

# Minutes – National Assembly for Wales Commission Audit and Risk Assurance Committee

---

Meeting Venue:

**Committee Room 1 – Senedd**

Meeting date: Thursday, 9 July 2015

Meeting time: 15:15–16:45

## Attendance

Category	Names
Committee Members:	Keith Baldwin Eric Gregory (Chair) Hugh Widdis David Melding AM, Deputy Presiding Officer
Officials:	Claire Clancy, Chief Executive and Clerk, and Accounting Officer Dave Tosh, Director of Resources Gareth Watts, Head of Internal Audit Nicola Callow, Director of Finance Ann-Marie Harkin, Wales Audit Office (WAO) Matthew Coe, Wales Audit Office (WAO) Kathryn Hughes, Committee Clerk Buddug Saer, Deputy Committee Clerk
Apologies:	Angela Burns (Assembly Member and Commissioner)

## 1.0 Item 1 - Introductions, apologies and declarations of interest

- 1.1 The Chair welcomed attendees to the meeting and thanked them for their commitment and flexibility. He would like to review the 2014-15 Annual Report/Statement of Accounts process and would agree the approach to this with Claire Clancy and Nicola Callow.

### Action



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

- *Eric, Claire and Nicola to agree approach to reviewing 2014-15 Annual Report/Statement of Accounts process.*

1.2 No interests were declared.

## **2.0 Item 2 - Minutes and matters arising**

*ACARAC (29) Paper 1 - Minutes of 8 June 2015*

*ACARAC (29) Paper 2 - Summary of actions*

- 2.1 The minutes of the meeting on 8 June 2015 were agreed.
- 2.2 *Sharing knowledge on fraud (action 6.4)* – the WAO agreed to update the board at the appropriate time.
- 2.3 *Streamline structure of accounts (action 7.2)* – the Chair asked for this to be considered as early as possible.
- 2.4 *Role and responsibilities of SRO of Fifth Assembly (action 10.2)* – Claire confirmed that this was complete.
- 2.5 Dave Tosh updated the committee on the recent comprehensive review of the Commission’s corporate risk register by Management Board. A number of new risks were identified and were being fully documented.
- 2.6 Claire confirmed that a number of other potential risks were also discussed. However the Board had agreed that, due to confidence in the controls in place to manage these through effective planning and delivery of service level objectives, they did not need to be recorded on the corporate risk register. This would help ensure that the focus was placed on those risks that gave the Management Board greatest cause for concern.

## **Committee Business**

### **3.0 Item 3 – Open discussion around the Committee’s Forward Work Programme**

*ACARAC (29) Paper 5 – Draft Forward Work Programme*

- 3.1 The Chair welcomed the comments that he had received regarding the forward work programme and would work with the Clerking team to ensure that agenda items remained scheduled around key events and as evenly spread as possible.
- 3.2 An updated version would be circulated to all members before being published on the Committee’s Internet pages.

#### **Action**

- *Kathryn Hughes to circulate finalised FWP to Committee members.*

### **4.0 Item 4 – Paper to note and any other business**

#### **Compliance checklist**

*ACARAC (29) Paper 6 – compliance checklist to those charged with governance*

*ACARAC (29) Paper 7 – compliance checklist to those charged with management*

- 4.1 Ann-Marie Harkin introduced the item on the compliance checklist, the use of which had been recommended by the National Audit Office for England and

Wales. The WAO were grateful for the Committee's prompt response and subsequent approval of the compliance checklist. Although it may be presented in a different format, the checklist had been added to the forward work programme to be considered at an appropriate time next year.

- 4.2 The Chair questioned the term used to describe the Committee as 'those charged with governance' and reminded the WAO that the Committee was advisory.
- 4.3 The WAO confirmed that this would be corrected in future documentation.

### **Departures Summary**

*ACARAC (29) Paper 8 – Departures summary*

- 4.4 The Committee noted one departure from normal procurement procedure.

### **Commission Governance**

#### **5.0 Item 5 – Annual Report and Statement of Accounts**

*ACARAC (29) Paper 3 – Annual Report and Accounts– cover paper*

*ACARAC (29) Paper 3 – Annual Report and Accounts*

- 5.1 Claire introduced the Annual Report which she felt was an accurate and strong narrative of the work delivered by the Assembly Commission in 2014-15.
- 5.2 The Committee agreed that this was an impressive document and praised Claire and her team for the hard work in producing such a comprehensive report.
- 5.3 Nicola presented the Statement of Accounts and confirmed that the final outturn figure had increased by £2000 to £64000, representing a 0.1% underspend.
- 5.4 The actions taken regarding all suggested changes to and comments on Using Resources Wisely and the Statement of Accounts raised by ACARAC and the WAO were itemised to provide a full audit trail.
- 5.5 The Committee concluded by recommending to the Accounting Officer that she should sign the accounts. The Chair noted that any further audit findings would be covered in the Management Letter which would be circulated over the summer.

#### **Action**

- *Nicola confirmed that she would circulate the Management letter to Committee Members over the summer.*

### **External Audit**

#### **6.0 Item 6 – ISA 260 Report 2014-15 (including Members' Expenses)**

*ACARAC (29) Paper 4 – ISA 260 Report 2014-15*

- 6.1 Ann-Marie presented the International Standard on Auditing (ISA) 260 report. She confirmed that they had received all of the documents from the Assembly Commission on time and thanked Nicola's team for their assistance. She informed the Committee that the accounts were unbiased, fair and clear. The main points she highlighted were:
  - Change of accounting policy for ICT assets. WAO remain of the opinion that the change in treatment of ICT assets is an accounting policy change requiring a prior year adjustment. Management's interpretation of IAS8 is that no prior period adjustment is required.

- Dilapidation provisions for leased properties.
  - Pension contributions of Assembly Member Support Staff.
  - Accounting for Assembly Member costs – holiday accrual for support staff.
- 6.2 The Chair thanked the WAO for highlighting these points. On the first point, the Committee agreed that change in ICT asset treatment did not constitute a change in accounting policy and were content that the accounts remained unchanged.
- 6.3 On the dilapidation point, Nicola added further information supporting management's view confirming that the Estates and Facilities Management team had produced a 10 year rolling maintenance programme for Tŷ Hywel and that the allocation for improvements in current and future budgets remained manageable. To provide additional assurance, Nicola would take on board the WAO suggestion to consider gaining an independent view on the condition and maintenance requirements of Tŷ Hywel. The Committee supported management's approach.
- 6.4 On the pension contribution point, Nicola informed the Committee that further discussions would be held with the Remuneration Board to ensure the impact of support staff salary sacrifice was clarified. The ISA 260 would also be amended to reflect the refund from HMRC was to Assembly Members and not the Assembly Commission. The Committee supported management's approach.
- 6.5 On the final point regarding the accounting for Assembly Member costs, the WAO advised that their enquiries to date meant they were unable to form a clear view on whether an accrual for support staff's untaken holiday leave was appropriate. As the potential values were not material, the WAO proposed to accept the current treatment and conclude the matter in 2015-16. Committee members supported this approach. In response to a Committee member query, the WAO stated that they could not confirm whether a retrospective adjustment would be necessary when they became clear on the accounting treatment, but they would keep the Committee informed.
- 6.6 The WAO confirmed that the Letter of Representation should be signed solely by the Accounting Officer and not also by ACARAC.
- 6.7 The Chair thanked the WAO for their presentation of the ISA 260, and urged Nicola, her team and the WAO to review the 2014-15 audit process to avoid a repeat of the delays experienced.

#### **Actions**

- *Nicola to consider gaining an independent view on the potential dilapidations of leased property.*
- *Nicola to work with the WAO to agree the accounting treatment of Assembly Member costs.*

Next meeting is scheduled for 16 November 2015. **Introductions, apologies and declaration of interests**

- 2.7 The Chair welcomed attendees to the meeting and thanked them for their commitment and flexibility. He would like to review the 2014-15 Annual Report/Statement of Accounts process and would agree the approach to this with Claire Clancy and Nicola Callow.

**Action**

- *Eric, Claire and Nicola to agree approach to reviewing 2014-15 Annual Report/Statement of Accounts process.*

- 2.8 No interests were declared.

## **2 Minutes of 8 June meeting, actions and matters arising**

*ACARAC (29) Paper 1 - Minutes of 8 June 2015*

*ACARAC (29) Paper 2 - Summary of actions*

- 2.1 The minutes of the meeting on 8 June 2015 were agreed.
- 2.2 *Sharing knowledge on fraud (action 6.4)* – the WAO agreed to update the board at the appropriate time.
- 2.3 *Streamline structure of accounts (action 7.2)* – the Chair asked for this to be considered as early as possible.
- 2.4 *Role and responsibilities of SRO of Fifth Assembly (action 10.2)* – Claire confirmed that this was complete.
- 2.5 Dave Tosh updated the committee on the recent comprehensive review of the Commission’s corporate risk register by Management Board. A number of new risks were identified and were being fully documented.
- 2.6 Claire confirmed that a number of other potential risks were also discussed. However the Board had agreed that, due to confidence in the controls in place to manage these through effective planning and delivery of service level objectives, they did not need to be recorded on the corporate risk register. This would help ensure that the focus was placed on those risks that gave the Management Board greatest cause for concern.

### 3 Committee's Forward Work Programme

#### *ACARAC (29) Paper 5 – Draft Forward Work Programme*

- 3.3 The Chair welcomed the comments that he had received regarding the forward work programme and would work with the Clerking team to ensure that agenda items remained scheduled around key events and as evenly spread as possible.
- 3.4 An updated version would be circulated to all members before being published on the Committee's Internet pages.

#### **Action**

- Kathryn Hughes to circulate finalised FWP to Committee members.

### 4 Paper to note and any other business

#### **Compliance checklist**

#### *ACARAC (29) Paper 6 – compliance checklist to those charged with governance*

#### *ACARAC (29) Paper 7 – compliance checklist to those charged with management*

- 4.5 Ann-Marie Harkin introduced the item on the compliance checklist, the use of which had been recommended by the National Audit Office for England and Wales. The WAO were grateful for the Committee's prompt response and subsequent approval of the compliance checklist. Although it may be presented in a different format, the checklist had been added to the forward work programme to be considered at an appropriate time next year.
- 4.6 The Chair questioned the term used to describe the Committee as 'those charged with governance' and reminded the WAO that the Committee was advisory.
- 4.7 The WAO confirmed that this would be corrected in future documentation.

#### **Departures Summary**

#### *ACARAC (29) Paper 8 – Departures summary*

- 4.8 The Committee noted one departure from normal procurement procedure.

### 5 Annual Report and Statement of Accounts

#### *ACARAC (29) Paper 3 – Annual Report and Accounts– cover paper*

#### *ACARAC (29) Paper 3 – Annual Report and Accounts*

- 5.6 Claire introduced the Annual Report which she felt was an accurate and strong narrative of the work delivered by the Assembly Commission in 2014-15.
- 5.7 The Committee agreed that this was an impressive document and praised Claire and her team for the hard work in producing such a comprehensive report.
- 5.8 Nicola presented the Statement of Accounts and confirmed that the final outturn figure had increased by £2000 to £64000, representing a 0.1% underspend.
- 5.9 The actions taken regarding all suggested changes to and comments on Using Resources Wisely and the Statement of Accounts raised by ACARAC and the WAO were itemised to provide a full audit trail.
- 5.10 The Committee concluded by recommending to the Accounting Officer that she should sign the accounts. The Chair noted that any further audit findings would be covered in the Management Letter which would be circulated over the summer.

**Action**

- Nicola confirmed that she would circulate the Management letter to Committee Members over the summer.

## 6 ISA 260 Report 2014–15 (including Members' Expenses)

*ACARAC (29) Paper 4 – ISA 260 Report 2014–15*

- 6.8 Ann-Marie presented the International Standard on Auditing (ISA) 260 report. She confirmed that they had received all of the documents from the Assembly Commission on time and thanked Nicola's team for their assistance. She informed the Committee that the accounts were unbiased, fair and clear. The main points she highlighted were:
- Change of accounting policy for ICT assets. WAO remain of the opinion that the change in treatment of ICT assets is an accounting policy change requiring a prior year adjustment. Management's interpretation of IAS8 is that no prior period adjustment is required.
  - Dilapidation provisions for leased properties.
  - Pension contributions of Assembly Member Support Staff.
  - Accounting for Assembly Member costs – holiday accrual for support staff.
- 6.9 The Chair thanked the WAO for highlighting these points. On the first point, the Committee agreed that change in ICT asset treatment did not constitute a change in accounting policy and were content that the accounts remained unchanged.
- 6.10 On the dilapidation point, Nicola added further information supporting management's view confirming that the Estates and Facilities Management team had produced a 10 year rolling maintenance programme for Tŷ Hywel and that the allocation for improvements in current and future budgets remained manageable. To provide additional assurance, Nicola would take on board the WAO suggestion to consider gaining an independent view on the condition and

maintenance requirements of Tŷ Hywel. The Committee supported management's approach.

- 6.11 On the pension contribution point, Nicola informed the Committee that further discussions would be held with the Remuneration Board to ensure the impact of support staff salary sacrifice was clarified. The ISA 260 would also be amended to reflect the refund from HMRC was to Assembly Members and not the Assembly Commission. The Committee supported management's approach.
- 6.12 On the final point regarding the accounting for Assembly Member costs, the WAO advised that their enquiries to date meant they were unable to form a clear view on whether an accrual for support staff's untaken holiday leave was appropriate. As the potential values were not material, the WAO proposed to accept the current treatment and conclude the matter in 2015-16. Committee members supported this approach. In response to a Committee member query, the WAO stated that they could not confirm whether a retrospective adjustment would be necessary when they became clear on the accounting treatment, but they would keep the Committee informed.
- 6.13 The WAO confirmed that the Letter of Representation should be signed solely by the Accounting Officer and not also by ACARAC.
- 6.14 The Chair thanked the WAO for their presentation of the ISA 260, and urged Nicola, her team and the WAO to review the 2014-15 audit process to avoid a repeat of the delays experienced.

#### **Actions**

- *Nicola to consider gaining an independent view on the potential dilapidations of leased property.*
- *Nicola to work with the WAO to agree the accounting treatment of Assembly Member costs.*

Next meeting is scheduled for 16 November 2015.