



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

**Adroddiad Cyffredinol Archwiliwr Cyffredinol Cymru:
Archwiliad Ariannol o Gyfrifon 1998-99
General Report of the Auditor General for Wales:
Financial Audit of 1998-99 Accounts**

**Cwestiynau 1-21
Questions 1-21**

**Dydd Iau 15 Mehefin 2000
Thursday 15 June 2000**

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

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

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

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

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

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

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

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

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

[2] **Janet Davies:** Thank you. I understand that David Richards, the Principal Finance Officer and Peter Jones, Head of the Resource Accounting Team may be asked to comment if necessary. I will begin with a question on resource accounting. I will allow Members to ask questions, but we will not be able to have such a long session as that on Coleg Gwent.

This is to Mr Shortridge. Paragraph 5.4 states that the National Audit Office gave a qualified opinion on the dry run accounts for 1998-99 because the former Welsh Office was not able to produce a statement of resources by departmental aims and

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

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

[2] **Janet Davies:** Diolch. Yr wyf ar ddeall efallai y gofynnir i David Richards, y Prif Swyddog Cyllid, a Peter Jones, Pennaeth y Tîm Cyfrifo Adnoddau, roi sylwadau os oes angen. Dechreuaf drwy ofyn cwestiwn am gyfrifo adnoddau. Caniatâf i'r Aelodau ofyn cwestiynau, ond ni fydd yn bosibl inni gael sesiwn mor hir â'r un a gawsom ar Goleg Gwent.

Mae'r cwestiwn hwn i Mr Shortridge. Mae paragraff 5.4 yn nodi bod y Swyddfa Archwilio Genedlaethol wedi rhoi barn amodol ar ymarfer cychwynol cyfrifon 1998-99 am na allai'r Swyddfa Gymreig gynt gynhyrchu datganiad o adnoddau yn ôl nodau

objectives. Could you tell us why you were unable to produce such a statement and what progress you have made this year to correct the situation?

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

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

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

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

ac amcanion adrannol. A allech ddweud wrthym pam nad oeddech yn gallu cynhyrchu datganiad o'r fath a pha gynnydd a wnaethoch eleni i unioni'r sefyllfa?

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

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

[3] **Janet Davies:** Nodaf hefyd fod y Trysorlys wedi rhoi goddefeb rhag cyfuno cyfrifon yr awdurdodau iechyd o fewn ymarfer cychwynnol y cyfrifon, ond bod yn rhaid i'r Cynulliad gynhyrchu mantolen gyfunol erbyn 31 Mawrth yn y flwyddyn ariannol hon. Pa gamau yr ydych wedi eu cymryd i sicrhau y caiff yr awdurdodau iechyd eu cyfuno'n llawn o fewn cyfrifon adnoddau 2000-01? A ellir cyflawni hynny?

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

the national health service, which we share with the Department of Health in England. I will ask Mr Pavelin to briefly outline those.

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

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

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

The third element relates to interest on the capital employed in the NHS. We can literally deal with that in the form of a

penodol o ran y gwasanaeth iechyd gwladol, yr ydym yn eu rhannu â'r Adran Iechyd yn Lloegr. Gofynnaf i Mr Pavelin nodi'r rheini'n fras.

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

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

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

Mae'r drydedd elfen yn ymwneud â llog ar y cyfalaf a ddefnyddir yn yr NHS. Gallwn ymdrin yn llythrennol â hynny drwy ymarfer

desktop exercise, so that we can undertake the consolidation.

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

Mr Shortridge: One of the things that we are doing in order to seek to ensure that it does work is that we have decided to put the introduction date back to April 2002. It is a bit more complicated than that. Partly for procurement reasons and partly because of a study, which consultants did for us in terms of our approach to accounting generally, we reached the conclusion that it would not be sensible to introduce it from April 2001. Nonetheless, we hope that it will be up and running, if not in April 2001, very shortly afterwards. So there will be a significant amount of time to test it and, later in the year, to do some parallel running of the system. That is the basic position. Again, if you would like more information, Mr Pavelin can elaborate.

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

Mr Pavelin: I think that you are just looking for assurance that we will actually get there. We have employed some additional staff for this purpose. We have also brought on board the Central Computer and Telecommunications Agency, which is the one organisation in central Government that has wide expertise and which both the Comptroller and Auditor General, in his reports in England, and the Public Accounts Committee, have recommended that we should have on board. Therefore, we have it

desg, fel y gallwn ymgymryd â'r cyfuniad.

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

Mr Shortridge: Un o'r pethau yr ydym yn eu gwneud er mwyn ceisio sicrhau ei bod yn gweithio yw ein bod wedi penderfynu gohirio'r dyddiad cyflwyno i Ebrill 2002. Mae ychydig yn fwy cymhleth na hynny. Yn rhannol oherwydd rhesymau caffael ac yn rhannol oherwydd astudiaeth a wnaethpwyd ar ein rhan gan ymgynghorwyr ar ein hymagwedd tuag at gyfrifo yn gyffredinol, daethom i'r casgliad na fyddai'n synhwyrol ei chyflwyno o Ebrill 2001. Eto i gyd, gobeithiwn y bydd yn weithredol, os nad yn Ebrill 2001, yn fuan iawn wedi hynny. Felly bydd cryn amser gennym i'w phrofi ac, yn ddiweddarach yn y flwyddyn, i gynnal ymarfer rhedeg ochr yn ochr o'r system. Dyna'r sefyllfa yn fras. Unwaith eto, os hoffech gael rhagor o wybodaeth, gall Mr Pavelin ymhelaethu.

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

Mr Pavelin: Credaf eich bod am gael sicrwydd y byddwn, mewn gwirionedd, yn cyrraedd y nod. Yr ydym wedi cyflogi rhai aelodau ychwanegol o staff i'r diben hwn. Yr ydym hefyd wedi cysylltu â'r Asiantaeth Gyfrifiadurol a Thelathrebu Ganolog, sef un o sefydliadau Llywodraeth ganolog sydd ag arbenigedd eang ac y mae'r Rheolwr ac Archwilydd Cyffredinol, yn ei adroddiadau yn Lloegr, a'r Pwyllgor Cyfrifon Cyhoeddus wedi argymhell y dylem gydweithio â hi. Felly, yr ydym yn cydweithio â hi. Yr ydym

on board. We have instituted very wide-ranging project management, using the Prince methodology and we are providing ourselves with a very long run-in comfort period. The procurement process has already started. We are expecting to have the software delivered, together with any new hardware, by 1 April 2001. That will give us a 12-month run-in period. To the extent that we might need consultancy support in order to help us introduce the chosen software, whatever that turns out to be, we will undertake that. We are determined to make sure that the system that we get in is actually tested for quite a long period and actually works.

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

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

[7] **Geraint Davies:** I declare an interest as a pharmacist in contract with the NHS. I would like to ask some questions on health authority accounts. You are supposed to produce a

wedi cyflwyno dulliau rheoli prosiect eang iawn eu cwmpas, gan ddefnyddio methodoleg Prince ac yr ydym yn rhoi cyfnod ymbaratoi hir iawn i'n hunain. Mae'r broses gaffael eisoes wedi dechrau. Yr ydym yn disgwyl i'r feddalwedd, ynghyd ag unrhyw galedwedd newydd, gyrraedd erbyn 1 Ebrill 2001. Bydd hynny yn rhoi cyfnod ymbaratoi o 12 mis inni. I'r graddau y bydd arnom angen cymorth ymgynghorol o bosibl er mwyn ein helpu i gyflwyno'r feddalwedd a ddewiswyd, waeth beth fydd hynny, byddwn yn mynnu hynny. Yr ydym yn benderfynol o sicrhau y bydd y system sydd gennym yn cael ei phrofi o ddifrif am gyfnod go hir a'i bod yn gweithredu'n gywir.

[6] **Alison Halford:** Ymddengys nad oedd unrhyw un am ganiatáu i Aelodau'r Cynulliad—a derbynias nad oeddech yn gwybod pwy a fyddent—brofi'r system yn y swyddfeydd etholaeth â Chynulliad Cenedlaethol Cymru. Felly, yr ydym wedi cael system, sydd, a dweud y gwir, yn anodd iawn i'w gweithredu. Mae'n ein siomi'n aml: nid yw negeseuon e-bost yn cyrraedd ac ni ellir defnyddio ffonau am gyfnodau. Mae hynny'n annerbyniol. Er gwaethaf hynny yr ydych wedi defnyddio cwmni â chanddo hanes go gymysg o ran darparu gwasanaethau eraill. Ni ddeallaf hynny ac, a dweud y gwir, mae'n peri cryn drafferth i mi, fel Aelod etholaeth, ac i'm staff.

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

[7] **Geraint Davies:** Hoffwn ddatgan diddordeb fel fferyllydd sydd â chontract gyda'r NHS. Hoffwn ofyn ychydig o gwestiynau am gyfrifon yr awdurdodau

consolidated balance by 31 March. Are you having problems getting that balance because of the delay in pricing prescriptions?

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

Mr Pavelin: Fortunately, the consolidated balance sheet relates to the health authorities. Therefore, the absolute detail of the prescription pricing does not actually come through directly into those accounts, although the funding of some of those elements will come through. We have been put on warning by the Auditor General's management letter in respect of the NHS that there may well be an issue there. We are following that up at the moment. Those dealing with prescription pricing are in the process of trying to resolve how we can fund the pharmacists and ensure that our records are absolutely reliable. It is an issue that we know exists, and we are trying to address it as best we can. We are not quite sure exactly how long it is going to take to finally resolve.

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

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

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

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

iechyd. Yr ydych i fod i gynhyrchu mantolen gyfunol erbyn 31 Mawrth. A ydych yn cael problemau wrth baratoi'r fantolen honno oherwydd yr oedi mewn prisiau presgripsiynau?

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

Mr Pavelin: Yn ffodus, â'r awdurdodau iechyd y mae'r fantolen gyfunol yn ymwneud. Felly ni chaiff manylion llawn pris presgripsiynau eu cynnwys yn uniongyrchol yn y cyfrifon hyn, er y caiff cyllid rhai o'r elfennau hynny ei gynnwys. Mae llythyr rheoli'r Archwilydd Cyffredinol ynglŷn â'r NHS wedi ein rhybuddio efallai y cyfyd mater yn hynny o beth. Yr ydym yn gweithredu ar hynny ar hyn o bryd. Mae'r sawl sydd yn ymwneud â phrisio presgripsiynau wrthi'n ceisio datrys sut y gallwn roi cyllid i'r fferyllwyr a sicrhau bod ein cofnodion yn gwbl ddibynadwy. Gwyddom bod y mater hwn yn bodoli, ac yr ydym yn ceisio rhoi sylw iddo orau y gallwn. Nid ydym yn gwbl sicr faint o amser a gymer i'w ddatrys yn derfynol.

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

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

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

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

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

Mr Shortridge: All I can say is that I share that concern. I have been applying pressure to try to get a solution to it and have been seeking advice on it. As I understand it, progress is being made and I am expecting to hear something quite shortly. However, it would be quite wrong of me to provide any assurance to the Committee on that matter now because I have not seen the proposed solution.

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

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

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

Mr Shortridge: One of the problems is—I will not say that every grant schemes is different, but a lot of them are different—that they are operated by different organisations and, in some cases, they were established by an English department and we have just carried them over. I do not think that it is practical to propose an entirely standardised approach to the monitoring of grant schemes. On the other hand, there are clearly certain fundamental principles that all such monitoring processes should satisfy. Those relate to, if it is a local authority grant, ensuring that you have all the certificates. It

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

Mr Shortridge: Y cwbl y gallaf ei ddweud yw fy mod yn rhannu'r pryder hwnnw. Yr wyf wedi bod yn pwysu i geisio ei ddatrys ac wedi ceisio cyngor yn ei gylch. Yn ôl yr hyn a ddeallaf, mae'r cynnydd yn digwydd ac yr wyf yn disgwyl clywed rhywbeth cyn bo hir. Fodd bynnag, byddai'n hollol amhriodol imi roi unrhyw fath o sicrwydd i'r Pwyllgor ynglŷn â'r mater hwnnw ar hyn o bryd gan nad wyf wedi gweld yr ateb a gynigir.

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

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

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

Mr Shortridge: Un o'r problemau yw—ni honnaf fod pob cynllun grant yn wahanol, ond mae llawer ohonynt yn wahanol—y cânt eu gweithredu gan wahanol sefydliadau ac, mewn rhai achosion, fe'u sefydlwyd gan adran yn Lloegr a dim ond wedi cadw atynt yr ydym ni. Ni chredaf ei bod yn ymarferol i gynnig ymagwedd gwbl safonol tuag at fonitro cynlluniau grant. Ar y llaw arall, mae egwyddorion hanfodol y dylai pob proses fonitro o'r fath eu bodloni wrth reswm. Mae'r rheini yn golygu, yn achos grantiau awdurdodau lleol, sicrhau bod pob un o'r tystysgrifau gennych. Mae'n golygu cael

means having arrangements where appropriate and, in terms of applying particular criteria, for follow-up visits and so on. I must say that, from the information that I have seen, from studying the management letter of the NAO and from looking at internal audit reports, I am pretty satisfied that, for the most part, the systems are adequate.

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

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

trefniadau, lle bo hynny'n briodol ac, o ran defnyddio meini prawf penodol, ar gyfer ymweliadau dilynol ac ati. Rhaid imi ddweud, yn ôl y wybodaeth yr wyf wedi ei gweld, o astudio llythyr rheoli'r Swyddfa Archwilio Genedlaethol ac o edrych ar yr adroddiadau archwilio mewnol, fy mod yn eithaf bodlon bod y systemau, at ei gilydd, yn ddigonol.

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

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

mechanism. How much are we clawing back and under what conditions are we doing so?

Mr Shortridge: It would be wrong to give the impression that we rely to a significant extent on site visits. It is very expensive, as you can imagine, for officials to travel around Wales following up individual grant schemes where, in some cases, the amount of money that will have been received is quite small. In terms of the procedures that we have for monitoring compliance in relation to grants, we review, depending on the nature of the applicant, the annual accounts submitted by the applicants and recipients to ensure that they still need a grant. We also review the accounts to ensure that the grants have been used and not retained in reserves. Where appropriate, we ensure the receipt of audit certificates, which are completed by independent third parties—either independent firms of accountants or the district audit service. Where we can, and where it is appropriate, we pay in instalments so that we have an opportunity to review progress and, in any case, we only pay a grant where need has been demonstrated. Around that, we have site visits where appropriate. We have regular meetings with the recipients of grants and, as part of general monitoring, we require written reports on the assessment of the extent to which the outputs that have been achieved match what was promised and whether they have been achieved against agreed timetables. Therefore, we put a complex set of arrangements in place as opposed to relying largely on site visits.

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

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

Mr Pavelin: There are occasions when we seek clawback. However, as far as possible, we try to pay grants in arrears. So, in other words, whatever is being provided has been provided, so that we can assure ourselves that

methu â chydymffurfio ag amodau'r grant, mae gennym ddull o ad-hawlio'r arian. Faint o arian a ad-hawlir gennym ac o dan ba amodau yr ydym yn gwneud hyn?

Mr Shortridge: Ni fyddai'n gywir rhoi'r argraff ein bod yn dibynnu ar ymweliadau safle i raddau helaeth. Mae'n gostus iawn, fel y gallwch ddychmygu, i swyddogion deithio ledled Cymru yn gwirio cynlluniau grant unigol, lle mai bach iawn fyddai swm yr arian a dderbynnir mewn rhai achosion. O ran y gweithdrefnau sydd gennym i fonitro cydymffurfriad mewn perthynas â grantiau, yr ydym yn arolygu, gan ddibynnu ar natur yr ymgeisydd, y cyfrifon blynyddol a gyflwynwyd gan yr ymgeiswyr a'r derbynwyr i sicrhau eu bod angen y grant o hyd. Yr ydym hefyd yn arolygu'r cyfrifon i sicrhau bod y grantiau wedi cael eu defnyddio ac nad ydynt wedi eu cadw mewn cronfeydd wrth gefn. Lle y bo'n briodol, yr ydym yn sicrhau ein bod yn derbyn tystysgrifau archwilio, a gwblheir gan drydydd parti annibynnol—naill ai cwmnïau annibynnol o gyfrifwyr neu'r gwasanaeth archwilio dosbarth. Pan fo'n bosibl, a lle y bo'n briodol, yr ydym yn talu mewn rhandaliadau fel y gallwn gael cyfle i arolygu'r cynnydd, a, beth bynnag, nid ydym yn talu grant oni phroffir bod ei angen. O gylch hynny, yr ydym yn trefnu ymweliadau safle lle y bo hynny'n briodol. Yr ydym yn cyfarfod â derbynwyr y grantiau'n rheolaidd ac, fel rhan o fonitro cyffredinol, yr ydym gofyn am adroddiadau ysgrifenedig sydd yn asesu i ba raddau y mae'r allbynnau a gyflawnwyd yn cyfateb i'r hyn a addawyd ac a ydynt wedi eu cyflawni yn ôl y graddfeydd amser y cytunwyd arnynt. Felly, yr ydym yn rhoi cyfres gymhleth o drefniadau yn eu lle yn hytrach na dibynnu ar ymweliadau safle yn bennaf.

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

Mr Shortridge: Gofynnaf i Mr Pavelin ymateb i hynny.

Mr Pavelin: Mae adegau pan fyddwn yn ceisio adhawlio arian. Fodd bynnag, yr ydym, gymaint ag sydd yn bosibl, yn ceisio talu grantiau fel ôl-daliadau. Hynny yw, mae'r hyn sydd yn cael ei ddarparu wedi cael ei

it is there and that we do not need to seek clawback. The instances where we need to seek clawback and the large areas in which we have sought clawback, are mostly related to matters such as regional selective assistance, where an organisation has said that it will do a certain thing. In many instances, it has done it, but it is required to continue doing it for a period. There are monitoring and direct follow-up procedures, because it is a high-risk area. Therefore, the extent of site visits is almost always related to risk assessment. When it is found that the requirements for maintaining whatever it has been required to do have not been complied with, then we often ask for our money back. There have been some quite high profile cases over the years, which have been reported in the press, where we have sought our money back.

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

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

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

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

ddarparu, fel y gallwn sicrhau ein hunain ei fod yno ac nad oes angen inni geisio adhawlio'r arian. Mae'r achosion lle y mae angen inni geisio adhawlio'r arian a'r meysydd eang lle y buom yn ceisio adhawlio, yn ymwneud â materion megis cymorth dethol rhanbarthol yn bennaf, lle mae sefydliad wedi dweud y bydd yn gwneud tasg benodol. Mewn llawer o'r achosion, mae wedi ei wneud, ond mae'n ofynnol iddo barhau i'w wneud dros gyfnod. Ceir gweithdrefnau monitro a gwirio uniongyrchol, oherwydd ei fod yn faes â risg uchel. Felly, mae nifer yr ymweliadau safle bron bob tro yn ymwneud ag asesiad o risg. Pan ganfyddir na chydymffurfiwyd â'r gofynion i gynnal beth bynnag y mae angen iddo ei wneud, yna byddwn yn aml yn gofyn am ein harian yn ôl. Bu nifer o achosion eithaf enwog dros y blynyddoedd, sydd wedi cael sylw yn y wasg, lle yr ydym wedi mynnu ein harian yn ôl.

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

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

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

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

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

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

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

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

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

On the lavish hospitality point, I am personally very uncomfortable about lavish

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

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

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

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

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

O ran y pwynt am letygarwch hael, yr wyf yn bersonol yn anghysurus iawn ynglŷn â

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

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

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

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

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