



# Pwyllgor Archwilio Comisiwn y Cynulliad Assembly Commission Audit Committee

**Date:** 7 November 2013  
**Time:** 11.00 – 13.00  
**Venue:** Conference Room 4B, Ty Hywel, National Assembly for Wales

## Minutes of the meeting held on 7 November 2013

### **Present:**

#### Members

Richard Calvert (Independent Advisor and Audit Committee Chair)  
Keith Baldwin (Independent Advisor and Audit Committee Member)  
Eric Gregory (Independent Advisor and Audit Committee Member)  
Hugh Widdis (Independent Audit Committee Member)

#### Officials

Claire Clancy, Chief Executive and Clerk, and Accounting Officer  
Dave Tosh, Director of ICT  
Steven O'Donoghue, Head of Resources and Director of Finance  
Kathryn Hughes, Risk Manager and Audit Committee Clerk  
Nicola Callow, Head of Finance  
Virginia Hawkins, Head of Governance  
Vicky Davies, TIAA  
Hedley Walls, KPMG  
Helen Holt, Wales Audit Office  
Sarah Crosbie, Secretariat

### **1.0 Introductions and apologies**

- 1.1 The Chair welcomed the attendees to the meeting, including Hugh Widdis, the new Audit Committee member. The Chair also welcomed Virginia Hawkins as the new Head of Governance, Hedley Walls from KPMG and Vicky Davies from TIAA.
- 1.2 Apologies were received from Angela Burns, Gareth Watts (Head of Internal Audit) and Richard Harries and Mark Jones of Wales Audit Office.
- 1.3 No interests were declared.

## **2.0 Minutes and matters arising**

### **Item 1 - Minutes of meeting held on 4 July 2013 - matters arising**

- 2.1 The minutes of the July meeting had been agreed out of committee.
- 2.2 Since the meeting in June 2013, information on whistleblowing arrangements had been enhanced on the Assembly's website, with various contact details listed for raising concerns, including an individual email address (paragraph 3.7 below also refers).
- 2.3 Regarding the outstanding action to report back on the Assembly's asset accounting policy, a paper to note would be presented at the next meeting.
- 2.4 At the April meeting, the Committee had asked to revisit security vetting procedures in relation to information security. Proposals on security vetting arrangements were being put to Management Board and the Committee would receive an update in due course.
- 2.5 There were no further matters arising from the minutes.

## **3.0 Internal Audit**

### **Item 2 – Head of Internal Audit's Report**

- ACAC (20) Paper 1a – Internal Audit Progress Report
- 3.1 In the absence of the Head of Internal Audit, Steve O'Donoghue updated the Committee, noting that all the audits were on course for delivery with no concerns around timetabling.
  - 3.2 The Committee queried some areas where dates for audits were not specified. Steve explained that this was due to the actual work in some areas not having progressed. He added that the dates for planned audit work were kept under review to ensure delivery of the full plan and that a draft plan for 2014-15 would be submitted to the Committee in February 2014.
  - 3.3 The Chair noted good overall momentum in delivering and reporting on the audits, particularly given the change in personnel.

### **Item 3 – Public Sector Internal Audit Standards (PSIAS)**

- ACAC (20) Paper 1b – Conformance with Public Sector Internal Audit Standards and Draft Internal Audit Charter
- 3.4 Steve noted that following the introduction of the new standards (PSIAS) in April 2013, Gareth Watts had attended the related CIPFA course on its implications and had arranged to meet with Internal Auditors from the other devolved parliaments to share best practice in December.
- 3.5 The Committee welcomed the proposed consultation across the devolved parliaments and endorsed the Charter subject to some drafting improvements.
- 3.6 The Committee suggested that a review of the skills of Internal Auditors in terms of change management may be needed.
- 3.7 The Committee also noted that, due to their independence from the management structure, the Internal Auditor was often the recipient of whistleblowing emails and suggested this should be considered.

### **Item 4 – Latest Internal Audit Reports**

- ICT Futures Progress Report – oral update
- 3.8 Hedley Walls, from KPMG, gave an overview of the findings of the recent review of risk management within the ICT Futures project. This review followed the KPMG report, circulated to the Committee in September, which addressed the project governance and management arrangements. Hedley reported a ‘green’ status, noting generally good practices in place to effectively manage the project with no significant risks to delivery.
- 3.9 Dave Tosh noted that the review process had been valuable in gaining an outside perspective on the work underway. He added that a further review focussing on business readiness would be carried out at the next critical point of the project in January/February 2014. Contingency had been built into the plan to enable timely knowledge transfer from Atos by April, in advance of the July date to exit the contract.
- 3.10 The Committee complimented Dave and his team for the due diligence demonstrated in planning and directing the project. It was

noted that having external scrutiny was very positive and would help to ensure successful and timely delivery of the new services.

3.11 The inherent risks with the project were noted, particularly in relation to the challenges around the changing relationship with Atos. The Committee received assurance that the maintenance of positive personal relationships with Atos account managers and the recruitment of highly skilled staff were aiding the management of the situation.

- ACAC (20) Paper 1 c – HR Performance Appraisal Report

3.12 Steve introduced the paper, noting that the Management Board would be considering the findings in detail in February alongside attitudes captured in the staff survey and interviews conducted during the Investors in People assessment. Immediate action would involve encouraging Heads of Service to quality check the reviews for their respective service areas.

3.13 The Committee noted there appeared to be a lack of consistency in the assessment of performance across the whole organisation, with some service areas participating more effectively in the review process than others. It was felt that in light of the organisation's Gold Investors in People status, a more positive opinion had been expected. However, the Committee acknowledged that reviews were at least taking place, although the quality of those reviews would be key to the overall success of the performance review process. **The Committee asked for an update at the spring meeting.**

- ACAC (20) Paper 1 d – Assembly Business Management System (ABMS) Review

3.14 Steve noted that the ABMS had yet to be utilised to its full potential. Dave commented that, in response to this review, a staff member with technical knowledge and training experience had been temporarily seconded to look into the system, to provide training for staff and to assess how best to proceed with it.

3.15 The Committee welcomed the review and noted that, whilst the system was being used effectively in some areas, some staff had not fully engaged with it. Further training and support might have helped to better enable staff to explore its full potential and encourage its use. It would therefore be important to involve all users in the planning of future changes to help ensure buy-in.

- 3.16 The Committee suggested consideration should be given to the likely lifetime of the system and a longer-term view of the most beneficial enhancements.
- 3.17 Dave responded, commenting that a wider assessment of the processes around Assembly business was underway which involved Assembly-wide consultation. Any changes with the way ABMS was used would form a part of that.
- ACAC (20) Paper 1e – Scheme of Delegations Report
- 3.18 Nicola Callow commented that officials were on track to deliver the recommendations and had found the audit process helpful in identifying areas for improvement. Since receiving the report, improvements had been made to strengthen the training provided for staff, particularly in relation to the financial management of projects.
- 3.19 The Committee noted good due diligence around delegations and the positive progress made.
- ACAC (20) Paper 1f - Voluntary Exit Scheme Report
- 3.20 The Committee noted that the report gave a good overview of the two schemes conducted. It was felt that the lessons learned had been well reflected and noted that these would form a part of planning for any future schemes. The Committee advised that officials should apply due diligence on reasons for any future schemes and continue to be mindful of public perceptions.
- 3.21 Claire noted that it was unlikely that another scheme would be conducted before 2017 and that independent advice would be sought for any future schemes.
- ACAC (20) Paper 1g – HR Payroll Project Update and Review
- 3.22 Steve commented that the review had taken place in June when the project was in a period of relative uncertainty. He noted that many of the issues flagged in the report had already been addressed at the time of the review but had not necessarily been fully reflected in the report. Since the report was written, significant progress had been made and the payroll element of the system had successfully gone live on 1 November.
- 3.23 Steve noted that additional time was being spent on planning for the next phases of the project and would take account of the lessons

learned in phase one, particularly around resources. He would also be researching delivery of similar projects elsewhere.

- 3.24 Whilst acknowledging the hard work of those involved, the Committee felt that delivery of the project might have been less challenging if the issues identified in the audit report had been fully anticipated.
- 3.25 The Committee welcomed the review and noted a general point about the need to better embed a culture of applying lessons learned from previous projects.
- ACAC (20) Paper 1h - Follow up report (on previously completed audits)
- 3.26 The Committee noted the positive work done around contract management and data security and noted that an update on the review of website content management would be provided at the next meeting. The Committee also requested a summary of progress against all audit recommendations at the next meeting.

#### **4.0 External Audit**

##### **Item 5 – Wales Audit Office Management Letter**

- ACAC (20) Paper 2a – Management Letter 2012-13
- 4.1 Helen Holt noted that the findings had been agreed with no major concerns highlighted. A post-audit meeting had been conducted with officials to assess areas for improvement for the next audit. This included scheduling work earlier in the year to avoid pinch points and streamlining supporting documentation to make the process even more efficient.
- 4.2 The Committee welcomed the findings of the Management Letter, noting Helen's assertion that any improvements were fine tuning of an already very effective process. The Committee noted the continuous improvement seen with each Management Letter.

#### **5.0 Assembly Commission Governance**

##### **Item 6 – Budget Update**

- ACAC (20) Paper 3a – Budget Update
- ACAC (20) Paper 3b - Assembly Commission Draft Budget 2014-15

- 5.1 Nicola Callow introduced the budget update, noting that the Draft Budget had been scrutinised by the Finance Committee on 3 October. Five recommendations were made with responses subsequently given. The overall picture was positive, with the Assembly meeting key financial targets.
- 5.2 The Committee recognised that their role was to provide assurance to Claire and the Commission that effective financial and risk management was in place, rather than to comment on the substance of the budget proposals. Nicola noted that she held regular meetings with Angela Burns, AM in order to provide further insight into the process and offered to do the same for the other Audit Committee members.
- 5.3 The Committee praised the draft budget report on its readability and suggested the report refer specifically to the KPIs to better highlight the Assembly's achievements. It was felt that the benefits had been underplayed and could be enhanced to further celebrate the Assembly's work.
- 5.4 A link to the KPIs reports would be circulated for information.

#### **Item 7 – Risk Management Report and changes arising**

- ACAC (20) Paper 3c - Corporate Risks Report (+annex)
- 5.5 The Committee noted the positive work around reducing the information security risk which now enabled it to be managed at a service level. They also noted the further controls that had been added to the corporate capacity risk and consideration of the potential impact on the perception of Remuneration Board decisions following the Chair's resignation.

#### **Item 8 – Critical examination of one risk**

- ACAC (20) Paper 3d – Examination of corporate capacity risk
- 5.6 Steve introduced the paper, noting that whilst corporate capacity had become an issue that Claire and her management team were actively dealing with, it continued to present an on-going risk as many of the mitigating actions identified would not see immediate results. It was noted also that the movement of staff to new opportunities as part of the secondments policy had created a knock-on effect on capacity in teams across the Assembly.

- 5.7 The Committee emphasised how important it was for the Management Board to remain assertive about delivery against the corporate priorities and for effective resource planning and management.
- 5.8 The Committee noted the need to develop a workforce with transferable skills to enable staff to take on a broader set of responsibilities. Comparisons were drawn with other civil service and public sector departments, with staff dedicating time to wider corporate activities and being flexible and mobile to develop personally alongside the needs of the business.
- 5.9 Claire noted the Committee's advice on the need to develop a holistic plan for capacity management.
- 5.10 The Committee added that linking the PMDR process to planning around corporate capacity would provide clear channels for staff to identify opportunities for skill development. It would also help to ensure that staff were equipped with the right skills to see the organisation through big future changes.

## **6.0 Other items**

### **Item 9 - Departures**

- ACAC (20) Paper 4a - Departures Report

- 6.1 Three departures from normal procurement procedures were noted.

### **Item 10 - Forward work programme**

- ACAC (20) Paper 4b - Forward work programme

- 6.2 The Committee noted that assurance mapping had been added to the programme and that the item on the External Audit strategy for 2013-14 had been moved to the February meeting.

### **Item 11 - HM Treasury's updated guidance**

- ACAC (20) Paper 4c - HM Treasury's updated Audit and Risk Assurance Committee Handbook

- 6.3 Kathryn Hughes noted that the Committee was already applying many of the changes proposed in the updated Handbook. She outlined a number of decisions needed on changes which were of relevance to the Committee. **The Committee agreed the following actions:**



- The Committee should be renamed as the Assembly Commission Audit and Risk Assurance Committee (ACARAC); and
- The Terms of Reference should list the members of the Committee.

## **7.0 Private session**

7.1 Due to the absence of Wales Audit Office representatives, the external audit private session would be rescheduled.

## **8.0 End of meeting**

8.1 The Chair concluded the meeting by saying thanks and farewell to the Committee's deputy clerk, Sarah Crosbie as this would be her last Committee meeting before moving to a new post.

8.2 As it was Richard Calvert's final meeting as Chair and member of the Committee, Claire gave her sincere thanks to him for his valuable contribution to the governance of the Assembly and their positive working relationship during his tenure. The Committee and officials gave their best wishes to Richard for the future.