

National Assembly for Wales Commission Audit and Risk Assurance Committee

Meeting Venue: Committee Room 3 - Senedd

Meeting date: Monday, 7 July 2014

Meeting time: 11.00 - 13.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Attendees:

Members

Eric Gregory (Independent Advisor and Committee Chair)

Keith Baldwin (Independent Advisor and Committee Member)

Hugh Widdis (Independent Committee Member)

Officials

Claire Clancy, Chief Executive and Clerk, and Accounting Officer

Dave Tosh, Interim Director of Assembly Business and ICT

Kathryn Hughes, Committee Clerk

Gareth Watts, Head of Internal Audit

Nicola Callow, Director of Finance

Buddug Saer, Deputy Committee Clerk

Mark Jones, Wales Audit Office (WAO)

Richard Harries, Wales Audit Office (WAO)

1 Introductions and apologies and declaration of interests

1.1 The Chair welcomed the attendees to the meeting.

1.2 No interests were declared.

1.3 Apologies from Angela Burns (Assembly Member and Commissioner)

2 Minutes of 9 June meeting, actions and matters arising

ACARAC (24) Paper 1 Minutes of 9 June 2014

ACARAC (24) Paper 2 action summary

2.1 The minutes were agreed and officials provided the following updates on the outstanding actions:

- *Procurement financial checks (action 3.17)* – further to the update provided on 20 June 2014, Nicola Callow informed the Committee that Procurement checks were high level ones, using credit rating reports such as that provided by Dun & Bradstreet.
- *Review of accounting policies (action 5.7)* – this was captured on the forward work programme, and the Committee asked Nicola to produce a timeline for the accounting policies and to confirm with the Clerking team a suitable date to present this to the Committee.
- *Actions in response to the effectiveness survey (action 5.10)* – the Clerking team would circulate a draft action plan for Committee members to comment on.
- *ACARAC members' expenses (action 6.1)* – Nicola confirmed that there was no statutory reason for ACARAC members' expenses to be disclosed in the Annual Accounts.
- *Business continuity (action 3.4 and 3.11)* – Committee members agreed for both actions to be merged and for an update to be provide in the autumn.

Actions

- Nicola to produce a timeline for accounting policies.

3 Internal Audit Activity Report

3.1 Gareth Watts provided an oral update to the Committee. Since June, the Risk Management and Information Governance Management audit reports had been completed but were awaiting clearance. The Committee agreed for these and other reports to be circulated over the summer recess, along with the Recruitment audit, which had generated a lot of interest throughout the organisation. The Equalities audit had also been scoped and work would start shortly.

3.2 He had attended the Assembly Commission meeting on 18 June, and presented his report on their effectiveness. All recommendations were accepted, and over the coming weeks he would meet with the Secretariat to

discuss an action plan. He then went on to highlight some key findings in his report, including their effective challenge of the ICT Futures programme and Machine Translation project, but identified that their communication within the organisation could be improved.

- 3.3 On 18 July, Gareth would be hosting a Head of Internal Audit inter-Parliamentary forum with his counterparts from across the UK. He would report on this at the November meeting.

4 Annual Report and Accounts

ACARAC (24) Paper 3 Cover paper – Annual Report and Accounts

ACARAC (24) Paper 4 Annual Report and Accounts 2013-2014

- 4.1 A draft annual report was considered at the June meeting and comments had been submitted to Nicola. The Chair thanked the team for the updated document.
- 4.2 Nicola Callow gave a short introduction to the Annual Accounts and confirmed the final resource outturn of £34,000 less than the total authorised budget. The main changes to the Statement of Accounts concerned the writing off of depreciation to reserves as a consequence of the revaluation. Nicola confirmed the accounting changes arising from the revaluation concerned writing off the depreciation to the revaluation reserve, essentially setting the depreciation for revalued buildings to zero. This was a result of following the modified historic cost accounting treatment, as directed by HM Treasury.
- 4.3 The Chair questioned whether the Future ICT programme had a material effect on the asset register, but Nicola confirmed that it had not.
- 4.4 Nicola described the accounts process as being more challenging than expected this year, due to staff absence and difficulties in obtaining Civil Service Pension information, but confirmed that she was still on target to deliver the Annual Report and Statement of Accounts to the agreed timetable, with WAO expecting to lay the document on 16 July. Officials and WAO staff would discuss any lesson learnt at a future meeting.
- 4.5 The Chair thanked all those involved and noted that the limited number of comments evidenced the high quality of the accounts.

5 ISA 260 Report 2013-14 (including Members' Expenses)

ACARAC (24) ISA 260 Report from WAO

- 5.1 Mark Jones presented the International Standard on Auditing (ISA) 260. He confirmed that they had received all of the documents from the Assembly Commission on time and thanked Nicola's team for their assistance. He informed the Committee that the accounts were unbiased, fair and clear. The main point he highlighted was the HR Payroll project.**
- 5.2 Further to the audit of the data migration for the HR Payroll project in June, the report recommended a full scope audit into the functionality of the system and the management of the project in general. This project would also be highlighted in the Management Letter.**
- 5.3 Mark then went on to discuss their review of Assembly Members' expenses. Of the sample of 13, all results were satisfactory, bar one. The documentation to process one claim was received by Members' Business Support (MBS), but the declaration form to accompany the claim had not been signed by the Assembly Member.**
- 5.4 Officials stressed that this was not inappropriate expenditure as the invoice was produced, and Nicola assured the Committee that the MBS team were aware of this anomaly and was assured that these checks would be completed in future.**
- 5.5 Claire expressed her disappointment that the Management Letter would include these critical points, especially considering the excellent report the Assembly received last year. She would continue to urge officials to raise their standards, with the aim of receiving a clean Management Letter next year.**
- 5.6 Claire reiterated that the HR Payroll project had not been managed to an acceptable standard, and informed the Committee that Gareth was responsible for leading a full scope audit and that he and Dave Tosh would identify an independent project/programme management expert to undertake this. The audit would take place over the summer recess with a report being presented to the Committee in November.**
- 5.7 Committee members questioned a specific reference made in the report that 'no further fees should be paid' to the supplier. Mark urged officials to ensure that there was a full understanding of what was being paid for, before committing any further expenditure. It was acknowledged that further payments during the financial year could potentially be made but only if the Commission were satisfied with progress on functionality.**
- 5.8 The Chair commented that, overall, the ISA 260 was reassuring and welcomed the planned audit of the HR Payroll project, especially when the Committee had been briefed on two contrasting projects over the past few months, namely the Future ICT Transition project and the HR Payroll project.**

On the audit of Assembly Members' allowances, he accepted that the one claim which had not been signed was due to a process error rather than it being an inappropriate claim.

- 5.9 He thanked the Assembly officials and the WAO staff for their work and contribution to the meeting. The Committee concluded by recommending to the Accounting Officer that the accounts could be signed.

Actions

- Gareth and Dave to engage an external expert to review the HR Payroll project.

6 Paper to note

ACARAC (24) Paper 5 Departures

- 6.1 The Committee noted one departure from normal procurement procedure.
- 6.2 An updated forward work programme would be circulated to Committee members, along with a draft action plan following the effectiveness survey. The Chair suggested that the autumn meeting be extended to ensure that risk and performance matters were discussed at length. The Clerking team would contact Committee members individually to discuss the arrangements.

Next meeting is scheduled for 10 November 2014.