

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

Meeting Venue:

Conference Room 4B – Tŷ Hywel

Meeting date: Monday, 25 April 2016

Meeting time: 10.30 – 13.00

Attendance

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

1 Introductions, apologies and declaration of interests



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Wales

- 1.1 The Chair welcomed Nia Morgan to her first meeting. He also noted the late apology from Ann-Marie Harkin and urged attendees to prioritise the long-standing commitment to meetings of this Committee.
- 1.2 The Chair declared that he was a Non-Executive Director on the Cabinet Office Modern Electoral Registration Programme.
- 1.3 No other interests were declared.

2 Minutes of 8 February, actions and matters arising

ACARAC (32) Paper 1 – Minutes of 8 February 2016

ACARAC (32) Paper 2 – Summary of actions

- 2.1 The minutes of the meeting on 8 February 2016 were agreed and officials provided the following updates on the outstanding actions.
- 2.2 Dave Tosh confirmed that a paper presenting the work around the *Business Efficiency Review* was on the Committee's forward work programme for the June meeting.
- 2.3 In relation to the action for *approaching the Wales Governance Centre (2.4)*, Claire Clancy confirmed that the dates of future meetings had been passed on and the item would be added to the forward work programme in due course.
- 2.4 Kathryn Hughes would gather feedback from the observer at the February meeting to be presented at a future meeting.
- 2.5 All other actions would be covered as agenda items at this, or future meetings.

3 Internal Audit Activity Report

ACARAC (32) Paper 3 – IA Update Report 2015–16

- 3.1 Gareth Watts updated the Committee on recent audit work. In February, he had attended an Inter-Parliamentary Internal Audit Forum where they had discussed approaches to planning, cyber security and Members' expenses.
- 3.2 Gareth had provided details of the discussions around cyber security at the forum to the Commission's Head of ICT and Broadcasting who would consider how to take this on board.

- 3.3 It had also been agreed that Gareth would be taking over future audits of Members' expenses from the WAO, as this was more cost-effective.
- 3.4 At a recent Investment and Resourcing Board (IRB) meeting, the business case for replacing the finance system was approved and Gareth confirmed that he would attend meetings of the project board.
- 3.5 Gareth advised that, as well as a planned effectiveness review of the IRB, he had been considering options for the governance team to provide additional support for programmes and projects. The Chair encouraged him to consider agile techniques as part of this review.
- 3.6 As a recently appointed member of the Coleg Gwent Audit Committee, Gareth described the contributions he had made and the networking opportunities this had brought. As Coleg Gwent had recently implemented a new finance system he would share contact information with Nia Morgan.

4 Latest Internal Audit Report & Previously circulated IA reports

ACARAC (32) Paper 4 – Making the most of the Assembly Estate

- 4.1 Gareth presented this review which detailed the progress made against one of the Commission's corporate priorities. He informed the Committee that a new Visitor Experience and Venue Manager had recently been appointed who would take the recommendations forward.
- 4.2 In response to questions from Committee members on refurbishing Members' accommodation, Gareth and Dave explained the work had been undertaken as part of the planned maintenance programme.
- 4.3 A further discussion centred on the long-term value for money on the use of the Assembly estate, including the potential to purchase Tŷ Hywel. Dave agreed to revisit this. It was agreed that wider considerations about accessibility to the Cardiff Bay area were important, but largely outside the Commission's control.
- 4.4 The Committee welcomed this comprehensive report especially in addressing the objectives set by the Commission, and encouraged the continued use of visitor experience feedback.

Action

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Dave to investigate options

for the purchase of Tŷ Hywel.

Previously Circulated IA reports

ACARAC (32) Paper 5 – Bilingual Services

ACARAC (32) Paper 6 – Data Analytics

ACARAC (32) Paper 7 – Budgetary Control

- 4.5 Three internal audit reports were circulated out of committee on 30 March and Gareth summarised the comments/queries he had received. One point highlighted was that the support to individuals and the use of technology identified in the *Enhanced Bilingual Services* audit should be applauded.
- 4.6 The *Data Analytics* audit, undertaken by TIAA, confirmed that there was no indication of fraudulent behaviour during the financial year in question. Committee members suggested that the objective of future audits should explicitly state that its purpose is to identify any evidence of fraudulent behaviour.
- 4.7 The audit on *Budgetary Control* had identified some areas that could be improved with a new finance system but Nia confirmed that the manual workarounds, although resource intensive, were effective.

5 Consider Internal Audit's outline audit plan for 2016–17

ACARAC (31) Paper 8 – IA outline plan 2016–17

- 5.1 The Committee had approved Gareth's strategy at the February meeting and welcomed his outline plan for 2016–17.
- 5.2 When questioned whether his plan should include the new finance system, Gareth agreed to discuss this with Nia to determine the level of assurance required by the project board.
- 5.3 Gareth also provided the Committee with some further information on the planned security review. Following a period of restructuring within the team, Gareth wanted to ensure that the changes were well embedded within the service area before carrying out his review.
- 5.4 A wider discussion centred on security provided by South Wales Police. Claire assured the Committee that the financial implications of increasing the police presence had been considered carefully to ensure they were necessary and cost effective.
- 5.5 Dave also provided an update on work to assess the Commission's exposure to cyber security risks, including the engagement of an inspector from North Wales to help identify and manage risks of attacks to our Building Management System.

6 Update on full position of all outstanding issues identified in last years accounts and any other emerging issues

ACARAC (32) Paper 9 – WAO update

- 6.1 Matthew Coe introduced an update paper and highlighted some key items for the Committee to consider. Issues raised during the 2015–16 audit were now all resolved.
- 6.2 He confirmed that dates for the main audit of the accounts had been agreed with Nia, although concerns were raised regarding the resource impact of carrying out the pension audit in parallel and with the same audit lead. Nia and Matthew would discuss this further outside of the meeting to ensure that the timetable is met.
- 6.3 Matthew confirmed that papers, including the ISA260 would be submitted in time for the meetings in June and July.
- 6.4 In relation to the replacement finance system, Matthew suggested officials consider whether input from the WAO, such as observing at project board meetings would be useful to provide further assurance.

Actions

- *Nia Morgan to liaise with WAO on resources for forthcoming audits of accounts and pensions.*
- *Nia Morgan to consider input from WAO on the replacement finance system project.*

7 Update Joint Working Protocol with Internal Audit

Oral item

- 7.1 Gareth informed the Committee that an updated working protocol approved in April 2015 had been reviewed and remained valid. He regularly meets with a Team Lead from the WAO to discuss the ongoing working relationship. The Committee welcomed this evidence of a continued strong working relationship with external audit.

- 7.2 The Committee also noted that the WAO would be carrying out the external review on compliance with the Public Sector Internal Audit Standards.

8 Review progress of action plan following ACARAC effectiveness survey

ACARAC (32) Paper 10 – survey results 2016 action plan

- 8.1 The Chair thanked the team for this update on progress against the action plan and noted the on-going work to review the key performance indicators.

9 Draft Annual Report

ACARAC (32) Paper 11 – Draft Annual Report 2016

- 9.1 The Chair appreciated the comments he had received on the draft annual report. The Committee approved the document presented and the clerking team agreed to arrange translation before formal submission to the Assembly Commission secretariat.

10 Budget update

ACARAC (32) Paper 12 – Budget Update

- 10.1 Nia presented a paper setting out the latest financial position for 2015–16. The paper also included an update on the work to deliver future budgets.
- 10.2 Some further detail was provided by Claire on the implications of the voluntary exit scheme and the wider plans to restructure some teams during the Fifth Assembly to ensure a positive impact as a result of the scheme. The Chair commented that the process followed appeared to have been robust, with independent assurance built in.
- 10.3 Nia explained that a value for money saving target was not specified for 2016–17 as no major contracts were due for renewal but regular meetings

with Estates and Facilities Management and ICT were likely to draw out some discrete savings or efficiencies. Claire explained the role of Investment and Resourcing Board in making decisions about the best use of savings generated.

- 10.4 Nia also informed the Committee that a challenging few months lay ahead for her team with a new budget strategy likely to be presented to a new Assembly Commission in June.

11 Accounting Policies

ACARAC (32) Paper 13 – Accounting Policies

- 11.1 The Committee noted this paper for information and Nia outlined minor amendments she had made.
- 11.2 In relation to purchasing IT equipment as and when required, Dave assured the Committee that checks were made that prices were competitive.

12 Update on fraud and whistleblowing policies

ACARAC (32) Paper 14 – Whistleblowing Policy and Fraud Policy Updates

- 12.1 Following a review of both policies, Gareth informed the Committee that he would be working with the Head of Human Resources to publicise the whistleblowing policy.
- 12.2 The Committee welcomed this approach, especially as there were no cases of whistleblowing reported which, whilst this could mean there was no cause for concern, could also potentially indicate that employees were unaware of the policy.
- 12.3 The Annual Report on Fraud would be presented to the Committee in June.

13 Update on Assurance Framework

ACARAC (32) Paper 15 – cover paper

ACARAC (32) Paper 15 – Annex A

ACARAC (32) Paper 15 – Annex B

13.1 The Chair welcomed this exemplar framework document and the discussion that proceeded on the benefits of its use in the organisation.

13.2 Dave and Kathryn advised that they would be taking on board feedback from Management Board members when considering the most efficient and effective way to gather assurances going forward.

Action

– *Gareth to update the Committee on further use of the Assurance Framework.*

14 Draft Governance Statement for 2015–16

ACARAC (32) Paper 16 – cover paper and Draft GS 2015–16

14.1 Claire presented the draft Governance Statement to the Committee and thanked Keith Baldwin for his input at the challenge session at Management Board in February. Keith added that the process had worked well, particularly the focus on Director–level statements.

14.2 The drafting of the Commission’s Annual Report and Accounts was well advanced and Claire was confident it would be finalised according to the timetable.

14.3 The Committee made some minor suggestions which would be taken on board for the next draft but welcomed early sight of the statement and were encouraged by the progress of the Annual Report and Accounts.

Action

– *Claire to consider including an organisational structure chart under the appropriate heading in the Governance Statement.*

15 Update on Fifth Assembly Transition

Oral Item

- 15.1 Claire was pleased to report that Fifth Assembly Transition plans were all on track and praised the team for their hard work.
- 15.2 From an Assembly Members' perspective, Angela Burns wanted to praise those involved as the arrangements had been handled and explained extremely well.
- 15.3 The Chair congratulated Claire and her team for their thorough preparatory work.

16 Corporate Risks Report

ACARAC (32) Paper 17 – Corporate Risks

ACARAC (32) Paper 17 – Annex A – Corporate Risks Summary Report

ACARAC (32) Paper 17 – Annex B – Corporate Risks plotted

- 16.1 The Committee welcomed the report and noted two new risks that had been added since the February meeting. The Chair also commented on the maturity of Corporate Risk Register review process, whereby risk severities are regularly reviewed and risks added and removed as appropriate.
- 16.2 Officials agreed with the Committee's suggestion that the combined impact of imminent changes at a senior level was potentially significant. The next year would see the departure of the Commission's Chief Executive and Clerk, the appointment of a new Permanent Secretary, Presiding Officer and Commissioners, and the potential for other senior level changes. It was agreed that the Risk Manager would review whether an appropriate risk should be added to the Commission's Corporate Risk Register.
- 16.3 It was also agreed to further assess the risk of implementing a replacement finance system whilst recruiting a new Finance Director.
- 16.4 In response to comments from Committee members that risk severities were largely unchanged, Kathryn explained that the impact or likelihood of the risks might have changed but not the overall risk severity rating. She planned to add these to future reports.

Action

- *Kathryn Hughes to facilitate consideration of whether a new corporate risk was needed to reflect the potential impact of significant changes at a senior level.*
- *Kathryn Hughes and Nia Morgan to revisit the combined risks of implementing a replacement finance system whilst recruiting a new Finance Director.*

17 Critical examination of one identified risk – financial management

ACARAC (32) Paper 18 – Financial Management Risk

ACARAC (32) Paper 18 – Annex A – ROAP for Financial Management Risk

- 17.1 Dave introduced the examination of the risk on Financial Management. This was a critical time for the organisation with the finalisation of the annual accounts, presenting the budget strategy to the new Commission, and the finance system replacement project, but he assured the Committee that a skilled team and robust support were in place.

18 Papers to note and any other business

ACARAC (32) Paper 19 – Terms of Reference

ACARAC (32) Paper 20 – Departures summary

ACARAC (32) Paper 21 – Forward Work Programme

- 18.1 The revised Terms of Reference were agreed.
- 18.2 The Committee noted three departures from normal procurement procedure.
- 18.3 The Chair concluded the meeting by thanking everyone for their papers and contributions.

Private session

A private session with Committee members was attended by the Commission's external audit representative Matthew Coe. No minutes were taken.

Next meeting is scheduled for 13 June 2016.