

Concise Minutes – National Assembly for Wales

Commission Audit and Risk Assurance Committee

Meeting Venue:

Conference Room 23 – Tŷ Hywel

Meeting date: Monday, 5 February 2018

Meeting time: 09:00–11:00

Attendance

Category	Names
Committee Members:	Eric Gregory (Chair) Keith Baldwin Hugh Widdis Suzy Davies AM
WAO Staff :	Ann–Marie Harkin, Wales Audit Office (WAO) Gareth Lucey, Wales Audit Office (WAO)
Assembly Commission Staff:	Manon Antoniazzi, Chief Executive and Clerk, and Accounting Officer Dave Tosh, Director of Resources Nia Morgan, Director of Finance Gareth Watts, Head of Internal Audit Kathryn Hughes, Committee Clerk and Risk Manager Buddug Saer, Deputy Committee Clerk

1 Introductions, apologies and declarations of interest

- 1.1 Eric Gregory declared that he continued to be part of the implementation team for the Parliamentary Review of Health and Social Care in Wales.
- 1.2 No other interests were declared.



2 Minutes of 27 November, actions and matters arising

ACARAC (01-18) Paper 1 – Minutes of 27 November 2017

ACARAC (01-18) Paper 2 – Summary of actions

- 2.1 The minutes of the meeting on 27 November were agreed and the updates on actions captured in paper 2 were noted.
- 2.2 In relation to action point 2.3 (treatment of *AGW Salary*), Gareth Watts was awaiting details of what was required in terms of further assurance to the Permanent Secretary following meetings he and Nia Morgan had held with Welsh Government officials over the summer recess. The Committee were concerned that this could become an issue if it had not been finalised before the end of the financial year. Gareth would continue to chase the Welsh Government on this matter and update the Committee accordingly.
- 2.3 Regarding action point 6.1 (Cyber Security), it was agreed that officials from ICT would be invited to attend the meeting in April to update the Committee on cyber vulnerabilities and response plans.

Actions

- *Head of ICT and/or Head of Infrastructure & Operations Management to attend the April meeting to update the Committee on Cyber Security.*

3 Internal Audit Activity Report

ACARAC (01-18) Paper 3 – IA progress report and monitoring recommendations

- 3.1 The Committee questioned Gareth's capacity to meet the commitments outlined in his audit plan. He confirmed that the revised plan takes account of his work on the Capacity Review and remained on target. His time had been spent almost exclusively on the Capacity Review since the November meeting and number of reports would, however, be circulated before the April meeting.
- 3.2 The Committee questioned the Commission's preparedness for the General Data Protection Regulation (GDPR) in May 2018. Dave and Gareth believed that the level of engagement and the amount of guidance produced by the Information Governance Manager, as well as the sharing of documentation and practice with other organisations, demonstrated that the Assembly Commission was well prepared.

- 3.3 The Committee were impressed with, and re-assured by, the Commission's proactive approach, particularly the production of guidance for Assembly Members in the absence of guidance for elected representatives from the Information Commissioners Office (ICO). They suggested this guidance could be shared with the ICO. They welcomed the forthcoming *GDPR – Preparedness Review* which was due to take place in February.
- 3.4 Gareth highlighted that, as well as GDPR, the discussions at the Intra Parliamentary Forum covered Brexit and the related devolution of powers. Committee members agreed that the Commission's ability to navigate significant risk and related assurances within a political environment was commendable.
- 3.5 Gareth's External Quality Assurance (EQA) review of the Northern Ireland Assembly was yet to be arranged. He would present progress against his own EQA action plan at the next meeting.

Actions

- *Gareth to present progress against his External Quality Assurance action plan at the April meeting.*

4 Update on Capacity Review

Oral Item

- 4.1 The Committee received an update on the Capacity Review following a recent Assembly Commission meeting when they approved the initial report.
- 4.2 Dave would lead the next phase of the review, which was to implement the recommendations. Dave advised that a cross organisation steering group had been established to develop and co-ordinate delivery of an action plan. The terms of reference for the group were due to be considered by the Management Board. He also outlined various actions which were already being progressed, such as revised planning and reporting cycles.
- 4.3 Suzy Davies confirmed that the Commission had welcomed the report and recommended that a capacity review should be performed at the beginning of each new Assembly to inform planning of resources required to deliver its strategy.
- 4.4 The Committee discussed the context of the review in terms of particular challenges in the Fifth Assembly, including Brexit, Assembly electoral reform, financial constraints and the desire to contain staff numbers. They also discussed

the detailed scenario planning being carried out by relevant senior officials in relation to Brexit and the Withdrawal Bill.

- 4.5 The Committee suggested that the Commission should ensure there was sufficient quantitative data to evidence both the review's findings and subsequent efficiency and effectiveness improvements which would stand up to scrutiny. They recognised, however that it was difficult to quantify the value of services provided or to benchmark against other legislatures.

5 Update from the WAO

ACARAC (01-18) Paper 4 – WAO audit update

- 5.1 Gareth Lucey presented an update on behalf of the Wales Audit Office (WAO). The 2016-17 accounts were fully closed with a reduction of £5,221 in the estimated fee. An update on initial findings in the 2017-18 audit would be presented to the Committee in April. The fee for the 2017-18 audit was still under formal review by the Auditor General. The Chair requested a breakdown of the fee to demonstrate job roles of individuals involved in the audit process.
- 5.2 The team were also working on a briefing for the Finance Committee in relation to its inquiry into the budget profiling of the Remuneration Board's Determination. Further discussions were necessary with the WAO technical team and the advice being drafted by Ann-Marie would outline the WAO's view of the advantages and disadvantages of the Assembly's current and proposed approaches.
- 5.3 The team had also met with Gareth Watts to discuss the content of the 2017-18 Internal Audit plan, and any other areas where Gareth's work could provide reassurance to WAO's financial audits.

Actions

- *WAO to share a breakdown of the 2017-18 audit fee to demonstrate job roles of individuals involved in the audit process.*

10 Review of accounting policies

ACARAC (01-18) Paper 5 – Review of accounting policies

Item 7 – Finance update

ACARAC (01-18) Paper 6 – Finance Update

- 6.1 Nia presented both papers and welcomed questions from Committee members on the latest financial position.
- 6.2 The Committee noted the paper on review of accounting policies. When questioned, WAO representatives confirmed they were content with the treatment of dilapidations outlined in the paper.
- 6.3 The current financial position remained challenging. However since the November meeting, Directors had been tasked with identifying savings, including delaying some expenditure until 2018–19 to provide a level of contingency and flexibility within 2017–18, whilst recognising this would impact on the 2018–19 budget. The Investment and Resourcing Board would shortly be considering whether some of those projects which had been put on hold, such as the cyclical replacement of some ICT hardware, could now go ahead in 2017–18.
- 6.4 A prioritisation tool developed by Dave and Gareth Watts would aid with funding decisions going forward. The Committee requested an update on the basis for and application of the prioritisation criteria at the April meeting.
- 6.5 Nia explained the need for a supplementary budget to cover the shortfall caused by an increase in the Government Actuary's Department forecasting of the pension finance cost. An explanatory memorandum had been submitted to the Finance Committee in December.
- 6.6 Dave confirmed that savings had been negotiated on some contracts without any changes to standards of service. Nia made reference to the value for money savings from business efficiencies but cautioned that savings in areas such as procurement would be more difficult in the future unless there were significant changes to service delivery. In response to questions about the apprenticeship levy, Nia agreed to clarify whether the payroll of Members, as individual employees should be treated separately or cumulatively in relation to the £3 million threshold.
- 6.7 The Committee were invited to send any comments to Nia on a letter that was due to be sent to the Finance Committee following the launch of its inquiry into how other Parliaments budget for expenditure related to Member's pay and allowances.

Actions

- *Dave and Gareth Watts to update Committee on the basis for and application of the prioritisation criteria at the April meeting.*
- *Nia to clarify if the apprenticeship levy applies to the Assembly Members as employers.*

11 Committee's effectiveness survey – presentation of results

ACARAC (01-18) Paper 7 – Committee Effectiveness Survey

- 7.1 Kathryn Hughes presented a favourable set of survey results to the Committee. This survey provided data that was broadly comparable with the 2015 survey, despite some revisions and additional questions.
- 7.2 Kathryn had highlighted some areas of improvement based on the comments provided by respondents. The only formal action which the Committee identified was to consider making better use of the July meeting, which was currently used to consider finalisation of the accounts. This could include considering the outcomes of annual end of term strategic planning meetings which were being introduced by the Commission or a deeper analysis of risk or performance information.
- 7.3 Overall, the Chair was pleased with the positive results and congratulated ACARAC members and officials. A revised forward work programme taking on board these suggestions would be circulated during the summer recess.

Actions

- *Secretariat to work with officials and Chair to determine what items could be presented for discussion at the July meeting.*

8 Corporate Performance Report (KPI report)

ACARAC (01-18) Paper 8 – KPI Report Apr-Sept 2017

Item 10 – Corporate Risk Report

ACARAC (01-18) Paper 9 – Corporate Risks

ACARAC (01-18) Paper 9 – Annex A – Corporate Risks Summary Report

ACARAC (01-18) Paper 9 – Annex B – Corporate Risks plotted

Item 11 – Critical examination of one identified or emerging risk

ACARAC (01-18) Paper 10 – Update on Commission’s Inter-related Corporate Risks

- 8.1 The final, published KPI report had been included in the pack for information. Dave advised that a review of the KPIs was ongoing with Heads of Service and Directors. This included consideration of developing an internal dashboard in addition to the published KPIs. He confirmed this review would include consideration of whether the targets were sufficiently challenging and relevant. The Committee suggested consideration be given to basing targets on outcomes and not outputs.
- 8.2 Dave then introduced the risk papers, noting that the continued significant risk profile demonstrated the pressure and amount of uncertainty facing the organisation.
- 8.3 Whilst recognising that the residual risks remained high due to their impact if realised, the Committee suggested that controls and tolerance levels be continuously challenged to ensure that enough was being done to manage them. Officials agreed to consider the Committee’s comments on options for presenting the risks in a different way to better aid analysis.
- 8.4 The Committee noted the paper outlining how the Commission was managing the inter-related nature of its corporate risks. The Committee remained satisfied that the risks were being well managed, both individually and collectively. It was agreed that, as the inter-related risks would continue to be managed collectively and reported to the Committee separately in the Corporate Risk Register, they did not need to see similar reports on management of the inter-related risks in future.

9 Corporate Risk Report

Critical examination of one identified risk

Discuss issues in preparation for the Committee's annual report

ACARAC (01-18) Paper 11 – Annual Report 2016-17

- 9.1 The 2016–17 annual report was included for information. The Chair asked Committee members to pass any thoughts on the structure, format and content of the next annual report to the Clerking team outside of this meeting.

Actions

- *Committee members to advise the Clerking team of suggested changes to the structure and format as well as content for the next annual report.*

10 Departure Summary

ACARAC (01–18) Paper 12 – Departure Summary

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

11 Forward Work Programme

ACARAC (01–18) Paper 13 – Forward Work Programme

- 11.1 The Committee noted the updated forward work programme.
- 11.2 The Chair wished to remind the Chief Executive that his tenure as Chair and Independent Advisor and Keith Baldwin’s role as Independent Advisor and Committee member would expire in October 2018.
- 11.3 During the meeting it was agreed to add the following items:
- *Head of ICT and Head of Infrastructure & Operations Management to present an item on Cyber Security at the April meeting.*
 - *Dave to present the prioritisation criteria for projects/programmes at the April meeting.*
 - *Secretariat to work with officials and Chair to determine what items can be presented for discussion at the July meeting.*

12.0 Other business

- 12.1 Finally, the Committee wanted to extend their congratulations and best wishes to Adrian Crompton, Director of Assembly Business on his recent appointment as the Auditor General for Wales.

13.0 Private session

- 13.1 The WAO attended a private session with members of the Committee once formal proceedings concluded. No minutes were taken.