

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

Meeting Venue:

Conference Room 4B – Tŷ Hywel

Meeting date: Monday, 8 February 2016

Meeting time: 10:30–13:00

Attendance

| Category | Names |
|------------|--|
| 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 Matthew Coe, Wales Audit Office (WAO) Kathryn Hughes, Committee Clerk Buddug Saer, Deputy Committee Clerk Rheon Tomos, Observer |
| Apologies: | Ann-Marie Harkin, Wales Audit Office (WAO) |

Item 1 – Introductions, apologies and declarations of interest

1.1 The Chair welcomed Rheon Tomas as an observer to the meeting. He is Chair of the audit committee at Estyn – HM Inspectorate for Education and Training in



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Wales, and a member of the audit committees at National Museum Wales, Welsh Language Commissioner and Qualifications Wales.

1.2 Rheon declared that he was a trainer for CIFPA's Certificate in Corporate Governance and Effective Audit Committee course which had been attended by few Assembly officials.

1.3 No other interests were declared.

2.0 Item 2 – Minutes and matters arising

ACARAC (31) Paper 1 – Minutes of 16 November 2015

ACARAC (31) Paper 2 – Summary of actions

2.1 The minutes of the meeting on 11 November 2015 were agreed and officials provided the following updates on the outstanding actions.

2.2 In relation to the action to *Research CIPFA Finance Review (5.2)*, Nicola Callow confirmed that this was being handled by the internal audit contractor, TIAA. She had also been in touch with a contact from the Ministry of Justice who had been provided by the Chair, to discuss lessons learnt on the finance system replacement project.

2.3 No suggestions had been received in relation to the action for *Committee and officials to inform Chair of areas of significant interest where an external presenter may provide some added value (10.1)*. This action would remain open to accommodate any future ideas and, in the meantime, the Chair would share a 'lessons learned' review of the Electoral Registration Transformation Programme (ERTP) with the committee.

2.4 Hugh Widdis suggested arranging a presentation to gain an external perspective around constitutional change. The Chair and Claire welcomed this and asked the clerking team to make the necessary arrangements.

2.5 The Chair agreed to receive an update on the *Business Efficiency Review (11.3)* at the June meeting.

2.6 In relation to the action around *progress of the CODA finance system replacement (12.3)*, Nicola advised that a revised version of the business case had been presented to the Investment and Resourcing Board and a revised analysis of the costs would be submitted shortly. Keith Baldwin was providing independent support.

2.7 Dave Tosh informed the board that a final draft of the *HR and Payroll project closure report (13.1)* was being prepared and would be circulated in due course.

2.8 In relation to the action for *Management Board to re-assess Cyber Security risk (14.3)*, Dave advised that good progress had been made. An internal review of ISO 27001 (Certification in Information Security Management) had provided strong assurance from an infrastructure perspective but had highlighted gaps in

policy and the general need to raise awareness across the organisation. Committee members welcomed the proposed use of an expert from North Wales Police to assist with further assessment of the risks faced by the Commission.

2.9 All other actions would be covered as agenda items at this, or future meetings.

Actions

- *Chair to circulate an E RTP ‘lessons learned’ report.*
- *Liaise with Head of Strategic Transformation to discuss approaching Wales Governance Centre in relation to attending an ACARAC meeting in June or November to discuss constitutional issues from an external, independent perspective.*
- *Dave to advise on progress with the Business Efficiency Review at June ACARAC meeting.*
- *Dave to circulate HR/Payroll closure report when available.*

Internal Audit

3.0 Item 3 – Internal Audit Update

ACARAC (31) Paper 3 – IA Update Report 2015–16

ACARAC (31) Papers 4 & 5 – IA Recommendations Monitoring

- 3.1 Gareth Watts updated the committee on recent audit work undertaken. Audits on Enhanced Bilingual Services and Financial Management and Budgetary Control were complete and would be circulated outside of the meeting, once management responses had been received. Work on Data Analytics was scheduled for the end of February and again, Gareth planned to circulate this report out of committee.
- 3.2 Claire Clancy and Dave Tosh had recently approved a paper outlining a revised Governance and Audit team structure. Although not circulated to the committee, Gareth would discuss his proposal during the private session between committee members and the Head of Internal Audit.
- 3.3 Gareth then updated the committee on work that he and Kathryn Hughes had undertaken on the Governance and Assurance Frameworks. They had met with Directors and Heads of Service and were in the process of analysing the completed Assurance Mapping tables, progress on which would be presented to the committee in April.
- 3.4 With specific reference to the recent public engagement audit, the committee urged officials to share good practice and lessons learnt with future Assembly Committees and Commissioners.

- 3.5 When questioned on the number of recommendations made during his time at the Commission, Gareth believed that the variation on numbers year on year reflected the different topics investigated and the amount of issues identified with the different subject areas. For example, the high number of recommendations in 2014–15 could largely be attributed to the audits of Recruitment and Security. 2012–13, due to the changes in Internal Audit arrangements, had been one of transition and there had been more focus on follow up of prior years' recommendations.
- 3.6 The Chair noted that Internal Audit's processes for monitoring and reporting recommendations were now more streamlined and proactive, and Claire indicated she was happy with the current approach to Internal Audit work focussing on areas of highest risk and concern which would sometimes result in high numbers of recommendations.
- 3.7 Committee members were very encouraged that there were no concerns about any of the management responses to, and progress on, audit recommendations.

Action

- *Gareth to circulate audit reports on Bilingual Services, Financial Management and Budgetary Control and Data Analytics out of committee.*

4.0 Item 4 – Latest Internal Audit reports

ACARAC (31) Paper 6 – Key Financial Controls

- 4.1 The audit of the Key Financial Controls was carried out by TIAA and a strong rating given. Gareth commented that a full complement of staff in the Finance team had significantly increased the robustness and strength of the controls in place. Committee members commended the Finance team on the robustness of controls.
- 4.2 The WAO were pleased with the assessment and would hopefully be able to place some reliance on this during the audit of the accounts.
- 4.3 Committee members were assured that despite the limitations already identified in the current finance system, the necessary controls were in place.
- 4.4 Committee members then questioned the dissemination of information to those outside of the finance team. Officials informed the committee that Finance Co-ordinators exists within each service area and monthly meetings were used to share information, as well as regular meetings with budget holders to discuss forecasting and staffing matters.

4.5 Finally, the committee suggested that officials should check the process in place for recovery of overpayments.

5.0 **Item 5 – Internal Audit Strategy for 2016–17**

ACARAC (31) Paper 7 – Internal Audit Strategy 2016–17

5.1 Gareth presented his strategy document for 2016–17 which would be subject to change on appointment of the new Assembly Commission. As always, he would continue to share instances of good practice and amend his way of working if he felt it would benefit internal audit.

5.2 Pending a change to include a link to the working protocol between Internal Audit and External Audit, the committee approved the strategy.

Action

- *Gareth to include reference in the Internal Audit Charter section of the strategy to the working protocol between Internal Audit and External Audit.*

External Audit

6.0 **Item 6 – Accounts overview**

ACARAC (31) Paper 8 – Annual accounts 2015–16

6.1 Nicola presented this paper and informed the committee that an interim set of accounts had been submitted to the WAO. Following a workshop held by the WAO for Heads of Resources, she would have sight of interim accounts from other public sector bodies.

6.2 Committee members questioned the treatment of AMSS holiday pay and Nicola confirmed she would update the committee once further progress had been made with the WAO.

6.3 The use of the Pierhead building was also discussed. The building was well used and the event space fully booked until March 2018. When questioned on the necessary work to maintain the building, officials confirmed that the forward work plan of maintenance for the next 10 years had been based on expert advice.

6.4 Overall, the committee were content with the update to the 2014–15 Management Letter and the timetable outlined in the paper.

Action

- *Nicola to update the Committee on treatment of AMSS holiday pay in the accounts.*

7.0 **Item 7 – Update from WAO**

ACARAC (31) Paper 9 – External audit update

- 7.1 Matthew Coe presented a paper outlining current progress of the 2015–16 audit, (including changes to the audit team and the proposed audit fee), follow up on the 2014–15 Management Letter and use of the Fraud Compliance Checklist.
- 7.2 Last year, the Fraud Compliance Checklist was completed by the Chief Executive and Management. Following a review of internal processes, the WAO confirmed that the checklist would be used as an audit tool to support their work and would not therefore be circulated to Management or the committee each year.
- 7.3 There remained a number of unresolved issues concerning the 2014–15 Management Letter and the WAO agreed to keep the committee informed on the progress of the resolutions.

Action

- *WAO to ensure the Committee are informed of the resolution of all outstanding issues identified in the 2014–15 Management Letter by end of February so that a full position can be presented in April.*

8.0 Item 8 – Results of Effectiveness Survey and action plan

ACARAC (31) Paper 10 – ACARAC Effectiveness Survey – cover paper

ACARAC (31) Paper 11 – Effectiveness Survey 2015 – Report

- 8.1 The Chair congratulated the clerking team on administering and analysing the effectiveness survey internally, resulting in a saving of approximately £3,000.
- 8.2 The discussion on the results concentrated on the following areas identified for further strengthening:
- the Committee’s interaction with the Assembly Commission and Commissioners;
 - consideration of how ACARAC work integrates with the Commission's wider performance management;
 - monitoring the risk profile and progress of change programmes and projects; and
 - clarity on the role of ACARAC in relation to the approval of the accounts and learning lessons from the 2014–15 audit.
- 8.3 It was agreed that the regular updates on the work of the Commission would continue to be circulated to committee members. Depending on the make-up of the new Commission (post the election in May) an introductory meeting could be

arranged with the new committee member. Members also suggested a structured induction programme be established for the new member and for reference to be made to the role of ACARAC in induction for all new Commissioners. The Clerking team would liaise with the Members' Professional Development team.

- 8.4 The Committee also welcomed the suggestion that they should review the Key Performance Indicators (KPI) report. The refreshed KPI report would include a summary of the status of change programmes and projects.
- 8.5 Overall, the Chair was extremely pleased with the process and the very positive results, and congratulated his fellow ACARAC members. An action plan would be circulated shortly.

Action

- *Clerking team to draft and circulate an action plan.*

9.0 Item 9 – Preparation of the Committee's Annual Report

ACARAC (31) Paper 12 – Annual Report 2014–15

- 9.1 This report had been well received by the Commission in 2015. The Chair would prepare a draft, to include the recent effectiveness survey results, and circulate it for contributions and approval in advance of the April meeting. Due to the change in Commission membership, Claire was unsure when it would be appropriate for the Chair to present the annual report to the Assembly Commission.

Action

- *Draft and circulate Annual Report in time to present draft report at April ACARAC meeting.*

10.0 Item 10 – Review Terms of Reference

ACARAC (31) Paper 13 – Terms of Reference June 2015

- 10.1 Following a recent training course, it was suggested that the format of the Terms of Reference (ToR) be revised and circulated out of committee for approval.

Action

- *Refresh content and format of TOR, circulate to Committee members and publish.*

11.0 Item 11 – Update the committee on recent training events and co-operation between auditors and other review bodies (oral item)

- 11.1 The Chair had recently attended a session organised by the WAO for Chairs of Audit Committees in Wales. The session focused on assurance mapping, fraud and annual reporting. He would circulate an NAO report on best practice for annual accounts, and would give an Effectiveness Review presentation at the next WAO Audit Committee Chairs meeting.
- 11.2 Assembly officials had attended a course run by CIFPA on Effective Audit Committees. The course, attended by a variety of people from Chairs to non-executive members provided further reassurance of the good practice already in place at the Assembly. The following points were reported back from the course:
- Revising/updating the current terms of reference to be more user friendly and jargon free.
 - Keeping Committee members informed by continuing to circulate any documents for information, e.g. KPI Report, Chief Executive update etc.
 - Different approaches to self-assessment e.g. a 5-point rating scale.
 - With a focus on the Governance Statement, at each meeting, a check on each item on the agenda to assess any impact on the Governance Statement.
 - At end of each meeting, members to be given the opportunity to add anything in relation to specific items discussed.
- 11.3 Gareth informed the committee of a recent meeting with the Head of Audit at the Welsh Government where he shared the Assembly's Assurance Framework and our approach to the Governance Statement. During 2016-17, Gareth has to complete an External Quality Assurance Review. The Welsh Government had recently concluded theirs so he was able to acquire a copy for information.
- 11.4 Gareth would also be attending an Intra Parliamentary Forum in Scotland in February to share examples of best practice and approaches to audit planning. He planned on discussing approaches to cyber security audit work with his counterpart from Northern Ireland and meeting with his Scottish counterpart to understand the auditing of Members' expenses.

Action

- *The Chair to circulate a NAO report on best practice for annual accounts.*

Commission Governance

12.0 Item 12 – Finance Update

ACARAC (31) Paper 14 – Finance Update

12.1 Nicola presented this paper which set out the financial position for 2015–16.

12.2 The Committee welcomed the inclusion of a letter sent by the Deputy Presiding Officer to the Chair of the Public Accounts Committee and praised the Assembly for its prompt payment performance.

13.0 Item 13 – Corporate Risks Report

ACARAC (31) Paper 15 – Corporate Risks Report

ACARAC (30) Paper 16 – Annex A – Corporate Risks Summary

ACARAC (30) Paper 17 – Annex B – Corporate Risks plotted

13.1 Dave presented the risk paper with no major changes to report. At a meeting on 25 January the Management Board were presented with the arrangements for the Fifth Assembly transition, where risks and issues were being managed through specific work-streams.

13.2 Dave agreed to revise the wording contained in the risk around reputation in relation to perceptions of Commission staff during transition to the Fifth Assembly (ref CAMS20).

13.3 The Committee welcomed the Commission's mature way of reviewing the risk register and the insertion of a table showing the direction of travel but questioned the static profile of the risks.

13.4 Claire appreciated the comments regarding the maturity of the organisation in reviewing service and corporate risks, and added that maintaining a static profile took a great deal of effort from across the organisation to ensure the controls were as effective as they could be. Mitigating actions and controls were monitored regularly which provided Claire, management and ACARAC with the necessary level of assurance.

Action

- *Consider wording of risks around reputation in relation to perceptions of Commission staff during transition to the Fifth Assembly (ref CAMS20).*

14.0 Item 14 – Critical examination of one identified risk

ACARAC (31) Paper 18 – Corporate Capacity

- 14.1 Dave introduced the examination of the risk on corporate capacity. Management Board review the corporate capacity planning process on a six monthly basis and the Business Efficiency Review would feed into this work.
- 14.2 The Committee questioned the objectives of the Voluntary Exit Scheme and the plans for the money that could be saved.
- 14.3 Dave confirmed that the Fifth Assembly would pose unknown challenges for the future. New powers and potential budget constraints could also be demanding from a management perspective, which is why a review of current skills, efficiency and effectiveness is so important.
- 14.4 Claire had recently attended a meeting with the Independent Parliamentary Standards Authority (IPSA) in Westminster. It was evident from discussions that the Assembly Commission was fortunate to have a strong and positive working relationship with the Remuneration Board. The world class committee work of the current Assembly term would need to take account of the way Members of the Fifth Assembly wished to work.

15.0 **Item 15 – Papers to note and any other business**

ACARAC (31) Paper 19 – Departures summary

ACARAC (31) Paper 20 – Forward Work Programme

- 15.1 The Committee noted the four departures from normal procurement procedure.
- 15.2 Further to points raised in the effectiveness survey, all future meetings would be extended by 30 minutes and a date for the July meeting would be confirmed.
- 15.3 The Chair concluded the meeting by thanking everyone for their papers and contributions. He gave special thanks to David Melding for his commitment and input to the work of the Committee over the past year.
- 15.4 He also welcomed Rheon's observations and encouraged others to be observers at audit committees.

Actions

- *Clerking team to add KPI report to the FWP – at the first meeting after the publication of the report.*
- *Extend all future meetings by 30 minutes.*
- *Agree date of July meeting and send meeting invite.*
- *Gather feedback from Rheon Tomos on combined learning from attendance at Audit Committees in other organisations.*

Private session

A private session with Committee members was attended by Gareth Watts. No minutes were taken.

Next meeting is scheduled for 25 April 2016.

1 Introductions, apologies and declaration of interests

- 4.6 The Chair welcomed Rheon Tomas as an observer to the meeting. He is Chair of the audit committee at Estyn – HM Inspectorate for Education and Training in Wales, and a member of the audit committees at National Museum Wales, Welsh Language Commissioner and Qualifications Wales.
- 4.7 Rheon declared that he was a trainer for CIFPA's Certificate in Corporate Governance and Effective Audit Committee course which had been attended by few Assembly officials.
- 4.8 No other interests were declared.

2 Minutes, actions and matters arising

ACARAC (31) Paper 1 – Minutes of 16 November 2015

ACARAC (31) Paper 2 – Summary of actions

- 2.1 The minutes of the meeting on 11 November 2015 were agreed and officials provided the following updates on the outstanding actions.
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3 Internal Audit update

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were complete and would be circulated outside of the meeting, once management responses had been received. Work on Data Analytics was scheduled for the end of February and again, Gareth planned to circulate this report out of committee.

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4 Latest Internal Audit Report

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5 Internal Audit Strategy for 2016–17

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- 5.3 Gareth presented his strategy document for 2016–17 which would be subject to change on appointment of the new Assembly Commission. As always, he would continue to share instances of good practice and amend his way of working if he felt it would benefit internal audit.
- 5.4 Pending a change to include a link to the working protocol between Internal Audit and External Audit, the committee approved the strategy.

Action

- *Gareth to include reference in the Internal Audit Charter section of the strategy to the working protocol between Internal Audit and External Audit.*

6 Accounts overview

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7 WAO Update

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Action

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8 Results of Effectiveness Survey and action plan

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Action

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9 Preparation of the Committee's Annual Report

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Action

- *Draft and circulate Annual Report in time to present draft report at April ACARAC meeting.*

10 Review Terms of Reference

ACARAC (31) Paper 13 – Terms of Reference June 2015

- 10.1 Following a recent training course, it was suggested that the format of the Terms of Reference (ToR) be revised and circulated out of committee for approval.

Action

- *Refresh content and format of TOR, circulate to Committee members and publish.*

11 Update the committee on recent training events and co-operation between auditors and other review bodies

- 11.1 The Chair had recently attended a session organised by the WAO for Chairs of Audit Committees in Wales. The session focused on assurance mapping, fraud and annual reporting. He would circulate an NAO report on best practice for annual accounts, and would give an Effectiveness Review presentation at the next WAO Audit Committee Chairs meeting.
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Action

- *The Chair to circulate a NAO report on best practice for annual accounts.*

12 Finance update

ACARAC (31) Paper 14 – Finance Update

- 12.1 Nicola presented this paper which set out the financial position for 2015–16.
- 12.2 The Committee welcomed the inclusion of a letter sent by the Deputy Presiding Officer to the Chair of the Public Accounts Committee and praised the Assembly for its prompt payment performance.

13 Corporate Risks Report

ACARAC (31) Paper 15 – Corporate Risks Report

ACARAC (30) Paper 16 – Annex A – Corporate Risks Summary

ACARAC (30) Paper 17 – Annex B – Corporate Risks plotted

- 13.1 Dave presented the risk paper with no major changes to report. At a meeting on 25 January the Management Board were presented with the arrangements for the Fifth Assembly transition, where risks and issues were being managed through specific work-streams.
- 13.2 Dave agreed to revise the wording contained in the risk around reputation in relation to perceptions of Commission staff during transition to the Fifth Assembly (ref CAMS20).
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monitored regularly which provided Claire, management and ACARAC with the necessary level of assurance.

Action

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14 Critical examination of one identified risk

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- 14.2 The Committee questioned the objectives of the Voluntary Exit Scheme and the plans for the money that could be saved.
- 14.3 Dave confirmed that the Fifth Assembly would pose unknown challenges for the future. New powers and potential budget constraints could also be demanding from a management perspective, which is why a review of current skills, efficiency and effectiveness is so important.
- 14.4 Claire had recently attended a meeting with the Independent Parliamentary Standards Authority (IPSA) in Westminster. It was evident from discussions that the Assembly Commission was fortunate to have a strong and positive working relationship with the Remuneration Board. The world class committee work of the current Assembly term would need to take account of the way Members of the Fifth Assembly wished to work.

15 Papers to note and any other business

ACARAC (31) Paper 19 – Departures summary

ACARAC (31) Paper 20 – Forward Work Programme

- 15.1 The Committee noted the four departures from normal procurement procedure.

- 15.2 Further to points raised in the effectiveness survey, all future meetings would be extended by 30 minutes and a date for the July meeting would be confirmed.
- 15.3 The Chair concluded the meeting by thanking everyone for their papers and contributions. He gave special thanks to David Melding for his commitment and input to the work of the Committee over the past year.
- 15.4 He also welcomed Rheon's observations and encouraged others to be observers at audit committees.

Actions

- *Clerking team to add KPI report to the FWP – at the first meeting after the publication of the report.*
- *Extend all future meetings by 30 minutes.*
- *Agree date of July meeting and send meeting invite.*
- *Gather feedback from Rheon Tomos on combined learning from attendance at Audit Committees in other organisations.*

Private session

A private session with Committee members was attended by Gareth Watts. No minutes were taken.

Next meeting is scheduled for 25 April 2016.