

Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad:
Ystafell Bwyllgora 3 – y Senedd

Dyddiad:
Dydd Llun, 8 Hydref 2012

Amser:
13:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



I gael rhagor o wybodaeth, cysylltwch â:

Policy: Tom Jackson
Clerc y Pwyllgor
029 2089 8597
Publicaccounts.comm@Wales.gov.uk

Agenda

- 1. Cyflwyniad, ymddiheuriadau a dirprwyon (13:00 – 13:05)**
- 2. Proses gaffael Llywodraeth Cymru a'r camau a gymerwyd ganddi i waredu hen westy River Lodge, Llangollen – Tystiolaeth gan Powys Fadog (13:05 – 13:50)** (Tudalennau 1 – 15)
PAC(4) 20-12 – Papur 1
Pol Wong, Cadeirydd, Powys Fadog
- 3. Proses gaffael Llywodraeth Cymru a'r camau a gymerwyd ganddi i waredu hen westy River Lodge, Llangollen – Tystiolaeth gan Amanda Brewer (13:50 – 14:40)** (Tudalennau 16 – 48)
PAC(4) 20-12 – Papur 2

Amanda Brewer, Cyn Swyddog Llywodraeth Cymru
- 4. Proses gaffael Llywodraeth Cymru a'r camau a gymerwyd ganddi i waredu hen westy River Lodge, Llangollen – Tystiolaeth gan gyn Swyddog Cyfrifo (14:40 – 15:30)**
Gareth Hall, Cyn Gyfarwyddwr dros yr Economi a Thrafnidiaeth
- 5. Papurau i'w nodi** (Tudalennau 49 – 50)
- 6. Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y canlynol:**
Eitem 7.

7. Ystyried y dystiolaeth ar broses gaffael Llywodraeth Cymru a'r camau a gymerwyd ganddi i waredu hen westy River Lodge, Llangollen (15:30 – 16:00)

Eitem 2

Public Accounts Committee – 8 October 2012 PAC(4) 20–12 (p1) Powys Fadog evidence

Please note that this is in no way a complete or comprehensive list of evidence in our ownership, rather an overview of some of the most obvious inconsistencies.

Please find attached a variety of correspondence and documents which support my statement below.

I formally declare that it is my belief that the Permanent Secretary Gillian Morgan, has misled the Welsh Governments Public Accounts Committee as regards to events surrounding the Powys Fadog/River Lodge project and her role/motivation in stopping it.

I also assert that Gill Morgan has misled Ministers for example...See attachment Tenancy.JPG. – Where Gill Morgan changes the whole meaning of the sentence. The misleading of which has deprived me of my legal right to be resident on site.

Please also see this link to a film which specifically addresses various points raised by the PS at the Public Accounts Committee on 10:07:12. <http://vimeo.com/50523035>

I, Pol Wong, of 26 Conway Drive, Wreccsam, make the following statement:

1. My name is Pol Wong. I am the Chief executive of Powys Fadog community group. I am also the Head of the Hafan Shaolin Cymru School of Shaolin Kung Fu and an ordained disciple of the Song Shan Shaolin Temple, China.
2. In 2005 I was living at the River Lodge hotel in Llangollen and running the business of the hotel as well as running my own business from there. My own business was my school of Kung Fu and also residential courses in various aspects of the Shaolin arts. My residential courses were the main business of the hotel and I had been holding them at River Lodge since 2000.
3. In 2003 I became aware that the owner of the property wished to sell the property for housing development. I had for a number of years been exploring ways to secure the premises to develop my business and had an embryonic business plan which was continuing to develop. The business plan was developed not only as a profit making organisation but an entity that could contribute to the development of the local community and address many issues which are well recognised within the local community and also have long been touted by the Welsh government as priorities..

4 In 2005 I approached the WDA with a view to applying for business development help. It was very well publicised that the Welsh Assembly and WDA were there to help new businesses and especially small businesses.

Also I had ongoing discussions with the owner of River Lodge about the possibility of obtaining a lease on the property on a number of occasions and had formally put a proposal to him. However, he was indecisive about it and very often was out of the country so negotiations were inconsistent and difficult.

5 Amanda Brewer was my first contact with the WDA. This came about because during one of my residential courses, which her 2 children were attending, I was explaining to the group about the situation with the hotel and about my plans for the site. The children told me that their mother worked for the WDA so I asked for her number to talk to her. I presented my plan to Amanda with a view to see how I could make an application for assistance. This I did.

6. When I met with Amanda, I explained what my plans were and showed her recent financial projections that had been prepared for me. She thought that the idea was a good one and that it was the kind of thing that WDA might support. She made it clear that she would not be able to make any decision but that she would ask her bosses to meet with me. Until this time I did not know Amanda and had never met her or spoken to her.

7. The basics of the kind of assistance I was seeking was simply for security in the building which would then allow me the freedom to develop and invest in the plans free from fear of the building being sold from under our feet.

I was asking for a lease on the building in essence. Rent would be paid from our business. I had already had estimates done for refurbishments which amounted to £150k. This was based on what was deemed as "cosmetic" work needed in order to be able to open for business. From this point further works would be planned in an organic and sustainable way. This would allow us to have flexibility in the developmental plans of the building alongside prevailing and continuing development of our community objectives. This from the research that we had done was the best way forward in the long term. We had already made the decision that we did not want to apply for grants from the public purse but would apply for a commercial loan in order to do this. (Part of the philosophy and culture we were trying to develop and promote was one of leading by example. The example in this situation was to show what can be achieved when opportunity is provided and the community works together.)

8. Some weeks later I had a meeting with David Pilkington and gave him an explanation of the business plan and financial projections, a trading history and an explanation of how the business would be a social asset with profit going towards social and community development. – a social enterprise.

David Pilkington was obviously impressed with the plans. Particularly he was enthused by the integration of the business model with the delivery of our community objectives and also the integration of Chinese cultural activities with Welsh cultural activities. He indicated that the plans would be the kind of thing that the WDA would support and that the project had the potential to be a flagship project for the WDA and further that we would work in partnership to deliver the project.

9. Sometime later we were informed that the WDA had indeed approved the project being supported and had approved the purchase of the hotel with a view to setting up the Powys Fadog Community Development Centre. In the next months I continued to develop and formalise our plans and I sought advice from Amanda and others as to the way ensure best practice and how best to comply and work within the wishes of WDA. She was helpful and enthusiastic.

10. At this point after discussions with the other members of our group, we decided to invite a member of the WDA onto our board. There were several reasons for this. Firstly we wanted to make sure that WDA had confidence that they had scrutiny at all times of our compliance and that the plans were developed in a way that suited them. Also it was in response to the declaration by David Pilkington's expectations of delivering the project as a partnership. None of the Powys Fadog board members were to receive any remuneration, it was agreed that all work was on a voluntary basis.

The obvious choice was Amanda Brewer who had the best knowledge of the project and its aims and objectives, and clearly had a high level of knowledge about social enterprise. Amanda said that she would have to seek permission but it was a good idea. She did seek permission which was granted and she accepted the position of secretary. However, she made it clear at the time that she could and would not impart any knowledge or information which could give any advantage to Powys Fadog and also she said that she would or could not make or influence any decisions. We accepted this and I stated that in regards to this I would not expect any of this to be the case and further stated that I would never think of putting her in such a position.

11. During the ensuing year we (The Board of Powys Fadog):
– Held a launch event with members of public, local council, County Council and local Assembly member (Karen Sinclair, who declined the invitation.) being invited.

- Continued to develop the business plan.
- Continued to research and develop our social/community objectives.
 - Formalised and made new partnerships. (AVOW,Welsh Cooperative, Groundwork Wrexham/Flintshire, Llangollen Police, Schools, Health organisations, Youth organisations etc).
 - Consolidated and made a more robust organisational structure.
 - Underwent training in various aspects of business and management,and training in responsibilities of Directors and also training in Health and safety.
 - Consulted with local residents, Local Authority, Local AM,businesses and other organisations (Police etc...).
 - Developed the plans for the building, concerning the refurbishment and phasing of work.

It was during the above activity where Amanda contributed the most, making many suggestions of potential partners and advising on the refurbishment of the building, as well as advising on the organisational structure of Powys Fadog. She also played a role as the point of contact between us and WDA.

12. During this period the WDA was absorbed into WAG without the WDA successfully purchasing River Lodge, so we also looked at other possible sites in the area to establish the project. This was suggested by Amanda. One site that we were particularly interested in was the youth hostel in Llangollen. We met and had discussions with the Youth Hostel about this.

13. About a year later WAG revisited their interest in the site and the project and began new negotiations with the owner. Eventually in 2007 the purchase of the building was completed and we met with John Adshead and Martin Williams with a view to WAG taking the project forward. In our meeting at the River Lodge, John Adshead was extremely enthusiastic about the project and again reiterated what had previously been stated by David Pilkington, that the project gave a great opportunity to work in a partnership between WAG, Powys Fadog and the community to deliver what had the potential to become a flagship social enterprise project for WAG.

14. John was especially enthusiastic about the commitment of Powys Fadog to the sustainability approach regarding the development and our organic growth strategy, which also emphasised re-using and recycling. Martin Williams was similarly impressed and commented that the project had the potential to be replicated across Wales.

15 Not long after this I received a document from a local resident of Bishops Walk which I was told by the resident had been posted through his door and had come from Karen Sinclair AM. He also told me that Karen Sinclair was spreading rumours that the project was about opening a "bad boys home" and that there was a conflict of interest. He also said that the Residents Association were worried about the possibility of a bad

boys home being next door to them. The document was obviously official and it contained information about Powys Fadog and negotiations with WDA and WAG. The document had reference to Amanda Brewer. On receipt of this I handed it to Amanda.

She was obviously upset about it as it referred to her by name and official business of the Government.

16. Following this we applied for a commercial loan to finance Wales, who were very impressed with the plans and agreed that they would negotiate a loan of £150k for Powys Fadog. We had several meetings with them and they even offered us a larger loan than we originally asked for. However the whole project ground to a halt when WAG stated that they must do the refurbishment themselves and after doing their surveys etc they deemed that the cost of refurbishment (£2.3million) made the project unviable. The basis of this was that WAG felt that the Tourism market was for 4 star accommodation which was not what we wanted or needed for our project. A possible solution, I thought, was to buy the building off WAG, negating the need for WAG to do the work. This was explored for around 12 months but came to nothing. We eventually got them to understand that we were proposing a residential centre for activities, with basic accommodation not a standard Hotel business. Once this had been established we were again allowed to take over the refurbishment.

17. Again during this period Amanda's main role was communicating between WAG and Powys Fadog. At no time during board meetings did Amanda have any involvement in decision making on behalf of Powys Fadog or even have a vote on any decisions. This arrangement was insisted on by Amanda and fully supported by Powys Fadog.

18. As time went on the cost of the refurbishment went up from £150k to £300k and then to £500k which meant that we now had to consider grants. In order to apply for grants we needed to demonstrate a commitment from WAG to the project, so I suggested to the board that we ask WAG for an Agreement to Lease. Amanda had no part in this decision.

19. In this period, Ian Williams the Regional Director got in touch with me about the project due to a situation concerning letters of complaint I had written to successive Ministers for Heritage and the Minister of Economy and Transport, which had not been responded to. Although I did not know exactly the circumstances of his involvement, he said that he had got involved due to the poor way we had been dealt with up to that point. He visited the site and was extremely pleased with the international connections that Powys Fadog had, especially with China. (I was the first non – Chinese national to be ordained as a disciple of

Shaolin Temple in its 1,600 years history, in fact he had researched the Shaolin Temple and was aware that it is the third most visited attraction in China, behind the Terracotta army and the Great Wall).

20. Towards the end of 2008 it was agreed by John Adshead that an Agreement to Lease would be negotiated and that we should apply for Grants to WEFO and Amanda suggested that we apply to CFAP and other grant funders as well. Our financial consultant (Tim Hill) was to make the application to WEFO.

Tim arranged a meeting with Ken Cook of WEFO and Ken was very positive about the project and particularly enthusiastic about our emphasis on cultural and educational tourism, which would promote out of season tourism. Tim followed Ken's instructions to make the application, which was an online process. However it proved impossible to access, despite many attempts. Tim reported this problem back to the board and we asked Amanda if she could take this up with WAG. At the same time I, with our solicitor Dafydd Prosser began formal negotiations with WAG about the Agreement to Lease.

21. Alongside the agreement to lease I suggested that it would be a good idea for WAG to give me a tenancy for the house to act as security and also to keep up with general maintenance. Also of course at that time all my personal belongings were still in the building and I had been left homeless for around a year. The impetus for this idea came because there had recently been a burst pipe which had been left with water flooding out for a number of weeks without being noticed. This caused a lot of damage and obviously raised the costs of refurbishing the building considerably. There was also a break in with theft of a considerable amount of property. So at the same time as negotiating the lease I also negotiated the tenancy. Amanda had no part in these negotiations; it was done by myself and our solicitor. (Dafydd Prosser).

Eventually the agreement to lease was signed in June 2009, and I also signed the tenancy agreement and sent it back to WAG.

22. From the time of Ian Williams' involvement and the consenting of negotiating an Agreement to Lease, Amanda had stepped even further back and made less of a contribution on the board. This more or less meant that she took the minutes and continued in her main role as part of the subcommittee we had set up to project manage the building contract. Even her role as point of contact had diminished by then due to me having direct contact with John Adshead, Ian Williams and Martin Williams, although it was sometimes difficult to get in touch with them and Amanda did pass on messages and information to them.

This period was particularly frustrating, considering the long drawn out processes we had already been through by then and now, again we were being frustrated in negotiations for the lease by the slow responses to each step of negotiations by WAG.

By this time I had been homeless for over a year and WAG seemed to be dragging their feet with negotiations and were difficult to communicate with.

23. Eventually the negotiations were completed and we signed the agreement for Lease and I signed the tenancy agreement for the house and sent it back to

WAG. This tenancy agreement never ever came back. Of course I did keep asking Martin Williams what was happening and also I did ask Amanda to ask him

what was happening with it, because he very often would not respond to calls from me. In those cases it was simply a case of passing messages on, as far

as she was concerned.

The grant applications all failed, which was a big surprise after all the positive initial feedback from Ken Cook of WEFO and the obvious fit with CFAP. In

fact John Adshead commented on this in an Email to me at the time, expressing his surprise and his disappointment.

The reasons given by both departments were completely unsatisfactory and seemed to totally misunderstand the project. However we had received in

principle agreement for an EIG grant of £240k. By this time, around a year of our agreement to lease had run out. So we

again started to look at alternative funding options because it was so difficult to get genuine engagement with WAG, (WEFO and CFAP).

24. I had an idea about asking housing Associations to contribute. As Amanda knew officers in Clwyd Alyn we asked her to approach them, and myself

knowing Board members of Wales and West I approached them. Amanda introduced the idea to Clwyd Alyn and got a very positive

response. Powys Fadog then told John Adshead about this and he then met with officers from Clwyd Alyn to see if a way forward could be found.

After her initial meeting with CA, all negotiations with CA and WAG were between John Adshead, Ian Williams and myself. From that point onward

Amanda had no part in any negotiations, and her sole role was concerning the project management of the refurbishment.

Eventually a package was agreed by John Adshead (Head of Infrastructure)/Ian Williams (Regional Director), the board of Clwyd Alyn

and Powys Fadog which could deliver the project. Heads of terms were agreed and a Ministerial Briefing prepared and submitted in late January 2010.

This package addressed all the issues that Karen Sinclair had been continuously repeating since 2007. (By this time we had become aware of letters from Karen

Sinclair claiming that there was a conflict of interest and that the project was not value for money etc). The cost of the set up including refurb was at that time

£850k.

In the new proposal (See attachment Heads of Terms) Clwyd Alyn would be the leasee and would provide around £300k, about a third of the cost. We had already

secured an Environmental improvement Grant of £249k by the dept of regeneration, who had agreed to transfer the grant to Clwyd Alyn in order to complete the

project. Also the department of Economy approved a property grant of about £300k. Also we had in principle agreement from Cadwyn clwyd for £75k revenue

grant and in principle agreement for £175k from Menter Mon (Cyfenter).

25. I was informed on February 2nd by Janet Ryder AM that the Minister was happy with the briefing. However no news came back from WAG.(See attachment leuan wyn jones re MB).

After that, despite talking with John and Ian, I could not get any information as to why it was taking so long to get final authorisation. Our contractors were ready to start the contract, and we had a matter of weeks before the grants would expire.

Ian Williams eventually told me that one of his two bosses was happy with it but one was not (Apparently he had issue with a potential conflict of interest), and that

he wanted another paper prepared for the Minister which "dotted the i's and crossed the t's". (record available)

He assured me that this would be done quickly and passed to the Minister as quickly as possible. In my last conversation with him he told me that the paper had

been completed but had disappeared and he could not find out what was happening and had been told in no uncertain terms to "keep out of it". He also remarked

that the problem was that I had enemies locally with connections in high places. After that he did not respond to phone calls or Email, neither did John

Adshead. That was the last I heard of the matter despite very strenuous attempts to get information from the Government including by direct correspondence with

the Permanent Secretary, the Minister of the Dept and even FOI..

Almost 2 years later, through FOI, I found out that the original briefing had been withdrawn and that a submission had been prepared by John Adshead and Ian

Williams. (Obviously the "dotting the i's and crossing the t's" paper that Ian Williams had mentioned). This submission was supported by the Compliance Review conducted by Chris Munday.

However the submission never got to the Minister.

26. Some 2 months later I traced the block to the Permanent Secretary, but unfortunately she was unwilling to give any explanations as to why she

had "personally raised issues" with the project or what the issues were. (See attachment Powys Fadog Letters .doc.March 11th 2010).

The situation remained the same, in fact has remained the same until the publication of the WAO issued a report (June14th 2012).

As a result of the lack of information and also refusal of WAG to communicate I made several Freedom of information requests.

27. The FOI's revealed that Karen Sinclair had been continuously writing various ministers and officials making allegations against Amanda and many false claims

about Powys Fadog and also false claims about representations made to her.(For example she claimed to Rhodri Morgan that the Town council had made

representations to her, and did not welcome the Powys Fadog project. The council wholly refuted this claim and issued a letter denying the fact and at the same time declared their broad support for the project and refuted Sinclairs claims that Powys Fadog had been surrounded by secrecy).

28. In November 2011 I had a meeting with Karen Sinclair. She seemed to be extremely angry about something and particularly aggressive in her attitude to

"That Woman" (Amanda).The overall impression that I got was that she was determined to stop our project and she was determined to bring a charge of conflict of interest, to the point of an obsession. Her whole demeanour was very aggressive and unreasonable and reflected the content of her many letters quite vividly.
(See attachment Transcript docx)(Original recording can be made available)

.It was obvious for example that many times Amanda Brewer's involvement had been explained to her in responses from WAG officers and Ministers

(See attachment atisn 4485–information.). However she was not satisfied and then tried another avenue to get support for her allegations.

Eventually as she explained, she contacted the Permanent Secretary. About this she said that 'The Chair of Powys Fadog was Amanda Brewer' and

'that it was Amanda that had authorised the purchase of the building'. I responded by saying that Amanda was not and never had been the Chair of

PF (she refused to accept this), and continued to assert that Amanda had authorised the purchase of the building.

I also commented that Karen Sinclair was obviously aware that Amanda could not and actually did not authorise the purchase. In fact in front of her was a

Ministerial Briefing which said exactly that, and which she had been given years before.

When I pointed out the fact that she knew these claims to be untrue she said: "Well when I contacted Gillian Morgan she agreed with me, and that's why

she was suspended and that's why your money was stopped, alright !".(page 8 of transcript doc)

29. Also revealed in the FOI requests is a letter to the Health Minister Edwina Hart and Business Minister Jane Hutt (See attachment364 KSinclairToEHart), again

repeating her unfounded claims about various aspects of the project and also requesting that the Ministers help to set up a health centre on the site.

Within days of this letter an Email from a WAG officer to the local health Board says (See attachment 364Email March 2010): “The problem is that the Minister

has also requested an update on the Woodlands hotel (Woodlands is the local name for River Lodge) and the proposed health centre in Llangollen by this Friday

could you please provide me with the information by the deadline? When we met last week you mentioned that the hotel was unsuitable for a health centre,

I forgot to ask at the time if there is any reason why the current building couldn't be demolished and the new Health centre built on the site, we would

like to be able to provide a positive brief to the Minister if that's possible.”

This is just days after the Permanent Secretary had taken control of the project and before the internal review which recommended an investigation into Amanda's involvement had been completed..

Also on the same day Karen Sinclair and the Permanent Secretary have a telephone conversation (See attachmentKSGM.),discussing details of the decisions

being made at the time,even though there had been NO CONCLUSION reached by the internal auditors(The Internal auditors reported back in April.In these two

conversations of the 24th March the overall undercurrent seems to be that the Powys Fadog project has already been discounted.)

During this activity Powys Fadog had no idea what was happening except that the Government would not discuss anything until after the auditor reported back.

Of course by this time we had one week left to complete the legal work to release our grants ,on the other hand negotiations with the health board were moving at light speed.

Eventually the Audit recommended an internal investigation into Amanda Brewers role and also an options appraisal We did strenuously try to get

information as to why an options appraisal was needed,when a finished proposal was on the table in the form of a ministerial briefing AND a Ministerial submission.Again the Government refused to talk to us until the options appraisal was finished.

Options Appraisal-

Gareth Hall told us in a meeting that the options appraisal would be independent(A complaint against Gareth Hall and the PS had previously gone to the Ombudsman),and that it would be done by Ed Bampton. When our solicitor contacted ED Bampton ,he had no idea who Powys Fadog were or what the options appraisal was about. This was later explained as a mix up by the WG.After about 5 months Ed Bampton phoned our solicitor and said that he had finished his appraisal.I waited for a week and heard nothing ,then eventually I phoned Gareth Hall on 8th August .Here is an extractof the transcription of the conversation....

1min 36secs

.PW-Well that's funny because Ed Bampton told our solicitor that he'd finished the appraisal and that was over a week ago.I don't understand why after a week knowing our position that you....

GH- Yes, I sent it him back.

PW- Sent it back? Why?

GH- Well I raised an issue with it....

PW- What issue is that?

GH- I don't want to pre empt the report so I can't say.

PW- I don't understand, I thought this was supposed to be an independent appraisal,how can it be independent if you can get it amended?

GH- Well the issue was around your proposal to go in with Clwyd Alyn....and...

PW-Well that proposal was what we put in in January,it's now been 4 months.

GH- Well these things take time....

PW- My understanding is that these things can be done in a matter of days.Can you tell me what the other options are?

GH-No I dont know...

PW-..... but you said that you'd read the report.

GH-Yes but I cant tell you what the options are because I didnt read the whole report,so it's gone back as I said and it'll be finished next week....Theres a couple of issues I've raised about your proposal with Pennaf and Clwyd Alyn housing assoc and he's going to nail that down and get back next week.

The same day I made an FOI for the report he talked about.When I got the report through FOI,it also came with a note saying that this was the report I had asked for but that it was just a draft and that WG would also voluntarily provide the final version.

There is NO mention of Powys Fadog on the original options appraisal. How possibly could Gareth Hall have raised issue with our proposal in it when it was not even included? Why wasn't our proposal on it. The final draft was the same document with our proposal added. (Both versions can be made available, as can original recording.)

This inconsistency regarding the options appraisal is a typical feature of all the processes being put forward after January 2010, including the Internal audit, the disciplinary investigation, and the Auditors report.

30. It is my firm belief on consideration of all available information and in consideration of absent information that should be present if WAG's assertions and processes are genuine and correct, that the decision to stop the Powys Fadog was taken by the Permanent Secretary without any consideration outside of Karen Sinclairs allegations.

In fact even the Internal audit was not initiated until 8th March (Which came after I had complained to the Minister on the 4th March and

informed him that everything was not as he thought it was. (see attachment leuan Wyn Jones re MB conversation thread, and Email from me

to leuan Wyn Jones on 4th) March. It was after the Minister asked for the Powys Fadog paper work that the PS instigated the internal audit

, which went some way to making her recent actions regarding the stopping of our project seem more bonifide and also meant that the

Minister could no longer interfere.

Throughout this period (Jan 2010 and March 19th Powys Fadog had never been contacted or even answered by anyone from the Welsh Government.)

The Internal audit set up by Gill Morgan was a "desk based exercise" and only papers from the Legal services in Cardiff were considered, specifically no papers or information from the NWales region was sought. I would say that the audit therefore is not possibly a genuine attempt to look impartially at the merits, compliance or any aspect of the project other than for a possible legal justification for halting the project.

This becomes increasingly clear when considering the fact that previously in June 2009 a Compliance Review was instigated by Chris Munday and completed in Jan 2010. (In fact the review is referenced in the MB and the submission for leuan Wyn Jones). For some reason instead of looking at this comprehensive study of the exact issues brought up by Sinclair, it was ignored, and instead this Internal, desk based, limited evidence, in house audit was done.

Also there is an Email between Ian Williams and Gareth Hall stating that the PS was already in control by at least the 4th of march.

This was indeed done and the new investigation contradicted all the investigations and enquiries that had gone before.

Also from FOI's we see that the previous review (Chris Munday report) was Revisited a number of times with consultation between officers dealing with the disciplinary investigation and internal review taking place. This is how I see the situation from the information available.

31. Also I declare that at all times both Powys Fadog and Amanda Brewer have acted in good faith. Amanda has never offered any information or used her position to the detriment of WAG. Powys Fadog have never sought any help other than that which we feel we are legitimately entitled to through following all due process and meeting the required criteria.

The fact of the matter is that although the project had support from the whole of the WDA and then the whole of the Department of

Economy and Transport North Division, successive Ministers of the Department over years the Permanent Secretary was able to stop it

without explanation and then construct an explanation over the ensuing years without any scrutiny or interference.

This statement I have made, I sincerely believe to be true.
Pol Wong

Eitem 3

Public Accounts Committee – 8 October 2012

PAC(4) 20-12 – Paper 2

DOC 1

Response to the Report presented by the Auditor General for Wales to the National Assembly for Wales on 14 June 2012 by Amanda Brewer - 1st October 2012

Background

In many respects the Wales Audit Office report is neither impartial nor objective and in places it is simply incorrect. I have provided three examples below to illustrate my allegations, but there are many more.

I was only offered the opportunity to provide evidence to the Auditor in after a request from Pol Wong as he felt that my side of the story should be taken into consideration or their report would be unbalanced. My interview took place very late in the information gathering process and I was led to believe that the bulk of a draft report had already been written and that interviewing me was somewhat of an afterthought.

I was questioned for over four hours but very little of the information I provided seems to have made its way into the final report.

I was offered the opportunity to comment on the draft report, but only on the few paragraphs where my views had been acknowledged, which were provided to me on a single page out of context. Had I been given the same opportunity as the Welsh Government contributors to comment on the whole, I would most certainly have picked up and corrected the factual inaccuracies in the final report. This inequality of treatment, whether due to policy or not, reinforces the perception that the contributors to this report were not treated with equal status and questions the impartiality of the WAO.

Examples

“The Welsh Government bought the former River Lodge Hotel, Llangollen, in March 2007 for the sole purpose of facilitating the Powys Fadog community development initiative”

The very first sentence of this report is wholly inaccurate and totally misleading and sets the tone for the rest of the report. I explained the rationale for the purchase to the WAO and provided details of evidence to back this up, but my evidence was ignored completely. There were at least three reasons for purchase:

1. There was a budget under spend in 2006 and Land Managers were asked to identify any potential site purchases that were sufficiently advanced to complete by the end of the financial year. I suggested several sites, including River Lodge, which was already identified as a potential purchase in the business plan for that year anyway and consequently took precedence over any sites which were not in the business plan.
2. The River Lodge site had been problematic for Denbighshire County Council over a number of years, including breaches of planning control by the former owner, who had let the property deteriorate until it had become an eyesore. The possibility of Land Division acquiring River Lodge to remove the blight was mentioned several times by the Council from 2003 onwards and the acquisition and subsequent refurbishment/redevelopment fulfilled the Council's regeneration objectives for the site.
3. The possibility of fulfilling the WG's community development objectives by supporting community development through Powys Fadog.
4. The potential to trade on part of the site or the whole of the site if acceptable terms could not be agreed with Powys Fadog, for speculative residential development at a profit in a rising market.

The fact that there was more than one purpose for purchasing the site is confirmed in The Compliance Review Report by Chris Munday, which states:

"The PerMis record shows that the Project Manager (Amanda Brewer) recommended the project because;

"This project will assist a sustainable social enterprise for the benefit of the local community. It will also lead to the significant improvement in appearance of a gateway site on one of the main tourist routes into Llangollen, a site which has constantly failed to be brought forward for redevelopment / improvement by the private sector. The site has an underlying value for housing development".

These twin objectives of regeneration and supporting community development through Powys Fadog are also reflected in the Recommendation of John Adshead."

Example 2

"The purchase price of £1.6 million was not supported by a full valuation, but the available evidence suggests that the Welsh Government paid more than the property was worth"

This summary is completely misleading and the WAO's conclusions are just plain wrong.

The statutory basis for the property and regeneration activities of both the former WDA and the Assembly Government is the Welsh Development Agency Act. The Act provides a clear legal basis for the acquisition and disposal of land. Having regard to the statutory requirements of the Act, the best practice recommendations of OGC and, where applicable, the procedures adopted by agencies in England and various other best practice sources procedures governing property transactions were developed to provide clarity for case officers. This document is the internal "Guidelines on The Acquisition and Disposal of Property" which was in place at the time of the purchase.

These guidelines clearly state that all acquisitions shall be on the basis of open market value having regard to both the development potential of the site and the compensation provisions associated with the Agency's statutory powers of compulsory purchase. The method of valuation adopted for the River Lodge site was therefore absolutely correct and the WAO is wrong to say it was not.

The purchase price of £1.6 million was supported by a District Valuer's valuation in accordance with the prevailing guidelines at the time of purchase, which did not require a Red Book valuation to be carried out, merely an independent confirmation of the market value of the property in writing. The Compliance Review Report confirms this and I quote:

"His [The District Valuer] valuation does provide confirmation that the sum agreed for the purchase did not exceed the market value. The valuation meets all of the requirements of paragraph 7.0 of the internal guidelines."

And

"In accordance with the DE&T Guidelines on the acquisition and disposal of property, as they relate to transactions by private treaty, the property values at each stage of the transaction have been verified by independent valuations which were provided by the District Valuer."

The purchase price of £1.6m was clearly supported by an independent market valuation by the District Valuer in accordance with statutory requirements and the guidance then in force. There is no evidence that the Welsh Government paid more than the property was worth. This was a speculative development site acquired in a rising market bought at market value and could have been traded on at a profit if the community use proposed did not come to fruition. The site therefore presented value for money as a speculative purchase with minimal risk. Any after use of the site was irrelevant in establishing market value.

Example 3

"The decisions to suspend the two Welsh Government officials and commission an options appraisal led to a deterioration in relations between Powys Fadog and the Welsh Government"

Sections 4.7 and 4.8 of the report deal with the deterioration in the relationship between WG and Powys Fadog. The Auditor mentions dismay, suspicion and mistrust leading to a plethora of FOI requests to try and find out what was happening in WG.

The report comments extensively about the impact of answering FOI's on the workload of the WG officials concerned and the measures taken to deal with such a situation in the future, but does not comment on the behaviour which made this course of action necessary by Powys Fadog and its supporters.

The report also mentions that many of the complaints associated with the FOI requests related to the responses to those requests, but fails to explain or investigate that officials were answering FOI's and complaints about their own behaviour, which is surely a conflict of interest. Because this matter was not addressed, FOI requests continue to be dealt with by officials who have a vested interest in withholding information about their actions from the public.

Conclusion

There are many more instances of bias in this report and there seems to be a theme of spin towards the Welsh Government which makes it difficult to believe this report is impartial.

Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus The Public Accounts Committee

Dydd Mawrth, 10 Gorffennaf 2012 Tuesday, 10 July 2012

Cynnwys Contents Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd Ganddi i Waredu Hen Westy River Lodge, Llangollen: Tystiolaeth gan Lywodraeth Cymru The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen: Evidence from the Welsh Government

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)

10/07/2012

2

Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lindsay Whittle	Plaid Cymru The Party of Wales

Eraill yn bresennol Others in attendance

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Paul Dimblebee	Swyddfa Archwilio Cymru Wales Audit Office
Y Fonesig/Dame Gillian Morgan	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
James Price	Cyfarwyddwr Cyffredinol, Busnes, Menter, Technoleg a Gwyddoniaeth, Llywodraeth Cymru Director General, Business, Enterprise, Technology and Science, Welsh Government
David Richards	Cyfarwyddwr Llywodraethu, Llywodraeth Cymru Director of Governance, Welsh Government
Arwel Thomas	Dirprwy Gyfarwyddwr, yr Is-adran Llywodraethu Corfforaethol a Sicrwydd, Llywodraeth Cymru Deputy Director, Corporate Governance and Assurance Division, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol National Assembly for Wales officials in attendance

Dan Collier
Tom Jackson

Dirprwy Glerc Deputy Clerk
Clerc Clerk

Dechreuodd rhan gyhoeddus y cyfarfod am 9.56 a.m. The public part of the meeting began at 9.56 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Darren Millar:** Given that we started our meeting in private session, we start the public part of our committee meeting with the fourth item on the agenda. There are no apologies, so we will move straight into the next item.

Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd Ganddi i Waredu Hen Westy River Lodge, Llangollen: Tystiolaeth gan Lywodraeth Cymru The Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen: Evidence from the Welsh Government

[2] **Darren Millar:** Members will remember that the Wales Audit Office published a report on the acquisition and disposal of the River Lodge Hotel on 14 June, and that the Public Accounts Committee, on 12 June, agreed to take evidence from a range of witnesses, including the Permanent Secretary. This inquiry will continue into the autumn term.

[3] I welcome to the table Dame Gillian Morgan, the Permanent Secretary, who has recently announced her intention to retire from the Welsh Government. I also welcome James Price, Director General, Business, Enterprise, Technology and Science, Arwel Thomas, Deputy Director, Corporate Governance and Assurance Division, and David Richards, the Director of Governance. We have quite a panel before us today, so, given that we have a lot of ground to cover this morning, we will try to keep our questions brief. We would appreciate it if you could keep your responses brief as well.

[4] The first question is to the Permanent Secretary. What was lacking in the governance arrangements that operated at the time that the acquisition of the River Lodge Hotel and the agreement for lease with Powys Fadog were permitted? What allowed that to happen in the first place?

[5] **Dame Gillian Morgan:** I will start, if I may, by saying a couple of things. First, my thanks go to the Wales Audit Office, because I requested this report. It is quite unusual for the PAC to consider a report that was requested. I requested it, because, of all the things that I have seen in the time that I have been in post, there has been more misinformation in the public domain about this issue than about anything else. I was therefore keen that we should have an objective report that put everything that happened into context. So, I very much thank the Wales Audit Office for doing that. Secondly, I should also say sorry, because this should not have happened and we should not be here. The third thing that I ought to say is that, as Members will be aware, we were in a potentially difficult situation, given that an industrial tribunal was running. However, Amanda withdrew from the industrial tribunal on Friday, so we are now in an easier position.

Amanda Brewer Comment: The Permanent Secretary states that there has been more misinformation in the public domain about this issue than about anything else. What she does not say is that she has been personally responsible for at least some of this misinformation. On 3rd September 2010, the Western Mail published an article with the headline "two suspended as WAG checks £500k hotel deal". This article was totally misleading as demonstrated by the reaction of a number of political bloggers who assumed that there had been serious impropriety and wrongdoing by the two WAG officials.

The PCS Union immediately wrote to WAG on behalf of Amanda Brewer making a very strong

objection to the misleading wording of the article and the Permanent Secretary's statement and asked for it to be corrected. The Permanent Secretary made a further statement that day reinforcing her earlier statement, but did nothing to make clear the article was inaccurate. She was therefore guilty of deliberately allowing misinformation in a press article to go unchallenged thereby allowing Amanda Brewer and John Adshead to face unwarranted public criticism. The Permanent Secretary clearly failed in her duty of care to protect the two civil servants in question who under civil service rules had no right of reply themselves. I can only quote from the summary findings of Chris Munday's Compliance Review Report supposedly published on 26th February 2010 "*I have seen no evidence of actual impropriety or deliberate wrongdoing by Mrs Brewer in either the purchase of the property or in subsequent negotiations between the Assembly and Powys Fadog.*"

[6] What happened? A number of things happened in terms of governance. The first thing was that people did not recognise for some time that the standards and beliefs and the way that things worked in the old Welsh Development Agency, which was much more entrepreneurial in some ways, differed very much from what was needed within a governmental organisation. I think that people did not recognise in the transition for some time that those are two very different roles and that your use of public money in a Government has to be bound in much stricter ways than it would be if you sat in an external organisation.

Amanda Brewer Comment: I agree with the PS, but would add that WDA officers did not recognise the transition because they had no idea what was expected of them. In the absence of any leadership or guidance from senior officials in Cardiff, officers could only carry on as they had always done until told to do things differently. It is therefore extremely unfair of the PS to blame the people at the "coal face" for the mismanagement of her predecessor and herself.

[7] The second thing that went wrong was that the due diligence process was not appropriate. If you go back through all the files, it becomes clear that almost an a priori decision was taken to buy the building to give to a particular organisation. Once you have fallen into the trap of believing that that is what you are doing, it is inexorable that you follow a set of ways that end up with what you have. At no point did people stop to say, 'Hang on; we have looked at due diligence, but we need to check the options, so let's reassess'. There were a number of opportunities for that re-assessment to happen, and there were also a number of warning signs in the organisation. The legal advice was absolutely crystal clear. We should not have entered into the lease in the way that we did. It was not until all those came together at a very senior level that we recognised that what had happened was not acceptable with the use of public money. When it came across my desk, looking with an external eye, it was absolutely clear that there was a whole series of things that could and should have been put in place—and which I believe are in place now—but which did not happen in this case.

Amanda Brewer Comment: The PS states that the due diligence process was not appropriate. This is incorrect. Proper due diligence was carried out prior to purchase and prior to entering into the Agreement for Lease in accordance with the guidance in force at the time of each transaction. The PS also states that a decision was taken to buy the building to **GIVE** to a particular organisation. This is absolutely untrue. To my knowledge at no time was there any suggestion that the WDA or WG would **GIVE** the building to Powys Fadog. It was made absolutely clear from the outset that the disposal or lease of the building would be a commercial transaction at market value or market rent.

[8] **Darren Millar:** You have suggested that there was a failure to recognise the difference in approach

that was required by former Welsh Development Agency officials when they shifted into Welsh Government. Was that poor planning on the Welsh Government's part?

[9] **Dame Gillian Morgan:** Consider the nature of the cultural change that was needed, the pace of change, and the length of time that it takes to produce cultural change. Most organisations talk about it being about a three-year journey from the time of a merger to beginning to put the cultures together to create a new environment. It is not a quick fix. You do not move from here to there and then suddenly become imbued with the values of the new organisation. You of course bring things with you. That takes around three years. We are still tightening up a lot of things, and we will continue to do so over the next couple of years.

Amanda Brewer Comment: Darren Millar asks whether the merger was poorly planned by WG. The answer to that is of course yes, because there was no planning at all. In the first 18 months or so post merger, the WDA was in chaos. In my department in particular despite repeated requests, there was no guidance from senior officials from the Infrastructure Department in Cardiff whose job it was to take care of such things in relation to changes in policies and procedures post merger. As a result, Regional officials at all levels, including me, continued to use the old WDA guidelines in the absence of anything else which made it extremely difficult to progress projects.

The response from the PS to this question is absolutely correct and in effect destroys her subsequent argument that North Wales' officials were not following correct policies and procedures. It is very easy to accuse someone of wrongdoing if you judge their actions against current policy, which may be diametrically opposite to that in place at the time decisions were made, which is the case here. In 2005 the purchase of River Lodge and a subsequent lease of part of the site to Powys Fadog was approved at the highest level of the Land Division of the WDA. In 2006/07 when the purchase of River Lodge actually took place, the Land Division team were still operating under the same policies and procedures in the absence of any guidance from senior management.

[10] **Darren Millar:** The simple things like the thresholds for financial decision making are fundamental to an organisation, are they not?

[11] **Dame Gillian Morgan:** I do not think that the issue here is about the threshold but about the attitude towards the use of public money. At the end of the day, public money is my tax pay and the money that you pay as taxes. If we would not spend the money personally in that way, we should not do it. If you sit in an external organisation, your attitude to the money is slightly different. I think that this is an attitudinal and cultural set of issues, rather than being about delegation limits. We have changed, and James can talk later about what he has done in his time at the Department for the Economy and Transport to change some of those things but I think that this is about attitude to public money and governance of public money, not about delegation limits.

Amanda Brewer Comment: A further admission by the PS that procedures and rules relevant now were not applicable at the time the decisions were taken. The River Lodge purchase and the other purchases I completed in the 2006/07 financial year were all acquired under the Land Development Guidelines (December 1998) which were still in force at the time. Land Division had to be even more commercially minded than the rest of the WDA because it was self-funded; in other words it was expected to "aim to fund all acquisitions, works and running costs from the proceeds of its income from land sales and fees". In order to do this, it had its own ring fenced trading account which still existed well into 2007. It did not use tax payers' money. It traded land to fulfil its objectives. In fact in one financial year alone I was solely responsible for making a £9m profit for the WDA.

[12] **Darren Millar:** Even the WDA itself, prior to its abolition, had set a ceiling on the price that it felt ought to be paid for the River Lodge Hotel. Given that the final price that was paid was 60%

higher than that—it was £1.6 million rather than the £1 million that was deemed to be appropriate—why did that not set alarm bells ringing within the department?

[13] **Dame Gillian Morgan:** The reason for that is twofold. First, it was at the height of the property and land boom, so the price was at the top of the market, while the WDA had made that decision sometime earlier.

Amanda Brewer Comment: The PS is correct with regard to the increase in value, but what she fails to explain is that the £1m approved in 2005 was for part of the site only, whereas £1.6m was for the whole of the site. She also does not explain that “alarm bells” did not ring in the department because the price paid was supported by an independent valuation from the District Valuer.

[14] **Darren Millar:** Was it the year before?

[15] **Dame Gillian Morgan:** Yes. The other thing that happened, which is not the case now, was that north Wales worked as a pretty self-contained unit. Once you had fallen into the trap of having a set of beliefs about how things would happen, that continued, as it stayed within the north Wales setting. That could not, and would not, happen now.

Amanda Brewer Comment: Once again this statement by the PS is totally untrue. She suggests that North Region worked as a self contained unit and the beliefs in how things would happen stayed in the North Wales setting. I have evidence in the form of email exchanges and Ministerial Briefings which demonstrate that this was clearly not the case. Indeed, Gareth Hall and Sharon Linnard were aware of the circumstances surrounding the purchase of the building and the unacceptable behaviour of Karen Sinclair AM as early as February 2007.

[16] **Darren Millar:** Of course, the purchase price was agreed without a prior independent valuation. There was no due diligence check at all of Powys Fadog’s financial viability.

[17] **Dame Gillian Morgan:** Exactly.

Amanda Brewer Comment: The PS has deliberately allowed the chair’s remarks to go unchallenged. I quote from the detailed Compliance Review Report carried out by Chris Munday: “*I conclude there has been no breach of compliance in either the acquisition of the freehold interest or the granting of the Agreement for Lease to Powys Fadog. In accordance with the DE&T Guidelines on the acquisition and disposal of property, as they relate to transactions by private treaty, the property values at each stage of the transaction have been verified by independent valuations which were provided by the District Valuer. The valuation for the acquisition was not obtained prior to the formal approval of the acquisition but it was provided prior to legal completion of the purchase. In my view this is a minor breach which does not undermine the valuation as evidence of market value.*”

The question is why did not the Wales Audit Office Report reflect the Compliance Review Report conclusions? After all, the author of the Compliance Review is an expert in the field and wrote the guidance with which officials in WG had to comply.

There was no due diligence check on Powys Fadog’s financial viability at the time of purchase as it

was not appropriate. River Lodge was purchased on the basis that it was a potential site for speculative residential development, therefore the main thrust of the due diligence carried out was centred on gathering sufficient information on residential development potential and related abnormal costs to provide the District Valuer with sufficient information to make an informed judgement on site value and to ensure that the Assembly was getting value for money as a speculative residential development site. I included the basic details of suggested lease terms to Powys Fadog in order to flag up the potential after use of the built part of the property as this had already been agreed by Land Division in the 2005 approval. I did not consider that this constituted a problem as I had not been instructed to discuss lease terms with Powys Fadog and in any event a potential lease to Powys Fadog would have had no impact whatsoever on the market value of the property at the time of purchase.

The normal procedure in such cases was for full financial due diligence to be carried out when the terms of the lease were agreed post purchase. Also it was possible that the Assembly Government and Powys Fadog would never be able to agree mutually acceptable lease terms in which case the site would be brought forward for development in due course anyway and the lease terms would be irrelevant.

[18] **Darren Millar:** Paragraph 1.24 of the report makes clear that the officials who were responsible for the project were not challenged in any way by more senior officials when a report was prepared that went to the Minister for sign-off. What was the problem there? That should not have been down to a cultural shift from the WDA to the Welsh Government. This was a fundamental issue that everyone ought to get right. When a report goes to a Minister, the Minister expects it to be right.

[19] **Dame Gillian Morgan:** Absolutely. In this case, the report was issued by someone who believed that they had the authority of senior staff and therefore did not deal with a conflict of interest in a way that I believe is appropriate. It is exactly what you are saying. Once it came across my desk, it was quite clear that the decision that we had reached was unsafe and that the money that we had spent did not offer value for money and was quite inappropriate. That is what I apologise for.

Amanda Brewer Comment: Once again the PS is attempting to blame more junior staff for the failings of those at the most senior levels. The person who wrote the Ministerial Briefing referred to in paragraph 1.24 was the Head of Infrastructure, North Region. It is totally wrong for the PS to say the he “believed” he had the authority of senior staff to write the briefing. **He did have that authority.** In fact the request to write the briefing came from the Minister’s office in Cardiff. Officials in the Minister’s office would have been fully aware that the briefing would need to address the conflict issue raised by Karen Sinclair yet were content to instruct the decision makers in North Region to respond rather than requesting the matter was dealt independently by more senior officials in Cardiff. The briefing provided by North Region was seen at all levels of management in DE&T including Director General Gareth Hall and Chief Operating Officer Sharon Linnard, both of whom were fully aware of the conflict of interest issue and both of whom could have questioned the content of the briefing if they considered it was incorrect or inappropriate.

[20] **Darren Millar:** I have a couple of Members who want to come in.

[21] **Aled Roberts:** Were the senior officials in the department present when that briefing was given to the Minister and did they not feel some discomfort regarding the circumstances that were outlined in the briefing?

[22] **Dame Gillian Morgan:** I cannot answer that. The briefing that was given was written by the individual who project-managed the purchase. It was handled and the final sign-off was given in north Wales. At the time this happened, the structure in the Department for the Economy and Transport gave an awful lot of authority to the senior managers in each of the regions. We do not have that regional structure now, for exactly that reason.

Amanda Brewer Comment: The first part of the Permanent Secretary's response is a blatant attempt to mislead the Committee and is totally untrue. The individual who project managed the purchase, as the PS well knows, was me under the instruction of my Line Manager John Adshead. I have never written a ministerial briefing in relation to River Lodge or Powys Fadog. If I had written such a briefing which included a section on my own behaviour, it would obviously have been a conflict of interest and in breach of the Civil Service Code and surely this would have been picked up by senior officials who were provided with copies of those briefings, including the PS herself. This is a calculated attempt by the PS to further discredit me and deflect attention away from her and her Cardiff team.

The structure of the department did give authority to the regions, but I must reiterate that senior officials outside North Wales were fully aware of the purchase, the reasons for the purchase and the perceived conflict of interest flagged up by Karen Sinclair. Gareth Hall and Sharon Linnard discussed that matter with the then Regional Director, my line manager and me in February 2007 and could have stopped the purchase going ahead if they had been at all concerned. Similarly they had the opportunity to question the contents of all the subsequent Ministerial Briefings in respect of the project. They chose not to. The answer to Aled Roberts' question is therefore senior officials in the department did not feel discomfort regarding the circumstances set out in the briefings because having looked at all the circumstances, they believed there was nothing wrong.

[23] **Aled Roberts:** Can you remind us of the structure above the regions in the Welsh Government at the time?

[24] **Dame Gillian Morgan:** Above the regions, there was a governance team, then a director general, and then a director who took responsibility for the regional directors.

[25] **Aled Roberts:** Were those briefings seen by those people in the management level above the regional level before they were presented to the Minister?

[26] **Dame Gillian Morgan:** I cannot answer that. We could track it. Do you know, Arwel?

Amanda Brewer Comment: I have copies of a number of the briefings sent to Ministers which shows the structure above the region in the Infrastructure department at the time of the purchase. This included Karen Thomas Executive Director, Sharon Linnard, Director of Operations and Director General Gareth Hall. All three are listed as receiving copies of the 2007 Ministerial Briefing on the purchase. Gareth Hall and Sharon Linnard received copies of all Ministerial Briefings thereafter and the PS herself received copies from 2009 onwards. The PS should have been able to answer this question. She chose not to.

[27] **Mr Thomas:** I do not know. We would have to track that

[28] **Darren Millar:** That would be helpful information.

[29] **Dame Gillian Morgan:** If people were signing for amounts within their delegated authorities, it would not necessarily be seen by somebody more senior. The issue, for me, is why, when we knew that there was a conflict in respect of the lease, we did not escalate it to my level, to the director of governance, or to internal audit. It was not until later that it came across our desks and we were able to act on that.

Amanda Brewer Comment: The PAC should ask Gareth Hall the answer to this question. He was the most senior official in the department and did not make the decision to refer it to the PS until March 2010, three years after he first became aware of the project and the circumstances surrounding it. This suggests he did not consider there were any problems that needed to be dealt with by the PS, governance or internal audit.

[30] **Aled Roberts:** Surely, when you say that those briefings were not seen, those people who were higher up the management chain would have been present when the Minister considered the briefing.

[31] **Dame Gillian Morgan:** Not necessarily. We can check the answer to that question, but that is not necessarily so.

6

[32] **Jenny Rathbone:** I am struck by the wording in the briefing, which says

[33] ‘There has been absolutely no conflict of interest in the way your officials have dealt with this matter’.

[34] Even if the word ‘absolutely’ were not there, we would disagree with that, but how often are briefings so categorical when, clearly, the opposite is the case?

[35] **Dame Gillian Morgan:** I cannot answer how often. What I can say is that, of all the cases that I have looked at in four years, this is in a league of its own for the information and the way that that information was presented. I have never seen anything written that way or such a denial of the degree of conflict of interest. I can accept that Amanda Brewer believed that she had the approval of her senior managers but as soon as you looked at it externally and as soon as it came across my desk, it was obviously quite inappropriate.

Amanda Brewer Comment: If these briefings were so different from all the others that came across her desk, why didn’t the PS do something about it before March 2010? I have evidence that she received copies of Ministerial Briefings and responses to letters on River Lodge from 2008 onwards, consequently she is not being truthful when she says that she spotted a problem as soon as it came across her desk. She did not feel the need to invent a problem until February 2010 when she decided that the Powys Fadog project had to be stopped.

The PS also states that I “believed” I had the authority of senior staff. This is nonsense. **I did have the authority of senior staff.** I was instructed by my line manager with the approval of his line

manager the Regional Director, to project manage the purchase, which I did. I also declared an interest on a number of occasions and this was considered each time by officials senior to me who accepted that there was no conflict. Had a conflict been identified, surely I would have been asked to stop my voluntary activities for Powys Fadog. In the circumstances, I was entitled to rely on the judgment of the senior managers to whom I had declared an interest.

[36] **Mike Hedges:** To come back to the WDA, which existed prior to this, surely it had its own rules. It was also spending public money. Although it was not a direct part of the Welsh Government at the time, it was wholly funded by public money, so it was a public sector organisation, whatever its terms. Surely it must itself have had rules on such things as due diligence checks and independent valuations. You would expect that in any organisation, let alone a public sector organisation. I am not convinced that it was because there was a change from the WDA to Welsh Government. Something is fundamentally wrong when two things that any organisation, public or private, would do were missed out. The question—and it is almost Aled’s question again, but asked in a different way—is why somebody higher up the food chain did not look at it and ask why those two things, an independent valuation and a due diligence check, had not been carried out. I would have thought that, as the bits of paper came through at different levels, someone would have said, ‘Hang about, where are these two things?’

[37] **Dame Gillian Morgan:** You are absolutely right, and the WDA rules were not followed either about the valuation or about due diligence. On the question of how and when very senior people get involved, you have to remember the scale and the number of transactions that go on. So, there is usually something that would put it onto the agenda of senior people to say that it was a problem. You only know that it is a problem if someone in the system says, ‘This doesn’t feel quite right’. Just reading papers does not necessarily give you that sense of what is going on.

Amanda Brewer Comment: Once again for her own reasons, the PS is not telling the truth. This transaction like all others done at the time was subject to a specific approval process. As project manager, I submitted the project for approval to purchase as instructed. It was then verified for accuracy by an official from the Regional Finance team before it was recommended for approval by my line manager, then checked for financial and other compliance by the Regional Head of Finance and Compliance and finally approved by the Regional Director who had the delegated authority. If they believed due diligence had not been carried out properly any one of these people could have halted the approval process.

[38] We are in a completely different position now, in that we have far more checks and balances in the system, and far more encouragement of whistle blowing. Those sorts of things do not seem to have been there. My view is that people got into group-think mode. They decided that they wanted to do something really important for renewal in Llangollen and they had a vision of what it was going to be, and that vision drove across putting the appropriate due diligence checks in place. The points that you are making are exactly the points that arose when it came across my desk, which is why I stopped it. It was clearly not a safe set of judgments, and we should not have been in that position.

Amanda Brewer Comment: Once again the question is if the PS clearly spotted what she considered were an unsafe set of judgements as soon as the first briefing came across her desk in 2008, why did she not stop the project at that time, or at least question why Karen Sinclair kept writing to Ministers on the same subject despite the fact that she had been provided with proper responses to her complaints. After all, the PS was party to each briefing, including the June 2009 briefing on the Agreement for Lease which responded to all areas of concern including the conflict issue and legal advice.

[39] **Darren Millar:** With respect, Permanent Secretary, you seemed to suggest earlier that this would have been normal practice for the WDA before it came into the Welsh Government, and now you are saying that the WDA had procedures in place to overcome these sorts of problems. Were there other cases in the WDA before it became a part of the Government of decisions flowing in this sort of way?

[40] **Dame Gillian Morgan:** There are examples of other things that have gone on from old WDA days, where they had a set of rules but people interpreted them differently from the—I was going to say ‘rigidity’, but that is not fair—robustness with which we interpret

them in the Welsh Government. There was a cultural difference between the two in the use of public money

[41] **Darren Millar:** This is not a cultural difference, is it? You are now telling us that there were policies and procedures in place that were not followed.

[42] **Dame Gillian Morgan:** There was a cultural difference, for example with regard to conflicts of interest.

[43] **Darren Millar:** With respect, you referred to policies and procedures earlier. Which policies and procedures specifically did you have in mind?

[44] **Dame Gillian Morgan:** There was a different attitude to conflicts of interest within the WDA. They did not stick to the policy and procedure. There is a rule about the red-book valuation, but that was not carried out until the day after the lease was signed, so you have both things running in parallel. It is not either/or; it is both.

Amanda Brewer Comment: The PS has already acknowledged that WDA rules and policies were still being followed several years after the merger and these policies differed from those of WG in some cases. The Compliance Review Report by Chris Munday concludes that with regard to the conflict issue, I made the relevant declarations of interest in a timely manner in accordance with the rules of both organisations.

The PS then goes on to give an example of officials in North Region not following policies and procedures. Once again what she says is totally wrong. Although the guidance only required a formal written valuation, a full Red Book valuation was obtained in respect of the proposed lease in early June, several weeks before the Agreement was signed.

[45] **Julie Morgan:** You have partly covered what I was going to say, but is the fact that the WDA was described as ‘entrepreneurial’ used as an excuse for what it did?

[46] **Dame Gillian Morgan:** I think that we have to be very careful in this case about generalising based on a set of behaviours that was abnormal. The degree of conflict of interest that appears when you look at this externally would be very unusual. However, we have to be careful that we do not blame the whole of the WDA, which did lots of really good and remarkable things, but which had a different attitude and culture, for the actions of a particular individual who, for various reasons, did not follow the rules that were there because she wanted to make something happen for Llangollen.

Amanda Brewer Comment: Once again the PS is deliberately trying to deflect blame away from

senior management to the most junior person involved. It has already been independently verified that I followed the rules with regard to the purchase and there is no evidence of impropriety or wrongdoing. I had absolutely no involvement in the WG decision making process at any stage of the Project. It was not my decision to purchase the property or to grant Powys Fadog an Agreement for lease. It is therefore totally wrong to blame me for the repercussions of those decisions as well she knows.

[47] **Gwyn R. Price:** What happened to the proposal to dispose of part of the site, valued at £1 million in 2007, for residential development? Just to follow on, what is preventing the Welsh Government from cutting its losses and disposing of the site for residential development now?

[48] **Dame Gillian Morgan:** Do you want to talk about how sites are valued now, James, because I think that there is some confusion?

[49] **Mr Price:** If that is all right, I will come in on this one. I need to distance some of the comments that I will make from this case, though, because clearly the decision to buy the property for £1.6 million was a bad decision regardless. There is one point in the audit report that could be taken out of context, and it would be useful to explain that If a piece of land has a certain value for residential or maybe retail use and you want to buy it, you have to pay the cost for whichever possible use has the highest value, even if you decide to use it for something else. That stands to reason. You do not go into a Mercedes dealer and say, ‘I want to buy that car, but I am going to use it for transporting coal around Cardiff, so I will only pay the price of a van’. I need to take that point away from this, because clearly that is not what was going on here.

Amanda Brewer Comment: Is James Price trying to say that this parcel of land was not valued correctly by the District Valuer? If so he is completely wrong. In his Compliance Review Report, Chris Munday confirms that “ *his valuation [the District Valuer] does provide confirmation that the sum agreed for the purchase did not exceed the market value. The valuation meets all of the requirements of paragraph 7.0 of the internal guidelines.* “

[50] With regard to where we are now with the site and why we do not cut our losses and sell, there is a protocol in place in the public sector that says that if land is declared surplus to use against the policy environment of the time, which is currently economic renewal policy, as it was at the time this audit report was drawn up, the land has to be made available to other public sector players first. That is what has been happening for the last 12 months, basically. The local health board up there has expressed an interest in buying it. The value is somewhere

between £500,000 and £550,000, and if the consultation that the board is going through now decides that the right outcome would be to have local service provision there, it will buy it from us. The River Lodge buildings will be demolished immediately and a new building will be put up.

[51] I have looked at whether we could sell it immediately to the private sector. The issue from a public sector value-for-money perspective is that, if we sell it to the private sector, the private sector will up the price by a couple of hundred thousand pounds in two months’ time and sell it back to the public sector in the form of the local health board.

[52] **Gwyn R. Price:** You have to draw a line under it somewhere, or it will go on and on. Somebody

has to put a determined line under it and say, 'There is the due date; we want action by that date'. You cannot carry on pouring money into this project.

[53] **Mr Price:** Agreed. We are not pouring any more money into it at all. However, I completely agree with your point. I have asked the local health board to buy an option on the site, which means that it would typically put in 10% or 15% of the value of the site. If, in six months, it has not bought it, we will dispose of it in the way that you suggest, and the health authority will not get that money back. It therefore has to be very serious about it if it signs the option, and all the evidence is that it is

[54] **Gwyn R. Price:** Are we saying that a date has now been set—of six months?

[55] **Mr Price:** I would need to get back to you in writing on that.

[56] **Darren Millar:** Are we not in danger here of making another mistake that will cost taxpayers dearly? The site is either worth £1 million, should it be disposed of for residential development, or it is not. You are now suggesting, James, that you are going to release this site for around £550,000 to the local health board. Given the huge gaffe that has taken place here if there is potential to realise more by disposing of the site to the private sector, or to anybody else that might be interested, should we not be pursuing that?

[57] **Mr Price:** The issue here is one of public sector rules. I can clearly see where you are coming from. There is a question as to the value that we could realise on the open market for residential use at the minute, and while I think that it is marginally higher than £500,000, I do not think that it is anywhere near £1 million.

[58] The rules that have been set down, and which I have to work to, currently say that if land is declared surplus, we have to—it is not a choice—make it available to other parts of the public sector. If land is not declared surplus, then we can simply maximise the value, which we do routinely. In quite a lot of property transactions, we will maximise the value when we sell land. This land has been declared surplus, therefore it needs to go back into the wider public sector arena.

[59] I guess that the wider point is that if the local health board were to go to the open market to buy land—which it will if it does not buy this land—then it will pay more money for it. So, the point is this: the public sector is not losing out. That is the argument behind the policy. It is not my policy—

[60] **Darren Millar:** The public sector does lose out if you can dispose of it for higher value elsewhere, does it not?

[61] **Dame Gillian Morgan:** We bought at the top of the market and we are selling at the bottom of the market. Our priority is to use public land for public services. That is a ministerial priority, which is what we are working to. Independent valuation now says that it

would actually only be worth between £500,000 and £600,000. That is the sort of amount of money involved.

[62] We have been through the process of inviting expressions of interest, and only one organisation was interested, namely Betsi Cadwaladr health board. It is in the process of consulting the public on

how to develop health services in that area. As it has expressed an interest and as the priority for Ministers is to use public land for public good, I think that it is quite appropriate to wait to see what comes out of that consultation.

[63] **Darren Millar:** When does that consultation end?

[64] **Dame Gillian Morgan:** The consultation will end in about six weeks.

Amanda Brewer Comment: This is not true. In late July a spokesperson for Betsi Cadwaldr unequivocally confirmed that there were no plans at that time to consult the public on River Lodge because it would be inappropriate as Betsi Cadwaldr does not own the site. He did confirm, however, that a general consultation would commence in late August/ early September. There was no public consultation taking place on 10th July when the PS made this statement.

[65] **Darren Millar:** Okay. Aled has the next questions.

[66] **Aled Roberts:** Is the health board's interest in the site dependent on any conditions, such as the construction of a footbridge over the River Dee?

[67] **Dame Gillian Morgan:** I cannot answer that in detail.

[68] **Aled Roberts:** Has any discussion taken place with the Welsh Government to fund that footbridge?

[69] **Mr Price:** Again, I do not believe so. I would like to provide a note on this issue, regarding the valuations and on what basis it is being done, and I will answer that question as well.

[70] **Darren Millar:** That would be helpful.

[71] **Mike Hedges:** You will probably tell me that I am wrong, but I always thought that the valuation of land depended on what it was designated for under the local development plan, or the unitary development plan. If it is worth £1 million for housing, does that mean that, under the local development plan, it has been designated for housing?

[72] **Mr Price:** Yes. Whatever is the most expensive use that you can legally put the land to will determine its value.

[73] **Mike Hedges:** We are talking at cross-purposes—I will try to explain myself more clearly. You could build almost anything, on any parcel of land—as long as the land is big enough—but it is what is actually in the local development plan, or the unitary development plan, that will state what is likely to be agreed and is possible. I might have a parcel of land, which might just be scrubland, and say, 'I am going to charge you as if you were building a supermarket here'. However, if I had a piece of scrubland in Gower, you would not be able to build a supermarket on it—it would only be available as agricultural land. Therefore, if the land was designated as housing land, its value would be as housing land; if it was designated under local plans as land for a hospital, or for something else,

its value would be as designated.

[74] **Mr Thomas:** I will answer that. I will quote from the project itself when it was first created. The land is described there as ‘residential/mixed-use development’—those are the words that are used in the project itself.

[75] **Mike Hedges:** Is it in the unitary development plan, or the local development plan, as such?

10/07/2012

10

[76] **Mr Thomas:** It is described as the ‘business plan’.

[77] **Darren Millar:** That is their business plan—it is not necessarily what it has been allocated as within the local authority’s planning regime, is it?

[78] **Mr Thomas:** I would expect the words used there to be consistent with the local authority plan.

[79] **Darren Millar:** We will clarify that with the local authority. We will move on now; Jenny Rathbone has the next questions.

[80] **Jenny Rathbone:** I want to go back to what the Permanent Secretary said about needing someone in the system to say that something is going wrong in terms of the judgments made or the inaccurate information given by Ministers when the purchase was made. Clearly, inaccurate statements were made, but they were not picked up by senior management. Going forward to 2008, and the leasing arrangements for this new organisation, serious concerns were being expressed by Legal Services, from early in that year, stating that this had the potential to be unlawful state aid; yet, those voices were not being heard. I do not understand how Legal Services, which are there to ensure that the Government is acting within the law, seem to have been ignored. Could you explain how that could happen?

[81] **Dame Gillian Morgan:** When we do a transaction—if we are going to buy or sell something, or we are going to give aid to an organisation—there is always legal advice. Legal advice is about making a judgment on the balance of what Legal Services sees and hears about what it thinks the legality is. We do not always follow legal advice; sometimes, legal advice is rejected. What we would expect—this is a recurring conversation—is that, if you follow legal advice entirely, you may become so risk averse that you miss opportunities that would benefit the system. So, there is always a robust challenge between legal advice and policy makers. At the end of the day, policy makers and Ministers make decisions that are informed by legal advice. What we would expect, however, is to see a proper set of reasons for why you are not following legal advice. In fact, a set of reasons were given in the submission on why legal advice was not being followed.

[82] However, you then come back to the fact that the decisions were made in north Wales. The question that I asked was: why, when there were such significant concerns about this issue, were the legal concerns not escalated to a more senior level outside north Wales? I think that the answer is that, because the most senior people in north Wales were involved in agreeing the decision, Legal Services felt that it was an appropriate decision; it did not like it, but it felt that it was appropriate, at the end of the day, for the risk assessment to be made by senior managers. That goes on all of the time. There is a continuing debate about the fact that, if you only ever followed legal advice, you would be so risk-averse that you missed out on opportunity. On the other hand, if you always rejected legal advice, you would be too gung-ho and entrepreneurial. So, the issue is whether there is sufficient and appropriate challenge to legal advice.

[83] **Jenny Rathbone:** However, in this case, are you saying that the Government was just not aware of the potential for this to be an inappropriate lease, given that the legal advice was not given to the Minister until after the lease was signed? That seems to be arse over tip. I appreciate that legal advice is not always followed, otherwise we would never do anything, but in this case, the legal advice seems to have been very robust.

[84] **Dame Gillian Morgan:** I think that in this case, the legal advice should have been followed and as soon as I looked at it I could see that. The legal advice was categorical: this was an unsafe set of decisions and I will not defend something that was unsafe all of the way through from the beginning to the end. This is not acceptable and there should have been

enough alarm bells ringing in north Wales for people to say, ‘This does not feel safe; let us step back and reassess and look at where we are’. That did not happen. I think and hope that, given what we have put in place since then, if exactly that were to happen again, there are more systems and processes in place to ensure that anything about which there is a disagreement, is escalated. People who are not part of the decision can look at the situation more objectively and make those sorts of critiques, rather than those caught up in the decision to make something happen. Things would now be referred to a more senior level. However, this is indefensible—let us start from that position. We are not trying to defend this; we are trying to explain it, but that is different from defending it. You are absolutely right; this is a sorry story and we should not be in this position.

Amanda Brewer Comment: Why is this situation indefensible? The officials in North Wales were following the policies and procedures, custom and practise in place at the time. These may not have been fit for purpose like many of the other rules and guidelines, but there was nothing else available to make decisions against. The fault lies with senior WG officials, including the PS who did not recognise there was a problem until three years after the merger.

The PS acknowledges that in the 2009 Ministerial briefings, North Wales officials gave a robust set of reasons for not following legal advice to the letter. In fact as far as I am aware, much of the advice was followed. It would also seem to be the case from email exchanges I have seen that the lawyers cleared all the briefings, albeit with reservations and a warning that it would be “prudent” to wait for certain information before sending those briefings to the Minister. I certainly do not agree that the legal advice was “crystal clear” and “categorical”. Had it been so, surely the central governance team would have prevented the briefings going forward? Similarly the senior officials in Cardiff who received copies of the briefings had every opportunity to ask serious questions if they were at all concerned. Nobody did.

The PS says that *“the legal advice should have been followed and as soon as I looked at it I could see*

that". However, the 2009 briefings were all copied to her and each contained a detailed section on legal advice, setting out the reasons why this advice was not being followed in full, so one must question why if the PS knew legal advice should have been followed in early 2009 and had serious concerns about it, did it take until March 2010 for her to take any action?

Once again North Wales officials are taking all the blame for inadequate policies and procedures and the incompetency of the centre.

[85] **Jenny Rathbone:** So, in this specific case, the legal advice was only shared with people in north Wales and not with the Minister's office. It seems to me that someone should have been knocking on the Minister's door and saying, 'You had better look at this one'.

Amanda Brewer Comment: Powys Fadog and its supporters were knocking at the Minister's door asking him to look at this one! Complaints to officials in North Wales and Cardiff, various local politicians and the Minister were regularly being made by Powys Fadog and its supporters because of the slow and what they considered to be unfair decision making process which prevented the project from progressing in 2009. Powys Fadog itself was asking the Minister to investigate the behaviour of his officials, including the way they had handled Karen Sinclair's persistent presentation of misinformation about the project.

[86] **Dame Gillian Morgan:** It was shared with the team in north Wales, which made the decision; it was also shared with the central governance unit. However, if you believe that policy decisions are made by policy people, then remember that we have disagreement all of the time; why would you be alert to this one? We are alert to it because we are looking back and can see that what happened is dreadful. However, you are not alert to things at the time that they are happening. Why would you separate this from other things where you have that robust and appropriate set of discussions about the balance of risk? This was unsound from beginning to end and should not have happened.

Amanda Brewer Comment: The PS is totally wrong in saying that this project was unsound from beginning to end. Chris Munday's Compliance Review confirms that "*the WDA Land Division had a public policy, published on its website, to support the provision of property for social enterprise and community use.*" And goes on to say that "*I consider that the project, both at its inception in 2006 at the date of the property acquisition in 2007 can demonstrate alignment with the then prevailing policies on community assets.*" The report also confirms that the acquisition of the property was compliant, as was the granting of the Agreement for lease. North Region and officials at the most senior level in Cardiff, including the PS, seemed to have had no real issues with the project or the behaviour of officials connected to it until the project was suddenly stopped without warning or explanation in March 2010. The compliance review was ongoing for seven months. If the decision making process was unsound, surely it would have been obvious to the person conducting that review (who was not part of the North Wales team or one of the decision makers in Cardiff) and he would have drawn this to the attention of senior officials and the PS who would have halted the project at a much earlier time in 2009?

[87] **Aled Roberts:** Moving from north Wales to Cardiff, paragraphs 1.22 to 1.24 of the report talk of concerns about the accuracy of briefings to Welsh Ministers in Cardiff. Were the protocols that were in place in the Government the same throughout this period? When we move to 15 January 2010, a briefing is withdrawn from the Minister because it had not been cleared by Legal Services. So, were all of these other briefings, where concerns were raised regarding accuracy, cleared by Legal Services before they went to the Minister?

[88] **Dame Gillian Morgan:** Could you answer that, Arwel?

[89] **Mr Thomas:** I am not aware of the track of the particular briefings—which were written, ministerial briefings—in these particular instances.

[90] **Aled Roberts:** If you are not aware of the track, is the protocol that Legal Services always clears briefings?

[91] **Mr Thomas:** Yes.

[92] **Dame Gillian Morgan:** Yes.

[93] **Darren Millar:** So, would that have been down here in Cardiff and not exclusively bound up in north Wales?

[94] **Dame Gillian Morgan:** There are two components of Legal Services, and part of the issue here is that there are legal services that give advice on issues such as propriety and so on, but the lease, for example, was done by the commercial legal team, which deals with commercial property. At the time, they worked to the regional director. Therefore, once a decision had been taken, the people who did with the lease were not the same people who sit in Cardiff who give the other advice. So, you have some sort of breakdown there. However, we have tightened things up over this period of time. There have been a lot of governance

changes, and you are talking about one of them, and what it showed is that things that we have put in place subsequently—although not because of this—have begun to pick up this sort of problem. That was the first example of the system working properly, as you would want to see, because, without that advice, it was unsafe for it to go and be considered.

Amanda Brewer Comment: Once again the PS appears to be blaming North Region for wider problems such as a breakdown in communication in the legal department in Cardiff which should have been addressed before the merger. She also persists in applying current policies and procedures to past actions instead of judging those actions against the policies and procedures applicable at the time. Surely it is totally unfair to judge people's actions in hindsight?

[95] **Darren Millar:** I want to check something on the timeline. Obviously, the report specifically mentions that the local Assembly Member at that time, Karen Sinclair, had been corresponding with Ministers in Cardiff about her concerns about the River Lodge and the way things were tracking. Therefore, surely, the central units, as it were, would have been aware that there was a problem. Is that not enough of a flag for people to say, 'Wait a minute, we need to get a grip on this'? If she was writing to the First Minister and the Business Minister at the time, senior officials down here, including, for example, the Permanent Secretary, should perhaps have been aware of the situation.

[96] **Dame Gillian Morgan:** You have to remember how systems and processes work. When something very detailed comes through, you ask the people with the expertise to respond. Normally, that is fine. In this case, you were asking for a response from the people who were at the heart of why we had a problem. Therefore, the responses that were going back were written by the people—not the individual, but her manager and the other manager—who were actually involved in having taken the decision to proceed with the River Lodge. Therefore, you ended up with something that did not trigger a response at a sufficiently senior level. The governance unit within the Department for the Economy and Transport has been fundamentally changed, and this is one of the reasons it has been changed—to make it much more objective and challenging when these things come through. However, you are dealing here with a historical set of things, where everyone assumed—and there was no reason to assume because no-one had looked at it objectively and reassessed it—that this was a sound decision. That was the first trigger of the new systems that we had put in place that said that this should not have happened.

Amanda Brewer Comment: The PS seems to be raising concerns that the central compliance unit and senior officials in Cardiff did not do their job properly. Why then is this not mentioned at all in the Compliance Review, Internal Audit or Wales Audit Office Report? Why does the PS only apportion blame to North Region?

[97] **Darren Millar:** So a serious concern is raised by an Assembly Member with a Minister or the First Minister and that is just bounced down to whoever is considered to be dealing with that particular issue, even if it is a very serious concern that is being flagged up.

[98] **Dame Gillian Morgan:** Such matters are sent to the most appropriate official at the most appropriate senior level to respond

[99] **Darren Millar:** So, that happens even if concerns are being raised about decisions at a local level.

[100] **Dame Gillian Morgan:** Again, it depends on the nature of the concerns, the way the letters are phrased, and what the particular concern is. Concerns were being raised, but there were also positive things coming through, so you had a mix of things sitting on ministerial desks.

[101] **Darren Millar:** You suggested earlier that this was all confined to north Wales, but it is becoming clear that it was not.

[102] **Dame Gillian Morgan:** No, I did not suggest that.

[103] **Darren Millar:** You are saying that these decisions were all made exclusively within north Wales, but you now seem to be suggesting that there was correspondence centrally, that different legal departments were involved—

[104] **Dame Gillian Morgan:** You are talking about what happened later on. There was a series of letters being raised, which I think I—

[105] **Darren Millar:** The earliest was in 2007, according to the report.

[106] **Dame Gillian Morgan:** Yes, which I did not see centrally at all. The first letters I saw were much later than that. However, at that time, it was being managed within the delegated authorities that sat within north Wales. You then have a central compliance unit, which is meant to challenge and raise issues. It did not do that as robustly as we would have liked, which is why we now have a different system.

Amanda Brewer Comment: The PS would not have seen the 2007 briefings as she was not in post at the time, but the list of people who did receive copies included Gareth Hall, Director General DE&T, Sharon Linnard Director of Operations DE&T and various officials in the Minister's office. If the central compliance unit failed in its duty, why were officials not disciplined?

[107] **Lindsay Whittle:** This sounds like a game of Monopoly without the rules, with respect, and that is extremely worrying from a public point of view. We have heard from the Chair's question that the Assembly Member first raised this in 2007. Are civil servants totally disregarding what local Members are saying? What action has been taken to ensure that, when elected Members raise serious issues about large sums of money such as this, it is brought to the attention of the Minister? It seems, from what the Chair has said, and what the report says, that these were brought to the attention of the Minister and the First Minister. Maybe we should be asking what they did. What did they do?

Amanda Brewer Comment: This is a question we would all like answering. Ministers approved of the project until it was brought to a halt without explanation in March 2010.

The committee also needs to be aware that the actions of Karen Sinclair go far beyond the legitimate concerns of an AM. The following extract from my witness statement for employment tribunal illustrates this: "I have been the victim of a sustained personal attack by Karen Sinclair because of my involvement with Powys Fadog. The attacks started in February 2007 when she telephoned me and verbally abused me for not disclosing information to her regarding the purchase of River Lodge. Disclosure over the telephone by a civil servant would have been against the Welsh Government guidelines at the time and I suggested to Karen Sinclair that she addressed her enquiries to my line manager, John Adshead, which I believe she did. It would appear that she took my inability to comply with her demands personally and this was the catalyst for her persistent victimisation of me.

In March 2007, Karen Sinclair released an extract from a confidential Ministerial Briefing supplied to her by the Deputy First Minister, to members of the public. This extract contained my name and other personal data in contravention of the Data Protection Act and appears to have been released so that it could be used to frustrate the Powys Fadog community project of which she apparently personally disapproved and wanted to "stop at all costs" As a result, I made a complaint to Senior Management. The matter was taken up by Gareth Hall, Director General of the Department for the Economy and Transport, who came up to North Wales to discuss the matter. He assured me that Karen Sinclair would be dealt with appropriately and on that basis, I agreed not to pursue my complaint at that time. However, I have been informed subsequently that no action whatsoever was taken to address the issue despite the assurances I was given.

Between March 2007 and March 2010, Karen Sinclair regularly wrote to the Deputy First Minister or the First Minister raising concerns about Powys Fadog, the purchase of River Lodge and my involvement in both. She was consistently told that her concerns were unwarranted. This suggests that officials and Ministers did not consider that my voluntary activities were detrimental to the Welsh Government during this period.

Several of Karen Sinclair's letters include untrue and potentially libellous statements about my status in relation to Powys Fadog which appear to be designed to insinuate that I was guilty of wrongdoing and to publically sully my reputation. In her letter of 21st July 2009, she writes that "*Powys Fadog is chaired by Amanda Brewer who works as Senior Land Manager in the North Division*". This is despite the fact that she had been informed in writing on a number of occasions that I was only a Director and Company Secretary and definitely not the Chairman. In the same letter she accuses me and all the other people involved in Powys Fadog of holding extreme political views and being members of the pressure group The People's Council for North Wales, which once again is totally untrue. I do not hold extreme views and have never belonged to The People's Council for North Wales or any other pressure group or political group. For the last 21 months the Welsh Government has attempted to block disclosure of this letter under the Freedom of Information Act, but it has now been released by order of the Information Tribunal.

In a further effort to stop the project, Karen Sinclair published an article in the Llangollen News in December 2009 containing further untrue and damaging statements about my involvement with Powys Fadog."

[108] **Darren Millar:** What systems are in place now?

[109] **Dame Gillian Morgan:** On the systems that are in place now, do you want to talk about within DET?

[110] **Mr Price:** Or BETS, as it is now. It is fundamentally different from what we had before. I have sat in this room on different occasions defending some of the changes that we have made because they have other consequences as well. So, to start, we no longer have a regional set-up as a department, so there is no regional autonomy in terms of defined geographic areas for managers or civil servants to do what they want to do. It is important to say that we have not centralised everything in Cardiff; what we have done is centralised different functions around different parts of Wales, but they are all on an all-Wales basis and within an all-Wales governance framework. That is the first thing that we have done.

[111] The second thing that we have done has been to introduce processes and systems so that no one person can sign anything off anymore. So, if you were looking at this type of activity, the biggest changes would be in something called the 'property leadership team'. In essence, it is a peer review activity, where every single property transaction—and I mean every single property transaction, down to things like £25 for grazing rights at St Athan—is considered and thought through. On the back of that, on a weekly basis, a submission goes up to the Minister and, normally, it is routinely signed off because it has been thought through, and the Minister may refer things back to me. That is the second thing that we have done.

[112] If I can go all the way through to the other end of this, we were talking about what would happen if a letter came in complaining about things, which of course happens quite routinely. What happens now, as a matter of course, is that those letters are referred straight to me. I will look at them and I typically will not send them down to the person working in the area to which the complaints relate because I want to have a peer review to look at what is going on, even if that is only for presentational purposes. The big cultural thing that we have been stressing to people within what was originally DET, when I was first asked to go in, but more latterly BETS, is that people have to be beyond a suspicion of doing anything wrong. It is not simply that they cannot do anything wrong; they have to be beyond suspicion of doing anything wrong and that is the culture that we have tried to push through.

Amanda Brewer Comment:

And yet James Price is knowingly overseeing officials in his own department who are answering Freedom of Information requests from Powys Fadog, their supporters, concerned members of the public and AM's about their own behaviour in the knowledge that these requests have been made in the light of serious allegations of impropriety, malpractice and maladministration against those very officials. Each person who has answered an FOI about their own behaviour is in a serious conflict of interest situation.

[113] In terms of the legal question that you asked, about what would happen if Legal Services had a concern, ironically, I have an SF here—I will not show anyone what it is—and I understand that Legal Services have a concern about it and that Arwel may be speaking to

me later today about it. What will happen is that we will fight Legal Services quite hard within the department, but we will not put anything through about which Legal Services has said, 'Under no circumstances should you do that.' So, that is now part of the process and procedure and it would be ramped up to me. If I was being incorrect about it, it would go to Gill and I am convinced that that would happen in today's circumstances; it did not happen then.

[114] **Dame Gillian Morgan:** I am quite certain that the systems and processes would pick up the majority of things. It is very difficult where you have a group of people who get into group thinking. That is really hard, but with the systems and processes, if someone was going against legal advice, it would be on my desk and I would be looking at it on a regular basis. The other thing I think is important is that we have been much clearer about delegation documents and what people can do. That includes mandatory training and there are two bits of mandatory training that everybody is now expected to do if they are holding a budget. One is the Chartered Institute of Public Finance and Accountancy, National School of Government; I have done it and I have my little certificate. We also have governance training, which tries to express the issues around the management of public money, which people often forget. There is a guidance document that looks at this in a much more fun way. It talks about trolls and sea monsters, and it is a very effective training method because it talks about the practical things that go wrong. Nobody intended to be here today, but all the things that they did led us to this position.

Amanda Brewer Comment: The final comment from the PS should be turned on its head. What she should say is that "we are here today because of the things WG failed to do prior to the merger, such as setting up systems and providing guidance that was fit for purpose in the new organisation. Once again, the PS is trying to deflect attention away from the inadequacies of the centre and herself.

[115] **Lindsay Whittle:** I am sorry, Chair, but I do not think that the question was fully answered. We understand now that, when Assembly Members write in, there is a procedure, but we are told that the Assembly Member in 2007 raised this with Ministers and with the First Minister. Did they contact you?

[116] **Dame Gillian Morgan:** No

[117] **Darren Millar:** Okay. I am conscious of the time. We will probably not get all of the evidence that we need today, as usual. Jenny, and then over to Aled.

[118] **Jenny Rathbone:** I just want to clarify that, up to and including June 2009, it was perfectly possible for £1.3 million of state aid to be provided to an organisation without a Minister having to agree it.

[119] **Dame Gillian Morgan:** It was not state aid; that was the definition, but it was quite possible for an individual to buy the building and the land for that sort of cost. There are two bits to this. That was caught up. In parallel, there were a number of things that we were doing as the Welsh Government about this organisation where our systems and processes worked perfectly well. This was an organisation that, at its best, had about £1,700 in the bank, but far less than that on many occasions. It applied to the Welsh European Funding Office and to other bits of the organisation for grants, and was turned down, because due diligence said that it was an organisation that had neither the track record nor the financial backing. So, what you have, in parallel, is a set of systems that were working fine and picking up the concerns and saying, ‘We cannot give public money for recurrent money to this organisation’. However, there was a little bit around the property and land that did not have the same sort of grip and control, which is what James has now talked about in terms of changing people’s ability to make that sort of decision about the one-off investment of buying a piece of land.

Amanda Brewer Comment: As previously, this is a deliberate attempt by the PS to mislead the PAC. She claims that Powys Fadog was not offered grant funding by any part of the Welsh Government. In fact the Regeneration Department under the control of James Price awarded an Environmental Improvement Grant of £249k to Powys Fadog and his team must therefore have carried out appropriate due diligence on the project. As far as I am aware, decisions by Regeneration at the time were subject to the same peer review exercise that James Price says has now been put in place for the whole of BETS. Furthermore, the Compliance Review report confirms that *“the region undertook due diligence in respect of Powys Fadog, which included a review of the company's finances, its business plan for the future and the activities that it proposes to undertake in the property.”* before entering into the Agreement for Lease.

To finally answer the continuing assertion by the PS and James Price that Powys Fadog was not worthy of support by WG because its business plan was incapable of standing up to scrutiny, I would draw your attention to the fact that Clwyd Alyn commissioned Mazars, one of the largest accountancy companies in the UK, to carry out independent due diligence on Powys Fadog. Their report confirmed that the organisation and its business plan were acceptable and led to Clwyd Alyn Board approval to enter into a lease with Powys Fadog.

[120] **Jenny Rathbone:** What I am saying is that a lease was entered into that included a very significant slice of public subsidy, given the valuation of the land, without the Minister having to sign anything.

[121] **Dame Gillian Morgan:** At the time, that was possible and it could happen in north

Wales. The peer review process has now taken those decisions away from the local level and we have built in scrutiny. What happened here was that nobody stopped to think and look at it. As soon as you stopped and stepped back to look at it—my favourite expression is that if you lay in the bath reading it coolly - you would have looked at it and said that it did not feel right. Nobody did that. The systems and processes now would stop that, but it is important to say that the other things that we had when we were looking at grants worked very effectively. We said, ‘This is not an organisation that it is safe to give public money to’. The question that you should then ask me is: why did you not share the learning? The answer is that, when WEFO rejected that, the decision had been made and the lease had

already been signed without a proper valuation so it was too late in the day to put the two pieces of information together.

Amanda Brewer Comment: The PS is once again misleading the PAC. A valuation **was** carried out before the lease was signed. A peer review **was** undertaken by the Regeneration Department of DE&T before formally approving a grant. DE&T **did** say that this is an organisation that it is safe to give public money to on 9th October 2009, on which date Pol Wong received a formal grant offer.

[122] **Darren Millar:** May I just ask about the new peer review process that you have introduced, which sounds very reasonable and acceptable? If someone at Amanda Brewer's grade made these sorts of decisions again, who would peer review that decision?

Amanda Brewer Comment: I would like to reiterate that I did not make any decisions for WG in respect of this project.

[123] **Mr Price:** It is a group of people, not just one person. It is a group of people that is headed up by the current head of property. That goes up through the system to the director of delivery. It might be referred to me, or it might not, and it will then go to the Minister, who goes through every single one.

[124] **Darren Millar:** So, what sort of trigger requires it to go to you or the Minister?

[125] **Mr Price:** It will go to the Minister regardless of anything else; that just happens. That is a part of the process. You could say that that is going too far, but I have taken all delegations away from everybody, which actually includes me as well. So, unless I do all the paperwork properly, which I do not think is that onerous, until something goes through to the Minister and is initialled, we will not do anything. I am sorry; I have forgotten your specific question.

[126] **Darren Millar:** You have mentioned the property leadership team; it would be useful if you could provide us with the names of members or officers.

[127] **Mr Price:** I will add it to the other note.

[128] **Dame Gillian Morgan:** The important thing about it is that it is not from one part of Wales, because if you are working in communities, you get excited by community projects. At the heart of this, people wanted to do something good for Llangollen and, driven by that, they forgot about some of the other systems and processes. That is really important, at the end of the day.

[129] **Darren Millar:** I will bring in Aled with a brief question and then I will come to Julie.

[130] **Aled Roberts:** I want to return to when the local Assembly Members' concerns were being raised first of all. To whom did the Minister and the First Minister refer those concerns? Did you or any of the directors general have any direct contact with local Assembly Members regarding their concerns?

[131] **Dame Gillian Morgan:** My first contact with an Assembly Member after I had taken the decision to send in auditors and to stop decisions being taken about it. It was after my decision, which was based on looking at the paper, that this was an unsafe decision. That was my first contact. I had seen a copy of a letter that had been sent from the First

Minister, about four or five months before, but I did nothing based on that because it basically said, 'This is okay' and there was nothing in that that I felt that I needed to take on. It was later on that it came to my attention in a way that looked to me as if this was not sound. So, I had no involvement until after I had taken that decision.

Amanda Brewer Comment: The PS says she saw a letter from the First Minister which basically said that everything was OK. This is not true. The letter, which I do not believe from its content and style was written by North Region officials, contained the paragraph *“You raised concerns about the appropriateness of the use of an Assembly Government e-mail address. This is not a matter for Ministers but if there has been a breach of the employment regulations appropriate action will be taken”*. Surely this was sufficient to set the PS’s alarm bells ringing? If not the PS, who did the Minister ask to take the “appropriate action”?

[132] **Aled Roberts:** What about any of the directors?

[133] **Dame Gillian Morgan:** Do you remember, Arwel? Most of the involvement, which would have been with one director general, again, was after we triggered the compliance review and then the audit. So, at that point, we had conversations with one particular Assembly Member in north Wales, but that was after it had got into our minds as being really serious and we became not happy at all with what was going on.

Amanda Brewer Comment: This is not Pol Wong’s understanding of the situation. In an interview with Karen Sinclair, she told him that she had spoken to the PS about the Project and as a result the PS had stopped it. Surely it is inappropriate for the PS or a Director General to discuss an individual civil servant with an AM, especially one who has a track record of victimising that civil servant?

[134] **Jenny Rathbone:** We are still not clear about the letter that went from Karen Sinclair to the relevant Minister and the First Minister. Where was that referred? Which official was asked to look into it?

[135] **Mr Price:** I do not know.

[136] **Dame Gillian Morgan:** We know that, ultimately, the letter and the information that were given were written and agreed in north Wales. It would have been by a combination of officials, but we know that that it was where it was agreed and signed off.

[137] **Darren Millar:** You should be able to determine from the references on these letters who specifically—

[138] **Mr Price:** We can find that out.

[139] **Dame Gillian Morgan:** We will look

[140] **Darren Millar:** That would be useful. May I check something? You have suggested that you triggered a review of the decision before speaking to the Assembly Member. What triggered your making the decision to have this whole thing looked at in more detail?

[141] **Dame Gillian Morgan:** Concerns had been raised in the Department for the Economy and Transport, and it had commissioned a compliance review. The findings of the compliance review, which the WAO lays out clearly for us, said, ‘Oops, this is not something sound’ and Gareth Hall came to see me to say, ‘We have a problem here; this is not a safe decision’. I wanted it looked at independent of anybody in that part of the organisation, which is why I commissioned Arwel to do it. So, it was raised with me because of concerns at DG level in that part of the organisation. Once we got to that point, the system worked fine; it was up to that point that I cannot justify.

Amanda Brewer Comment: See separate paper “Perceived malpractice and wrongdoing in relation to the Compliance Review Report by Chris Munday, then Head of Property Funding” which sets out the anomalies in respect of the Compliance Review Report.

[142] **Julie Morgan:** How fairly do you think that Powys Fadog was treated by the Welsh Government in view of the fact that support was given to it by the Welsh Government at a certain stage? How do you feel about how Powys Fadog has come out of this?

[143] **Dame Gillian Morgan:** Although the lease was signed and we should not have signed it, we honoured it and the lease conditions had up until June 2011 to generate the money. Its problem was that it was dependent on 100% funding coming from the public purse and it had already been rejected by two different bits of the Welsh Government. It knew that it had been rejected by those two bits of the Welsh Government. So, I believe that, with an unsafe decision, it was treated perfectly fairly. It had until June 2011 to generate the money and was unable to deliver any of the lease requirements. It looked at, and we discussed with it, this alternative of having an association with the housing association. However, when we

came to look at the proposals—and the WAO report is clear about that—that was an even worse deal for us than the deal that we were currently in. Therefore, our best bet was to honour the lease contract, which we did, and it was unable to collect the resource that it needed.

Amanda Brewer Comment: Powys Fadog was not treated fairly. It was unable to deliver any of the lease requirements because WG deliberately prevented it from doing so by not communicating with the organisation and by deliberately running the Agreement for Lease out of time by protracting the disciplinary process and the options appraisal.. At the same time I believe Karen Sinclair was publicly placing articles in the local press to the effect that Powys Fadog would not get the River Lodge site and that the WG had earmarked the site for Betsi Cadwaladr. This made it virtually impossible to raise funding from sources outside the WG.

[144] **Julie Morgan:** Okay. Thank you.

[145] **Darren Millar:** There was, obviously, a decision to go ahead with this lease, but it was later deemed that this initiative—the project as a whole, as it were—did not fit policy priorities. Therefore, had policy priorities changed?

[146] **Dame Gillian Morgan:** Yes. If you remember, this was sitting around the time of the economic renewal programme, which was led by the Deputy First Minister at the time. That was a fundamentally different attitude to how we spent money; it mentioned sectors and the economic gain that we could get, and the sort of much looser investment in regeneration for the sake of regeneration was no longer part of the priority. Furthermore, at the time, people were looking at significantly reducing budgets, as you know; that is the reality—people have to be much more critical about where we put the money. The priority was to make jobs in the six areas that were part of the ERP.

[147] **Darren Millar:** So you are saying that, in terms of political priorities, the Ministers at that time were no longer with the project, as it were, and did not support the project.

[148] **Dame Gillian Morgan:** I do not believe that Ministers, at any time, either supported or did not support this. Ministers are completely blameless in this. This is about the failing of the civil service machine to give Ministers the information they need. Therefore, I do not believe that Ministers were either in favour or not in favour—they were taking the advice that they were given, and it is our advice that was biased and not appropriate for Ministers to rely on. Therefore, I believe that Ministers are quite blameless in all this.

Amanda Brewer Comment: There is written evidence that the DFM supported this project up to the time the PS stopped it.

[149] **Darren Millar:** But Ministers set the policy priorities.

[150] **Dame Gillian Morgan:** They set the policy priorities, which we then apply. The ERP was subject to a wide consultation, as you know, to try to look at how we use the declining amount of resources to get the biggest bang for Wales. The trouble for this project is that those priorities changed. However, when WEFO assessed it, the priorities had not changed; WEFO assessed it and refused to give it money because of simple due diligence. Therefore, you have the change in priorities, which made the longer term solution difficult, but, at the end of the day, this organisation did not have a track record, it did not have the management, which it recognised itself, nor did it have the ability to generate money, and it should have been ruled out of court for those reasons, not for any of the other things.

Amanda Brewer Comment: This is untrue as I have illustrated above

[151] **Mr Price:** The policy review that was done was done on the site as well; it was not done on the project. The question was: was the site fit for purpose within the new economic renewal policy? Personally, I do not believe that the project was fit for purpose in the policy environment that was operating before the ERP either.

[152] **Darren Millar:** Okay. Mohammad Asghar has the next questions.

[153] **Mohammad Asghar:** Thank you. I am listening carefully to this session. You have already gracefully accepted that rules were broken and that legal advice was sometimes not taken. You have just mentioned civil servants' advice to the Minister. At the same time, I believe that Assembly Members also showed concern about this whole scenario. Therefore, the ministerial code of conduct is there—with colleagues and civil servants. It means that there is a very thin balance there, so they have to go the right way rather than going to the

civil servants. You agree that rules were broken, but the fact is that there is something between civil servants and ministerial colleagues, in that concerns were totally ditched. Therefore, why did that happen and where does the buck stop? You have just mentioned, James, that there have been collective mistakes rather than mistakes made by one person. We need to know where the buck stops, and that person should come here to give us their evidence.

[154] **Dame Gillian Morgan:** That is simple—the buck stops with me. This was unacceptable behaviour, and we reached an unacceptable set of decisions, which is indefensible. As principal accounting officer, I felt those things, which is why I stopped the project and why we have reformed much of the governance that we have been doing. Therefore it is clear—the buck stops with me

[155] **Aled Roberts:** Did Ministers ever question the fact that it was the regional offices, regarding whom the concerns had been expressed, that were being asked to comment on the concerns? Did Ministers not stand back and say, 'Actually, I want an objective assessment here from the civil service, not people who were involved in the project from the outset'?

[156] **Dame Gillian Morgan:** Ministers have the right to assume that the civil service shows a number of things: integrity, honesty, objectivity and impartiality. That is part of what the civil service code requires. Therefore, Ministers should assume and had the right to assume—because if we do not assume that people are behaving with these key things, then you get into very difficult relations—that there was integrity, honesty, objectivity and impartiality, but there was not.

Amanda Brewer Comment: Is the PS suggesting that every civil servant involved in this project was not complying with the civil service code? In that case, why were just my line manager and I disciplined? Surely everyone involved in the decision making process should have been investigated and punished? In fact the only person who was punished was the person who did not make any decisions at all.

[157] **Aled Roberts:** From my experience in local government—and the same could be said of local government officers, that there is the same expectation—you would never go to the same people who you had expressed concerns about for advice regarding the situation.

[158] **Dame Gillian Morgan:** No, it is not the same as local government.

[159] **Aled Roberts:** I know that it is not the same—

[160] **Dame Gillian Morgan:** The civil service code is a legally binding code and is a part of the civil values and is now a part of the Constitutional Reform and Governance Act 2010.

[161] **Aled Roberts:** However, there have been examples of rogue civil servants.

[162] **Dame Gillian Morgan:** Indeed.

[163] **Aled Roberts:** So, is it not natural to expect that someone who has not been tainted previously with a project would be asked for advice regarding the—

[164] **Dame Gillian Morgan:** We come back to the fact that there are very few rogue civil servants. There are very large numbers of correspondents and it is appropriate that people ask advice from the people who know about the business. The system should have alerted Ministers to this being something. Ministers would not have known that there were multiple letters coming in across the place. We, as civil servants, let Ministers down. We have to be very clear about this. This is a failure of civil servants and we should have expected better of our systems and processes. It is not one civil servant, but the processes that we had.

[165] **Darren Millar:** You said that Ministers would not have known; I regularly correspond with Ministers, but if there is a serious concern that I have to raise, I might speak to them privately as well. You may not be able to answer this question, but did such private conversations take place?

[166] **Dame Gillian Morgan:** I cannot answer that.

Amanda Brewer Comment: The PS should have been able to answer this question. She saw a copy of the letter Karen Sinclair sent to Rhodri Morgan on 21st July 2009 in which Karen Sinclair mentions meeting him [Rhodri Morgan] “*last week*”. In the same letter she states “*Make no mistake the people involved with Powys Fadog and the people involved with The People's Council for Wales are one and the same group of people and whilst people are totally free to hold extreme political views I do not think it appropriate for the tax payer to purchase premises for such a group*” The Minister, the PS and senior officials obviously did not believe Karen Sinclair’s slanderous attack on Powys Fadog, but surely this should have been sufficient to cause the PS to review the situation if she was at all concerned?

[167] **Darren Millar:** Okay. Thank you.

[168] **Jenny Rathbone:** Were the Ministers not aware that the queries that they were raising because of the Assembly Member’s correspondence were just going back to the people in north Wales who were generating this project? They said that there was a problem, or that an Assembly Member had raised a problem, but was the Minister not aware that they were just being referred back to the north Wales team?

[169] **Dame Gillian Morgan:** You have quoted to me already that Ministers were given absolute assurance, which was signed off by more than one civil servant. Ministers have to trust the advice that is given to them. If the advice is unsound, it is very difficult for a Minister under such circumstances. That is why it is a systems and process issue for the civil service to deal with, rather than Ministers

[170] **Darren Millar:** Okay, I am afraid that the clock has beaten us. We have many more questions that we would have liked to have asked you this morning. We will enter into some correspondence with you, Dame Gillian, but thank you for your attendance today, and thank you, James, David and Arwel. We will return to this after the summer recess. The meeting is now closed.
Daeth y cyfarfod i ben am 10.58 a.m. The meeting ended at 10.58 a.m.

Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad: **Ystafell Bwyllgora 3 – y Senedd**

Dyddiad: **Dydd Mawrth, 2 Hydref 2012**

Amser: **09: – 11:00**

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Gellir gwyllo'r cyfarfod ar Senedd TV yn:

[<insert link here>](#)

Cofnodion Cryno:

Aelodau'r Cynulliad:

Darren Millar (Cadeirydd)
Mohammad Asghar (Oscar) AC
Mike Hedges
Julie Morgan
Gwyn R Price
Jenny Rathbone
Aled Roberts
Lindsay Whittle

Tystion:

Huw Vaughan Thomas, Archwilydd Cyffredinol Cymru, Swyddfa Archwilio Cymru
Terry Jones, Technical Manager, Wales Audit Office
Kevin Thomas, Assistant Auditor General, Wales Audit Office
Ann Marie Hawkins, Swyddfa Archwilio Cymru

Staff y Pwyllgor:

Tom Jackson (Clerc)
Daniel Collier (Dirprwy Glerc)
Joanest Jackson (Cynghorydd Cyfreithiol)

1. Cyflwyniad, ymddiheuriadau a dirprwyon

1.1 Croesawodd y Cadeirydd yr Aelodau ac aelodau o'r cyhoedd i'r cyfarfod.

2. Adroddiad Blynyddol a Chyfrifon Archwilydd Cyffredinol Cymru 2011–2012

2.1 Croesawodd y Cadeirydd Huw Vaughan Thomas, Archwilydd Cyffredinol Cymru; Kevin Thomas, Cynorthwydd Archwilydd Cyffredinol Cymru; Ann Marie Hawkins, Cyfarwyddwr Grŵp; a Terry Jones, Rheolwr Technegol.

2.2 Gwahoddodd y Cadeirydd Archwilydd Cyffredinol Cymru i gyflwyno ei Adroddiad Blynyddol a Chyfrifon ar gyfer 2011–2012.

2.2 Bu'r Pwyllgor yn holi Archwilydd Cyffredinol Cymru ar ei adroddiad blynyddol a chyfrifon.

3. Cyngor gan Archwilydd Cyffredinol Cymru ar ymateb Llywodraeth Cymru i 'Darlun o Wasanaethau Cyhoeddus'

3.1 Croesawodd y Cadeirydd Huw Vaughan Thomas, Archwilydd Cyffredinol Cymru; a Mark Jeffs o Swyddfa Archwilio Cymru i'r cyfarfod.

3.2 Bu Archwilydd Cyffredinol Cymru yn cynghorir Pwyllgor ynghylch ymateb Llywodraeth Cymru i adroddiad y Pwyllgor ar *Darlun o Wasanaethau Cyhoeddus*.

Croesawodd y Cadeirydd Huw Vaughan Thomas, Archwilydd Cyffredinol Cymru; Kevin Thomas, Cynorthwydd Archwilydd Cyffredinol Cymru; Ann Marie Hawkins, Cyfarwyddwr Grŵp; a Terry Jones, Rheolwr Technegol

4. Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y canlynol:

5. Ymdrin ag adroddiad Swyddfa Archwilio Cymru ar Gyllid Iechyd

5.1 Bu'r Pwyllgor yn trafod sut y dylai ymdrin ag adroddiad Swyddfa Archwilio Cymru ar Gyllid Iechyd.

6. Blaenraglen Waith – hydref 2012

6.1 Bu'r Pwyllgor yn trafod ei flaenraglen waith ar gyfer tymor yr hydref 2012.

7. Adroddiad Blynyddol a Chyfrifon Archwilydd Cyffredinol Cymru 2011–2012 – Pwyllgor yn ystyried

7.1 Bu'r Pwyllgor yn ystyried Adroddiad Blynyddol a Chyfrifon Archwilydd Cyffredinol Cymru ar gyfer 2011–2012.