

Concise Minutes – Senedd Commission Audit and Risk Assurance Committee

Meeting Venue:

Conference Room 4B and via Zoom

Meeting date: Monday, 13 February 2023

Meeting time: 10.00 – 12.30

Attendance

Category	Names
Members:	Bob Evans, Independent Adviser and Committee Chair Ken Skates MS, Senedd Commissioner and Committee Member Menai Owen-Jones, Independent Adviser and Committee Member Dr Mark Egan, Independent Adviser and Committee Member Dr Aled Eirug, Independent Adviser and Committee Member
Officials:	Manon Antoniazzi, Chief Executive and Clerk of the Senedd, and Accounting Officer Siwan Davies, Director of Senedd Business (item 6, 7 and 8) Ed Williams, Director of Senedd Resources Simon Hart, Interim Chief Finance Officer Arwyn Jones, Director of Communication and Engagement Gareth Watts, Head of Governance and Assurance Ann-Marie Harkin, Audit Wales (item 4 and 5) Clare James, Audit Wales



	<p>Kathryn Hughes, Committee Clerk, and Risk and Governance Manager</p> <p>Buddug Saer, Deputy Committee Clerk</p> <p>Anna Daniel, Head of Strategic Transformation Service (item 6)</p> <p>Alun Davidson, Senedd Reform Programme Manager, Strategic Transformation Service (item 6)</p>
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1 Introductions, apologies and declaration of interests

1.1 The Chair welcomed everyone to the meeting, including the two new Committee members, Menai Owen-Jones and Mark Egan. He also welcomed Simon Hart, Interim Chief Finance Officer to his first meeting.

1.2 The Chair noted one apology from Gareth Lucey, Audit Wales who had recently been replaced by Clare James as the Audit Manager. He expressed his thanks to Clare for the work she had undertaken since taking up her position.

1.3 No interests were declared.

2 Minutes of 21 November, actions and matters arising

ARAC (23-01) Paper 1 - Draft Minutes of 21 November 2022

ARAC (23-01) Paper 2 - Summary of actions

2.1 The minutes of the 21 November were formally approved and updates to the actions were noted.

3 G&A update report (inc. progress on IA activity)

ARAC (23-01) Paper 3 - G&A update report

3.1 Gareth Watts provided an update on audit and wider governance activity. He thanked Kathryn Hughes for her work on managing the process for gathering assurances from across the Commission to feed into the 2022–23 Governance Statement. This had involved adapting the approach to assurance mapping in line with emerging best practice. Directors had reviewed the service–level assurance statements and Directorate statements had been submitted to Manon for review. Aled and Bob would be providing independent challenge on the Directors’ Assurance Statements at an Executive Board meeting scheduled for 13 March.

3.2 Gareth had presented his findings from the Effectiveness Review of the Independent Remuneration Board to the Board at a meeting on 2 February. The report was due to be published by the Board in April. He was also working on a review of Executive Board (EB) Effectiveness. An initial desktop analysis had been carried out by Kathryn Hughes and Victoria Paris and Gareth would be engaging with EB members and relevant stakeholders.

3.3 The audit of Key Financial Controls had been completed in advance of the departure of the outgoing Director of Finance and Head of Finance. The report had been shared with the Chair and would be shared with Committee members. Gareth was also finalising a follow–up report on lessons learned from Covid–19.

3.4 Victoria and Gareth had met with Haines Watts to scope out audits on business continuity and cyber security which would commence in March. Work had commenced on the 2023–24 internal audit plan with discussions held with colleagues and Haines Watts. Gareth was pleased to report that he had been approached about a potential audit in the Business Directorate which he would discuss with relevant EB members.

3.5 Finally, Gareth informed the Committee that he had been supporting the Finance team to ensure the year–end audit was as smooth as possible. He would provide audit challenge and a review of the process following a dry run audit at month 10.

3.6 Officials responded to a number of observations and questions raised by Committee members, as follows:

- i. Gareth agreed to share a link to the report on the Effectiveness Review of the Independent Remuneration Board report when published and the Committee would discuss the recommendations at a future date.

- ii. Gareth confirmed that Haines Watts, the co-sourced internal audit partner, had carried out the audit on key financial controls and would be carrying out the forthcoming audits on business continuity and cyber-security.
- iii. Gareth would circulate his follow-up report on lessons learned from Covid-19 to Committee members as a matter of course. It would also be shared with the Remuneration Committee for information.
- iv. Gareth explained the reason for delaying the review of the People Strategy. This was to ensure it was properly aligned with the work relating to the people element of the Ways of Working programme and to eliminate duplication. Ed Williams confirmed that the new strategy should be in place by the end of the calendar year, noting this was a significant piece of work linked to the Resourcing Framework and the Ways of Working programme.
- v. Gareth and Arwyn provided assurance that the management of cyber-security risks remained in sharp focus and outlined the current mitigation in place. This included constant horizon scanning, membership of national and local networks, links with the National Cyber Security Centre (NCSC), investment in a Security Operations Centre and the ongoing recruitment of an additional team member. An internal audit review of cyber-security was also conducted annually, focusing on specific elements each year. Gareth agreed to share details of past audit reviews with the new Committee members, along with recent Cyber Security Assurance Reports.

3.7 Ken Skates also suggested that, following a recent cyber-attack on a Member of Parliament, a reminder should be sent to Members of the Senedd on the importance of remaining vigilant to the threat of such attacks. Arwyn agreed to take this forward with the ICT team.

Actions

- *Share a link to the report on the Effectiveness Review of the Independent Remuneration Board when published.*
- *Share report on the audit of Key Financial Controls with ARAC members.*
- *Provide a note for Members of the Senedd reminding them of the need for vigilance following the recent cyber-attack on a Member of Parliament.*

4 Update on progression of audit planning for audit of 2022–23

Commission accounts

ARAC (23–01) Paper 4 – outline audit plan

4.1 The Chair welcomed Ann–Marie Harkin and Clare James to the meeting. Clare had replaced Gareth Lucey as Audit Manager as part of the rotation policy. Ann–Marie confirmed that the rest of the team would remain unchanged.

4.2 Clare introduced an outline audit plan which was very high level and welcomed feedback from the Committee. It included the proposed fee and details of the audit team. Audit Wales had estimated that the audit fee would be £68,985, which represented a 15% increase. This was based on an early estimate of the impact of the new auditing standard ISA 315 which required more detailed risk assessments by more experienced and skilled auditors. Detailed planning work in the coming weeks would inform a more accurate estimate. Audit Wales confirmed there would be no change to the materiality threshold of 1% of gross expenditure.

4.3 Historically, a complete set of audited accounts had been presented to ARAC at the June meeting and Audit Wales were mindful of the impact on the Commission if this should move to July. However, given the added complexity and new approach due to the new ISA 315 standard, and issues with recruitment of more experienced auditors, they had stated July in the paper as they could not guarantee completion in time for the June meeting. They would provide Simon and the Finance team with a more detailed timeline once the planning work was underway and Simon would ensure that ARAC members were kept informed.

4.4 The Chair thanked Audit Wales for this update. He questioned what added value and benefits would be provided to justify a 15% increase in the fee.

4.5 Audit Wales were aware of the constraints on public sector budgets and confirmed that the new standard would lead to higher quality outputs and recommendations, with a greater insight into areas such as ICT.

4.6 In response to further challenge by Committee members on the timetable, Audit Wales provided assurance that they would aim for completion of the audit in June and

the Senedd Commission audit would be a priority, but reiterated the issues they were facing with recruitment alongside applying new methodology.

4.7 Manon stressed the reasons for wanting the accounts finalised by June in terms of the Commission's internal processes and meetings, the alignment of a suite of other annual reports, and the need to lay the Annual Report and Accounts ahead of the summer recess.

Actions

- *Audit Wales to keep officials updated on progress with the detailed audit planning and timetable.*
- *Simon Hart to ensure the Chair is updated on future discussions with Audit Wales regarding their timetable and process, and provide an update to ARAC at its April meeting.*

5 Briefing on ISA 315

ARAC (23-01) Paper 5 – ISA 315 Audit Briefing

5.1 Clare presented a briefing paper on the audit approach, specifically on a revised auditing standard – ISA 315 (UK) Identifying and Assessing the Risks of Material Misstatement (Revised July 2020).

5.2 Clare explained that the revised standard would drive better quality and more effective risk assessments, as well as promoting greater exercise of professional scepticism. The advanced role of technology and complexity of financial reporting frameworks required more sophisticated risk identification and assessment processes. The revised standard would provide an enhanced review of the Commission's control environment, including the use of technology.

5.3 The Committee thanked Audit Wales for the briefing.

6 Senedd Reform – Corporate update – oral item

Oral update

6.1 The Chair welcomed Siwan Davies, Anna Daniel and Alun Davidson to the meeting and invited Siwan to introduce the item.

6.2 Siwan provided reassurance to the Committee that the Senedd Reform Programme was on track and she provided updates on the workstreams around finance, Senedd business and the Independent Remuneration Board.

6.3 Since the November ARAC meeting, the cost estimates, which had been based on a set of common assumptions, had been completed and were due to be presented to the Commission at its meeting on 23 March. If approved, these would then be shared with the Welsh Government for inclusion in the Regulatory Impact Assessment to accompany the Bill. The costs would also be reflected in the Medium-Term Financial plan.

6.4 In relation to preparations for business in the Seventh Senedd, a workshop had been held to map interdependencies and stakeholders' roles and responsibilities. A joint working arrangement had been agreed between the Commission and the Independent Remuneration Board, and work was underway on the details of how this would work in practice, given the Board's independent status.

6.5 In terms of governance, reviews of the Senedd Reform corporate and programme risks, and the mapping of stakeholder responsibilities were ongoing. The outcome of a fundamental review of the corporate risk, which would include linking with the Ways of Working Programme, would be presented to Executive Board in April. The Senedd Reform Programme Board would also consider the programme risk register at its next meeting. An accountability matrix, namely Responsible, Accountable, Consult, Inform (RACI) would be adopted to outline the demarcations between the Senedd Commission, the Welsh Government and the Independent Remuneration Board.

6.6 The Committee was interested in a detailed timeline to aid its understanding of the points at which the Commission would be making financial commitments, as well as the legislative elements of the programme.

6.7 Siwan explained that engagement and the scrutiny of Welsh Government proposed legislation was Senedd core business and would take place when the model of reform had been agreed by the Senedd. The format of the engagement activity had not yet been agreed, although early discussions had been held with the Electoral Commission around the messaging. The level of reform could be fundamental and public education would be vital. Scrutiny of the legislation would commence in the Autumn term and

budget had been allocated to the programme in the current and next financial year. Work was already underway to prepare the Siambwr for additional Members and this would be clearly indicated as spend relating to Senedd Reform.

6.8 The Committee recognised that levels of public engagement would increase when the financial elements of reform were being reported on and that the relationship between Members and the electorate would change significantly. Ken urged officials to maintain maximum openness and transparency in their estimates relating to the reform programme, especially as the Finance Committee would be undertaking a review of this spend.

6.9 The Independent Remuneration Board had offered interviews with sitting Members of the Senedd to determine their views on 'regional hubs' and/or the possibility of Members sharing offices, if that was identified as the preferred model.

6.10 When challenged on the robustness of the estimates and how the costs would be kept under review as the legislation would inevitably change, Siwan conveyed her confidence in the figures as they were aligned with current financial processes and part of the Commission mid-term financial planning. A process for initial analysis would assist the Welsh Government to update costs as the Bill progressed through the scrutiny process. Siwan also outlined plans to minimise costs and make best use of existing parliamentary knowledge and expertise, by redeploying staff to focus on activity across the various workstreams.

6.11 The Committee was impressed with the progress of plans for such a major transformational change programme, especially whilst continuing with business as usual activity and welcomed these regular updates.

7 Critical examination of one identified risk or topical issue – Corporate Update – Ways of Working Programme

ARAC (23-01) Paper 6 – Ways of Working update

7.1 Ed provided an overview of the Ways of Working (WoW) programme. The structure was designed to become a single programme management structure through which the Commission's existing Estate, People and Sustainability strategies, and its Agile Futures and Capacity Review plans, were aligned under a strategic framework.

7.2 He referred to a number of activities to be undertaken in the various workstreams, and how in November 2022 the Commission approved a business case to exercise a break clause in the lease of the Commission's North Wales Office, currently in Colwyn Bay. The move to a co-location arrangement at the Welsh Government's Sarn Mynach offices in Llandudno Junction would realise a saving of over £100,000 over a four year period.

7.3 A specific workstream in the WoW programme would be responsible for producing detailed options and advice on the lease of Tŷ Hywel, due to end in 2032. It had also been agreed by the Commission to develop a Resource Management Strategy to determine resourcing parameters and workforce planning. The output from the Strategy would be a Medium-Term Resourcing Framework, comprising a Medium-Term Financial Plan and Workforce Plan.

7.4 The Committee appreciated the scale of this programme that strayed into a number of different areas and questioned whether, in that context and given the need for close co-ordination with the Senedd Reform programme at all times, Ed was comfortable that the right mix of skills, capacity and capability, was in place to manage the risks and deliver the expected outputs and outcomes.

7.5 Ed confirmed that he was assured with the resource currently allocated to the programme but was in the process of mapping out detailed future requirements. The Committee was aware of previous cultural issues within the PCO and noted that, whilst these had been resolved, there were still a number of business analysts vacancies within the Commission.

7.6 A significant amount of work had been undertaken to review the budgets. This included various financial, workforce and corporate planning systems and processes for the current financial year, the 2023-24 financial and the three year period beyond that. The intention of this work was to establish a Medium-Term Resourcing Framework (comprising a detailed medium-term financial plan and a full workforce

plan) by June 2023. Project prioritisation would be closely linked to corporate planning and project management resource would only be allocated to core projects based on the prioritisation tool.

7.7 It had been revealed in the press that the Welsh Government office occupancy was around 20% and Ed confirmed that the occupancy of Tŷ Hywel was around 50% on business days but, as expected, much less on non-business days, and that this trend had been stable for some time. Ed also outlined that, as a workforce, Commission staff were organised around Member activity i.e. business days. As there were clear peaks and troughs it had created issues in terms of developing plans for a more efficient use of workspaces, but the Ty Hywel 2026 project, within the WoW programme, was engaged in detailed planning work to help address this. The re-location of the Colwyn Bay office in North Wales was also a project in its own right.

7.8 Ed also explained that further discussions had been held around a 'regional presence' for Commission staff but no decisions had been made. The Committee felt that the new intake of Members for the Seventh Senedd may push for a more regional presence. Ed confirmed that the relocation of the North Wales office was, in part, designed to allow the Commission to anticipate and respond to any future demand in that regard.

7.9 The Committee was mindful of the need to ensure the promotion of inclusion in all strategy development to help future-proof the workforce and to ensure that the WoW programme was not too Cardiff Bay focused. The Committee was pleased to see the development of the programme and the workforce requirements, and appreciated the concerns regarding the need for clarity of communications to differentiate between the Senedd and Welsh Government in any plans to co-locate.

7.10 Finally, Ed confirmed that, following an internal promotion, the WoW programme required a programme manager but that an interim plan was in place to backfill this position internally.

8 Corporate Risk

ARAC (22-01) Paper 7 - Corporate Risk

ARAC (23-01) Paper 7 – Annex A – Summary Corporate Risk Register

ARAC (23-01) Paper 7 – Annex B – Corporate Risks plotted

8.1 The Committee noted the updates in the Commission's Corporate Risk Register and had agreed to focus on the update on the Ways of Working Programme (see item 7) to replace the usual deep-dive risk.

9 Finance Update

ARAC (23-01) Paper 8 – Finance Update

ARAC (23-01) Paper 8 – EB paper on Resourcing Framework

9.1 Simon Hart presented the finance update, including the latest year end forecast underspend for 2022-23 which had been presented to Executive Board on 10 February. This would be closely monitored and Leadership Team would be reminded of the importance of accurate reporting in the run up to the year end.

9.2 Simon provided assurance to the Committee that he and the Finance team were working closely with Audit Wales to ensure critical milestones for the production of the 2022-23 accounts would be adhered to. He would continue to plan and prepare, with a dry run of the audit to be carried out at period 10.

9.3 The Chair cautioned officials on the delays in obtaining data from the Civil Service pension scheme. Simon had already scheduled a meeting with the Government Actuary Department (GAD) with the aim of confirming when the data would be provided.

9.4 The Committee approved the losses and special payments and thanked Simon for his comprehensive paper.

10 Annual Review of accounting policies and systems

ARAC (23-01) Paper 9 – Annual Review of Accounting Policies

10.1 Simon presented the annual review of accounting policies. Within the report was a table of new and amended accounting standards with effective dates impacting on 2022-23 and future accounting periods.

10.2 Simon highlighted one area of focus – IFRS 16 (accounting for leases), which had been discussed at length in previous meetings. The 2022–23 accounts would be prepared in accordance with the requirements of IFRS 16.

10.3 The Committee noted this report and thanked Simon and his team for the update.

11 Forward work programme

ARAC (23–01) Paper 10 – Forward Work Programme

11.1 The forward work programme was discussed and new members were encouraged to suggest items they would like considered at future meetings.

11.2 The Chair welcomed Menai's suggestion that updates on progress of the Ways of Working programme should be a standing item at every meeting, alongside the updates on the Senedd Reform programme.

11.3 The Clerking team were also asked to arrange meetings for July and the autumn term.

Actions

- *Provide corporate updates on delivery of the Ways of Working Programme at each ARAC meeting alongside the corporate updates on Senedd Reform.*
- *Clerking team to arrange meetings for July and the autumn term.*

12 Any other business

Oral item

12.1 Ed noted that the interviews for the Chief Finance Officer role would take place on 27 February. He confirmed that Simon had kindly confirmed that he would remain available to the Commission to ensure continuity during the audit of the accounts and to allow for an effective handover to the new, permanent appointee.

12.2 Ed also provided assurance that, with the imminent departure of the Head of Human Resources, interim measures were in place and a recruitment campaign would be underway in due course.

The Head of Internal Audit attended a private session with members of the Committee once formal proceedings had concluded. No minutes were taken.

Next meeting was scheduled for 27 April 2023.