

## Agenda – Public Accounts Committee

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Meeting Venue:

For further information contact:

Video Conference via Zoom

Fay Bowen

Meeting date: 4 May 2020

Committee Clerk

Meeting time: 13.00

0300 200 6565

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### (Private Pre-meeting)

(13.00 – 13.30)

#### 1 Introductions, apologies, substitutions and declarations of interest

(13.30)

#### 2 Inquiry into COVID-19 and its impact on matters relating to the Public Accounts Committee's remit: Evidence session with the Welsh Government

(13.30 – 15.00)

(Pages 1 – 18)

Research Briefing

Shan Morgan – Permanent Secretary

Dr Andrew Goodall – Director General of Health and NHS Chief Executive

Gawain Evans – Director of Finance

David Richards – Director of Governance and Ethics

Andrew Jeffreys – Director, Welsh Treasury

### (Break)

(15.00 – 15.10)

#### 3 Paper(s) to note

(15.10 – 15.30)



- 3.1 Betsi Cadwaladr University Health Board – Arrangements for interim senior staff appointments: Letter from the Auditor General for Wales (17 March 2020)**  
(Pages 19 – 36)
- 3.2 Scrutiny of Accounts 2018–19: Letter from Assembly Commission (18 March 2020)**  
(Pages 37 – 39)
- 3.3 COVID–19: Letter from the Permanent Secretary, Welsh Government (30 March 2020)**  
(Pages 40 – 43)
- 3.4 Scrutiny of Accounts 2019–20: Joint letter from Permanent Secretary, Welsh Government and Auditor General for Wales (14 April 2020)**  
(Pages 44 – 47)
- 3.5 Scrutiny of Accounts 2018–19: Letter from the Permanent Secretary, Welsh Government (21 April 2020)**  
(Pages 48 – 55)
- 3.6 Ministerial Direction – NHS pension arrangements for 2019/20: Letter from the Permanent Secretary, Welsh Government (23 April 2020)**  
(Pages 56 – 57)
- 4 Auditor General for Wales Report: Update on developments in terms of WAO work**  
(15.30 – 16.00) (Pages 58 – 62)  
PAC(5)–11–20 Paper 1 – Draft letter to audited body Chief Executives (to be issued 30 April 2020)

Document is Restricted

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**Reference:** AC/183/caf  
**Date issued:** 17 March 2020

Dear Nick

## Betsi Cadwaladr UHB: arrangements for interim senior staff appointments

At your 11 November meeting, I advised the Committee that I intended to conduct an audit review of the arrangements that Betsi Cadwaladr University Health Board had put in place when it made several interim senior staff appointments last year.

This work is now complete, and I enclose for the Committee's information a copy of the report that I have issued to the Health Board, and which is being considered by its Audit Committee on 19 March.

My review examined the following five senior appointments:

- Interim Recovery Director;
- Interim Managing Director - Wrexham Maelor;
- Interim Managing Director - Ysbyty Glan Clwyd;
- Head of Planned Care Improvement; and
- Interim Director of Acute Services.

However, given the significant costs associated with the appointment of the Interim Recovery Director and the attention that this had attracted, my review centred on the arrangements for that appointment.

In summary, my audit team found that:

- The Health Board recruited an Interim Recovery Director in June 2019. The role has been filled since 1 July 2019 and will come to an end on 27 March 2020;
- All five of the interim appointments had been made using firms listed on approved framework agreements. This is consistent with the provisions set out in the Health Board's Standing Financial Instructions and its Procurement Guidance for Staff.



- The Welsh Government had agreed to contribute £350,000 towards the cost of the Interim Recovery Director, but played no part in the appointment itself, which had been made by the Health Board before this funding had been confirmed. The decision to appoint was not dependent on securing this additional funding from the Welsh Government.
- Whilst the Health Board had asserted to us that competitive rates were negotiated for the appointment, we found that the £1,890 daily rate being paid by the Health Board is higher than most of the benchmark comparators that had been used by officials during the appointment process.

In contrast to the other four interim appointments, the Health Board had only secured verbal references before appointing the Interim Director of Recovery. However, we noted that both the Health Board's (then) Chief Executive and an independent member of the interview panel had previous experience of working with the successful candidate.

Our [2019 Structured Assessment report](#), published in January, provides some further context for the findings of this review:

- it is difficult to identify the specific personal impact that the Interim Recovery Director is having on the Health Board's financial recovery efforts, given that staff across the organisation are contributing to this in various ways. There are many factors that impact on the position to include timing differences and differences in the nature of any financial savings (some are one off and others recurring).
- we have seen clear financial leadership for recovery, with delegated responsibility of financial recovery and the identification and achievement of savings. The focus by the Health Board on financial recovery, grip and control is stronger than before.
- there remains a significant risk to achieving the £35 million deficit for 2019-20 that is planned by the Health Board. The Health Board is reporting slippage against delivery of planned savings, together with aspects of in-year cost growth which have created a need to identify additional savings.
- several other factors continue to present challenges which, if unaddressed, create a risk that the annual financial cycle of 'deficit and attempted recovery' will continue to be repeated.

I trust that this information will be of assistance to the work of the Committee.

Yours sincerely



**ADRIAN CROMPTON**  
Auditor General for Wales



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Arrangements for Interim Senior Staff Appointments – **Betsi Cadwaladr University Health Board**

Audit year: 2019-20

Date issued: March 2020

Document reference: 1782A2020-21

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Ian Hughes and Andrew Doughton, working under the direction of Mike Usher.

# Contents

Our review examined the process followed by Betsi Cadwaladr University Health Board in appointing five interim senior staff between February and October 2019, including the Interim Recovery Director. The significant cost of that appointment has attracted attention in the media and amongst Assembly members and our review was centred on this role.

## Summary report

What this review is about	4
Key findings	5

## Detailed report

The events leading up to the appointment of the Interim Recovery Director	6
Compliance with the Health Board's Standing Financial Instructions	8
The costs of the Interim Recovery Director appointment	10
Other information considered as part of our review	11
Financial recovery progress at the Health Board	12

## Appendices

Appendix 1 – summary of the costs associated with the five senior appointments reviewed together with their contractual terms of engagement	14
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# Summary report

## What this review is about

- 1 The Auditor General advised the Public Accounts Committee on 11 November 2019 that he intended to examine the arrangements that Betsi Cadwaladr University Health Board (the Health Board) had put in place when making several interim senior staff appointments in the course of that year.
- 2 Our review has examined the following five appointments:
  - Interim Recovery Director;
  - Interim Managing Director, Wrexham Maelor;
  - Interim Managing Director, Ysbyty Glan Clwyd;
  - Head of Planned Care Improvement; and
  - Interim Director of Acute Services.
- 3 **Appendix 1** summarises the costs associated with each of these appointments, together with their contractual terms of engagement.
- 4 Given the significant costs associated with the appointment of the Interim Recovery Director and the attention that this has attracted in the media and amongst Assembly members, our review was centred on this role. The Health Board agreed to pay the agency supplying the Interim Recovery Director the rate of £1,990 per day, inclusive of a capped reimbursement of 'out-of-pocket' reasonable expenses at £100 per day. The post-holder took up this role in July 2019 and the contract is expected to end on 27 March 2020. The committed cost of the assignment over a nine-month period is £340,200.
- 5 By examining five senior interim appointments over a similar time period, we have been able to compare and contrast the processes followed and to explain the appointment of the Interim Recovery Director in a wider procurement context.

## Key findings

- 6 This 'facts only' report sets out the key matters relating to the five appointments which were made by the Health Board between February and October 2019, and these are summarised as follows:
  - we found that all of the interim appointments have been made using firms listed on approved framework agreements. This is consistent with the provisions set out in the Health Board's SFIs and Procurement Guidance for Staff.
  - the Welsh Government agreed to contribute £350,000 towards the cost of the Interim Recovery Director, but played no part in the appointment itself, which was made by the Health Board before this funding had been confirmed. The decision to appoint was not dependent on securing the funding from Welsh Government.

- whilst the Health Board asserts that competitive rates were negotiated for the appointment, we found that the £1,890 daily rate being paid by the Health Board is higher than most of the benchmark comparators that were used by officials during the appointment process.
- in contrast to the other four interim appointments, the Health Board only secured verbal references before appointing the Interim Director of Recovery. However, we note that both the Health Board's (then) Chief Executive and an independent member of the interview panel had previous experience of working with the successful candidate. Also, in order to secure approval on the Framework, all suppliers must retain up-to-date references for all workers supplied.

7 The findings of this report need to be viewed in the context of the following observations set out in our Structured Assessment report issued to the Health Board in December 2019:

- it is difficult to identify the specific personal impact that the Interim Recovery Director is having on the Health Board's financial recovery efforts, given that staff across the organisation are contributing to this in various ways. There are many factors that impact on the position to include timing differences and differences in the nature of any financial savings (some are one off and others recurring).
- we have seen clear financial leadership for recovery, with delegated responsibility of financial recovery and the identification and achievement of savings. The focus by the Health Board on financial recovery, grip and control is stronger than before.
- there remains a significant risk to achieving the £35 million deficit for 2019-20 that is planned by the Health Board. The Health Board is reporting slippage against delivery of planned savings, together with aspects of in-year cost growth which have created a need to identify additional savings.
- several other factors continue to present challenges which, if unaddressed, create a risk that the annual financial cycle of 'deficit and attempted recovery' will continue to be repeated.

# Detailed report

## The events leading up to the appointment of the Interim Recovery Director

- 8 In June 2015, the Welsh Government placed the Health Board into 'special measures', because of a number of issues including the quality of the Health Board's governance and leadership, concerns over its mental health, maternity and GP out-of-hours services and its approach to service planning and public engagement.
- 9 On 1 February 2018, the Cabinet Secretary for Health and Social Services announced that maternity services could be de-escalated but some areas of performance needed to remain under the 'special measures' arrangements. It was recognised that the Health Board needed to strengthen leadership and governance across its three acute sites.
- 10 The Health Board introduced an internal post of Turnaround Director to secure cost savings and ongoing efficiencies. However, the internal arrangements were not effective in securing the improvements needed. Its financial deficit was increasing, and its savings plans were assessed as both simplistic and overly ambitious, with insufficient capacity to deliver the plans alongside other pressures on services. In conjunction with the Welsh Government it was decided to introduce specialist capacity to help the Health Board with its financial recovery.
- 11 The Public Accounts Committee has regularly scrutinised the Health Board's governance and performance, and in its May 2019 Report the Committee stated that:
- 'We are unconvinced that sufficient resources are being devoted to turnaround action and although the Board has appointed a Director of Turnaround<sup>1</sup>, we recommend the Board consider bringing in additional specialist external turnaround expertise to assist with this.'
- 12 On 19 July 2019 the (then) Chief Executive of the Health Board wrote to the Director General of the Welsh Government's Health and Social Services Group, proposing a new executive structure for his organisation and asking for Welsh Government support for a range of capacity and capability-strengthening initiatives. These new initiatives arose from work that the Health Board had recently conducted with support from PricewaterhouseCoopers (PWC).
- 13 The Health Board asked the Welsh Government to provide £350,000 additional 2019-20 funding towards the cost of engaging a Recovery Director. The Chief Executive's letter said that:
- 'the Recovery Director (RD) needs to deliver an immediate and significant impact on our run rate and [Cost Improvement Plans] over the next two months to enable us to deliver our [2019-20 financial] control total'.

<sup>1</sup> A reference to an internal appointment made by the Health Board prior to the appointment of an external Interim Recovery Director in June 2019.

- 14 An appendix to the Chief Executive's letter provided further detail about the role:
- 'Following discussions with the [Welsh Government's Finance Delivery Unit] regarding a strengthening of turnaround approach and a recommendation from PWC the Health Board [had] taken steps to improve its turnaround capability by securing consultancy services from a Recovery Director. This will be for a maximum of 9 months to the end of March 2020 and is aimed at enabling us to achieve greater levels of improvement in our financial delivery and support the development of a longer-term efficiency plan.'
- 15 The Director General replied on 29 August 2019 in the following terms:
- 'I fully recognise the imperative of the work on financial recovery and the importance of ensuring strong, focussed leadership to ensure delivery. Subject to Ministerial approval, I am content in principle to agree £350,000 towards the costs in this key area. I am also supportive, in principle, of providing the resources requested for service improvement but require more detail on your methodology, how it sits with the additional support currently being received from PWC and transition arrangements to develop your in-house capability to deliver on the transformation agenda.'
- 16 Prior to this exchange of correspondence in early June 2019, PWC had provided the Health Board with the CVs of individuals who could be considered for the role of Interim Recovery Director. The Health Board shortlisted and interviewed three people for the role. Their interview panel included an independent person with relevant professional experience in this field.
- 17 The panel considered the skills and experience of each of the candidates interviewed. Of the three candidates, the successful candidate demonstrated the most appropriate skills; style and background (clinical) for the role. In addition, the other two candidates described a requirement for a 'minimum term' with any organisation they were supporting. This minimum term ranged from 18 months to two years.
- 18 The Chief Executive who chaired the interview panel authorised the decision to appoint the Interim Recovery Director, via Hunter Healthcare Resourcing Ltd, an agency listed on an NHS framework agreement. His appointment would commence on 1 July 2019 and conclude on 27 March 2020. The Director of Finance also approved the appointment and signed the agreement with Hunter Healthcare Resourcing Ltd on 17 June 2019.
- 19 The Health Board agreed to pay the agency supplying the Interim Recovery Director the rate of £1,990 per day, inclusive of a capped reimbursement of 'out-of-pocket' reasonable expenses at £100 per day.
- 20 The role of the Interim Recovery Director was set out in the agreement as being to:
- provide additional oversight of the financial run rate with a view to advising on and supporting delivery of efficiencies;
  - advise and support the development of an efficiency programme in line with the Health Board's financial position and recovery;



- support the implementation of necessary structures needed to deliver a financial efficiency programme;
  - work with the Director of Finance and Director of Workforce to ensure progress reporting is robust, with all risks or barriers escalated to the Chief Executive; and
  - advise on necessary resources that are available to ensure the delivery of the recovery programme.
- 21 The appointment was made, and the contract terms agreed by the Health Board in June 2019, in advance of both the Chief Executive's letter of 19 July to the Director General, and also the Welsh Government's confirmation on 29 August of the requested £350,000 funding allocation in principle for an Interim Recovery Director. The Health Board was not dependent on this funding in order to make the appointment since it could be financed from internal sources.
- 22 Welsh Government officials have told us that in awarding this funding it was expected that the Health Board would make the appointment in accordance with its Standing Financial Instructions (SFIs).

## Compliance with the Health Board's Standing Financial Instructions

- 23 This next section looks in more detail at the process followed by the Health Board in making the five interim staff appointments. By examining five senior interim appointments over a similar time period we have been able to compare and contrast the processes followed and explain the appointment of the Interim Recovery Director in a wider procurement context.
- 24 The Health Board has clear rules on procurement as set out within its approved SFIs and Procurement Guidance for Staff. The SFIs meet the guidelines issued by Value Wales on behalf of the Welsh Government, which in turn reflect UK Government Regulations and European Union Directives. The Health Board stated in a response to an information request that all the five posts under consideration had been appointed in accordance with its SFIs<sup>2</sup>.
- 25 The SFIs reference the minimum thresholds for quotes and competitive tendering. These thresholds reflect EU Directives and UK Regulatory requirements, and are summarised in the following table:

<sup>2</sup> A letter issued by the Health Board on 24 October 2019 – reference 335/19/FOI.

**Table 1: the Health Board's tendering and procurement thresholds**

This table sets out the way in which the Health Board has to procure goods and services within banding thresholds set out in its financial policies and procedures.

<b>Contract Value (ex VAT)</b>	<b>Minimum Competition</b>
<£5,000	At discretion of appropriate Director
£5,000 to £25,000	Three written quotations
£25,000 – OJEU threshold	Four tenders
Above OJEU threshold (currently £118,133)	Five tenders
Contracts between £500,000 and £1 million	Welsh Government Ministerial Approval for noting
Contracts above £1 million	Welsh Government Ministerial Approval required

- 26 The SFIs also state<sup>3</sup> that the Health Board's 'competitive tendering/quotation procedures may be waived where the [Health Board] has legitimate access to a National Framework Agreement/All Wales contract or Supplies Consortium contract provided that the rules under such contract or framework agreement are adhered to'.
- 27 Framework agreements can provide a cost effective and efficient means of securing goods and services since matters such as quality assurance and maximum rates have been predetermined in advance through a collective agreement. However, there are a large number of agreements and their terms and conditions vary.
- 28 We found that all of the interim appointments have been made using firms listed on approved framework agreements. This is consistent with the provisions set out in the Health Board's SFIs and Procurement Guidance for Staff as set out in [paragraph 26](#) above.
- 29 In the case of the Interim Recovery Director, Health Board documentation confirms that the agency used, Hunter Healthcare Resourcing Ltd, is listed on an NHS framework for non-clinical temporary and fixed-term staff. However, the Health Board told us that they had:
- 'contracted with the agency [Hunter Healthcare Resourcing Ltd] on terms which are stated to be more preferential than if [it] had used the relevant NHS framework'.
- 30 The Health Board has provided information which supports its assertion to us that a preferential rate was secured through its negotiations with the Agency and in all

<sup>3</sup> In Schedule 1, Procurement of Works, Goods and Services Supplementary Guidance.

other regards they secured the same terms as they would have done by complying fully with the terms of the framework agreement. We have not disclosed further details of the negotiations in order to maintain the legitimate commercial confidentiality of both parties.

- 31 In doing this and by holding a 'mini-competition' in line with common practice for individual agency personnel, the Health Board is satisfied it has complied with its procurement policies and procedures. Whilst we do not have any further observations to make on this aspect of the procurement process, we do set out more detail about the rates that were actually paid compared to the rates paid by other health bodies for the service of an Interim Recovery Director.

## The costs of the Interim Recovery Director appointment

- 32 The Health Board agreed to pay the agency supplying the Interim Recovery Director the rate of £1,890 per day with a capped reimbursement of 'out-of-pocket' reasonable expenses paid of £100 per day for a nine-month period. Payment is in accordance with the Health Board's Expenses Policy. The committed cost of this assignment for the nine-month period is £340,200. The Welsh Government has agreed to contribute £350,000 towards those costs.
- 33 We sought to establish how the Health Board had satisfied itself, given the significant cost of procuring an Interim Recovery Director, that the contracted daily rate represented good value for money. The Health Board told us that they had:
- 'benchmarked the market rate against the other candidates' rates together with the [interview] panel's experience of previous appointments in other organisations, given that [they] all had experience of engaging Turnaround/Recovery Directors previously.'
- 34 As explained earlier, three candidates were interviewed for the role. The daily rate of one candidate was significantly higher than that of the successful candidate and the rate of the third candidate was slightly less. We are not disclosing the actual rates to maintain commercial confidentiality. The Executive Director of Workforce was also aware of other examples disclosed in the media at £1,700 a day and £3,000 a day. We have reflected the annual cost of these comparators in [Table 2](#) below.
- 35 The Interim Executive Director of Finance also said that the Health Board had also reviewed published rates for Recovery/Turnaround Directors from NHS England organisations which are included below in [Table 2](#).

**Table 2: comparator English NHS body rates used by the Health Board to benchmark the cost of the Interim Recovery Director**

This table shows the rates paid by some health bodies in England for interim Recovery Directors and compares these with the rate negotiated by Betsi Cadwaladr Health Board and agreed with the agency Hunter Healthcare Resourcing Ltd. We have not named the NHS England organisations on grounds of commercial confidentiality.

Comparator NHS body	Rate per month	Annualised cost
Comparator 1	£45,000	£540,000
Comparator 2	£34,000	£408,000
Comparator 3	£34,000	£408,000
Comparator 4	£30,000	£375,000
Comparator 5	£30,000	£360,000
Comparator 6	£28,000	£338,000
Comparator 7	£25,000	£300,000
Betsi Cadwaladr Local Health Board (June 2019 contract)	£37,800 (the daily rate of £1,890 based on a 20-day month)	£453,600 (the nine-month contract value is £340,200)

36 For comparative purposes, the nine-month budgeted cost and daily rate of the Interim Recovery Director employed by the Health Board equates to an annual cost of £453,600<sup>4</sup>. As shown in **Table 2**, this is a higher rate than the NHS England comparator cases provided by the Director of Finance.

## Other information considered as part of our review

- 37 Intermediaries legislation applies in these circumstances where the individuals claim an 'off payroll status' for tax and National Insurance purposes. It is the employer's responsibility to ensure the legislation is correctly applied as part of their due diligence. Three of the five interim senior appointments were assessed as meeting the criteria for 'off payroll status'. The required documentation is in place for the three contracts.
- 38 At least one written reference from a recent employer was obtained for four of the five interim senior appointments reviewed as part of the audit.

<sup>4</sup> £340,200/9 months x 12 months.

- 39 No written references were obtained for the Interim Recovery Director, although the Health Board told us that:
- ‘verbal references were provided direct to Chair and CEO of BCUHB by PWC and by the Director of Finance at Blackpool NHS Trust to the BCUHB CEO and both [the CEO and an independent interview panel member] had previous experience of working with [the successful candidate]’; and
  - ‘that in order to secure approval on the Framework, all suppliers must retain up to date references for all workers supplied’.
- 40 A Financial Conformance Report was presented to the 12 December meeting of the Health Board’s Audit Committee by the Interim Executive Director of Finance. The report set out the procurement conformance of instances of employing interims during the period July to September 2019. The 11 instances of interims employed in this period included the Interim Recovery Director and the Interim Director of Acute Care.
- 41 One of the report’s findings in relation to the appointment of interim staff was that:
- ‘Procurement were not involved in these engagements on a timely basis and Purchase Orders were not raised in advance of the expenditure being committed.’
- 42 The conformance report highlights that retrospective purchase orders were raised for six of the 11 Interim staff whose roles commenced during quarter two of 2019-20. The Interim Recovery Director was one of the six listed as non-conformant.

## Financial recovery progress at the Health Board

- 43 There are two core aspects to the interim role of the Recovery Director; the identification and securing of savings; and embedding governance arrangements that can sustain an improved position for the future.
- 44 It is difficult to identify the specific personal impact that the Interim Recovery Director is having on the Health Board’s financial recovery efforts, given that staff across the organisation are contributing to this in various ways. There are many factors that impact on the position to include timing differences and differences in the nature of any financial savings (some are one off and others recurring).
- 45 However, in my December 2019 [Structured Assessment of the Health Board](#), we noted that there had been a stronger approach to financial recovery within the Health Board, compared to previous years. We have seen a clear financial leadership for recovery, with delegated responsibility of financial recovery and the identification and achievement of savings. The focus by the Health Board on financial recovery, grip and control is stronger than before.
- 46 As I noted in my Structured Assessment, there remains a significant risk to achieving the £35 million deficit for 2019-20 that is planned by the Health Board. The Health Board is reporting slippage against delivery of planned savings, together with aspects of in-year cost growth which have created a need to identify

additional savings. Several other factors continue to present challenges which, if unaddressed, create a risk that the annual financial cycle of 'deficit and attempted recovery' will continue to be repeated.

# Appendix 1

## Summary of the costs associated with the five senior appointments reviewed together with their contractual terms of engagement

Table 3: summary of costs and contractual terms of engagement

Job title	Interim Recovery Director	Interim Managing Director Wrexham Maelor	Interim Managing Director Ysbyty Glan Clwyd	Head of Planned Care Improvement	Interim Director of Acute Services
Initial Appointment Date <sup>5</sup>	1 July 2019	25 February 2019	24 April 2019	15 April 2019	2 September 2019
Length of contract	Nine months	Three months, extended for another six months	Six months	27 weeks, extended for another nine weeks	31 weeks but ended after eight weeks
Full/Part Time Status	Full Time	Full Time	Full Time	Full Time	Full Time
Contracted supplier	Hunter Healthcare Resourcing Ltd	Melber Flinn Ltd	Melber Flinn Ltd	Tricordant Ltd	Xylem Resourcing Partners

<sup>5</sup> Contracts renewed on at least one occasion resulting in multiple Purchase Orders

Job title	Interim Recovery Director	Interim Managing Director Wrexham Maelor	Interim Managing Director Ysbyty Glan Clwyd	Head of Planned Care Improvement	Interim Director of Acute Services
Contracted supplier on an approved framework?	'Contracted with the agency on terms which are stated to be more preferential than if the Health Board had used the relevant NHS framework.' But supplier is on Framework CCS RM6160.	RM971 for Non-Medical Non-Clinical (NMNC) <sup>6</sup>	RM971 for Non-Medical Non-Clinical (NMNC)	Health Board stated that the supplier was Tricordant Ltd which is on the Health Trust Europe Framework (HTEF) <sup>7</sup>	'Contract would be arranged through their partner consultancy Tricordant Ltd who are on the Health Trust Europe Framework.'
Daily Rate Paid to Supplier	£1,890 (accommodation expenses capped at £100 per day)	£1,000	£1,118	£715	£1,380 (inclusive of all fees and expenses)

<sup>6</sup> This framework has since expired and has been replaced with RM6160 wef 1 July 2019. Melber Flinn are listed on this framework.

<sup>7</sup> Tricordant Ltd are listed on a number of Framework contracts to include HTEF.



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Chair of Public Accounts Committee  
National Assembly for Wales  
Tŷ Hywel  
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18 March 2020

Dear Nick

## Public Accounts Committee Report on the Scrutiny of Accounts 2018-19

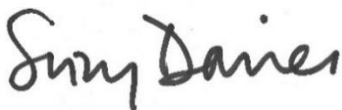
I am writing in response to your letter dated 14 February 2020 which notes that, following the Commission's response to the Committee's Report on the scrutiny of accounts 2018-19, you are requesting further clarity on the rejection of Recommendations 1 & 4,

The Commission has considered further its responses to your Committee's recommendations, concerning the Commission's financial performance indicators and the engagement target, at its 16 March meeting.

Its consideration are set out in full in the attached Annex. If you would like any further information on any matter covered in the Annex, please do not hesitate to let me know.

I would like to thank the Committee again for its scrutiny.

Yours sincerely



Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan



# Public Accounts Committee Report on the Scrutiny of Accounts 2018-19

## Recommendation 1.

**(1) The Committee recommends that the Assembly Commission introduce a KPI focusing on financial management as opposed to an outturn target.**

**(2) The Committee welcomed the increase in the overspend target (from 0.5% to 1.5%) since this addresses in part, our concern about the risk of spending to achieve the target. However, we remain of the opinion that the target itself is not a suitable indicator since it does not link value for money and efficiency in the use of resources. We appreciate that the Commission can make its own decision as to targets but ask that an in-year target measure be considered.**

As noted previously the Commission believes its current financial indicators provide an authoritative measure of financial management arrangements. The new indicators provide assurance that true and fair accounts are produced on a timely basis, in line with the budget set out and scrutinised by the Finance Committee.

We note that the Committee welcomes the increase in the overspend target (ensuring an outturn operational underspend of between 0.5% and 1.5%) but that it has concerns that this is not a suitable indicator as it does not link value for money and efficiency in the use of resources.

We have previously considered such targets e.g. the previous indicator set a target of £500k of value for money savings. This was found not to be a suitable indicator as the level of savings achieved in-year, was heavily influenced by the number and size of contracts being renewed in any given year.

In addition, the Commission aims to provide, in its annual budget, a clear and transparent account of its activities for the forthcoming year. If efficiencies are anticipated in any given year, these are built in to the budget.

The Assembly Commission will review these corporate performance indicators at the end of the first reporting period and consider whether any changes are required.



#### **Recommendation 4.**

**(1) The Committee recommends that the Assembly Commission gives consideration to setting a more specific percentage figure target for the engagement index in light of its consistently exceeding the target currently set.**

**(2) As with Recommendation 1, the Committee appreciates that the Commission set this target following a benchmarking exercise against other comparable organisations. However, we remain disappointed that a more ambitious target was not set and request that the Commission re-considers this and reflects on its whole suite of indicators to ensure the targets encourage the Commission to stretch itself.**

We note the Committee's concern that the Commission has not set a more ambitious target for the engagement index.

We are content that the benchmark comparator is appropriate, and our continued good performance in this area allows us to focus instead on other areas of activity which may require greater support.

The Commission is content with performance in this area and it believes that setting a more ambitious target would then result in resources being diverted to this area, (current staff engagement) to the detriment of other areas e.g. BAME representation/recruitment.

#### **Recommendation 5.**

**(1) The Committee recommends that the Assembly Commission makes public the overall results for each individual question in the staff survey. This should include comparative data over a three year period.**

**(2) The Committee welcomed the Commission's commitment to consult staff on making public the results of the annual staff survey. I would welcome updates on this initiative, when available.**

The Commission will provide the Committee with an update once consultation has taken place.



# Agenda Item 3.3

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

N Ramsay, AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

30 March 2020

Dear Mr Ramsay,

## Our Approach to Responding to the COVID-19 Public Health Emergency

Since I was unable to meet the Committee last week to brief them in person about how we are approaching the current emergency, I thought that the Committee might find it helpful for me to write setting out the issues on which they may be seeking particular reassurance. This letter has to be a snapshot because the situation is changing all the time and some of what I say will no doubt become rapidly out of date. But this is where we are at the time of writing.

In response to these unprecedented circumstances we in the Welsh Government are seeking to devote as much resource as possible to the new demands upon us. There are implications for all of the office, including the provision of corporate support services, on how as a civil service we support Ministers in dealing with the crisis. At official level the work of the Welsh Government is being coordinated by a new group that I have established and chair, which meets weekly. Its role is to take organisational decisions and to give me the assurance which I need as Permanent Secretary that we are supporting Ministers effectively in order to respond to the crisis, protect public money and to look after the welfare of staff and Ministers.

Across the organisation we have re-directed staff resource to focus on supporting the Welsh Government Response to the COVID-19 outbreak. We have drawn on previous learning, in particular the arrangements which we put in place to manage the risk of a no-deal Brexit. The previous report by the Wales Audit Office on our preparations then has proved very useful to us in this situation. Each of the Groups has reviewed its Business Continuity arrangements and has now re-focused resource wherever possible.



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At the same time we have resourced our Emergency Control Centre, which is the facility we stand up during an emergency to manage and disseminate all the information coming in. This is a considerable resource requirement and we are asking every part of the office to contribute staff to be seconded to the team. We are resourcing the other new demands in a similar fashion, either by Directors General redeploying staff within their Groups or by moving staff between Groups.

The challenges we face as an organisation to support the people and businesses of Wales during the current crisis are immense. We are working at pace to deliver financial support to businesses, for example, a response which means we will be supporting more recipients of funding than ever been done before by the Welsh Government.

I am very pleased to tell the Committee the response from staff across the organisation to the urgent and intense requirements of supporting Ministers in dealing with the crisis has been exceptional. I am proud of the civil service and the way in which it is responding.

At close of play last Friday 102 staff were reporting that they are self-isolating with 14 recording as sick with Covid-19 symptoms. We expect this number to increase rapidly in the coming days. As the emergency develops we can expect more staff to be affected. In line with national guidance, all staff have been asked to work from home wherever possible and we expect very few to still need to be physically in the office. We have had to close some of our offices due to availability of staff and we anticipate the numbers of offices we need to close will increase. We are clear, though, that as an organisation we are not closing down – just dispersing. Staff will continue to work as normally as possible, albeit through remote means.

I wrote to members of the Public Leaders Forum on 23 March updating them on the COVID-19 crisis, and reassuring them the Welsh Government, utilising the capacity of the new ICT system, was still fully open for business. We are making sure that we communicate regularly and clearly with our public bodies to share with them the actions which we are taking ourselves and to learn from their experience. I am being particularly careful to make sure that the Accounting Officers of the public bodies are being kept in touch with the steps which as Principal Accounting Officer I am introducing in the Welsh Government, as outlined in this letter.

There are excellent examples of cross-public sector working emerging, such as organisations coordinating and sharing information, in a careful and compliant manner, to deliver effective support for vulnerable citizens. We are working with others to seek to provide leadership and to coordinate efforts, particularly at the moment in respect of the shielding arrangements being put in place which will only be effective through close working with our partners in the public sector and the third sector.

As part of the re-appraisal of what corporate work we can re-profile, I have been very grateful to the Auditor General for Wales for the constructive dialogue we are having with him about deferring completion of our accounts this year until the autumn, where



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one of the difficulties which we are facing is the (understandable in the circumstances) delay which we are experiencing in receiving information from some of our constituent bodies. An extended timetable for accounts preparation is allowing us to divert skilled staff to COVID-19 work and makes a real difference to our efforts. We have also stopped almost all of our own internal audit work together with the scheduled spring meetings of our Audit and Risk Assurance Committees. Our internal auditors, most of whom are finance professionals as well, have valuable skills which are being redeployed across the organisation to assist.

We are being careful, however, to continue to maintain our counter-fraud capability. It is a sad fact that sometimes fraudsters can see a major crisis as an opportunity to perpetrate a fraud when they think we might not be checking as carefully as we usually would, so we need to be especially vigilant on that front. We are making sure that we draw on the helpful UK guidance coming out in this respect.

The Committee has previously taken evidence in relation to the roll-out of our new ICT system last year. Though we were unaware of the importance at the time, the new system has been absolutely essential in allowing us to respond properly to this crisis. Ministers and staff are able to operate remotely with an effective and efficient system. We have increased our capacity to work remotely and the system support has been resilient to date. There has been a rapid and intense acquisition of better skills by many of us (including myself!) in how to make effective use of the new tools that we have for remote working.

I as Principal Accounting Officer, and those who I have designated as Additional Accounting Officers, are very conscious our responsibilities remain through this situation. We need to make sure we still protect the public purse but also recognise that the unique demands of the current situation mean that we will have to do some things in a different way for the duration of the crisis.

We are identifying processes which need to be streamlined and simplified in order to enable decisions to be made at pace while still maintaining the essential safeguards of looking after public money properly and being able to account afterwards for how, and why, it was spent. I recognise that the current crisis means that we need to increase selectively our appetite for risk. I have asked my Additional Accounting Officers to be as flexible, swift and responsive as they can, while still being mindful of our responsibilities to protect the public purse. We have also issued revised guidance to policy teams and to all teams who deal with grant payments and we have strengthened the central teams who deal with governance and grant queries to allow them to respond effectively to the numerous queries which they are receiving from staff seeking guidance.

The extremely fast pace at which we are having to work and respond also has implications for the way in which we record decisions and the reasons why they were taken. It will not always be possible to produce the full written analysis before a decision is taken which we would normally expect in these circumstances. Where this is the



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case we will be producing a retrospective note for the record which outlines the context and rationale for the decision. We have also put in place arrangements to keep track of specifically Covid-19 related expenditure.

I hope this letter helps to give the Committee a sense of how we are deploying ourselves to meet the crisis. I am determined to maintain the standards which the Committee would expect of me. I hope that, in turn, the Committee will recognise that I am also needing to take conscious and managed risks which I would be unlikely to do were the circumstances not so grave.

Yours,

A handwritten signature in black ink that reads "Shan Morgan". The signature is written in a cursive style and is positioned above a long, thin horizontal line that extends across the width of the signature.

**Shan Morgan**  
Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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# Agenda Item 3.4

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

14 April 2020

Dear Committee Chairs

## Welsh Government Consolidated Accounts 2019-20

Staff from the Welsh Government and WAO have been working closely over the last two weeks to assess the impact of the Covid-19 crisis on the preparation of the 2019-20 annual report and accounts for all those organisations that contribute to the consolidated Welsh Government position. In particular we have spoken at length to colleagues in health and social services to determine the likely impact of this unprecedented outbreak on staff within the health bodies.

As a result we have jointly agreed a revised plan which would move the sign off of the consolidated annual report for the Welsh Government to the week of the 26<sup>th</sup> of October 2020. This represents a delay of 9 weeks when compared with the current plan and allows an additional 4 weeks for health bodies, a further 2 weeks for WAO audit and 3 weeks contingency for further slippage in either health bodies, our Arms Length Bodies or audit. This delay is in line with the timescales agreed by the National Audit Office and HM Treasury with Whitehall departments.

Our teams originally offered a longer extension for the health bodies. However, health officials felt that although some additional time would be helpful, staff still needed to undertake most of the preparatory accounts work prior to the potential peak in Covid-19 cases.



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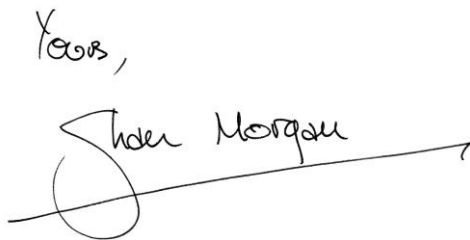
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We believe that the revised timescales represent a realistic assessment of when this year's accounts can be completed. However, there are a number of risks that could impact the revised plan. These include:

- The continued availability of staff throughout the process.
- The extent to which remote working and auditing are possible for each or the organisation involved in the preparation and audit of the consolidated accounts.
- The quality of the draft accounts and working papers made available for audit.
- The availability of Audit and Risk Committees and Boards (even virtually) to approve accounts prior to Accounting Officer sign signature.

Hopefully PAC members will find the proposed revised timetable acceptable. However, we will continue to monitor the situation closely and inform you of any further rescheduling that may become necessary.

Yours,  


**Shan Morgan**  
Ysgrifennydd Parhaol / Permanent  
Secretary  
Llywodraeth Cymru / Welsh Government



**Adrian Crompton**  
Archwilydd Cyffredinol Cymru / Auditor  
General for Wales



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**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Mr N Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

28 April 2020

Dear Mr Ramsay,

## Welsh Government's Approach to Responding to the Covid-19 Public Health Emergency

Thank you for your letter of 17 April and for the decision to defer the publication of the PAC report into the scrutiny of the Welsh Government Accounts for 2018-19. We will of course review the copy that you plan on providing separately to the Welsh Government and carefully consider its conclusions when drafting the 2019-20 Accounts. Committee members will not as yet be aware of the fact that in light of current pressures on the devolved Governments and Whitehall departments, HM Treasury will shortly be issuing revised guidance on the preparation of 2019-20 Accounts. Although there are unlikely to be any changes to the information provided on governance, remuneration and core financial statements, HMT will be recommending that Government organisations substantially reduce the content of the report portion of the accounts. I will first discuss the new guidance with the AGW and then forward any proposed changes to the content of the 2019-20 Accounts to PAC members for consideration.



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You also raised a number of other issues which I would like to address.

Although Audit and Risk Committee meetings have been postponed until at least June, officials continue to forward copies of relevant papers to ARAC members. This applies to both the main Welsh Government and group ARACs. I am also ensuring that we continue to engage with other non-executives. To this end, Welsh Government Board members met on 25 April for the sole purpose of briefing the non-executives on how the Welsh Government is responding to the Covid-19 crisis.

As for documenting decision taken, I have already written to all of my additional accounting officers emphasising the importance of maintaining and retaining records of the need being met, the reason for the decision taken and any potential risks. Furthermore, any supplementary guidance we issue to staff in relation to expenditure incurred in tackling Covid-19 is also used to reiterate this need for robust record keeping.

Yours,  


**Shan Morgan**  
Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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# Agenda Item 3.5

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Mr N Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

21 April 2020

Dear Mr Ramsay,

## Independent QC Investigation

The Committee will have seen the Written Statement which the First Minister has released today in relation to events following on from the tragic death of Carl Sargeant. The First Minister says in his Statement that he invited Sir Brendan Barber to speak to the interested parties to see if a way forward could be found. As a result Sir Brendan has made two recommendations to the First Minister: that the Independent Investigation should not proceed, and that the Welsh Government should meet the reasonable outstanding legal costs of the Sargeant family. The First Minister has decided to accept and to implement both recommendations.

The Committee touched upon aspects of these events, and the associated leak investigation in particular, when I and my colleagues were giving evidence to the Committee last autumn on the annual accounts so I thought that it was appropriate that I should write to you formally about these matters.

On the basis of the recommendation from Sir Brendan the First Minister has agreed that the Welsh Government should meet the outstanding legal costs of the family. The reasons why this exceptional action is considered to be in the public interest are summarised in the response from the First Minister to Sir Brendan which is attached to the Statement. As Principal Accounting Officer for the Welsh Government I have been,



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of course, closely involved with advising the First Minister on this matter. The course of action set out in the First Minister's letter is consistent with the advice I provided.

I will of course respond to any questions which the Committee might have about the payment or any other aspect of these events, either in writing or as part of an evidence session.

I am copying this letter to the Auditor General for Wales.

Ys,   
 Shan Morgan

**Shan Morgan**  
Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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Llywodraeth Cymru  
Welsh Government

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**WRITTEN STATEMENT  
BY  
THE WELSH GOVERNMENT**

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**TITLE**        **Independent QC Investigation**

**DATE**        **21 April 2020**

**BY**            **Mark Drakeford, First Minister**

In my Written Statement of 11 July last year, following the conclusion of the Coroner's Inquest into the tragic death of Carl Sargeant, I told Members that I thought it was right that there should be a period of reflection and that I would assess what further steps should be taken, in consultation with the Sargeant family and other interested parties.

I subsequently invited the Chair of ACAS Sir Brendan Barber, acting in a personal capacity, to speak with the parties to see if an agreed way forward could be found. I am most grateful to Sir Brendan for agreeing to undertake this work. I am also grateful to the family of the late Carl Sargeant and to the former First Minister Carwyn Jones for their constructive engagement.

As a result of his discussions Sir Brendan has made two recommendations to me. First that the Independent Investigation should not proceed, and second that the Welsh Government should meet the reasonable outstanding legal costs of the Sargeant family. I have decided to accept and to implement both. I am attaching with this Statement copies of the exchange of letters between Sir Brendan and myself, which set out the results of his discussions and his recommendations, together with my response.

I know that all parties involved now share a wish to bring an end to the public controversy in relation to the tragic death of Carl, allowing us all to remember him as the valued husband, father, colleague and friend that he was.

**Sir Brendan Barber**

Mr Mark Drakeford AM  
First Minister of Wales

14 April 2020

Dear First Minister

**The death of Carl Sargeant and the IQCI**

You asked me in December if I would consider taking on a mediating role to explore with the family of Carl Sargeant and the Former First Minister Carwyn Jones whether common ground could be established on the most appropriate way forward. The background to this, as you well know, was that in the wake of Carl's death it had been decided to establish an independent, QC led, investigation (IQCI) to consider the actions and decisions of the Former First Minister. Since that decision however other events have intervened, including protracted exchanges on the proposed working methods of the IQCI, an internal Welsh government leak enquiry, and notably a Coroners' Inquest into the death of Carl Sargeant as a result of which a great deal of evidence concerning the actions and decisions of the former First Minister has been considered on which he has been questioned extensively and publicly. These intervening events have resulted in decisions by the government up to this point to pause the investigation and have led to a questioning on whether the IQCI is now an appropriate and proportionate way of considering any outstanding matters.

Having accepted your December request, I have now had the opportunity to discuss all these issues extensively with members of the Sargeant family (Bernadette Sargeant and Jack Sargeant and their legal adviser Neil Huddell), and with the Former First Minister Carwyn Jones. I also had the benefit of a meeting with Paul Bowen QC to understand his perspective on the current position.

It is clear to me from all these discussions how painful and damaging have been the consequences for everyone affected by the death of Carl Sargeant and, of course, for the family in particular. This has been exacerbated by the fact that it is now over two years on from Carl's death and yet it has not been possible to reach any kind of closure. This long period has been marked by continuing uncertainty on how unresolved matters may be addressed and, in some areas, contentious legal exchanges. Yet my discussions with the parties suggest strongly to me that on all sides there is now a strong, shared appetite to resolve outstanding matters.

I have facilitated exchanges between the FFM and the family on the FFM's handling of the decisions around Carl's departure from the Welsh Government. I hope these



exchanges have been helpful to the family, but I well recognise that there will always I suspect remain a host of unanswered questions in their minds. Looking to the future perhaps more importantly, we have discussed the strong wish on both sides to move on from public discussion on Carl's death and all the desperately unhappy circumstances surrounding that.

Inevitably the publication by the FFM of his political memoirs later this year will bring some renewed reporting around those events, but he shares the family's strong wish to minimise any revived public interest in Carl's death. Both sides have confirmed to me that they have no wish to prolong any ongoing controversy.

Against this background and having reflected very carefully on what is needed to achieve a just sense of closure to this whole period, I have two recommendations to you as First Minister.

My first proposal is that it would be most appropriate for you to terminate the work of the IQCI. (This of course implies no adverse comment of any sort on the handling of the IQCI up to this point). In my judgement, however, the actions and decisions of the FFM have now been extensively scrutinised and questioned through the public processes of the Coroners' Inquest. I do not consider that the additional significant level of public expenditure that would need to be devoted to the IQCI would be justified. Perhaps just as importantly I do not consider that the additional time needed to complete such an investigation (estimated by Paul Bowen QC to be 12 months) would be in anyone's interest. My view on terminating the IQCI is supported by both the family and the FFM. The family have been through a traumatic two years and questions inevitably remain to which answers may never be found. But they feel that now is the time to seek some form of closure.

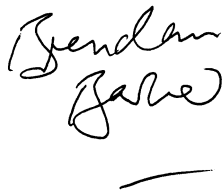
My second recommendation concerns Welsh Government financial support to meet the legal costs incurred by the Sargeant family, throughout the period since Carl's death. I understand that the family's legal costs around the relevant judicial review proceedings and the IQCI have been underwritten by the Welsh Government. That still however leaves very extensive costs associated with the Inquest. It would seem wrong to me for this whole episode to be concluded with an ordinary family like the Sargeants to be at risk of being left with any significant outstanding legal bills. The FFM's legal expenses throughout have, quite rightly, been covered by the Welsh Government as I understand it, as they derive from actions and issues arising during his term in office. But I think it would only appear equitable that the Government should be prepared to make equivalent support available to the family.

As a result of without prejudice discussions it has been established that a payment to the family's legal representatives (in addition to the legal costs already reimbursed) of £220,000 inclusive of VAT would meet all reasonable outstanding legal costs. I hope you would be prepared to support such a payment. The family have confirmed to me that, if approved, this financial support would mark a closure in the process of examining issues surrounding Carl's death, and that, from the family's point of view, no further legal action would be contemplated.

I have made the recommendation in respect of the payment of the family's legal expenses on the basis of the exceptional circumstances of Carl's tragic death and taking account of the scrutiny given to the actions of the FFM at the inquest.

I hope that this letter provides a helpful summary of my discussions with the parties. I hope too that my recommendations will be acceptable to you as the basis on which all the parties can draw this unhappy episode to a close.

Yours sincerely

A handwritten signature in black ink, reading "Brendan Barber". The signature is written in a cursive style. Below the signature is a short horizontal line.

Sir Brendan Barber

Cc Jack Sargeant, Neil Hudgell, Carwyn Jones

**Y Gwir Anrh/Rt Hon Mark Drakeford AC/AM**  
**Prif Weinidog Cymru/First Minister of Wales**



Llywodraeth Cymru  
Welsh Government

Sir Brendan Barber

17 April 2020

Dear Sir Brendan

### **The Death of Carl Sargeant and the IQCI**

Thank you for your letter of 14 April setting out the outcome of your discussions and your recommendations to me. I was most grateful to you for accepting my request to play a mediating role with the parties concerned to see if an agreed way forward could be found. I am also grateful to the family of the late Carl Sargeant and to the former First Minister Carwyn Jones for their constructive engagement. I appreciate that it will not have been easy for them.

Having considered their wishes, as reported in your letter, and the considerations of the public interest set out below, I accept both of the recommendations which you have made to me. I agree that there would be considerable public cost and, given the extent to which matters have been rehearsed at the Inquest, little to be gained, by continuing with the Independent QC Investigation, and I will now be taking steps to bring it to a close. I am grateful to the Independent Investigator Paul Bowen QC and his team for their work.

I confirm that the Welsh Government will in the next few days be making the payment of £220,000 (inclusive of VAT) to the legal representatives, as the reasonable outstanding legal costs of the family, as recommended in your letter. This payment will be made on the understanding that you have established, that this will bring an end to the examination of issues surrounding Carl's death. From the family's point of view this will prevent further prolonging of the distress they have experienced and no further legal action would be contemplated by them.

This reimbursement of that element of the legal costs which the Welsh Government has no obligation to meet is an exceptional step and should not be seen as setting any kind of precedent. To a large extent the proceedings of the Inquest covered the same ground as the remit of the Investigation, where the Welsh Government would have been contractually committed to meeting the legal costs of the family (under the terms in which the Investigation was established). As you set out in your letter, the costs which would be incurred by

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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continuing with the Investigation are not justifiable. I have concluded therefore that this payment is in the public interest and represents a substantial net saving to the public purse.

I will report this outcome to the Senedd by publishing your letter to me and this reply.

Thank you again for your work in helping bring this important matter to a close.

I am copying this letter to Jack Sargeant AM, Carwyn Jones AM, and Neil Hudgell.

Best wishes

A handwritten signature in black ink that reads "Mark Drakeford". The signature is written in a cursive, slightly slanted style.

**MARK DRAKEFORD**

# Agenda Item 3.6

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Mr N Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

23 April 2020

Dear Mr Ramsay,

Thank you for your letter of 31 March. As this was the first Ministerial Direction issued in Wales, I am pleased the Committee felt the procedure worked well and found the scrutiny session constructive. The consideration by the Committee of the Ministerial Direction process provided a helpful insight on this first experience.

A constructive lessons learned session has been held with the Public Accounts Committee Clerks and Wales Audit Office, where some minor procedural improvements were identified including:

- consideration being given to the requirement to 'consult' with HMRC on tax proposals. HMRC are unable to provide a formal view until detailed scheme implementation arrangements are in place, accordingly they are unable to formally 'consult' on schemes in development. This does not mean that engagement with HMRC should not be undertaken as appropriate when Welsh Public Sector bodies are making tax arrangements generally.
- clarity that when a Ministerial Direction is issued it will be notified by Welsh Government to the Chair of the Public Accounts Committee, and copied to the Chairs of the Finance Committee and relevant Assembly subject Committee(s). This is to support the Public Accounts Committee in its' determination of how scrutiny might best be considered by the Assembly.



**BUDDSODDWYR** | **INVESTORS**  
**MEWN POBL** | **IN PEOPLE**

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The refresh of Managing Welsh Public Money was planned in 2020/21 and will include these updates but has been impacted by the Covid-19 outbreak, I will update the Committee on this in due course.

Welsh Government welcome the changes made in the UK Government budget to increase the threshold and remove the deterrent to senior clinical staff working additional hours. We understand that prior to the Covid-19 escalation, there had only been limited interest from clinicians in taking up the Scheme Pays proposal covered by the Direction for 2019-20. However, we will not have firm totals for the extent of any future Welsh Government liability in this regard for some time yet.

Thank you for what you said in your letter about the Committee feeling that it has established a constructive dialogue with the Welsh Government over recent times. I am grateful for the way in which the Committee has approached dealing with some of the more sensitive issues. I and my Additional Accounting Officers will always try to be as open as we can with the Committee, recognising that there will be a need for special arrangements at times to allow us to do so.

Yours,

A handwritten signature in black ink that reads "Shan Morgan". The signature is written in a cursive style and is positioned above a long horizontal line that extends across the width of the signature area.

**Shan Morgan**  
Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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# Agenda Item 4

By virtue of paragraph(s) vi of Standing Order 17.42

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