

Concise Minutes – National Assembly for Wales

Commission Audit and Risk Assurance Committee

Meeting Venue:

Conference Room 4B – Tŷ Hywel

Meeting date: Monday, 18 June 2018

Meeting time: 10.30 – 13.00

Attendance

Category	Names
Committee Members:	Eric Gregory, Independent Advisor and Committee Chair Keith Baldwin, Independent Advisor and Committee Member Hugh Widdis, Independent Committee Member
Wales Audit Office:	Ann-Marie Harkin, Wales Audit Office (WAO) Gareth Lucey, Wales Audit Office (WAO)
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, Committee Deputy Clerk Craig Stephenson, Director of Commission Services (Items 7 and 12)

1 Introductions, apologies and declaration of interests

- 1.1 Apologies were received from Suzy Davies, AM and Commissioner. It was agreed that the clerking team would capture any comments on the papers from Suzy together with responses from officials.



1.2 The Chair welcomed Craig Stephenson for two specific items – 7 and 12.

1.3 No interests were declared.

2 Minutes of 23 April, actions and matters arising

ACARAC (03-18) Paper 1 – Minutes of 23 April 2018

ACARAC (03-18) Paper 2 – Summary of actions

2.1 The minutes of the meeting on 23 April were agreed subject to one amendment which would be made before publication.

2.2 Gareth Watts confirmed that action 6.4 (*consider referencing PAC and Finance Committee on the Commission's Assurance Map*) was part of a wider review of assurances and an update would be shared with the Committee in the autumn.

3 WAO update report

ACARAC (03-18) Paper 8 – WAO opinion for the FY 2017-18

3.1 This item was brought forward as Ann-Marie Harkin had requested to leave the meeting early.

3.2 Ann-Marie and Gareth Lucey reported the Auditor General's intention to issue an unqualified audit report on the financial statements. One minor recommendation was identified from the 2017-18 audit work, relating to fully depreciated assets on the Commission's fixed asset register. The recommendation, to carry out a review of these assets, had been accepted and was due to be implemented by September 2018.

3.3 The WAO confirmed that the audit had been very efficient and effective and agreed to consider how efficiencies resulting from the quality and immediacy of information produced by the new finance system might be reflected in future audit fees.

3.4 The audit was nearly complete from the WAO's perspective apart from the final Assembly Members' Pension Fund figures which could result in minor changes.

3.5 The WAO thanked Nia Morgan and her team for the professional and helpful way this audit had been managed, especially as they had also been dealing with a new system and a HMRC audit during the same period. They also referred to assurances they had been able to take from the internal audit work.

3.6 Nia welcomed the comments from the WAO and reiterated the importance of the strong working relationship that exists between them and the Commission. She

was disappointed to receive one recommendation but assured the Committee that this would be implemented during the summer recess. The Committee noted that the ambitious self-imposed target of a 0.5% underspend had been narrowly missed by 0.1% due to an overestimation of certain accruals.

- 3.7 The Finance team had experienced some teething problems with the new system but Nia assured the Committee that these were mainly around matching purchase orders rather than fundamental issues.

Overall, the Committee were pleased with the smooth production of the accounts and were satisfied with the explanation received on the severance payments and the additional information received relating to the direct charge payments of the Auditor General Wales and the Public Service Ombudsman. The Committee encouraged officials to ensure that communication between the Commission and the Senior Salaries Review Body (SSRB) improved to avoid such discrepancies in the future.

4 Annual Report and Statement of Accounts

ACARAC (03-18) Paper 7 - Draft Annual Report and Statement of Accounts 2017-18 - cover paper

ACARAC (03-18) Paper 7 - Annex A - Draft Annual Report 2017-18

ACARAC (03-18) Paper 7 - Annex B - Statement of Accounts 2017-18

- 4.1 This item was also brought forward to accommodate Ann-Marie's and Craig Stephenson's attendance.
- 4.2 The Committee welcomed early circulation of both documents which had enabled comments shared by email to be taken into account.
- 4.3 Manon Antoniazzi and Craig Stephenson presented the annual report which they believed was a transparent and open account of the key events and issues during the past financial year. The Committee noted that cross-referencing separate reports, such as those on Diversity and Inclusion and the Official Language Scheme had avoided duplication and thereby reduced the size of the overall report.
- 4.4 The Committee concluded that the Annual Report and Accounts was a thorough and accurate account of the achievements and challenges faced by the Commission over the year and congratulated the teams involved in its production.

They also welcomed inclusion of the revised governance structure in the Governance Statement.

- 4.5 In response to specific questions from the Committee, officials agreed to consider setting tolerance levels for some of the KPI targets and to revise the description of achieving emissions targets.

5 Internal Audit Update Report

ACARAC (03-18) Paper 3 - IA update report

Item 4 – Internal Audit Annual Report 2017-18

ACARAC (03-18) Paper 4 - Internal Audit Annual Report and Opinion 2017-18

Item 5 – Internal Audit Fraud Report

ACARAC (03-18) Paper 5 - Internal Audit Fraud Report

Item 6 – Latest Internal Audit Report

ACARAC (03-18) Paper 6 - Assembly Members' Allowances Audit_Report

- 5.1 Gareth Watts presented these four items to the Committee. His update report was noted and he outlined that his Annual Report provided an overall opinion for 2017-18 that '*...the framework of governance, risk management and control is adequate and effective*' which was in line with the Public Sector Internal Audit Standards (PSIAS) descriptions.
- 5.2 Gareth highlighted areas where his work had added value to the organisation, for example: establishing prioritisation criteria; review of the Investment and Resourcing Board which had resulted in changes to the governance structure; and the Capacity Review. He added that there was good general recognition of Internal Audit's advisory role.
- 5.3 Gareth also informed the Committee of a trainee auditor within the Governance and Assurance team who should be qualified by the end of the year. This was welcomed by the Committee as necessary support for Gareth alongside the TIAA contract. In response to questions about approval of the work produced by TIAA, Gareth explained that, as the contract manager, he carried out quality assurance of all reports produced by TIAA. He added that Dave would sign off audits of areas within his remit, such as risk management and information governance.

- 5.4 The Committee commended the completion of all the recommendations by management, including the recommendations in relation to the audit on Key Financial Controls, which had been implemented before the report was presented to the Committee.
- 5.5 The Committee encouraged Gareth to place additional focus on the Business Directorate in future years and continue to ensure that his audit programme and independence was not compromised.
- 5.6 Both Gareth and Dave provided assurance to the Committee by describing how, as outlined in the Internal Audit Charter update previously presented, independence was safeguarded. Dave added that during their weekly catch-ups Gareth's work was discussed at length to ensure that there was no conflict of interest and that his independence was protected.
- 5.7 Regarding the Annual Report on Fraud, Gareth confirmed that the report covered third party contractors and online card systems. During 2017–18 there were no reported cases of fraudulent activity brought to Gareth's attention.
- 5.8 Subsequent to the implementation of the procurement card online system, and following the Key Financial Controls audit, Nia continued to ensure that Heads of Service approved purchases made using the cards to minimise any delays.
- 5.9 Gareth's final item was the Assembly Members' Allowances audit report. His assurance rating was moderate, with all four recommendations being agreed. He was assured that the Members' Business Support (MBS) team were following the correct processes and procedures, and the identified duplicate payments (made by human error) were rectified. He would be carrying out some additional work on value for money in relation to Members' allowances in August.
- 5.10 In response to questions from the Committee about the sample used for this audit, Gareth explained that the sample was substantively tested. He added that the whole control framework had been evaluated and that his review took account of the automated and other checks in place as well as the knowledge of MBS staff.

The Committee welcomed Gareth's updates and the safeguards in place to protect his independence.

6 Internal Audit Annual Report 2017–18

7 Internal Audit Fraud Report

8 Latest Internal Audit Reports – Assembly Members' Allowances Audit Report

9 Prioritisation Criteria

Oral update via presentation

6.1 This item had been deferred from the April meeting.

6.2 Dave presented the Committee with prioritisation criteria which was in part based on the MoSCoW (Must, Should, Could or Won't) model, together with more detailed criteria. This had already been shared with the Assembly Commission, the Chair's Forum and the Business Committee and would be used to inform a refresh of strategic priorities. It was being used by the Leadership Team to inform discussions around prioritising resources for 2018–19 and the outcome of these discussions and any business cases would be subject to challenge by the Executive Board. Officials were in agreement that once this was embedded it would better enable Manon and senior management to focus on and assess priorities, especially given the limited resources and tighter financial situation. It would also provide evidence for discussions with the Commission about priorities and the implications of decisions.

6.3 Dave explained to the Committee that the model had already been used by the Communications team to prioritise summer events as part of the engagement strategy. The criteria would be developed further as part of the Capacity Review to identify pinch-points and inform the re-deployment of staff.

6.4 The Committee welcomed the approach of using this as a tool to inform discussions, but stressed the need to have a common understanding of the terms used and also to consider phased assessment of projects as part of the agile methodology (e.g. candidate, discovery etc.). They were encouraged by Gareth's role as a 'critical friend' in developing this criteria.

10 SIRO Annual Report 2017–18

ACARAC (03-18) Paper 9 – SIRO AR 2017-18

- 7.1 The Committee welcomed this report and Dave agreed that its production could be brought forward in future years. He also agreed that the report could be enhanced to make further reference to the preparations for GDPR taking priority this year and to include statistics relating to cyber-security.
- 7.2 Dave provided the Committee with a detailed explanation of the data loss incident which had been reported to the Information Commissioner's Office. He assured the Committee that additional checks had been put in place to minimise the chance of human error in future.
- 7.3 The Information Governance Manager had been working primarily on GDPR awareness and training and would continue to do so for the coming months before concentrating on compliance activities. A review of the classification system would also be carried out.
- 7.4 Dave accepted the action requested by the Committee that future information breaches should be reported by the SIRO to ACARAC.

Actions

- *Dave to revise the SIRO Annual Report to refer to GDPR preparations and cyber-security statistics*
- *Dave to amend the SIRO Terms of Reference to ensure that information breaches are reported to ACARAC at the earliest opportunity.*

11 Corporate Risks Report

ACARAC (03-18) Paper 10 – Corporate Risks

ACARAC (03-18) Paper 10 – Annex A – Corporate Risks Summary Report

ACARAC (03-18) Paper 10 – Annex B – Corporate Risks plotted

- 8.1 Dave introduced this item as an interim update pending a full review of corporate risks by the Executive Board in July.
- 8.2 Nia hoped to remove FS3 (increased financial pressure due to uncertainty around sufficient future resources) by July but discussions were ongoing with the Finance Committee and the Commission about future funding due to changes in the treatment of the Remuneration Board's Determination underspend.

12 Critical examination of one identified or emerging risk – oral item

Oral update on CAMS32 (Dignity and Respect policies and procedures)

- 9.1 Craig updated the Committee on the management of risks around the Commission's and the Assembly's Dignity and Respect policies and procedures. A report based on an anonymised Dignity and Respect Survey was due to be published on 19 June which was expected to attract some media attention.
- 9.2 The Standards of Conduct Committee was yet to provide its recommendations on an enquiry into political party policies and procedures which would help inform future policy. The Secretariat would continue to update the Committee when appropriate.
- 9.3 The Committee concluded that they believed the Commission had responded honestly, positively and promptly to the issues that had arisen, and recognised the importance of the work in train to evidence its commitment to providing an open and inclusive culture that is free from bullying, harassment and discrimination.

13 ACARAC Annual Report 2017–18

ACARAC (03–18) Paper 11 –ACARAC Annual Report

- 10.1 The ACARAC Annual Report was approved and a final version would be presented to the Assembly Commission for consideration at its meeting on 9 July.

14 Departure Summary

ACARAC (03–18) Paper 12 – Departure Summary

- 11.1 There had been no departures from normal procurement procedure to report to the Committee.

15 Forward Work Programme

ACARAC (03–18) – Forward Work Programme

- 12.1 The Committee discussed the items listed on the forward work programme for July.
- 12.2 The clerking team would share a draft agenda with Committee members as soon as possible.

13.0 Private session

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

Next meeting is scheduled for 9 July 2018.