Okay. Before we left this part of the report I was going to ask what were the future prospects for the project, Mr Higson. You have already referred to them to an extent, but is there anything else that you want to add to that?

Dr Higson: Shall I just summarise where we are just to make things clear?

[147] **Janet Davies:** Yes.

Dr Higson: We have reviewed progress to date in terms of the one module, that is the combined module. There has been an initial evaluation of that. I think that there are issues, before we can make a decision to move forward, around cost content and delivery of future modules, which we need to be assured of in terms of value for money and so on. So we need to have a much clearer specification of what would go into the subsequent three, and a much clearer idea of the cost so that there is some benchmark that we can set it against. On the basis that we can also resolve the state aid issue by mutual agreement, we will prepare a project proposal, using our new procedures, for the national council to consider in November. If there were a decision to proceed, and if that was then approved by the Assembly, we would then negotiate a new contract with much clearer deliverables and milestones. So I think, at the moment, that it is work in progress but we hope to conclude that work in the next six weeks.

[148] **Janet Davies:** Okay, thank you. I would like to turn now to part 4 of the report, which concerns other innovation development programme projects. I should mention that there are 17 of these other projects. Paragraph 4.7 and figure 7 point out that several of the key weaknesses found in the Pop Centre cafe project have also been uncovered in these other projects. It is clearly a matter of enormous concern that those key weaknesses have appeared. How did this happen?

Mr Martin: Shall I begin?

[149] **Janet Davies:** Yes.

Mr Martin: Perhaps I can just go back to the

[146] **Janet Davies:** O'r gorau. Cyn i ni adael y rhan hon o'r adroddiad yr oeddwn am ofyn beth oedd rhagolygon y prosiect ar gyfer y dyfodol, Mr Higson. Yr ydych wedi cyfeirio yn barod atynt i ryw raddau, ond a oes unrhyw beth arall yr hoffech ei ychwanegu at hynny?

Dr Higson: A gaf fi grynhoi ble'r ydym er mwyn gwneud pethau'n glir?

[147] **Janet Davies:** Iawn.

Dr Higson: Yr ydym wedi adolygu ein cynnydd hyd yma o ran yr un modiwl, hynny yw y modiwl cyfunol. Mae gwerthusiad dechreuol wedi'i gynnal ar hwnnw. Credaf fod rhai materion, cyn i ni allu penderfynu symud ymlaen, ynglŷn â chynnwys costau a darparu modiwlau yn y dyfodol, y mae angen i ni gael sicrwydd yn eu cylch o ran gwerth am arian ac ati. Felly mae angen i ni gael manylion llawer cliriach ynghylch beth fyddai cynnwys y tri dilynol, a syniad llawer cliriach ynghylch y costau fel bod rhyw feincnod y gallwn gymharu ag ef. Ar y sail y gallwn hefyd ddatrys mater cymorth gwladol drwy gyd-gytuno, byddwn yn paratoi cynnig ar gyfer prosiect, gan ddefnyddio ein gweithdrefnau newydd, i'r cyngor cenedlaethol ei ystyried ym mis Tachwedd. Pe bai penderfyniad i fynd ymlaen â hyn, a phe bai hynny wedyn yn cael ei gymeradwyo gan y Cynulliad, byddem yn negodi contract newydd fyddai ag amcanion darparu a cherrig milltir llawer cliriach. Felly credaf, ar hyn o bryd, mai gwaith sy'n mynd rhagddo ydyw ond ein gobaith yw ei orffen yn y chwe wythnos nesaf.

[148] **Janet Davies:** Iawn, diolch. Hoffwn droi yn awr at ran 4 yr adroddiad, sy'n trafod prosiectau eraill ar gyfer rhaglen datblygu arloesedd. Dylwn grybwyll bod 17 o'r prosiectau eraill hyn. Mae paragraff 4.7 a ffigur 7 yn nodi bod nifer o'r diffygion allweddol a gafwyd ym mhrosiect caffi'r Ganolfan Bop hefyd wedi dod i'r amlwg yn y prosiectau eraill hyn. Mae'n amlwg yn destun pryder mawr bod y diffygion allweddol hynny wedi ymddangos. Sut y digwyddodd hyn?

Mr Martin: A gaf fi gychwyn?

[149] **Janet Davies:** Cewch.

Mr Martin: Efallai y caf fynd yn ôl at y broses.

process. Again, the proposals as they were developed were, as was required by the council's delegated authority to the chairman and myself, referred to us. We gave unconditional approval to five of those projects. We turned down three, although we did not close the door to them coming back if our rather more fundamental than usual concerns could be dealt with satisfactorily. For the rest we required further work to be done before we were prepared to see them proceed. In two cases, in addition to the Pop Factory that is, namely the Sustainable Experience and the supplementary growth in further education, I explicitly required that they should come back to me before they could proceed. In other cases, I asked that the relevant senior manager should ensure that our concerns were followed up before the projects could go ahead. Those were concerns of a lesser order. You have also seen from figure 7 that, on the basis of the information provided to the chairman and myself, it was, we think, reasonable to believe that it would have been possible in all cases to incur expenditure properly before 31 March 2002.

I touched on this earlier, but perhaps I could say something about this again, because I think that it is wrong to categorise all the projects in quite the same way in terms of what happened and what the weaknesses were. There is actually a stark contrast between the development process for projects undertaken by staff in respect of the further education college infrastructure, and those in respect of the non-further-education provision. I think that that simply reflects the different procedures that existed in the relevant parts of the organisation at the time, when we were still operating under the predecessor arrangements. Again, I want to stress that I am not casting any aspersions about the predecessor arrangements except that they were not fit-for-purpose within the context that we were then operating for a number of these schemes.

In the former case—that of the FE colleges—there was a very rigorous process in place under which, particularly, our specialist estates officer vetted the projects. They had to conform with the estates strategy of the relevant college, and had to represent a

Eto, cyfeiriwyd y cynigion fel yr oeddent yn cael eu datblygu, fel yr oedd y drefn oedd yn dirprwyo awdurdod y cyngor i'r cadeirydd a minnau yn mynnu, atom ni. Rhoesom gymeradwyaeth ddiamod i bump o'r prosiectau hynny. Gwrthodasom dri, er na wnaethom gau'r drws yn eu hwynebau rhag iddynt ddod yn ôl pe gellid delio mewn modd boddhaol â'n pryderon, oedd yn rhai mwy sylfaenol nag arfer. O ran y gweddill yr oeddem yn disgwyl i waith pellach gael ei gyflawni cyn ein bod yn barod iddynt fynd ymlaen. Mewn dau achos, yn ogystal â'r Ffatri Bop, sef y Profiad Cynaliadwy a'r twf atodol mewn addysg bellach, mynnais yn benodol y dylent ddod yn ôl ataf cyn iddynt allu mynd ymlaen. Mewn achosion eraill, gofynnais i'r uwch reolwyr perthnasol sicrhau bod ein pryderon yn cael eu hystyried cyn i'r prosiectau gael mynd ymlaen. Yr oedd y rheini'n bryderon llai difrifol. Yr ydych hefyd wedi gweld o ffigur 7 ei bod yn rhesymol credu, ar sail y wybodaeth a roddwyd i'r cadeirydd a minnau, y byddai wedi bod yn bosibl gwario'n briodol ym mhob achos cyn 31 Mawrth 2002.

Soniais am hyn yn gynharach, ond efallai y caf ddweud rhywbeth am hyn eto, oherwydd credaf nad yw'n iawn categoreiddio'r holl brosiectau yn yr un modd yn union o ran yr hyn a ddigwyddodd a beth oedd y gwendidau. Mae cyferbyniad amlwg mewn gwirionedd rhwng y broses ddatblygu ar gyfer prosiectau a gyflawnwyd gan y staff sy'n ymwneud â seilwaith y colegau addysg bellach, a'r rhai sy'n ymwneud â'r ddarpariaeth nad yw'n ddarpariaeth addysg bellach. Credaf na wna hynny ond adlewyrchu'r gwahanol weithdrefnau a oedd yn bodoli yn rhannau perthnasol y sefydliad ar y pryd, pan oeddem yn dali weithredu dan y trefniadau blaenorol. Eto, yr wyf am bwysleisio nad wyf yn lladd ar y trefniadau blaenorol ar wahân i'r ffaith nad oeddent yn addas i'r pwrpas yn y cyd-destun yr oeddem yn gweithredu ynddo bryd hynny ar gyfer nifer o'r cynlluniau hyn.

Yn yr achos cyntaf—sef colegau addysg bellach—yr oedd proses drwyadl iawn ar waith lle'r oeddein swyddog ystadau arbenigol, yn enwedig, yn pwysu a mesur y prosiectau. Yr oedd yn rhaid iddynt gydymffurfio â strategaeth ystadau'r coleg perthnasol, ac yr oedd yn rhaid iddynt roi asesiad

proper assessment of options. So, it was not just a matter of doing this because it was the only thing on offer but of asking what were the other alternatives for undertaking this particular capital project. There was also a sensitivity analysis around the key assumptions and there was a process of checking the financial health implications of any borrowing, or other commitments being entered into by the colleges in undertaking the projects.

All that was clearly laid out in a circular to the sector and was followed rigorously. However, nothing like that thoroughness, as it transpired, was applied in the case of the non-FE projects. I think one learns the same lessons from all that as one would take from our discussion on the Pop Factory project. However, I did want to say that I think that for the majority of these projects, in particular those that relate to the FE estate, there was actually a very rigorous process in place and that insofar as there were weaknesses—and in one case there was some payment in advance of need—they were despite, as it were, rather than because of, a reasonable project appraisal and management system.

[150] **Janet Davies:** Mr Martin, the question occurs to me that if you were receiving reports of this rigorous appraisal for FE colleges issues, did you not notice any difference between those and the others?

Mr Martin: No, because what was actually presented to the chairman and myself—and I accept that this was not sufficient and is one of the reasons that led to us requiring further work—was a summary, or the main features, of the proposal rather than, as it were, all the underlying processes. I was aware that the FE college infrastructure investments were, as I said earlier, a hangover from an oversubscribed scheme that the council had operated earlier in the year. I knew that the processes for that were as they were because we had issued a circular about it to the FE sector and so on—it was all very clear and I think it was based on pretty good practice for the most part. I did not have the same awareness of what had existed in terms of the procedures in the various regional offices, and that, clearly, was the underlying

iawn o'r opsiynau. Felly, nid mater o wneud hyn oherwydd mai dyna oedd yr unig beth oedd ar gael oedd hyn, ond mater o ofyn beth oedd y dewisiadau eraill ar gyfer cynnal y prosiect cyfalaf penodol hwn. Yr oedd dadansoddiad o sensitifrwydd hefyd ynghylch y rhagdybiaethau allweddol ac yr oedd proses o archwilio goblygiadau iechyd ariannol unrhyw fenthyca, neu ymrwymadau eraill yr oedd y colegau yn eu gwneud wrth gyflawni'r prosiectau.

Yr oedd hynny i gyd wedi'i nodi'n glir mewn cylchlythyr i'r sector ac fe'i dilynwyd yn drwyadl. Fodd bynnag, ni ddefnyddiwyd manylder o'r fath, fel y daeth yn amlwg, yn achos y prosiectau nad oeddent yn rhai addysg bellach. Credaf fod rhywun yn dysgu'r un gwersi o hynny i gyd ag y byddai rhywun yn ei wneud o'n trafodaeth ar brosiect y Ffatri Bop. Fodd bynnag, yr oeddwn am ddweud fy mod yn credu yn achos y mwyafrif o'r prosiectau hyn, yn enwedig y rhai sy'n ymwneud â'r ystâd addysg bellach, fod proses drwyadl iawn ar waith ac i'r graddau yr oedd gwendidau—ac mewn un achos yr oedd rhywfaint o dalu cyn bod angen—yr oeddent er gwaethaf, fel petai, yn hytrach nag oherwydd, system resymol ar gyfer gwerthuso a rheoli prosiectau.

[150] **Janet Davies:** Mr Martin, daw'r cwestiwn i'm meddwl, os oeddech yn cael adroddiadau ynghylch y gwerthusiad trylwyr hwn ar gyfer materion colegau addysg bellach, oni wnaethoch sylwi ar ryw wahaniaeth rhwng y rheini a'r lleill?

Mr Martin: Naddo, oherwydd yr hyn a gyflwynwyd i'r cadeirydd a minnau mewn gwirionedd—a derbyniasf nad oedd hyn yn ddigonol a'i fod yn un o'r rhesymau a barodd inni ofyn am waith pellach—oedd crynodeb o'r cynnig, neu brif nodweddion y cynnig, yn hytrach na'r holl brosesau sylfaenol, fel petai. Yr oeddwn yn ymwybodol bod y buddsoddiadau yn seilwaith y colegau addysg bellach, fel y dywedais yn gynharach, yn froc môr o gynllun gordanysgrifedig y bu'r cyngor yn ei weithredu yn gynharach yn y flwyddyn. Gwyddwn fod y prosesau ar gyfer hwnnw fel yr oeddent oherwydd yr oeddem wedi cyhoeddi cylchlythyr amdano i'r sector addysg bellach ac yn y blaen—yr oedd i gyd yn glir iawn a chredaf ei fod yn seiliedig ar arferion eithaf da at ei gilydd. Nid oeddwn mor ymwybodol o'r hyn a oedd wedi bodoli o ran y gweithdrefnau yn y gwahanol swyddfeydd rhanbarthol a dyna, yn

deficiency in terms of the way in which these matters were handled.

[151] **Janet Davies:** Mr Higson, are you aware of any other projects with similar weaknesses within the organisation?

Dr Higson: As I said earlier, at the end of April I decided that it would be prudent to look at all the other national council's active projects at that time as well as putting in place more rigorous procedures for any new projects. From about 160 projects, which the national council was variously involved in, a total of 47 were non-compliant on the basis of either not having a scheme within the management relevant schedule or non-compliant in the sense of not having received council approval and/or Assembly approval for them to go ahead. There is a mixture there of some having had Assembly approval, but not council approval and so on. That was just about under a third, and within that, there are two outstanding issues of possible state aid, which we are investigating. There are four from the previous set of projects that you have just been discussing—two fairly low risk and two medium-ish risk—which we are also looking into at the moment and trying to get clarity on. Our review has also identified one project where there is a possible pre-16 vires issue under our powers. We have been, as I say, re-appraising all projects using our new procedures and have been taking any that were non-compliant through a very rigorous scrutiny within the national council and have, unfortunately, ended up in a position of having to seek retrospective approval from both council and/or the Assembly for those 47. There are 13 still outstanding that we are still ploughing through. So far, in terms of work to date, we have not identified any payments-in-advance of need issues, other than the issues that I have just mentioned.

In relation to that—if I can just add this—we have also done a considerable amount of work with our sponsor division to revise our management statement and financial memorandum and to make it more accessible and easier to use for our staff, in particular as part of the overall control framework. We are variously making it available electronically and are providing training and so on.

amlwg, oedd y diffyg sylfaenol o ran y modd y deliwyd â'r materion hyn.

[151] **Janet Davies:** Mr Higson, a ydych yn ymwybodol o unrhyw brosiectau eraill â gwendidau cyffelyb yn y sefydliad?

Dr Higson: Fel y dywedais yn gynharach, ddiwedd Ebrill penderfynais y byddai'n ddoeth edrych ar yr holl brosiectau eraill oedd gan y cyngor cenedlaethol ar y gweill bryd hynny yn ogystal â rhoi gweithdrefnau mwy trwyadl ar waith ar gyfer unrhyw brosiectau newydd. O ryw 160 o brosiectau, yr oedd y cyngor cenedlaethol ynghlwm wrthynt mewn rhyw fodd neu'i gilydd, nid oedd cyfanswm o 47 yn cydymffurfio naill ai oherwydd nad oedd ganddynt gynllun o fewn yr atodlen sy'n berthnasol i reolaeth neu am nad oeddent wedi cael cymeradwyaeth y cyngor ac/neu gymeradwyaeth y Cynulliad iddynt fynd yn eu blaenau. Mae cymysgedd o rai sydd wedi cael cymeradwyaeth y Cynulliad, ond heb gael cymeradwyaeth y cyngor ac yn y blaen. Yr oedd hynny ychydig dan draean, ac o fewn hynny, mae dau fater yn ymwneud â chymorth gwladol o bosibl heb eu penderfynu, yr ydym yn ymchwilio iddynt. Mae pedwar o'r set flaenorol o brosiectau yr ydych newydd fod yn eu trafod—dau â risg weddol isel a dau â risg ganolig—yr ydym hefyd yn edrych arnynt ar hyn o bryd ac yn ceisio cael eglurhad arnynt. Mae ein hadolygiad hefyd wedi dod o hyd i un prosiect lle mae mater vires cyn-16 posibl dan ein pwerau. Yr ydym, fel y dywedaf, wedi bod yn ailwerthuso pob prosiect gan ddefnyddio ein gweithdrefnau newydd ac wedi bod yn craffu'n ofalus iawn yn y cyngor cenedlaethol ar y rhai nad oeddent yn cydymffurfio ac, yn anffodus, yn y diwedd wedi gorfod gofyn am ôl-gymeradwyaeth gan y cyngor ac/neu'r Cynulliad ar gyfer y 47 hynny. Mae 13 ar ôl o hyd yr ydym yn dal i balu drwyddynt. Hyd yma, o ran y gwaith hyd yn hyn, nid ydym wedi dod o hyd i faterion yn ymwneud â thaliadau cyn bod angen, ac eithrio'r materion yr wyf newydd sôn amdanynt.

Mewn perthynas â hynny—os caf fi ychwanegu hyn—yr ydym hefyd wedi cyflawni cryn dipyn o waith gyda'n his-adran noddi i adolygu ein datganiad rheoli a memorandwm ariannol ac i'w gwneud yn haws i'n staff gael gwybodaeth amdano a'i ddefnyddio, yn enwedig fel rhan o'r fframwaith rheoli cyffredinol. Yr ydym yn sicrhau ei fod ar gael yn electronig mewn amrywiol ffyrdd ac yn darparu hyfforddiant ac yn y blaen. Fodd bynnag, i

However, in summary, there was a significant number of projects in May, which we identified as being non-compliant with our framework of control.

[152] **Janet Davies:** Thank you. Do you feel that you have outlined fully the lessons you have learned for the future from this?

Dr Higson: I think that the national council is very clear about what issues previous NAO reports and this one have raised. The NAO report built on the internal audit report into the projects. The action plan that I agreed with Sir John in April takes into account the weaknesses that they identify as well as further systemic and systems issues that I identified. The first six months of this financial year has been spent getting the systems more or less wholly in place. There is still a bit more work to be done on some, and in the second half of the year we will ensure that all the training goes with that to ensure that the council by the end of this period is functioning as a fully, fit-for-purpose public body.

[153] **Janet Davies:** Alun, you have a question.

[154] **Alun Cairns:** Yes, thank you, Cadeirydd. I am trying to reconcile what Mr Martin said with what Mr Higson has just said. In a response to you a moment ago, Cadeirydd, Mr Martin said that it would be wrong to categorise all projects in the same way. We read in figure 7 of the report that project application forms were not fully completed in seven of the cases. We then hear that formal risk assessments were not undertaken in any of the 17 cases that are mentioned here—we have already heard, obviously, about the pop cafe project. Mr Martin then also hinted that the FE infrastructure projects were very different. However, yet again, figure 7 states that

‘Of the £3.525 million provided to seven North Wales colleges in March 2002...’

The report goes on to say that money was not spent until eight months after its receipt, when

‘£1.7 million still remained unspent at 31

grynhoi, yr oedd nifer sylweddol o brosiectau ym mis Mai, y bu inni nodi nad oeddent yn cydymffurfio â'n fframwaith rheoli.

[152] **Janet Davies:** Diolch. A ydych yn teimlo eich bod wedi amlinellu'n llawn y gwersi yr ydych wedi eu dysgu ar gyfer y dyfodol o hyn?

Dr Higson: Credaf fod y cyngor cenedlaethol yn glir iawn ynghylch pa faterion y mae adroddiadau blaenorol y SAG a'r adroddiad hwn wedi eu codi. Adeiladodd adroddiad y SAG ar yr adroddiad archwilio mewnol ar y prosiectau. Mae'r cynllun gweithredu y cytunais arno gyda Syr Jon ym mis Ebrill yn ystyried y gwendidau y maent yn eu nodi yn ogystal â materion systemig a systemau pellach a nodais. Treuliwyd chwe mis cyntaf y flwyddyn ariannol hon yn sefydlu'r systemau fwy neu lai yn llawn. Mae rhywfaint o waith pellach i'w wneud ar rai o hyd, ac yn ail hanner y flwyddyn byddwn yn sicrhau bod yr holl hyfforddiant yn cyd-fynd â hynny i sicrhau bod y cyngor erbyn diwedd y cyfnod hwn yn gweithredu fel corff cyhoeddus cwbl addas i'r pwrpas.

[153] **Janet Davies:** Alun, mae gennych gwestiwn.

[154] **Alun Cairns:** Oes, diolch, Gadeirydd. Yr wyf yn ceisio cysoni'r hyn a ddywedodd Mr Martin â'r hyn y mae Mr Higson newydd ei ddweud. Mewn ymateb i chi funud yn ôl, Gadeirydd, dywedodd Mr Martin y byddai'n anghywir categoreiddio pob prosiect yn yr un modd. Darllenwn yn ffigur 7 yn yr adroddiad nad oedd ffurflenni cais ar gyfer y prosiect wedi eu llanw'n gyflawn mewn saith o'r achosion. Clywn wedyn na chynhaliwyd asesiadau risg ffurfiol yn yr un o'r 17 achos a grybwyllir yma—yr ydym eisoes wedi clywed, yn amlwg, am brosiect y caffi pop. Awgrymodd Mr Martin wedyn hefyd fod y prosiectau ar gyfer seilwaith addysg bellach yn wahanol iawn. Fodd bynnag, unwaith eto, mae ffigur 7 yn nodi

‘O'r £3.525 miliwn a ddarparwyd i saith o golegau Gogledd Cymru ym Mawrth 2002...’

Â'r adroddiad ymlaen i ddweud na wariwyd arian tan wyth mis ar ôl ei dderbyn, pan oedd

‘£1.7 miliwn... yn dal heb ei wario ar 31 Mai

May 2003'.

Mr Higson just mentioned that 47 contracts were non-compliant. So, how would you reconcile that, Mr Martin?

Mr Martin: First of all, what I was describing with the FE projects was the process of appraisal of the value of the projects themselves. Clearly, in some cases, payments were made before they should have been made, but I was describing the actual process of assessing the projects and the risks associated with those particular projects, in terms of financial health and whether they sit with the estate strategy and so on. I think that there is a debate about the issue of how far what happened with the FE projects represented a full risk assessment as the Auditor General defines it here. However, I am satisfied that there was a very much more rigorous process in place, indeed, I know there was.

[155] **Alun Cairns:** Are you suggesting, Mr Martin, that the Auditor General has been unduly harsh on you?

Mr Martin: No, I am saying that the extent to which there were deficiencies in the project process was very different according to the nature of the project. I think that there are two separate issues: was this a good, sound project? I think in the case of all those that I referred to in the FE sector, the work on those was extremely rigorous; and the issue of how the payments for that work should be programmed, which in very much the minority of cases did not sit within the rules. So there are two separate processes. One I believe was got pretty well right, the other, in some cases, was clearly not.

[156] **Alun Cairns:** Figure 7 mentions, in its first bullet point, that project application forms were not fully completed in seven of the cases. Did any of those cases refer to the FE colleges?

Mr Martin: I do not know the answer to that question.

[157] **Alun Cairns:** Well your answer to the previous question was not wholly accurate then, if you are not sure if that was the case.

2003'.

Mae Mr Higson newydd sôn nad oedd 47 o gontractau yn cydymffurfio. Felly, sut y byddech yn cysoni hynny, Mr Martin?

Mr Martin: Yn gyntaf oll, yr hyn yr oeddwn yn ei ddisgrifio gyda'r prosiectau addysg bellach oedd y broses o werthuso gwerth y prosiectau eu hunain. Yn amlwg, mewn rhai achosion, gwnaed taliadau cyn y dylent fod wedi cael eu gwneud, ond disgrifio yr oeddwn yr hyn sy'n digwydd mewn gwirionedd wrth asesu'r prosiectau a'r risgiau sy'n gysylltiedig â'r prosiectau penodol hynny, o ran iechyd ariannol ac a ydynt yn gydnaws â'r strategaeth ystâd ac yn y blaen. Credaf fod dadlau ynghylch i ba raddau yr oedd yr hyn a ddigwyddodd gyda'r prosiectau addysg bellach yn asesiad risg cyflawn fel y'i diffinnir gan yr Archwilydd Cyffredinol yn y fan hon. Fodd bynnag, yr wyf yn sicr bod proses lawer mwy trwyadl ar waith, yn wir, yr wyf yn gwybod hynny.

[155] **Alun Cairns:** A ydych yn awgrymu, Mr Martin, bod yr Archwilydd Cyffredinol wedi bod yn rhy llym â chi?

Mr Martin: Na, dweud yr wyf fod faint o ddiffygion oedd ym mhroses y prosiect yn amrywio'n fawr yn ôl natur y prosiect. Credaf fod dau fater ar wahân: a oedd hwn yn brosiect da, cadarn? Credaf, yn achos pob un o'r rhai y cyfeiriais atynt yn y sector addysg bellach, fod y gwaith ar y rheini yn hynod drwyadl; a sut y dylai'r taliadau ar gyfer y gwaith hwnnw gael eu rhaglennu, oedd mewn lleiafrif bach iawn o achosion heb gyd-fynd â'r rheolau. Felly mae dwy broses ar wahân. Credaf i un ohonynt gael ei gwneud yn iawn i raddau helaeth, ond, yn amlwg, ni wnaed y llall yn iawn mewn rhai achosion.

[156] **Alun Cairns:** Mae ffigur 7 yn sôn, yn ei bwynt bwled cyntaf, na chafodd ffurflenni cais ar gyfer y prosiect eu llanw'n gyflawn mewn saith o'r achosion. A oedd unrhyw un o'r achosion hynny yn cyfeirio at y colegau addysg bellach?

Mr Martin: Ni wn beth yw'r ateb i'r cwestiwn hwnnw.

[157] **Alun Cairns:** Wel nid oedd eich ateb i'r cwestiwn blaenorol yn gwbl gywir felly, os nad ydych yn siŵr ai felly yr oedd hi. Does bosibl eich

Surely you could not have given rigorous assessment if the application form was not fully completed?

Mr Martin: I have looked at the summary details of all the FE colleges, and I have looked at two examples of how those individual projects were appraised, which was entirely in accordance with the circular guidance and the best practices we believe we were operating at the time. I cannot answer the question in terms of whether every aspect of the project application form was filled in satisfactorily. Part of the reason for that is because the system that we were using for those FE college applications was based, as I said earlier, on an earlier scheme. So the actual project forms and so on may not have corresponded entirely. However, I would need to check the details to know whether there was any deficiency in the project application form that related to those projects. I stand by what I said in terms of the rigour of the assessment processes.

[158] **Alun Cairns:** That is despite potentially one of the application forms not being completed fully? I do not want to dwell on that point.

Mr Martin: Where it was not for this particular purpose, it maybe did not cover all the angles for that purpose. However, for instance, I am satisfied that the state aids issue was not an issue in relation to any of the FE college proposals.

[159] **Alun Cairns:** Mr Martin, who initiated the resubmission of the applications? They had clearly failed in one funding application under the other fund and then they came into the innovation or they were then subsequently funded, under the innovation development fund. Who initiated the resubmission?

Mr Martin: Resubmission is to overstate it.

[160] **Alun Cairns:** Well, clearly, they had not received approval under the first fund.

Mr Martin: We had to ration. We had limited resources under the first fund and we were massively overbid for what were a wide

bod wedi gallu rhoi asesiad trwyadl os nad oedd y ffurflen gais wedi ei llanw'n gyflawn?

Mr Martin: Yr wyf wedi edrych ar fanylion cryno pob un o'r colegau addysg bellach, ac yr wyf wedi edrych ar ddwy enghraifft o sut y gwerthuswyd y prosiectau unigol hynny, a oedd yn cyd-fynd yn llwyr â chanllawiau'r cylchlythyr a'r arferion gorau yr oeddem yn eu gweithredu ar y pryd yn ein tyb ni. Ni allaf ateb y cwestiwn o ran a gafodd pob agwedd ar y ffurflen gais ar gyfer y prosiect eu llanw'n foddhaol. Rhan o'r rheswm dros hynny yw oherwydd bod y system yr oeddem yn ei defnyddio ar gyfer ceisiadau'r colegau addysg bellach hynny yn seiliedig, fel y dywedais yn gynharach, ar gynllun cynharach. Felly mae'n bosibl nad oedd y ffurflenni ar gyfer y prosiect ac yn y blaen yn cyd-fynd yn gyfan gwbl. Fodd bynnag, byddai angen i mi wirio'r manylion i wybod a oedd unrhyw ddiffyg yn y ffurflen gais ar gyfer y prosiect a oedd yn berthnasol i'r prosiectau hynny. Yr wyf yn dal at yr hyn a ddywedais o ran trylwyredd y prosesau asesu.

[158] **Alun Cairns:** Er gwaethaf y posibilrwydd bod un o'r ffurflenni cais heb ei llanw'n gyflawn? Nid wyf am aros gyda'r pwynt hwnnw.

Mr Martin: Lle nad oedd ar gyfer y pwrpas penodol hwn, mae'n bosibl nad oedd yn cwmpasu'r holl agweddau ar gyfer y pwrpas hwnnw. Fodd bynnag, er enghraifft, yr wyf yn sicr nad oedd mater cymorth gwladol yn destun trafod mewn perthynas â dim un o gynigion y colegau addysg bellach.

[159] **Alun Cairns:** Mr Martin, pwy yrrodd y cwch i'r dŵr o ran ailgyflwyno'r ceisiadau? Mae'n amlwg eu bod wedi methu wrth wneud cais am gyllid dan y gronfa arall ac yna daethant i'r gronfa arloesedd neu cawsant eu cyllido wedyn, dan y gronfa datblygu arloesedd. Pwy ddechreuodd yr ailgyflwyno?

Mr Martin: Mae ailgyflwyno yn or-ddweud.

[160] **Alun Cairns:** Wel, yn amlwg, nid oeddent wedi cael cymeradwyaeth dan y gronfa gyntaf.

Mr Martin: Bu'n rhaid i ni gyfyngu. Yr oedd gennym adnoddau cyfyngedig dan y gronfa gyntaf a chawsom lawer gormod o gynigion ar gyfer yr

range of very excellent projects. If we come on to it, there is a good story to tell about what has been achieved with those projects. What we then did was to look, particularly with the advice of our estate specialist, at which of the projects that had not been successful—and they were all looked at by a panel, it was not just a matter of one person looking at them—should now be given priority, given that we had not been able to fund them all the first time round. That seems to me to be a perfectly sensible way of proceeding in the circumstances that we faced.

[161] **Alun Cairns:** If you cannot meet one fund's criteria, and you do not qualify for the funding, then, we will see if we can fit you in somewhere else. Is that the suggestion?

Mr Martin: No, that is not the suggestion at all. The projects, I believe, did meet the previous fund criteria, but we simply ran out of money in that fund. We did not have enough money to fund all those excellent projects. They really have made a tremendous difference to the infrastructure in FE colleges around Wales.

[162] **Alun Cairns:** Mr Shortridge, does this not suggest to you that the objectives of the funds are not clear enough or, at best, there is sufficient ambiguity to allow such practices to occur?

Sir Jon Shortridge: I pause before answering because I have not personally addressed that particular point. All I can say is that I have certainly discussed the wider issue with my colleagues in the sponsorship division and they are certainly satisfied that the schemes that came to them for approval under this programme were sufficiently compliant with its objectives because that was one of the key things that we were considering.

[163] **Alun Cairns:** Surely, the objective of a fund is to stimulate action in a certain area or to meet the shortfall in the market forces, or whatever related issue, so that there is clearly a strong purpose behind each fund. Is it right that something that does not meet the criteria of one fund should then be slotted into another just so that it gets the funding? If so,

hyn a oedd yn amrywiaeth eang o brosiectau gwych iawn. Os down ati, mae stori dda i'w hadrodd am yr hyn sydd wedi ei gyflawni gyda'r prosiectau hynny. Yr hyn a wnaethom wedyn oedd edrych, yn enwedig gyda chyngor ein harbenigwr ystadau, pa rai o'r prosiectau na fuont yn llwyddiannus—ac edrychwyd arnynt i gyd gan banel, felly nid mater o un unigolyn yn edrych arnynt ydoedd—y dylid rhoi blaenoriaeth iddynt yn awr, o wybod nad oedd wedi bod yn bosibl i ni gyllido pob un ohonynt y tro cyntaf. Mae hynny'n ymddangos i mi yn ddull cwbl synhwyrol o weithredu dan yr amgylchiadau yr oeddem yn eu hwynebu.

[161] **Alun Cairns:** Os na allwch fodloni meini prawf un gronfa, ac nad ydych yn gymwys ar gyfer y cyllid, yna, cawn weld a allwn eich cynnwys yn rhywle arall. Ai dyna'r awgrym?

Mr Martin: Na, nid dyna'r awgrym o gwbl. Yr oedd y prosiectau, yn fy marn i, yn bodloni meini prawf y gronfa flaenorol, ond, yn syml, daeth arian y gronfa honno i ben. Nid oedd gennym ddigon o arian i ariannu'r prosiectau gwych hynny i gyd. Maent yn sicr wedi gwneud gwahaniaeth aruthrol i'r seilwaith mewn colegau addysg bellach ledled Cymru.

[162] **Alun Cairns:** Mr Shortridge, onid yw hyn yn awgrymu i chi nad yw amcanion y cronfeydd yn ddigon clir neu, ar y gorau, fod digon o amwysedd i ganiatáu i arferion o'r fath ddigwydd?

Syr Jon Shortridge: Oedaf cyn ateb oherwydd nid wyf fi'n bersonol wedi rhoi sylw i'r pwynt penodol hwnnw. Y cyfan y gallaf ei ddweud yw fy mod yn bendant wedi trafod y mater ehangach gyda'm cydweithwyr yn yr is-adran noddi ac maent yn sicr wedi'u hargyhoeddi bod y cynlluniau a gyflwynwyd iddynt i gael cymeradwyaeth dan y rhaglen hon yn cydymffurfio'n ddigonol â'i hamcanion oherwydd dyna oedd un o'r pethau allweddol yr oeddem yn eu hystyried.

[163] **Alun Cairns:** Siawns nad amcan cronfa yw ysgogi gweithgarwch mewn maes penodol neu ddiwallu diffyg yng ngrymoedd y farchnad, neu ba fater bynnag a fo'n gysylltiedig, fel bod pwrpas cryf yn amlwg wrth wraidd pob cronfa. A yw'n iawn bod rhywbeth nad yw'n bodloni meini prawf un gronfa'n cael ei gynnwys mewn un arall er mwyn iddo gael yr arian? Os felly, pam nad ydym

why do we not amalgamate all the funds?

yn cyfuno'r cronfeydd i gyd?

Sir Jon Shortridge: I think that my answer to that is it is not necessarily wrong, and one option that the council presumably could have had would have just simply been to vire some more money from one scheme into the other. It chose not to do that. We had some projects to look at and we were satisfied that they were sufficiently compliant with the guidelines.

Syr Jon Shortridge: Credaf mai fy ateb i hynny yw nad yw o reidrwydd yn anghywir, ac un opsiwn a allai fod wedi bod ar gael i'r cyngor yn ôl pob tebyg fyddai trosglwyddo rhywfaint yn rhagor o arian o un cynllun i'r llall. Dewisodd beidio â gwneud hynny. Yr oedd gennym rai prosiectau i edrych arnynt ac yr oeddem yn sicr eu bod yn cydymffurfio'n ddigonol â'r canllawiau.

[164] **Alun Cairns:** Thank you. Mr Higson, what corrective actions are being taken by the national council against each of the sub-headings in figure 7?

[164] **Alun Cairns:** Diolch. Mr Higson, pa gamau unioni sy'n cael eu cymryd gan y cyngor cenedlaethol ar gyfer pob un o'r is-benawdau yn ffigur 7?

Dr Higson: The general weaknesses to which I referred earlier are really part of the action plan that we have been implementing since April, learning from this report and previous ones to ensure that there are not any further problems in the future with contractual arrangements and so on. So, this very much has been the basis of the action plan that we have been putting in place. May I just add that I think also that the work that we have done with our sponsor division over the last few months is to actually clarify some of the schemes and schedules within our management statement so that, regarding the point that you raised earlier, I think that we have recognised the need for some further tweaking and tightening. Also, on capital, we are at the early stages of looking at establishing and negotiating with the Assembly whether the national council can establish a capital fund, which would have clear criteria, processes, business cases and so on, because there is a need there. These investments met that need and I think that we have to find a way of doing that in a different and more explicit way.

Dr Higson: Mae'r diffygion cyffredinol y cyfeiriais atynt yn gynharach mewn gwirionedd yn rhan o'r cynllun gweithredu yr ydym wedi bod yn ei weithredu ers mis Ebrill, gan ddysgu o'r adroddiad hwn a rhai blaenorol i sicrhau nad oes problemau pellach yn y dyfodol gyda threfniadau contractau acyn y blaen. Felly, hyn i raddau helaeth sydd wedi bod yn sail i'r cynllun gweithredu yr ydym wedi bod yn ei roi ar waith. A gaf fi ychwanegu fy mod yn credu hefyd fod y gwaith yr ydym wedi ei gyflawni gyda'n his-adran noddi dros y misoedd diwethaf yn egluro rhai o'r cynlluniau a'r atodlenni yn ein datganiad rheoli fel y credaf, mewn perthynas â'r pwynt a godwyd gennych yn gynharach, ein bod wedi cydnabod yr angen am rywfaint rhagor o addasu a thynhau. Hefyd, o ran cyfalaf, yr ydym newydd ddechrau ystyried sefydlu a negodi gyda'r Cynulliad ynghylch a all y cyngor cenedlaethol sefydlu cronfa gyfalaf, y byddai ganddi feini prawf clir, prosesau, achosion busnes ac yn y blaen, oherwydd bod ei hangen. Diwallodd y buddsoddiadau hyn yr angen hwnnw a chredaf fod yn rhaid i ni ddod o hyd i ffordd o wneud hynny mewn modd gwahanol a mwy agored.

[165] **Alun Cairns:** Why was it that conditional approvals by the chair and the then chief executive were not followed up and acted on by the national council staff, apparently across the board, Mr Martin?

[165] **Alun Cairns:** Pam na chafodd cymeradwyaeth amodol gan y cadeirydd a'r prif weithredwr ar y pryd ei dilyn, a pham na weithredwyd arni, gan staff y cyngor cenedlaethol, drwyddo draw yn ôl pob golwg, Mr Martin?

Mr Martin: It is very difficult to add much to the answers that I gave earlier this morning in relation to the Pop Factory project. Clearly, there was a breakdown in two senses. First, the staff did not follow up all of

Mr Martin: Mae'n anodd iawn ychwanegu llawer at yr atebion a roddais yn gynharach y bore yma mewn perthynas â phrosiect y Ffatri Bop. Yn amlwg, bu methiant ar ddau ystyr. Yn gyntaf, ni chyflawnodd y staff yr holl bwyntiau hynny wrth

those points in taking the projects forward and did not report them back and, secondly, my mechanism for making sure that that action had been taken did not work in this case. I was reliant too much on the senior managers getting on with it and I should have had a further check.

[166] **Alun Cairns:** What was the role of the chair in this, Mr Martin?

Mr Martin: The chair's role was, initially, in the entire process, to first of all lead the council through the determination of criteria for the selection of these projects, and then, with me, under delegated authority, to look at the schemes as they came forward and to comment on them. However, I have to say that I would regard it as my duty as chief executive to have the mechanisms in place to make sure that those matters were followed through. I do not think that it would be fair to expect a chairman to undertake that duty.

[167] **Alun Cairns:** But if the national council had delegated the authority to you jointly to review and to support projects, or to request additional information and so on before approval, would it not be fair for you jointly to look at something, rather than you accepting the responsibility for the chair? Otherwise you would be acting outside your delegated authority, surely?

Mr Martin: Let me be clear: the chairman and I acted clearly within that delegated authority in both of us considering the schemes. What I am talking about is the action that one takes subsequently to ensure that, having commented on the schemes and, given conditional approval and so on—particularly conditional approval that required schemes to come back to me before they were signed off as it were—it is clearly a responsibility of my own to make sure that the systems that make sure that that happens are working.

[168] **Janet Davies:** Thank you, Alun. Denise, you have some questions?

[169] **Denise Idris Jones:** What is the total value of the projects where weaknesses have been found in the council's recent comprehensive review?

roi'r prosiectau ar waith ac nid adroddasant yn ôl amdanynt ac, yn ail, ni weithiodd fy null o sicrhau bod y camau hynny wedi eu cymryd yn yr achos hwn. Yr oeddwn yn dibynnu gormod ar yr uwch reolwyr i fynd ymlaen â'r gwaith a dylwn fod wedi gwneud archwiliad pellach.

[166] **Alun Cairns:** Beth oedd rôl y cadeirydd yn hyn, Mr Martin?

Mr Martin: Rôl y cadeirydd, i ddechrau, yn y broses gyfan, oedd arwain y cyngor yn gyntaf oll drwy'r gwaith o bennu meini prawf ar gyfer dewis y prosiectau hyn, ac yna, gyda mi, dan awdurdod dirprwyedig, edrych ar y cynlluniau wrth iddynt gael eu cyflwyno a gwneud sylwadau arnynt. Fodd bynnag, rhaid i mi ddweud y byddwn yn ei hystyried yn ddyletswydd arnaf fel prif weithredwr gael y mecanweithiau'n barod i sicrhau bod y materion hynny'n cael eu cyflawni. Ni chredaf y byddai'n deg disgwyl i gadeiryddymgymryd â'r gwaith hwnnw.

[167] **Alun Cairns:** Ond os oedd y cyngor cenedlaethol wedi dirprwyo'r awdurdod i chi i adolygu a chefnogi prosiectau ar y cyd, neu ofyn am wybodaeth ychwanegol ac yn y blaen cyn cymeradwyo, oni fyddai'n deg i chi edrych ar rywbeth ar y cyd yn hytrach na'ch bod chi'n derbyn cyfrifoldeb dros y cadeirydd? Fel arall, byddech yn gweithredu y tu hwnt i'ch awdurdod dirprwyedig, does bosibl?

Mr Martin: Gadewch i mi fod yn glir: gweithredodd y cadeirydd a minnau'n glir o fewn yr awdurdod dirprwyedig hwnnw wrth inni ein dau ystyried y cynlluniau. Yr hyn yr wyf yn sôn amdano yw'r camau gweithredu y mae dyn yn eu cymryd wedyn i sicrhau, ar ôl rhoi sylwadau ar y cynlluniau ac, o wybod bod cymeradwyaeth amodol ac yn y blaen—yn enwedig cymeradwyaeth amodol a oedd yn mynnu bod y cynlluniau'n dod yn ôl ataf cyn eu bod yn cael eu hawdurdodi fel petai—mae'n amlwg mai fy nghyfrifoldeb i yw sicrhau bod y systemau sy'n sicrhau bod hynny'n digwydd yn gweithio.

[168] **Janet Davies:** Diolch, Alun. Denise, mae gennyh rai cwestiynau?

[169] **Denise Idris Jones:** Beth yw cyfanswm gwerth y prosiectau lle y mae gwendidau wedi eu canfod yn adolygiad cynhwysfawr diweddar y cyngor?

Dr Higson: I do not have that figure to hand. If I can just look over my shoulder, our director of finance might be able to help me—no, we do not have the actual value of the figure. We will submit a note.

[170] **Denise Idris Jones:** Can we note that, Chair? Thank you. Therefore, may I ask you, Mr Higson to provide a note for this Committee, setting out details of the weaknesses found, the corrective actions that are being taken, and where you consider that problems still remain to be addressed?

Dr Higson: Of course.

[171] **Denise Idris Jones:** Thank you.

[172] **Janet Davies:** We now turn to part 5 of the report, concerning the payments to training providers in March and April 2002. This concerns the payments on account that were sent to training providers, and the national council's being unable to provide the NAO with documentary evidence to support the assertion that it had requested them. Given that the national council has been unable to provide that evidence, why was this advanced as the explanation for the payments on account when they were originally queried?

Mr Martin: Shall I take that?

[173] **Janet Davies:** Yes.

Mr Martin: Would it be helpful if I explained the underlying rationale process to the payments and then come back at the end to answer the question about the issue of evidence for the stated rationale in the information that went out?

[174] **Janet Davies:** If we could have it fairly briefly and concisely.

Mr Martin: I will try to do it as concisely as I can. It was the practice that all the former TECs used to make a payment in March for claims that arose within that period. It is important to understand that that is not because we carried on what the TECs did, but because training providers were effectively paid for 12 months of the year. There was a

Dr Higson: Nid yw'r ffigur hwnnw gennyf. Os caf fi edrych dros fy ysgwydd, efallai y gall ein cyfarwyddwr cyllid fy helpu—na, nid yw'r union ffigur gennym. Byddwn yn cyflwyno nodyn.

[170] **Denise Idris Jones:** A gawn ni nodi hynny, Gadeirydd? Diolch. Felly, a gaf fi ofyn i chi, Mr Higson ddarparu nodyn ar gyfer y Pwyllgor hwn, gan nodi manylion y gwendidau a ganfuwyd, y camau unioni sy'n cael eu cymryd, a ble yr ydych yn ystyried bod problemau yn dal i fodoli sydd angen mynd i'r afael â hwy?

Dr Higson: Wrth gwrs.

[171] **Denise Idris Jones:** Diolch.

[172] **Janet Davies:** Trown yn awr at ran 5 o'r adroddiad, sy'n ymwneud â'r taliadau i ddarparwyr hyfforddiant ym Mawrth ac Ebrill 2002. Mae hyn yn ymwneud â'r taliadau ar gyfrif a anfonwyd at ddarparwyr hyfforddiant, a methiant y cyngor cenedlaethol i ddarparu tystiolaeth ddogfennol i'r SAG i gefnogi'r honiad ei fod wedi gofyn amdanynt. O ystyried bod y cyngor cenedlaethol wedi methu â darparu'r dystiolaeth honno, pam y cyflwynwyd hyn fel esboniad dros y taliadau ar gyfrif pan gwestiynwyd hwy yn wreiddiol?

Mr Martin: A wnaif fi ateb hwnnw?

[173] **Janet Davies:** Ie.

Mr Martin: A fyddai'n ddefnyddiol pe bawn yn egluro proses y fframwaith rhesymu sy'n sail i'r taliadau ac yna dod yn ôl ar y diwedd i ateb y cwestiwn ynglŷn â mater y dystiolaeth dros y rhesymeg ddywededig yn y wybodaeth a ddosbarthwyd?

[174] **Janet Davies:** Pe gallem ei gael yn weddol fyr a chryno.

Mr Martin: Ceisiaf ei wneud mor gryno ag y gallaf. Arferai pob un o'r CHMau gynt wneud taliad ym mis Mawrth ar gyfer hawliadau a oedd yn codi yn ystod y cyfnod hwnnw. Mae'n bwysig deall nad yw hynny oherwydd i ni barhau â'r hyn a wnâi'r CHMau, ond oherwydd bod darparwyr hyfforddiant i bob pwrpas yn cael eu talu am 12 mis y flwyddyn. Yr oedd system lle'r oeddent yn

system under which they could submit claims before the end of March so that, for activities that had been undertaken, they could receive payment before the end of the financial year, quite properly. We sought to do the same. There was a clear recognition in our remit letter that we should operate similar financial arrangements to those under the predecessor arrangements for inherited schemes. However—and I think that this is a very rational and proper decision and a good example of risk management being taken seriously and carried out well—the last thing that the organisation could have coped with at that time was to run through a whole claim exercise and invite training providers to submit claims at that time. We were in the middle of the reorganisation, we were about to lose a considerable number of both finance and operational staff, and doing that claim checking would have involved details relating to some 30,000 individuals. It was a very detailed claim-checking process. We managed the risk by asking, ‘Okay, what is a reasonable way of doing this?’, and the decision was taken by the senior staff that the best way to operate this was to say, ‘Let’s work out what 50 per cent of the activity would be in March for the training providers and let’s make a payment on account for that relevant amount’. This was, of course, also intended to help us manage our cash between the two years. There is no question about that. I believe that, in a case such as this, that is perfectly legitimate, although I know that that is an issue for debate.

Turning to the issue of why the explanation was given that this would please training providers, the finance staff—and I have discussed this personally with the relevant staff—believed, on the basis of their contact with operational colleagues, that training providers would wish to have such a payment, parallel to that which would have been made in previous years, to aid their cash flow. However, I can confirm that no documentary evidence has been found that substantiates that assertion and that operational staff have not been able to provide any other evidence to me that that was in fact the case. I think that it is a shame that that was said to be the reason. I believe that it was said by the finance staff who wrote out to training providers in good faith.

gallu cyflwyno hawliadau cyn diwedd Mawrth fel eu bod yn gallu derbyn taliadau cyn diwedd y flwyddyn ariannol am weithgareddau a oedd wedi eu cyflawni, yn gwbl briodol. Ceisiasom wneud yr un fath. Yr oedd cydnabyddiaeth glir yn ein llythyr cylch gorchwyl y dylem weithredu trefniadau ariannol tebyg i'r rhai dan y trefniadau blaenorol ar gyfer cynlluniau a etifeddiwyd. Fodd bynnag—a chredaf fod hyn yn benderfyniad synhwyrol a phriodol iawn ac yn enghraifft dda o reoli risg yn cael ei gymryd o ddifrif a'i weithredu'n dda—y peth olaf y gallai'r sefydliad fod wedi ymdopi ag ef bryd hynny oedd gweithredu ymarfer hawlio cyflawn a gwahodd darparwyr hyfforddiant i gyflwyno hawliadau bryd hynny. Yr oeddem yng nghanol yr ad-drefnu, yr oeddem ar fin colli nifer sylweddol o'r staff cyllid a'r staff gweithredol, a byddai'r gwaith o archwilio'r hawliadau hynny wedi golygu archwilio manylion yn ymwneud â rhyw 30,000 o unigolion. Yr oedd yn broses archwilio hawliadau fanwl iawn. Rheolasom y risg drwy ofyn, ‘O'r gorau, beth sy'n ffordd resymol o wneud hyn?’, a gwnaed y penderfyniad gan yr uwch staff mai'r ffordd orau i'w weithredu oedd dweud, ‘Gadewch i ni gyfrifo beth fyddai 50 y cant o'r gweithgarwch ym mis Mawrth ar gyfer y darparwyr hyfforddiant a gadewch i ni wneud taliad ar gyfrif ar gyfer y swm perthnasol hwnnw’. Bwriad hyn hefyd, wrth gwrs, oedd ein cynorthwyo i reoli ein harian rhwng y ddwy flynedd. Nid oes amheuaeth am hynny. Credaf, mewn achos fel hwn, fod hynny'n hollol gyfiawn, er y gwn ei fod yn fater i'w drafod.

Gan droi at fater pam y rhoddwyd yr esboniad y byddai hyn yn plesio darparwyr hyfforddiant, yr oedd y staff cyllid—ac yr wyf wedi trafod hyn yn bersonol â'r staff perthnasol—o'r farn, ar sail eu cysylltiad â chydweithwyr gweithredol, y byddai darparwyr hyfforddiant yn dymuno cael taliad o'r fath, taliad tebyg i hwnnw a fyddai wedi cael ei wneud yn y blynyddoedd blaenorol, i gynorthwyo'u llif arian. Fodd bynnag, gallaf gadarnhau nad oes tystiolaeth ddogfennol wedi ei chanfod sy'n cefnogi'r honiad hwnnw ac nid yw'r staff gweithredol wedi gallu darparu tystiolaeth arall i mi mai felly yr oedd hi mewn gwirionedd. Credaf ei bod yn drueni mai dyna a ddywedwyd oedd y rheswm. Credaf i hynny gael ei ddweud gan y staff cyllid a ysgrifennodd at ddarparwyr hyfforddiant yn ddidwyll. Fodd bynnag, credaf fod cyfiawnhad da dros wneud y taliad hwn yn y modd

However, I think that there was a good justification for making this payment in the way that we did in its own right.

[175] **Janet Davies:** But, Mr Martin, this is outside normal and accepted arrangements. I really do not feel that that explanation is particularly acceptable, particularly as deductions were made in April to try to claw that money back. Some actually went over to May. In other words, some training providers were paid in March, not only upfront for one month, but upfront for two months. It does seem to me to be quite extraordinary that that happened.

Christine, you have a question?

[176] **Christine Gwyther:** Thank you, Chair. This question is for Mr Martin. Earlier on, Jon Shortridge told us that, in relation to the Pop Factory, there was no correspondence or engagement between yourself and the Welsh Assembly Government with regard to an underspend of more than 2 per cent. How do you square this with what you said a couple of minutes ago that you thought it was quite appropriate to have greater end-of-year flexibility? Why, at that very critical time, was there no further engagement with the Government?

Mr Martin: May I say, in response to that and to the Chair's comments, that we were not paying in advance of need. We were not paying in advance. We sought not to pay anything in advance. What we were doing was asking, 'How can we replicate a 12-month profile of payments to providers within that financial year?'. We do not believe, since we did not change the amount of the payment and since the intention was to pay in respect of training activity already undertaken, that that represents any breach of the rules. There is an issue of judgment here, and I am sure that it would be helpful to the Committee for Sir Jon to comment more generally on where the line lies. However, I believe that it was a reasonable exercise of judgment to do that, and a proper management of risk, because of the greater risk of not making the payment as we did—based on only an estimate of 50 per cent of activity already undertaken, which was based on the arrangements contracted with the

y gwnaethom yn ei rinwedd ei hun.

[175] **Janet Davies:** Ond, Mr Martin, mae hyn y tu hwnt i'r trefniadau arferol a derbynol. Nid wyf yn teimlo bod yr esboniad hwnnw yn arbennig o dderbynol, yn enwedig gan fod gostyngiadau wedi'u gwneud ym mis Ebrill i geisio adfachu'r arian hwnnw. Yn wir, aeth rhai drosodd i fis Mai. Mewn geiriau eraill, talwyd rhai darparwyr hyfforddiant ym mis Mawrth, nid yn unig ymlaen llaw am un mis, ond ymlaen llaw am ddau fis. Mae'n ymddangos yn bur hynod i mi i hynny ddigwydd.

Christine, mae gennych gwestiwn?

[176] **Christine Gwyther:** Diolch, Gadeirydd. Mae'r cwestiwn hwn i Mr Martin. Yn gynharach, dywedodd Jon Shortridge wrthym, mewn perthynas â'r Ffatri Bop, na fu gohebiaeth na chysylltiad rhyngoch chi a Llywodraeth Cynulliad Cymru ynglŷn â thanwario o fwy na 2 y cant. Sut yr ydych yn cysoni hyn â'r hyn a ddywedasoich rai munudau'n ôl eich bod o'r farn ei bod yn gwbl briodol cael mwy o hyblygrwydd diwedd y flwyddyn? Pam, ar yr adeg dyngedfennol honno, na fu dim cysylltiad pellach â'r Llywodraeth?

Mr Martin: A gaf fi ddweud, mewn ymateb i hynny a sylwadau'r Cadeirydd, nad oeddem yn talu cyn bod angen. Nid oeddem yn talu ymlaen llaw. Ceisiasom beidio â thalu dim ymlaen llaw. Yr hyn yr oeddem yn ei wneud oedd gofyn, 'Sut y gallwn ailadrodd proffil 12 mis o daliadau i ddarparwyr yn y flwyddyn ariannol honno?'. Ni chredwn, gan na wnaethom newid swm y taliad a chan mai'r bwriad oedd talu am weithgareddau hyfforddi a oedd eisoes wedi eu cyflawni, fod hynny'n gyfystyr â thorri'r rheolau. Mae yma gwestiwn yn ymwneud â barn, ac yr wyf yn siŵr y byddai'n ddefnyddiol i'r Pwyllgor i Syr Jon sôn yn fwy cyffredinol am ble y mae'r llinell honno. Fodd bynnag, credaf fod gwneud hynny'n golygu arfer barn mewn modd rhesymol, a rheoli risg mewn modd priodol, oherwydd y risg fwy o beidio â gwneud y taliad fel y gwnaethom—yn seiliedig ar amcangyfrif yn unig o 50 y cant o'r gweithgareddau oedd eisoes wedi eu cyflawni, a oedd yn seiliedig ar y trefniadau a gontractwyd â'r darparwyr—ond ei wneud yn hytrach ar sail hawliadau. Byddai hynny wedi bod yn fwy o lawer iawn. Byddai'r lle i gyd wedi sefyll

providers—but instead doing it on the basis of claims. That would have been massively greater. The whole place would have ground to a halt at a time when we were going through the restructuring and laying off staff and, given the volume of claims, I think that that would have been an entirely inappropriate thing to do.

[177] **Christine Gwyther:** Sorry, I just have to ask again why there was no engagement with the Welsh Assembly Government when a clear problem had been identified?

Mr Martin: I do not believe that we had a problem; this was, I believe, the routine management of the payments to training providers to replicate the arrangement under which they received 12 months' worth of activity payments in respect of 12 months' worth of activity within a financial year. That is, half a month's payments in April, another 10 months' worth of payments in subsequent months, and then one and a half months' worth of payments in the final month. However, all of it was in respect of activity that had already taken place, not in respect of things that might happen next year. So that is why I do not believe that it would have been necessary for us to go to the Assembly Government to seek approval, because we were not changing the total amount of the payments—we were simply profiling them in such a way that we paid for activity that it was reasonable to assume had taken place. The outturn was that it was really a very few thousands of pounds, in the context of a budget well in excess of £3 million, where the assumption proved to be unfounded, and I think that a far bigger risk to the organisation would have been to have done it on the basis of asking for claims. However, I accept that it is a question of a judgment call that staff have to make about whether, in a particular case, it is necessary to go to the Assembly Government, and I urge that it would be useful to get a wider perspective on this from the Assembly Government's point of view about whether or not this is an acceptable practice.

[178] **Janet Davies:** Will you be continuing this, Mr Higson?

Dr Higson: No.

yn stond ar adeg pan oeddem ar ganol yr ad-drefnu ac yn diswyddo rhai o'r staff ac, o ystyried maint yr hawliadau, credaf y byddai hynny wedi bod yn beth cwbl amhriodol i'w wneud.

[177] **Christine Gwyther:** Mae'n ddrwg gennyf, ond mae'n rhaid i mi ofyn eto pam na fu cysylltiad â Llywodraeth Cynulliad Cymru pan oedd problem amlwg wedi cael ei nodi?

Mr Martin: Ni chredaf fod gennym broblem; credaf mai dyna oedd y dull arferol o reoli'r taliadau i ddarparwyr hyfforddiant, sef ailadrodd y trefniant lle'r oeddent yn derbyn gwerth 12 mis o daliadau gweithgarwch am werth 12 mis o weithgarwch yn y flwyddyn ariannol. Hynny yw, taliadau hanner mis yn Ebrill, gwerth 10 mis arall o daliadau yn y misoedd dilynol, ac yna gwerth mis a hanner o daliadau yn y mis olaf. Fodd bynnag, yr oedd i gyd yn ymwneud â gweithgarwch a oedd eisoes wedi digwydd, nid â phethau a allai ddigwydd y flwyddyn nesaf. Felly dyna pam nad wyf yn credu y byddai wedi bod yn angenrheidiol i ni fynd at Lywodraeth y Cynulliad i gael cymeradwyaeth, oherwydd nid oeddem yn newid cyfanswm y taliadau—dim ond eu trefnu yn y fath fodd fel ein bod yn talu am weithgarwch yr oedd yn rhesymol tybio ei fod eisoes wedi digwydd. Y canlyniad oedd mai yn achos ychydig filoedd o bunnoedd mewn gwirionedd, yng nghyd-destun cyllideb ymhell dros £3 miliwn, y profodd y rhagdybiaeth yn ddi-sail, a chredaf y byddai risg lawer mwy i'r sefydliad o'i wneud ar sail gofyn am hawliadau. Fodd bynnag, derbynaf mai mater o farn ydyw wrth i'r staff orfod penderfynu a oes, mewn achos penodol, angen mynd at Lywodraeth y Cynulliad, ac yr wyf yn mynnu y byddai'n ddefnyddiol cael persbectif ehangach ar hyn o safbwynt Llywodraeth y Cynulliad ynghylch a yw hyn yn arfer derbynol ai peidio.

[178] **Janet Davies:** A fyddwch yn parhau â hyn, Mr Higson?

Dr Higson: Na.

[179] **Janet Davies:** Thank you.

[179] **Janet Davies:** Diolch.

[180] **Jocelyn Davies:** May I just raise a point of clarification there? The judgment call was by staff? You just said that that was—

[180] **Jocelyn Davies:** A gaf fi godi pwynt er mwyn cael eglurhad yn y fan honno? Gwnaed y penderfyniad gan y staff? Yr ydych newydd ddweud bod hynny—

Mr Martin: By very senior staff.

Mr Martin: Gan staff uchel iawn.

[181] **Jocelyn Davies:** By very senior staff, but not yourself?

[181] **Jocelyn Davies:** Gan staff uchel iawn, ond nid gennyh chi?

Mr Martin: No. It was reported to me, and I believe that it was the right thing to do.

Mr Martin: Na. Cefais fy hysbysu amdano, a chredaf mai dyna oedd y peth iawn i'w wneud.

[182] **Jocelyn Davies:** Okay.

[182] **Jocelyn Davies:** O'r gorau.

[183] **Janet Davies:** Sir Jon, are you comfortable with such arrangements?

[183] **Janet Davies:** Syr Jon, a ydych yn fodlon ar drefniadau o'r fath?

Sir Jon Shortridge: In the previous year, and, I think, in years previous to that—certainly in the one previous year—we made arrangements to pay the March payments, or a proportion of them, in March. We did that on claims, and it was a procedure that we had agreed with the NAO. So this was a way of seeking to achieve that objective, but in a different and less definitive way. Deciding whether something is novel or contentious is always a judgment call for the officials concerned, and those of us who have long experience in these matters have had to make those calls ourselves. The financial memorandum states that,

Syr Jon Shortridge: Yn y flwyddyn flaenorol ac, fe gredaf, yn y blynyddoedd cynhynny—yn sicr yn y flwyddyn flaenorol—gwnaethom drefniadau i dalu taliadau mis Mawrth, neu gyfran ohonynt, ym mis Mawrth. Gwnaethom hynny ar sail hawliadau, ac yr oedd yn weithdrefn yr oeddem wedi cytuno arni gyda'r SAG. Felly yr oedd hyn yn ddull o geisio cyflawni'r amcan hwnnw, ond mewn modd gwahanol a llai diamod. Mae penderfynu a yw rhywbeth yn newydd neu'n ddadleuol bob amser yn fater o farn i'r swyddogion dan sylw, ac mae'r rhai ohonom sydd â phrofiad helaeth yn y materion hyn wedi gorfod gwneud y penderfyniadau hynny ein hunain. Mae'r memorandwm ariannol yn nodi,

'the Council must obtain the written approval of the Assembly before incurring any expenditure on any project... or for any purpose which is or might be considered novel or contentious; before making any change of policy or practice which has significant financial implications or which may affect the future level of resources required; and before making any significant change in the operation or funding of any initiative or particular scheme previously approved by the Assembly'.

rhaid i'r Cyngor gael cymeradwyaeth ysgrifenedig y Cynulliad cyn gwario ar unrhyw brosiect... neu at unrhyw bwrpas sy'n newydd neu ddadleuol neu a allai gael ei ystyriedyn newydd neu ddadleuol; cyn gwneud unrhyw newid i bolisi neu arfer sydd â goblygiadau ariannol sylweddol neu a all effeithio ar lefel yr adnoddau sydd eu hangen yn y dyfodol; a chyn gwneud unrhyw newid sylweddol yn y modd y gweithredir neu y cyllidir unrhyw fenter neu gynllun penodol a gymeradwywyd yn flaenorol gan y Cynulliad.

The Council shall not, without the prior approval of the Assembly, enter into any undertaking to incur any expenditure not provided for in the annual budget approved by the Assembly.'

Ni fydd y Cyngor, heb gymeradwyaeth ymlaen llaw gan y Cynulliad, yn ymrwmo i wario arian na ddarperir ar ei gyfer yn y gyllideb flynyddol a gymeradwyir gan y Cynulliad.

So those were the guidelines, and the test was, faced with what they were proposing to do, was it a reasonable judgment to not regard it as novel or contentious, or should it have been regarded as novel or contentious. That is something that you yourselves will be able to consider. I personally think that it would have been safer and more appropriate under the circumstances if the council had tested that proposition with us.

[184] **Jocelyn Davies:** May I ask about delegation? Would you delegate that kind of decision to staff?

Sir Jon Shortridge: Yes, certainly. It would be very rare for something like this to come to me personally. It would be a really big decision. It would come into the sponsor division, staff there would consider it and would very likely consult the compliance office so that a view could be taken, in terms of consistency across the Assembly, of how we have dealt with these matters in the past.

[185] **Jocelyn Davies:** Thank you.

[186] **Janet Davies:** Mark, you had some questions?

[187] **Mark Isherwood:** Your proposals set out in the active cash management memorandum were not disclosed to Assembly Government officials, and their approval for this change in payment arrangements was apparently not sought. Why was—*[Interruption.]* Sorry, did you catch all that? Why was the approach set out in the active cash memorandum not referred to the national council's sponsor division for prior approval? That is to Mr Martin, please.

Mr Martin: Well, as I said earlier, it is a judgment call, and I think that one makes a judgment then in hindsight about whether it would have been better or not. I think that there was an extremely strong case for what we did. I think that we managed the risks very well. I am reasonably convinced—although I cannot of course know what the outcome would have been—that, had we put that case to the Assembly Government, it would have approved it. However, you do

Felly dyna oedd y canllawiau, a'r maen prawf oedd, yn wyneb yr hyn yr oeddent yn bwriadu ei wneud, a oedd yn benderfyniad rhesymol peidio â'i ystyried yn rhywbeth newydd neu ddadleuol, neu a ddylai fod wedi cael ei ystyried yn rhywbeth newydd neu ddadleuol. Mae hynny'n rhywbeth y gallwch chi eich hunain ei ystyried. Credaf yn bersonol y byddai wedi bod yn fwy diogel a phriodol dan yr amgylchiadau pe bai'r cyngor wedi trafod y bwriad hwnnw gyda ni.

[184] **Jocelyn Davies:** A gaf fi holi ynghylch dirprwyo? A fyddech yn dirprwyo'r math hwnnw o benderfyniad i'r staff?

Syr Jon Shortridge: Byddwn, yn bendant. Byddai'n anghyffredin iawn i rywbeth fel hyn ddod ataf fi yn bersonol. Byddai'n benderfyniad mawr iawn. Byddai'n dod i'r is-adran noddi, byddai'r staff yno yn ei ystyried a byddent yn debygol iawn o ymgynghori â'r swyddfa gydymffurfio fel y gellid gweld, o ran cysondeb ledled y Cynulliad, sut yr ydym wedi delio â'r materion hyn yn y gorffennol.

[185] **Jocelyn Davies:** Diolch.

[186] **Janet Davies:** Mark, yr oedd gennyh rai cwestiynau?

[187] **Mark Isherwood:** Ni chafodd eich cynigion a nodwyd yn y memorandwm rheoli arian gweithredol eu datgelu i swyddogion Llywodraeth y Cynulliad, ac mae'n ymddangos na ofynnwyd am eu cymeradwyaeth ar gyfer y newid hwn i'r trefniadau talu. Pam—*[Torri ar draws.]* Mae'n ddrwg gennyf, a wnaethoch chi glywed hynny i gyd? Pam na chafodd y dull a nodir yn y memorandwm arian gweithredol ei gyfeirio at is-adran noddi'r cyngor cenedlaethol i gael cymeradwyaeth ymlaen llaw? Mae hynny i Mr Martin, os gwelwch yn dda.

Mr Martin: Wel, fel y dywedais yn gynharach, mater o farn ydyw, a chredaf fod dyn yn barnu wedyn o edrych yn ôl a fyddai wedi bod yn well ai peidio. Credaf fod achos hynod gryf dros yr hyn a wnaethom. Credaf inni reoli'r risgiau'n dda iawn. Yr wyf yn eithaf argyhoeddedig—er na allaf wrth gwrs wybod beth fyddai'r canlyniad wedi bod—pe baem wedi rhoi'r achos hwnnw gerbron Llywodraeth y Cynulliad, y byddai wedi ei gymeradwyo. Fodd bynnag, nid ydych yn gwneud penderfyniad o fewn sefydliad am ba anghenion—

make a call within an organisation about what needs— It was quite genuine; it was not some attempt to pull a fast one. There was a quite genuine belief by the people managing the budgets that this was a sensible and responsible way to proceed that did not raise the kind of issues that ought to go to the Assembly Government. Sir Jon has said that he believes that, in the circumstances, it would have been appropriate and prudent and all the rest of it, but there is still a judgment call to make, and I think that this one sits somewhere on the line.

There is an issue here. If every issue about which there could conceivably be any question at all is automatically referred to the Assembly Government, the whole system is going to tend to clog up. I would contend that, in this case, it is a matter of judgment; it is not clearly wrong or right that we did not refer it in. If there is a balance of doubt, the guidance says to submit it. At the time, the staff concerned did not believe that there should be a balance of doubt, but that it was a fairly straightforward process of just managing the cash and replicating, in circumstances that were appropriate to us at the time, what had been the previous arrangement.

[188] **Mark Isherwood:** Paragraph 5.11 of the report refers to the *Week In, Week Out* programme in February 2003. It states here that your response at the time insisted that payment had not been made in advance of need. Is that still your view, or have you now changed that? Why are the national council's contracts with training providers silent on the whole issue of payments on account? Given that no such payments occurred at other times during the 2001-02 financial year, is it not reasonable to consider this to be, as set out in the financial memorandum, a

'significant change in the operation or funding of any scheme previously approved by the Assembly, and therefore clearly requiring Assembly Government approval'?

Mr Martin: It turns obviously on the meaning attached to the word 'significant' in the particular case. I certainly do not believe that these were payments in advance of need,

Yr oedd yn gwbl ddiwyll; nid rhyw ymgais i dwyllo ydoedd. Yr oedd cred gwbl ddiwyll gan y bobl a oedd yn rheoli'r cyllidebau fod hyn yn ddull synhwyrol a chyfrifol o weithredu nad oedd yn codi'r math o faterion a ddylai fynd at Lywodraeth y Cynulliad. Mae Syr Jon wedi dweud ei fod yn credu y byddai, dan yr amgylchiadau, wedi bod yn briodol ac yn ddoeth ac yn y blaen, ond mae penderfyniad i'w wneud er hynny, a chredaf fod yr un yma yn rhywle ar y llinell.

Mae yna destun trafod yn y fan hon. Os yw pob mater y gallai fod unrhyw amheuaeth o gwbl yn ei gylch yn cael ei gyfeirio yn syth at Lywodraeth y Cynulliad, mae tuedd i'r system gyfan dagu. Byddwn yn dadlau, yn yr achos hwn, mai mater o farn ydyw; nid yw'n amlwg yn anghywir neu'n gywir inni beidio â'i gyfeirio ati. Os oes amheuaeth o'r ddeutu, mae'r canllawiau'n dweud y dylid ei gyflwyno. Ar y pryd, nid oedd y staff dan sylw yn credu y dylai fod amheuaeth o'r ddeutu, ond ei bod yn broses eithaf syml o reoli'r arian ac ailadrodd, dan amgylchiadau a oedd yn briodol i ni ar y pryd, y trefniad a oedd wedi bod o'r blaen.

[188] **Mark Isherwood:** Mae paragraff 5.11 yn yr adroddiad yn cyfeirio at y rhaglen *Week In, Week Out* yn Chwefror 2003. Mae'n nodi yn y fan hon i'ch ymateb ar y pryd fynnu na wnaed taliad cyn bod angen. Ai dyna'ch barn o hyd, neu a ydych bellach wedi ei newid? Pam nad yw contractau'r cyngor cenedlaethol â'r darparwyr hyfforddiant yn sôn am holl fater taliadau ar gyfrif? Gan na chafwyd taliadau o'r fath ar adegau eraill yn ystod y flwyddyn ariannol 2001-02, onid yw'n rhesymol ystyried hyn, fel y nodir yn y memorandwm ariannol, yn

newid sylweddol yn y modd y gweithredir neu y cyllidir unrhyw gynllun a gymeradwywyd yn flaenorol gan y Cynulliad, ac sydd felly'n amlwg yn gofyn am gymeradwyaeth Llywodraeth y Cynulliad?

Mr Martin: Mae'n amlwg yn dibynnu ar yr ystyr a roddir i'r gair 'sylweddol' yn yr achos penodol. Yn sicr ni chredaf fod y rhain yn daliadau cyn bod angen, oherwydd yr oeddent wedi eu bwriadu, a

because they were intended and, except for this very tiny figure of £6,000 within a budget of £3 million plus, were manifestly not in advance of need, because they did relate to the claims for 2001-02 activity made in the subsequent month and those payments were duly adjusted to take account of that. The public explanation that I have given for this—and indeed not just that I gave, but that was given to training providers in terms of the letter that went from finance staff to providers to tell them, in March, that this payment would be made—was given in good faith. I was advised that there were such representations from training providers. I have already indicated to the Committee that I have not been able, any more than the NAO has, to find documentary evidence that that was the case. However, I am told by the finance staff concerned that their clear understanding, from conversations with operational staff, was that there were such conversations going on. What I cannot do is prove it.

[189] **Mark Isherwood:** If I could just add—this is to all three of you, if possible—is not the real issue here that the financial memorandum itself is insufficiently explicit as to the circumstances under which the national council should revert to the Assembly Government for approval? Please could you also confirm who actually drafted the financial memorandum initially.

Sir Jon Shortridge: Shall I take that? The financial memorandum is a National Assembly document so the starting point is officials, but obviously it is prepared in a consultative way when you have a new body like the national council. We gave them a draft of it back in November 2000, got comments back on it, and issued it when the council was created in April 2001, and we would then have arrangements, as this was a new body, to review it after a year. We are currently reviewing it again in the light of the experience of using it.

We have a model financial memorandum and management statement that we use as a basis for all our sponsored bodies, and this model is kept up to date by the compliance office. The material that it contains on payments in advance of need I would expect to be

heblaw am y ffigur bach hwn o £6,000 o fewn cyllideb o dros £3 miliwn, yn amlwg nid oeddent cyn bod angen, oherwydd yr oeddent yn ymwneud â'r hawliadau ar gyfer gweithgaredd 2001-02 a wnaed yn y mis dilynol ac addaswyd y taliadau hynny yn briodol i ystyried hynny. Rhoddwyd yr esboniad cyhoeddus yr wyf wedi ei roi am hyn—ac yn wir nid yn unig hwnnw a roddais i, ond yr un a roddwyd i ddarparwyr hyfforddiant ar ffurf y llythyr a anfonwyd gan y staff cyllid at ddarparwyr i'w hysbysu, ym mis Mawrth, y byddai'r taliad hwn yn cael ei wneud—yn ddiwyll. Cefais fy hysbysu bod sylwadau o'r fath wedi eu gwneud gan ddarparwyr hyfforddiant. Yr wyf eisoes wedi dangos i'r Pwyllgor nad wyf fi, mwy na'r SAG, wedi gallu dod o hyd i dystiolaeth ddogfennol mai felly yr oedd hi. Fodd bynnag, dywedir wrthyf gan y staff cyllid dan sylw eu bod yn bendant wedi cael ar ddeall, wrth sgwrsio â'r staff gweithredol, fod sgysiau o'r fath yn digwydd. Yr hyn na allaf ei wneud yw ei brofi.

[189] **Mark Isherwood:** Os caf ychwanegu—mae hyn i'r tri ohonoch, os yn bosibl—onid y gwir fater dan sylw yn y fan hon yw nad yw'r memorandwm ariannol ei hun yn ddigon clir o ran yr amgylchiadau a ddylai beri i'r cyngor cenedlaethol droi at Lywodraeth y Cynulliad i gael cymeradwyaeth? A allech hefyd gadarnhau pwy mewn gwirionedd a ddrafftiodd y memorandwm ariannol yn y lle cyntaf?

Syr Jon Shortridge: A ydych am i mi ateb y cwestiwn hwnnw? Dogfen y Cynulliad Cenedlaethol yw'r memorandwm ariannol, felly y swyddogion yw'r man cychwyn, ond yn amlwg caiff ei baratoi mewn modd ymgynghorol pan fo gennych gorff newydd fel y cyngor cenedlaethol. Rhosom ddrafft ohono iddynt yn Nhachwedd 2000, a chael sylwadau arno, a'i gyhoeddi pan grëwyd y cyngor yn Ebrill 2001, ac yna byddai gennym drefniadau, gan mai corff newydd ydoedd, i'w adolygu ar ôl blwyddyn. Yr ydym yn ei adolygu eto ar hyn o bryd yng ngoleuni'r profiad o'i ddefnyddio.

Mae gennym femorandwm ariannol a datganiad rheoli enghreifftiol yr ydym yn ei ddefnyddio fel sail i bob corff a noddir gennym, a diweddarir y model hwn gan y swyddfa gydymffurfio. Byddwn yn disgwyl i'r deunydd sydd ynddo am daliadau cyn bod angen fod yn safonol ar draws yr holl gyrff

standard across all sponsored bodies, but I would have to give you separate absolute confirmation of that, because this is a basic rule in *Government Accounting* and I imagine that it is a form of words that has been taken from the Treasury's own guidance that it gives to Government departments. So, I would say that what we have in the management statement reflects the current factors and the current description of this. I will be very happy to look at it again in the light of this experience to see if we should make it more explicit. However, I think that, ultimately, on matters of financial accountability you cannot exemplify every rule and every circumstance. Ultimately, it does come down to the good judgment and common sense of the people who are seeking to apply this. Obviously, if in doubt, the thing to do is to ask. You do not necessarily go straight in with a formal submission, but you ask and seek clarification as to whether, in these circumstances, it would be necessary and appropriate to do this or whether this is something that officials in the Assembly can say quite readily, 'Well, you know, this is practice that occurs elsewhere, and we would not expect you to make a submission on it.'

[190] **Mark Isherwood:** Perhaps Mr Higson and Mr Martin could also comment. Do you believe that the financial memorandum was or is sufficiently explicit in these areas?

Dr Higson: As Sir Jon said, we are looking at it with our sponsor division at the moment and I think that I do concur with the view that it is actually probably less helpful to have many sorts of complex rules about what one can and cannot do. It is simpler to have broad guidance with an expectation that there will be discussion with the Assembly for anything outside of that guidance.

Mr Martin: If I could conclude, I do not think that there is a problem with that bit of the financial memorandum anyway. I am sure that lots of things could be clearer, but I think that there is grave danger in thinking that you can try to spell out every possible eventuality. The fact is that, in this case, it was not referred to the sponsor division because the senior staff concerned did not believe that it represented a significant change. It was a judgment call and I think that all of us,

a noddir, ond byddai'n rhaid i mi roi cadarnhad pendant ar wahân ynghylch hynny i chi, oherwydd bod hyn yn rheol sylfaenol yn *Government Accounting* a thybiaf ei fod eiriad sydd wedi ei godi o'r canllawiau y mae'r Trysorlys yn eu rhoi i adrannau'r Llywodraeth. Felly, byddwn yn dweud bod yr hyn sydd gennym yn y datganiad rheoli yn adlewyrchu'r ffactorau cyfredol a'r disgrifiad cyfredol o hyn. Byddaf yn fodlon edrych arno eto yn sgîl y profiad hwn i weld a ddylem ei wneud yn fwy eglur. Fodd bynnag, credaf, yn y pen draw, na allwch enghreifftio pob rheol a'r holl amgylchiadau ynghylch materion yn ymwneud ag atebolrwydd ariannol. Yn y pen draw, mae'n dibynnu ar ddoethineb a synnwyr cyffredin y bobl sy'n ceisio gweithredu hyn. Yn amlwg, os oes amheuaeth, dylid gofyn. Nid ydych o reidrwydd yn mynd ati ar unwaith i wneud cyflwyniad ffurfiol, ond yr ydych yn gofyn ac yn gwneud cais am eglurhad ynglŷn ag a fyddai'n angenrheidiol ac yn briodol, dan yr amgylchiadau hyn, gwneud hyn neu a yw hyn yn rhywbeth y gall swyddogion yn y Cynulliad ddweud ar eu hunion, 'Wel, wyddoch chi, mae hyn yn arfer sy'n digwydd mewn mannau eraill, ac ni fyddem yn disgwyl i chi wneud cyflwyniad yn ei gylch.'

[190] **Mark Isherwood:** Efallai y gallai Mr Higson a Mr Martin roi sylwadau hefyd. A ydych o'r farn bod y memorandwm ariannol yn ddigon eglur o'r blaen neu ar hyn o bryd yn y meysydd hyn?

Dr Higson: Fel y dywedodd Syr Jon, yr ydym yn edrych arno gyda'n his-adran noddi ar hyn o bryd a chredaf fy mod yn cytuno â'r farn ei bod yn ôl pob tebyg yn llai defnyddiol cael sawl math o reolau cymhleth ynghylch yr hyn y gall neu na all rhywun ei wneud. Mae'n symlach cael canllawiau bras gan ddisgwyl y bydd unrhyw beth y tu hwnt i'r canllawiau hynny yn cael ei drafod â'r Cynulliad.

Mr Martin: Os caf gloi, ni chredaf fod problem gyda'r rhan honno o'r memorandwm ariannol beth bynnag. Yr wyf yn siŵr y gallai llawer o bethau fod yn gliriach, ond credaf fod perygl mawr wrth feddwl y gallwch geisio rhoi sylw i bob digwyddiad posibl. Y ffaith yw, yn yr achos hwn, na chafodd ei gyfeirio at yr is-adran noddi oherwydd nad oedd yr uwch staff dan sylw yn credu ei fod yn golygu newid sylweddol. Mater o farn ydoedd a chredaf y byddai pob un ohonom, yn enwedig o glywed sylwadau Syr Jon y bore yma,

particularly hearing Sir Jon's comments this morning, would want always to make sure that, if there is any doubt whatsoever—there was no doubt in their minds, but where there is any doubt among staff—those matters are referred to the Assembly Government.

[191] **Jocelyn Davies:** And referred to the chief executive?

Mr Martin: Yes, although I do believe that it was a fair judgment call by them and, in retrospect, I certainly think that it was a significant enough issue that it would have been sensible for it to have been referred to me. However, at the same time, I do not think that my judgment on it, if I am honest, would have been any different at that time. I would be rationalising if I said that I would have taken a different view of that.

[192] **Janet Davies:** Thank you. We are coming to the end—you can see what the time is. Could I ask you, Mr Higson, how confident are you that the sort of extraordinary issues that have arisen out of this report, which have their roots in the need to spend available resources before the end of the year, will not recur in 2003-04 or, indeed, in future financial years?

Dr Higson: There are two parts to the answer, Chair. The first part is the issue of the actual budget profiling and the grip that the national council has on its expenditure, which is about an underspend situation arising again, and the second part is about the actual process of spending its money routinely, at any stage during the year. In terms of this financial year and future financial years, we are putting in place—or have put in place and are strengthening—budget profiling. So we are looking at profile expenditure across all our budget headings over the financial year, new guidance for budget holders, training for budget holders, and so on. We are in the process of looking at reprofiling the second half of the year by the end of this next week, and we are also reporting monthly to the council now on our financial situation. So, there is a much more rigorous reporting regime. As of today, I cannot answer whether there is any likely projected underspend, but I know that, within the very tight financial year that we are in, if

am sicrhau bob amser, os oes unrhyw amheuaeth o gwbl—nid oedd ganddynt amheuaeth ond lle y mae unrhyw amheuaeth ymhlith y staff—fod y materion hynny yn cael eu cyfeirio at Lywodraeth y Cynulliad.

[191] **Jocelyn Davies:** A'u cyfeirio at y prif weithredwr?

Mr Martin: Ie, er y credaf iddynt wneud penderfyniad teg ac, o edrych yn ôl, yr wyf yn sicr o'r farn ei fod yn fater digon pwysig fel y byddai wedi bod yn synhwyrol iddo gael ei gyfeirio ataf. Fodd bynnag, ar yr un pryd, ni chredaf y byddai fy marn arno, os ydwyf yn onest, wedi bod yn wahanol o gwbl ar y pryd. Byddwn yn rhesymoli pe bawn yn dweud y byddwn wedi cymryd agwedd wahanol tuag at hynny.

[192] **Janet Davies:** Diolch. Yr ydym yn tynnu at y terfyn—gallwch weld faint o'r gloch yw hi. A allwn ofyn i chi, Mr Higson, pa mor ffyddiog yr ydych na fydd y math o faterion eithriadol sydd wedi deillio o'r adroddiad hwn, sy'n tarddu o'r angen i wario'r adnoddau sydd ar gael cyn diwedd y flwyddyn, yn digwydd eto yn 2003-04 neu, yn wir, ym mlynnyddoedd ariannol y dyfodol?

Dr Higson: Mae dwy ran i'r ateb, Gadeirydd. Y rhan gyntaf yw mater proffilio cyllideb a'r rheolaeth sydd gan y cyngor cenedlaethol ar ei wariant, sy'n ymwneud â sefyllfa o danwario yn codi eto, ac mae'r ail ran ynghylch y modd y mae'n gwario'i arian fel rheol, ar unrhyw adeg yn ystod y flwyddyn. O ran y flwyddyn ariannol hon a blynyddoedd ariannol y dyfodol, yr ydym yn rhoi ar waith—neu wedi rhoi ar waith ac yn cryfhau—proffilio cyllideb. Felly yr ydym yn edrych ar wariant proffil ar draws pob un o'n penawdau cyllideb dros y flwyddyn ariannol, canllawiau newydd ar gyfer deiliaid cyllidebau, hyfforddiant ar gyfer deiliaid cyllidebau, ac yn y blaen. Yr ydym wrthi'n ystyried ailbroffilio ail hanner y flwyddyn erbyn diwedd yr wythnos nesaf, ac yr ydym hefyd yn adrodd yn fisol i'r cyngor bellach am ein sefyllfa ariannol. Felly, mae trefn adrodd lawer mwy trylwyr. O heddiw, ni allaf ateb a oes unrhyw danwariant arfaethedig tebygol, ond gwn, yn ystod y flwyddyn ariannol dynn iawn yr ydym ynddi, pe bai unrhyw danwario, y byddai'n fach iawn a gallem gymryd camau unioni ymhell cyn ail hanner y flwyddyn i ddelio ag ef.

there were to be any, it would be very small and we could take corrective action well in advance of the second half of the year to deal with it.

[193] **Janet Davies:** Thank you. That is good news. I will just bring Leighton in before I open matters up.

[194] **Leighton Andrews:** This is a final question for Mr Martin. Was this the first time that you had been an accounting officer? If so, can you tell us what training you had had in order to perform the role of an accounting officer?

Mr Martin: Certainly it was my first appointment as an accounting officer, and in respect of both the national council and the higher education council—because initially, of course, and, in fact, until the end of March this year, I was doing both jobs. The training I received formally was that I attended a half-day session, I think it was. My awareness of accounting issues, I have to say, is much greater than that would suggest, however, because I was, for many years, a public servant—indeed, I was employed in the Welsh Office for many years. I was private secretary to two of Jon's predecessors, and sat with them on occasions like this in Westminster, before the Assembly was created. So, I was very well aware of those issues. I think that it is fair to say that none of that could have prepared me or anybody else for—or it would be very unlikely—the particular set of circumstances that we faced and were working within. That, clearly, taxed myself and colleagues to the point where some things went quite seriously wrong, as are described in this report.

[195] **Janet Davies:** Right. Thank you. Before we finish, I ask Mr Higson and Mr Martin whether there are any other points that you would like to put to us and bring to our attention.

Dr Higson: Only, Chairman, to restate that we are learning the lessons. Many have already been learned, and we will continue to learn them over the next few months to ensure that these circumstances do not arise again as far as is at all possible.

[193] **Janet Davies:** Diolch. Mae hynny'n newydd da. Galwaf ar Leighton cyn i mi ehangu'r drafodaeth.

[194] **Leighton Andrews:** Cwestiwn olaf i Mr Martin yw hwn. Ai dyma oedd y tro cyntaf i chi fod yn swyddog cyfrifo? Os felly, a allwch ddweud wrthym pa hyfforddiant a gawsoch er mwyn cyflawni rôl swyddog cyfrifo?

Mr Martin: Yn sicr hwn oedd fy mhenodiad cyntaf fel swyddog cyfrifo, ac o ran y cyngor cenedlaethol a'r cyngor addysg uwch—oherwydd i ddechrau, wrth gwrs, a than ddiwedd mis Mawrth eleni, mewn gwirionedd, yr oeddwn yn gwneud y ddwy swydd. Yr hyfforddiant a gefais yn ffurfiol oedd i mi fynychu sesiwn hanner diwrnod, yr wyf yn credu mai dyna oedd. Mae fy ymwybyddiaeth o faterion cyfrifo, rhaid i mi ddweud, yn llawer mwy nag y byddai hynny'n ei awgrymu, fodd bynnag, oherwyddimi fod, am flynyddoedd lawer, yn was cyhoeddus—yn wir, cefais fy nghyflogi yn y Swyddfa Gymreig am sawl blwyddyn. Bûm yn ysgrifennydd personol i ddau o ragflaenwyr Jon, ac eisteddais gyda hwy ar achlysuron fel hyn yn San Steffan, cyn creu'r Cynulliad. Felly, yr oeddwn yn ymwybodol iawn o'r materion hynny. Credaf ei bod yn deg dweud na allai dim o hynny fod wedi fy mharatoi i na neb arall—neu byddai'n annhebygol iawn—ar gyfer yr amgylchiadau penodol yr oeddem yn eu hwynebu ac yn gweithio ynddynt. Bu hynny, yn amlwg, yn dreth arnaf i a'm cydweithwyr i'r fath raddau nes i rai pethau fynd o chwith yn ddifrifol, fel y disgrifir yn yr adroddiad hwn.

[195] **Janet Davies:** O'r gorau. Diolch. Cyn i ni orffen, gofynnaf i Mr Higson a Mr Martin a oes unrhyw bwyntiau eraill yr hoffech eu cyflwyno i ni a'u dwyn i'n sylw.

Dr Higson: Dim ond ailadrodd, Gadeirydd, ein bod yn dysgu'r gwersi. Mae llawer wedi cael eu dysgu eisoes, a byddwn yn parhau i'w dysgu dros y misoedd nesaf i sicrhau, hyd y gellir, nad yw'r amgylchiadau hyn yn codi eto.

Mr Martin: Could I say two things in conclusion? First is to say that yes, we have all learned lessons and the process of learning those lessons and making processes more vigorous was something that was in train throughout, and particularly took wing in 2002-03. Now Peter Higson and colleagues are taking that a step further and making sure that it is really embedded and really working well. The final point that I want to make is that I sensed from some of the exchanges earlier that some Committee members may have been taking from my comments that I am, in some sense, blaming the TECs or something about those organisations. That emphatically is not the case. I am making a point about the systems that we were operating with. We inherited many good things from the TECs—a really entrepreneurial approach to business, a can-do approach, a relationship with the business community that, frankly, nobody else could have given us. So I certainly do not want any of this to be, as it were, presented as some kind of indictment of the TECs, or blaming of the TECs. It certainly is not that. It is a purely factual description of the systems that we were operating which, clearly, were not fit for purpose in the public sector environment of an ASPB.

[196] **Janet Davies:** Okay. Thank you very much. I thank the three of you for your answers. I think that they have left quite a lot for the Committee to reflect upon in coming to our own report on this issue. You will be aware that a draft transcript will be sent to you for you to check for factual accuracy before it is published as part of the minutes. When the Committee publishes its report, the transcript will be included as an annex. I thank the witnesses again.

Mr Martin: A gaf fi ddweud dau beth i gloi? Yn gyntaf ydym, yr ydym i gyd wedi dysgu gwersi ac mae'r broses o ddysgu'r gwersi hynny a chryfhau'r prosesau yn rhywbeth a oedd ar waith gydol yr amser, ac a fu'n arbennig o flaenllaw yn 2002-03. Bellach mae Peter Higson a'i gydweithwyr yn mynd â hynny gam ymhellach ac yn sicrhau ei fod wedi ei wreiddio o ddifrif ac yn gweithio'n dda mewn gwirionedd. Y pwynt olaf yr wyf am ei wneud yw fy mod wedi synhwyro oddi wrth rai o'r trafodaethau yn gynharach fod rhai o aelodau'r Pwyllgor wedi cael ar ddeall o'm sylwadau fy mod, ar ryw ystyr, yn rhoi'r bai ar y CHMau neu rywbeth ynghylch y sefydliadau hynny. Yn bendant nid felly y mae hi. Gwneud pwynt yr wyf am y systemau yr oeddem yn gweithredu â hwy. Etifeddasom lawer o bethau da gan y CHMau—ymagwedd entrepreneuriaidd iawn at fusnes, ymagwedd gadarnhaol, perthynas â'r gymuned fusnes na allai neb arall, a bod yn onest, fod wedi ei rhoi i ni. Felly yn sicr nid wyf am i hyn gael ei gyflwyno fel rhyw fath o feirniadaeth ar y CHMau, fel petai, neu roi bai ar y CHMau. Nid dyna ydyw yn bendant. Disgrifiad cwbl ffeithiol ydyw o'r systemau yr oeddem yn eu gweithredu nad oeddent, yn amlwg, yn addas i'r pwrpas yn amgylchedd sector cyhoeddus CCNC.

[196] **Janet Davies:** O'r gorau. Diolch yn fawr iawn. Diolchaf i chi eich tri am eich atebion. Credaf eu bod wedi rhoi cryn dipyn i'r Pwyllgor ei ystyried wrth inni baratoi ein hadroddiad ni ar y mater hwn. Byddwch yn ymwybodol y bydd trawsgrifiad drafft yn cael ei anfon atoch i chi wirio a yw'r ffeithiau'n gywir cyn iddo gael ei gyhoeddi fel rhan o'r cofnodion. Pan fydd y Pwyllgor yn cyhoeddi ei adroddiad, bydd y trawsgrifiad yn cael ei gynnwys fel atodiad. Diolchaf i'r tystion unwaith eto.

*Daeth y sesiwn cymryd tystiolaeth i ben am 12.27 p.m.
The evidence-taking session ended at 12.27 p.m.*