



**Cynulliad Cenedlaethol Cymru
Pwyllgor Archwilio**

**The National Assembly for Wales
Audit Committee**

**Adfywio Bae Caerdydd
The Regeneration of Cardiff Bay**

**Cwestiynau 1-48
Questions 1-48**

**Dydd Iau 18 Gorffennaf 2002
Thursday 18 July 2002**

Aelodau o'r Cynulliad yn bresennol: Dafydd Wigley (Cadeirydd), Eleanor Burnham, Alun Cairns, Janet Davies, Janice Gregory, Alison Halford, Ann Jones, Helen Mary Jones, Val Lloyd.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Frank Grogan, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru.

Tystion: Syr Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; David Richards, Prif Swyddog Cyllid Cynulliad Cenedlaethol Cymru.

Assembly Members present: Dafydd Wigley (Cadeirydd), Eleanor Burnham, Alun Cairns, Janet Davies, Janice Gregory, Alison Halford, Ann Jones, Helen Mary Jones, Val Lloyd.

Officials present: Sir John Bourn, Auditor General for Wales; Frank Grogan, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer.

Witnesses: Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales; David Richards, Principal Finance Officer, National Assembly for Wales.

*Dechreuodd y cyfarfod am 2 p.m.
The meeting started at 2 p.m.*

[1] **Dafydd Wigley:** Croesawaf bawb i'r cyfarfod hwn o'r Pwyllgor Archwilio. [1] **Dafydd Wigley:** I welcome everyone to this meeting of the Audit Committee.

I draw visitors' attention to the fact that simultaneous translation is available. Members and witnesses have the right to speak in Welsh or English. If anyone is hard of hearing, you may find that you can follow proceedings more easily by listening through the headsets.

I formally welcome our guests from the Scottish Parliament: Andrew Welsh MSP, the convenor of its Audit Committee, who was a colleague of mine in Westminster for about 20 years; Bob Black, the Auditor General for Scotland; and Seán Wixted, the committee's deputy clerk. I hope that you will find our inquiries and procedures of some interest.

Mae Jocelyn Davies yn ymddiheuro na all fod yma. Bu'n derbyn triniaeth yn yr ysbyty, ac yr wyf yn siwr yr hoffai'r Pwyllgor ddyuno adferiad llawn a buan iddi. Mae Helen Mary Jones yn eilio ar ei rhan. Croeso i'r Pwyllgor, Helen. Nid oes ymddiheuriadau eraill.

Jocelyn Davies apologises that she cannot be present. She has been undergoing hospital treatment, and I am sure that the Committee wishes her a full and speedy recovery. Helen Mary Jones is substituting on her behalf. Welcome to the Committee, Helen. There are no other apologies.

Yr ydym yn dychwelyd at bwnc Bae Caerdydd, yr ydym wedi cymryd tystiolaeth yn ei gylch eisoes. Yn y sesiwn cymryd tystiolaeth ar 16 Mai 2002 ar adroddiad Swyddfa Archwilio Genedlaethol Cymru, 'Parhau i Adfywio Bae Caerdydd', fe gofiwch inni benderfynu gwahodd yr Ysgrifennydd Parhaol yn ôl ger ein bron heddiw i'n diweddarau ar y sefyllfa. Croesawaf Syr Jon Shortridge—llongyfarchiadau ichi ar yr anrhydedd—a

We return to the issue of Cardiff bay, on which we have already taken evidence. In the evidence-taking session on 16 May 2002 on the National Audit Office Wales report, 'Continuing the Regeneration of Cardiff Bay', you will remember that we decided to invite the Permanent Secretary back to the Committee to update us on the position. I welcome Sir Jon Shortridge—congratulations to you on that honour—and David Richards back to the Committee. Will

David Richards yn ôl i'r Pwyllgor. A you please introduce yourselves?
wnewch chi gyflwyno eich hunain, os
gwelwch yn dda?

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

Mr Richards: I am David Richards, the National Assembly for Wales's principal finance officer.

[2] **Dafydd Wigley:** I briefly seek clarification on three matters. You will recall, Sir Jon, that, on 16 May, you indicated to this Committee that you would be prepared to make available to us copies of all correspondence relating to this issue. That discussion can be seen in questions 42 and 43 on page 18 of the transcript of that meeting. We received some letters with your letter of 24 June, which was sent to the clerk. Do those letters reflect the entirety of the correspondence that is available? Has the entirety of the correspondence been made available to us?

Sir Jon Shortridge: That is certainly my understanding, Chair. There has certainly been no suggestion that we should be withholding anything from the Committee, so I believe that I can give you that assurance. However, I will double-check.

[3] **Dafydd Wigley:** I was not suggesting for one moment that you were withholding anything. I simply wondered whether anything had happened since 24 June.

Sir Jon Shortridge: I sent to the clerk this morning a copy of a letter that I sent to the chief executive of Cardiff County Council on 4 July.

[4] **Dafydd Wigley:** We have not seen that letter. Is it likely to be material to today's discussions?

Sir Jon Shortridge: I thought that it would be relevant, which is why, when I was reviewing the position this morning, I asked for it to be e-mailed across. I have a copy here if you need it.

[5] **Dafydd Wigley:** Perhaps the deputy clerk could arrange for Members to have copies of that letter.

I want to establish a couple of other points of fact before we move on to questions on the substance of the matter. You stated during the last meeting that you were taking legal advice as to what constitutes reasonable access. You have indicated in the general reporting back that you have made to this Committee that you have been in touch with the Counsel General on that. Are you in a position now to tell us whether you have received any legal advice?

Sir Jon Shortridge: Yes. I have certainly received substantial legal advice. The letter that I sent to Byron Davies reflects the advice that I have received.

[6] **Dafydd Wigley:** Is that the letter that we are about to see now?

Sir Jon Shortridge: Yes.

[7] **Dafydd Wigley:** Therefore, when you are responding to questions of substance now, it is against the background of the full legal advice that you were expecting to have?

Sir Jon Shortridge: Yes.

[8] **Dafydd Wigley:** Thank you. Thirdly, you said in reply to question 45 on page 20 of the transcript that you would be writing to me to let me know the position that you have taken. Clearly, you have not reached that position yet, but I presume that you will be hoping to do so before too long?

Sir Jon Shortridge: Certainly. Once I had heard that I was being invited today, I thought that that had—certainly temporarily—overtaken a formal letter to you on the issue, particularly because, as I will be able to explain, I have not yet reached a full and satisfactory conclusion in my discussions with Cardiff.

[9] **Dafydd Wigley:** That request remains in force. I turn to the Auditor General's letter of 4 July, of which you are obviously aware and of which Committee members have copies. That letter makes it clear beyond doubt that the Auditor General believes that he should have full rights of access to Cardiff Harbour Authority's accounts and that the present provisions fall short of that requirement. We therefore assume, Sir Jon, that you will have informed Cardiff Harbour Authority's accounting officer of this and informed him that you needed his reply by this meeting and that, in the absence of a reply or in the case of the inadequacy of such a reply to meet the Auditor General's requirements, you will, no doubt, have resolved in your own mind what steps you would be advising this Committee and the Government of Wales that you propose to take. Are you in a position to tell the Committee today what those steps are and what the position is?

Sir Jon Shortridge: I certainly agree with everything that the Auditor General has written in his letter to me, so there is no disagreement between us on our understanding of the position. I have spoken on the telephone to the chief executive of Cardiff and, as I have said, I have written this letter. Perhaps I should just correct one thing that you said. Cardiff council's chief executive is not an accounting officer in the conventional sense. That goes back to a point that I made the last time that I was before this Committee. My relationship with the chief executive of Cardiff is significantly different to the relationship that I have with the chief executive of an Assembly sponsored public body. I am not able to assert my will over the chief executive of a local authority in the same way that I am in the case of a sponsored body. So that is a relevant consideration.

Going back to the main thrust of your question, yes, I am very clear about what I should be doing. As I said, I have written to the chief executive explaining to him the position that you have taken and setting out my views on how this matter should now be resolved. I have sought to do it in a helpful way, and certainly in such a way that, if there is any misunderstanding of the source of the problem that we have, that can be cleared up. I will explain in a minute just how I have sought to do that.

However, in terms of process, the chief executive received the letter on 5 July, I imagine, and I am due to see him next Wednesday, when we will discuss a range of matters, including this one. I certainly hope that that meeting will enable me to bring this to a satisfactory resolution. If it does not, then I will have to consider invoking the dispute resolution arrangements, which are set out in the section 165 agreement. Those arrangements essentially go from a reasonably informal mediation through to a more formal arbitration. I want to avoid that if I can, and that is why I have been seeking to engage the council in dialogue, not just with me but also with colleagues in the National Audit Office. I certainly hope that the proposition that I have put in my letter will be one which enables the council to understand that what I am seeking is, really, for it to comply with the contract—comply with the section 165 agreement—as opposed to imposing a second set of auditors on it. That is the distinction that I have sought to make as a way to bring this issue to a satisfactory conclusion.

[10] **Alison Halford:** I did not quite understand what you were saying, Mr Shortridge, but

that is my fault, not yours. You do not have responsibility or power over the chief executive to make him open his books to either you or the Auditor General, and you are the accounting officer for money given by the Welsh Assembly to the harbour authority?

Sir Jon Shortridge: I have an agreement, and I can seek to invoke that agreement. There are procedures in place to ensure that that agreement is satisfactorily implemented. I can certainly do everything in my power to ensure that the agreement is implemented and, to the extent that there are problems in its implementation, that I invoke the dispute resolution arrangements. The point that I was making is that there is a difference. Were this the accounting officer of an ASPB, who has a formal accounting officer relationship with me, I would be in a much stronger position to assert my will over that person and, in effect, instruct them, than I do in the case of the chief executive of a democratically elected local authority.

[11] **Alison Halford:** I understand that, but you are the Permanent Secretary and you were the Permanent Secretary at the time when the harbour authority came into being. We know very well, from having taken evidence previously, that this is a unique set-up. So you could argue that, as the guardian of public money in Wales, you have allowed a system to be set up which gives you precious little control over how money is being spent. Could I have an answer to that?

Sir Jon Shortridge: Yes. I think that I would refer you to the first page of Sir John Bourn's letter, which says,

'When the agreement was being prepared, Assembly officials consulted the National Audit Office about this issue and ensured that the section 165 agreement included what was then a standard formula for providing the Comptroller and Auditor General and the National Audit Office access to UK bodies receiving public funds.'

Therefore, I would take the view that, throughout this process, we have acted responsibly, professionally, using precedent, and what we have found ourselves in is, to the best of my knowledge and certainly in my experience, a totally unprecedented situation whereby I have a contract and there has been a difference of view, in this case with the local authority, as to what it means.

[12] **Alison Halford:** Do you know how many times the harbour authority has met since it came into being?

Sir Jon Shortridge: No, I do not.

[13] **Alison Halford:** How much money have we given to the harbour authority since it was set up?

Sir Jon Shortridge: I cannot give you an accurate figure for that either.

[14] **Dafydd Wigley:** Are we talking about millions of pounds?

Sir Jon Shortridge: Yes, we are talking many tens of millions of pounds.

[15] **Dafydd Wigley:** The point is that, if this clause was being invoked and followed, as was the intention, and as we believe is the legally binding position, you would be getting access to this information. Therefore, the question that arises is, if the procedures for arbitration are laid down in the agreement, and we have taken the best part of a year to get to this position, why have we not used those procedures of arbitration before now?

Sir Jon Shortridge: I think that there are two points. The first thing to say is what I explained

to the Committee last time, that, in terms of Assembly officials getting access to all the information and records that they require to do their monitoring work, we have never had any problem with that. Therefore, as I explained last time, we as officials do not have any evidence that there has been any misuse or misappropriation of Assembly funds. We have very elaborate procedures in place, and they have been working. The issue, and I will not seek to understate it, is obtaining access for the National Audit Office so that it can satisfy itself, independently and separately, that the way in which the procedures have been operating and the judgments that we have been making are accurate. That is the issue.

[16] **Dafydd Wigley:** There is no dispute about that. I was asking why have we not used the arbitration process before now, if you have known of this since July last year.

Sir Jon Shortridge: As I said last time, I have been seeking to proceed by agreement rather than by taking an adversarial stance. I did explain last time that I was particularly interested to hear the views of the Committee on that so that I could decide how I was going to position myself.

[17] **Dafydd Wigley:** I think that you had those, did you not?

Sir Jon Shortridge: In response to those views, what I have done since that last meeting is to take further legal advice and I have shared this advice with the Auditor General. He wrote to me on 4 July, and, on the same day, I wrote to the chief executive of the county council, and he is coming to see me next Wednesday.

[18] **Alun Cairns:** Can you share with us—I do not have a copy of the section 165 agreement—the mediation process, or the dispute clause that is contained in the contract? What are those different steps? You have spoken of informal mediation through to more stringent action. Can you tell us what each step is?

Sir Jon Shortridge: It is a three-page part of the agreement, so, if you will forgive me, I will just try to take you through it quickly. The agreement states:

‘The parties will use their best efforts to negotiate in good faith, and settle any dispute that may arise out of, or relate to, this agreement or any breach of it. If any such dispute cannot be settled amicably through ordinary negotiations by the council’s head of service responsible, the dispute shall be referred to the senior representatives nominated by the chief executives. If the dispute or difference is not resolved as a result of such meeting, either party may propose to the other in writing that structured negotiations be entered into with the assistance of a neutral adviser or mediator.’

It then goes on with a whole series of clauses about the procedure for appointing a mediator and then, if the mediation process cannot come about or is unsatisfactory, at that point there are arrangements for appointing an arbitrator. It goes on to say that, if the arbitration relates to a matter of law or a matter of interpretation of the agreement, the president of the Law Society at the time shall appoint the arbitrator. So that is just a very quick run through it, but I am very happy to let you have a copy.

[19] **Alun Cairns:** I am grateful for that. I noted four or possibly five steps that we could follow from your brief summary. At which step are we now?

Sir Jon Shortridge: I think that we have reached the point where I will meet with the chief executive, and, if that is not satisfactory, I will be looking to move to more formal mediation.

[20] **Alun Cairns:** So, for how long have we been in this situation where Sir John Bourn has not been allowed access to the information that he requires on behalf of the Committee?

Sir Jon Shortridge: He has been seeking this information for about a year, but I think that that needs to be put into context. He and I have been working to find a satisfactory resolution to this matter, short of following more formal procedures, and that has, I think, had regard to the nature of the dispute and its relative seriousness.

[21] **Alun Cairns:** Cadeirydd, may I suggest a course that the Committee might want to take as soon as we have finished—

[22] **Dafydd Wigley:** May we come back to you on that? Perhaps Eleanor would like to ask her question and I know that Helen also has a question.

[23] **Alun Cairns:** I have one final question.

[24] **Dafydd Wigley:** Okay. We will take that question first.

[25] **Alun Cairns:** Let us put this into context, Sir Jon. In your response to Alison Halford, you said—and I made a note of this—that there is no evidence of inappropriate use of funds. I suggest that that is what we are seeking to ensure. It is the Committee that makes the judgment as to whether there has been appropriate or inappropriate use of funds. Therefore, we are asking your help in allowing us, or Sir John Bourn on our behalf, access to that data, so that we can make an appropriate judgment, which, I hope—and am sure will—back up your statement. However, it is for the Committee to make that judgment.

[26] **Dafydd Wigley:** I wish to make it clear that we have no reason to believe that there has been an inappropriate use of funds, but we want to give the Auditor General the fullest possible support in obtaining the information that he deems appropriate. I know that that is also the position that you take, Sir Jon—it is a question of time and how we get there.

[27] **Eleanor Burnham:** I just have a brief question. We are dealing with devolved Assembly matters, and it would appear that a fortnight is a long time to wait for a reply. If anybody is listening to or watching this—because people do take a keen interest in the Audit Committee—they would probably understand why it has taken such a length of time if it appears that you have not received a reply to a letter you sent to the chief executive of Cardiff County Council a fortnight ago. Has no reply come back since then?

Sir Jon Shortridge: I have not had a reply, and I have made the judgment, rightly or wrongly, not to press too hard for a reply under the circumstances. I think that he needs to have time to reflect on what I have written and to undertake any necessary consultations he needs to make within his authority. However, I do have a meeting with him next week.

[28] **Eleanor Burnham:** Surely that is the whole point, if you have been waiting for a year, and have been trying to press the matter, surely these are the manifestations of the difficulties that you obviously face.

[29] **Dafydd Wigley:** It is no doubt frustrating for you, Sir Jon, and it is frustrating for this Committee, because we thought in May that we would come to a conclusion in this session before we went down for the summer.

[30] **Helen Mary Jones:** Forgive me, Sir Jon, if these are questions that have already been answered in the previous session on this matter. I want to take you back to the dispute resolution mechanism to which Alun Cairns has already referred, and this also concerns the appropriateness or rigorousness of the original agreement, to which Alison Halford referred. Does this dispute resolution mechanism have specific timescales? Considering the various

dispute resolutions with which I have been involved, such as grievance procedures at work, letters must be answered and meetings set up within so many days. Do we have these timescales? I understand what you have said about giving people time to respond, but the council has had a year to decide its position on this. Do we have the timescales, and if so, can you accurately predict, if it comes to a worst-case scenario and you have to invoke the mechanism, how long it will take? If we do not have the timescales, how long do you think that it is likely to take? If it has taken a year and the auditor still does not have the information, then my experience of this kind of mechanism suggests that, if you have to invoke the formal procedure, it could be another six months before he gets that information. I hope that you will not have to do that and that it will be resolved well. However, in terms of any future problems, it is important for the Committee to understand what the mechanism is.

Sir Jon Shortridge: The formal procedure does lay down timescales, but I would need to work out a critical path for you because—and you are clearly experienced in these things—if something does not happen then there is more time for it to happen, and then you return to the core path. However, the timescales that recur in this document, which I am happy to make available to you, are 14 days for different stages, and there is one case where, if parties fail to reach agreement in the structured negotiations within 30 days, then something will happen. So it is those sorts of timescales.

[31] **Janet Davies:** I have quite a lot of sympathy for you in struggling to make progress on this, Sir Jon. It is an issue of timescales again. What has occurred to me while I have been listening is that we now have a long recess period and it will be three to four months before the Audit Committee meets again. To what extent will you pursue this rigorously throughout the summer recess, and would it perhaps be possible for you to contact the Chair, because the Committee will not be meeting, in order to keep him informed of progress?

Sir Jon Shortridge: Yes, certainly. Indeed, it is helpful, if I can put it this way, to know that the Committee is pressing me hard for an outcome and I will take that into account. I can certainly ensure that, either directly through the Chair or, if he prefers, through the clerk, you are kept regularly informed on how matters are progressing.

[32] **Dafydd Wigley:** If you channel information through the clerk, it will reach me wherever I may be. That is the probably the formal and appropriate way to do it. I would be grateful for that information.

[33] **Ann Jones:** This point is aimed at the National Audit Office rather than Sir Jon. When Assembly officials consulted the audit office about what was being built into the section 165 agreement, did you not feel that it was necessary, other than just to accept the standard formula, if you had wanted access to records, to have written that in at the time?

[34] **Dafydd Wigley:** Our questioning is aimed at Sir Jon at the moment.

[35] **Ann Jones:** I will ask Sir Jon, then. Did you think that such a clause should have been written into the section 165 agreement, and were you surprised that the audit office did not ask for it to be written in?

Sir Jon Shortridge: The clause that we have written in is one that emerged through a process of consultation with the National Audit Office and one which we mutually felt fully safeguarded everyone's position. It certainly fully safeguarded our position in relation to the identical section 165 agreement, or the type of section 165 agreement, with the Vale of Glamorgan Council. I could say, to help the Committee perhaps, that, in the light of this experience, which, to the best of my knowledge is unique—it is certainly unique to Wales—we have refined the formula we would use in future to avoid a recurrence of this situation. However, in fairness to everyone concerned, I do not think that the situation we are in at

present is one that we could reasonably have foreseen.

[36] **Dafydd Wigley:** I wish to press you a little further on that, in order to reassure the Committee. You said earlier that you have now had the benefit of legal advice from the Counsel General. Are we right in interpreting that the Counsel General reaffirms that we have a cast-iron case in law for the provisions of that agreement to be enforced?

Sir Jon Shortridge: It is not my practice, Chair, to share legal advice publicly, particularly in circumstances where we may need to apply it to a third party, if you can understand me. I have certainly received advice, which is reflected in the letter that I sent to Byron Davies and which emphasises that what I am seeking is to use the National Audit Office as our agent, in accordance with the section 165 agreement. So what we are saying to it very clearly is, 'This is simply a question of your implementing the agreement that you have signed with us. It is not me imposing a further set of auditors on you, it is using the National Audit Office as our agent in accordance with the agreement.'

[37] **Dafydd Wigley:** In our last session you referred to the legal interpretation of 'reasonable access'. I do not want to pursue the detail of the legal advice that you have been given, but are you confident that we are in the right in pressing for this?

Sir Jon Shortridge: We are certainly in the right to seek what I have sought from the chief executive of Cardiff County Council on the basis of the letter that I have sent to him. So that we are clear, what I have suggested is that the most satisfactory way through this for both parties is that, when we have our regular meetings with Cardiff Harbour Authority officials in future to satisfy ourselves on financial matters relating to the section 165 agreement, we have, where Sir John Bourn wishes it, an NAO official present at those meetings so that those meetings can be used to give the NAO the assurance that it requires. I am satisfied with that.

[38] **Dafydd Wigley:** From your discussions with Sir John, are you satisfied that what you have asked Mr Byron Davies for in your letter meets fully the requirements spelt out by Sir John in his letter?

Sir Jon Shortridge: It is certainly my understanding that Sir John would be sufficiently satisfied if that was to be the case.

[39] **Dafydd Wigley:** Sir John assents to that, which is good. I want to bring this session to a close, and I know that Alun has a question to ask at the end.

[40] **Alison Halford:** I have one more question, Chair.

[41] **Dafydd Wigley:** Ask it quickly, before I call Alun.

[42] **Alison Halford:** There was some correspondence between Byron Davies and David Richards, dated 20 July 2001, which indicated that the chief executive preferred to be audited by the district auditor. That was another item that we had to stumble over. It is my understanding that Cardiff County Council is at odds with its auditors and is critical of the aggressive manner of the Audit Committee, and the minutes of its meetings seem to indicate that the district auditor is asking too many tough questions. Bearing in mind that Sir John has not been able to have access, and this minute indicates that the district auditor is also in disagreement with Cardiff council, why is the council not opening up its books? Why would the chief executive of a major county council not make available financial information based on financial money?

[43] **Dafydd Wigley:** We can but speculate on that, Alison. I do not think that it is reasonable to ask Sir Jon to speculate on it. The questions will be answered when we get full, unfettered

access to this information.

In considering how we handle this issue between now and when we meet next, time clearly is of the essence. Equally clearly, there are questions of how this can be enforced. Before we could consider taking any draconian steps, which includes steps at law, the provisions of the section 165 agreement, particularly the provisions for arbitration, have to be exhausted, otherwise one would not be able to go to the next step of law. I hope that those steps will be taken urgently if next week's meeting does not resolve the issue. If it resolves the issue and Sir John Bourn is satisfied, fine. If not, there are questions of what further steps could be taken. I think that Alun wants to come in on this.

[44] **Alun Cairns:** Sir Jon, by when would you think it reasonable for us to expect access to those figures?

Sir Jon Shortridge: I hope that my meeting on Wednesday will be successful and that that will be the end of it.

[45] **Alun Cairns:** So it would be reasonable for us to expect access after the meeting on Wednesday?

Sir Jon Shortridge: I am certainly hoping that that will be the outcome, but I would not want to raise false hopes among the Committee. I have already had some challenging questions about the length of time it has taken so far. My views on this are very clear and robust, and you have been equally clear and robust in expressing your views, which I will take into my meeting next Wednesday.

[46] **Alun Cairns:** If you receive resistance at each and every stage of the four or five steps that you highlighted before we look to the courts, what sort of timescale would you expect to pass before we reach the penultimate step of legal action?

Sir Jon Shortridge: To give you an authoritative answer, I really would have to go through this carefully and make sure that I am not misleading you but, subject to that, I would certainly hope that, by the time you come back after the recess, we will have completed this matter one way or the other. What I would say to caution you, though, is that the dispute resolution procedure is there so that any subsequent recourse to the courts would be on a very narrow matter indeed, so I do not think that the Committee should be assuming that this is something that would necessarily end up in a court. I think that both parties would be obliged, in the first instance, to accept the conclusions of an arbitrator.

[47] **Alun Cairns:** We could have thought of that, Cadeirydd; we thought that each party would have been obliged to do that before now. May I suggest that, if all of the steps have been followed through by the time we return after the summer recess, the Committee might want to take a view at that time to pursue this matter through the courts if it is necessary and if that is the advice at the time?

[48] **Dafydd Wigley:** May we include it on the agenda for our first meeting next term? I apologise that this is becoming a perennial item on our agenda but I think that you will understand why we need that, Sir Jon. We must come to a determination on the next steps when we have the detailed report back. I take the point that is made that, in pursuing matters through arbitration, that may involve some compromise. However, the compromise will only be acceptable to this Committee if it is acceptable to the Auditor General, and the Auditor General is satisfied that he is getting access. If he is not satisfied—whatever those proceedings have involved—and if there are further steps that can be taken, it may well be that this Committee would be minded to take them. I think that that should be clearly understood. In the meantime, I hope that you will use all the endeavours that you can to try to

use this procedure to its ultimate potential to get a satisfactory outcome before we come back. Whatever happens, perhaps you will keep us posted of the situation. When we come back, if necessary—if this issue has not been resolved—it will be an item on the agenda of our next meeting.

Diolchaf i Sir Jon a David Richards am ddod ger ein bron heddiw. Byddwch yn sylweddoli bod y Pwyllgor yn cymryd y materion hyn o ddifrif calon. Mae cyfrifoldeb arnom i roi'n cefnogaeth lwyr i'r Archwilydd Cyffredinol, i'w alluogi i wneud ei waith. Dyna pam y buom yn pwyso mor galed ar hyn. Cynhyrchir trawsgrifiad o'r trafodaethau hyn, a byddwch yn derbyn copi ohono er mwyn cywiro unrhyw gamgymeriadau ffeithiol. Bydd wedyn yn ymddangos fel rhan o'n cofnodion. Diolch yn fawr iawn ichi. Gobeithiaf y cewch haf llewyrchus a chynhyrchiol, a chyfle i gael egwyl hefyd.

I thank Sir Jon and David Richards for appearing before us today. You will realise that the Committee take these issues very seriously. We have a responsibility to give the Auditor General our full support, to enable him to do his work. That is why we have pressed so hard on this matter. A transcript of these discussions will be produced, and you will receive a copy of it so that you can correct any factual errors. It will then appear as part of the minutes. Thank you very much. I hope that you have a prosperous and productive summer, as well as an opportunity to have a break.

*Daeth y sesiwn cymryd tystiolaeth i ben am 2.36 p.m.
The evidence-taking session ended at 2.36 p.m.*