



Darren Millar AM  
Chair of Public Accounts Committee  
National Assembly for Wales  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

Our ref: DPO/NC/NG

21 January 2016

Dear Darren

### **Public Accounts Committee Report on the Scrutiny of Accounts 2014-15**

I am writing in response to the Public Accounts Committee report on the Scrutiny of Accounts 2014-15. I would like to thank the Committee for their positive remarks, especially the recognition of the improvements we have made to our Annual Report and Accounts. We will continue to develop our approach of our aim to deliver public accessibility and transparency.

I would also like to take this opportunity to assure the Committee that we remain as committed as ever to providing assurance through external scrutiny and audit as well as our internal governance framework. This work is vital in underpinning our confidence that we use resources efficiently, economically and effectively in delivering our services to the Assembly. Each of your Committee's recommendations concerning the Commission is addressed in full in the attached Annex.

Bae Caerdydd  
Caerdydd  
CF99 1NA  
Cardiff Bay  
Cardiff  
CF99 1NA

Ffôn/Tel: 0300 200 6232

Ebost/Email: [david.melding@assembly.wales](mailto:david.melding@assembly.wales)

**Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh**

If you would like any further information on any matter covered in the Annex, please do not hesitate to let me know.

Yours sincerely

A handwritten signature in black ink that reads "David Melding". The signature is written in a cursive style with a long, sweeping tail on the final letter.

**David Melding AM**  
**Deputy Presiding Officer**

cc Dame Rosemary Butler AM, Presiding Officer  
Peter Black AM, Assembly Commissioner  
Angela Burns AM, Assembly Commissioner  
Sandy Mewies AM, Assembly Commissioner  
Rhodri Glyn Thomas AM, Assembly Commissioner  
Claire Clancy, Chief Executive and Clerk of the Assembly  
Nicola Callow, Director of Finance

## Recommendation 11

**The Committee are pleased with some of the changes the Assembly Commission has made to the presentation of its accounting documents to improve public accessibility and transparency. The Committee welcomes the use of a traffic light system to show performance at a glance and the use of infographics and ‘digestible pieces of information’. However, we recommend that the Assembly Commission gives consideration to including a summary document as part of its future presentation of its accounts.**

We are proud of our work in the Assembly and our Annual Report outlines our progress in delivering the Commission’s priorities. A comprehensive Annual Report and Accounts, together with the annual budget document and reports on corporate performance measures, showcase our achievements. We endeavor to be as transparent and as clear as possible.

There is significant benefit in producing a separate stand-alone document for users to gain an insight into the activities, future plans and finances of the Commission, without needing to tackle the entire Annual Report and Accounts. Such an approach would be consistent with the additional standalone documents that we produce, for example, on sustainability, equalities, official languages, and the annual budget.

The latest HM Treasury guidance on streamlining reports and accounts (more information in Recommendation 12) will result in a three-part Annual Report and Accounts for 2015-16, with a:

- Performance Report;
- Accountability Report; and
- Financial Statement.

Specifically, the Performance Report will be a summary of our achievements and activities, the risks and issues we have faced, a summary of our performance along with more detailed analysis, including our corporate performance indicators. We will be developing this first section of the Annual Report and Accounts with enhanced infographics and key messages and we will publish it as a concise summary document, providing a useful synopsis of our work over the year.

## **Recommendation 12**

**The Committee welcomes the work being undertaken by the Assembly Commission to meet the requirements of the Treasury in terms of ensuring reports are more streamlined and transparent. The Committee recommends that this work is closely reviewed and monitored to ensure these objectives are met.**

The Commission's Annual Report and Accounts is an important part of our governance and accountability, as well as being a significant tool to communicate the Commission and the Assembly's work. Each year we aim to improve the clarity and transparency of the report.

For the coming year 2015-16, we will take account of new HM Treasury (HMT) guidance (see our response to Recommendation 11). We will closely monitor and review the work to revise the format of the Annual Report and Accounts. The Assembly Commission Audit and Risk Assurance Committee (ACARAC) is part of this process, along with Wales Audit Office who are reviewing a draft as part of the interim audit work carried out in January 2016. Any suggestions for improvement from this interim work will be incorporated into the preparation of the Final Annual Report and Accounts for the year ended 31 March 2016.

## **Recommendation 13**

**The Committee considered concerns raised regarding the accessibility of the Assembly's website, particularly given the importance of the online information in terms of engaging with the public. The Committee welcomes the Assembly Commission's commitment to addressing this issue and recommends that this work be undertaken as a matter of urgency to ensure the Assembly's website is as user friendly and accessible as possible.**

We want to be recognised as a parliament that is open, accessible and easy to engage with. The website is an important part of that and the Commission is committed to ensuring that the website delivers what Members and the public need.

The Commission is undertaking a major revision of the website and has completed the first phase to provide a new content management system to deliver information and improve the search capability.

The current phase of change to May 2016 will see the delivery of further improvements, including:

- a new, more dynamic, website homepage providing easier access to the latest news, Assembly business and topical information;
- improved navigation from the home page to regularly looked for information on the work of the Assembly and its Members;
- improved and increased availability of useable video and imagery;
- further improvements to the general search capability;
- continuing improvement to the usability of data and information available online; and
- more focused information about the work of Assembly Members.

We also plan to make organisational changes to how we publish our information online, as well as changing how data is stored. This is a significant undertaking for the Commission, but the planning work is under way for this. Our aim is to transform the way we produce, use and make available all Assembly information and the services around it, with a firm focus on what our customers need from us - connecting and engaging all the people of Wales with trusted parliamentary information whenever, however and wherever they choose.

Our reasons for initiating this digital transformation programme for Assembly Business services are to respond to our customers' expectations and adapt to the challenges of a fast changing world:

- Pressures on Members and our services are expected to continue to increase in the next Assembly;
- People's rapidly increasing expectations of their digital experience in their everyday lives;
- How people engage with the political environment is changing, including expectations of transparency and accessibility of information;
- Whilst there are pockets of good practice, the Assembly's current approach to digital is fragmented and insufficient.

We believe that:

- Digital transformation has the potential to play a key role in the achievement of the Assembly's strategic goals: excellent service provision, and democratic engagement will increasingly require excellence in digital and information management;
- Digital has the potential to significantly increase the efficiency and value for money of Assembly Business Services;
- We have an ambitious, clear and shared view of what success looks like.

A programme of digital transformation can realise a number of important benefits for Assembly Members, the people of Wales and Assembly staff, to enable us to respond effectively to the challenges we face. It should certainly transform our online engagement with the public.

#### **Recommendation 14**

**The Committee focused on its previous concerns regarding the Assembly Commission's continued ambition to always spend within one per cent of the budget. The Committee pursued this matter again and heard the explanation for this approach given by the Assembly Commission's Chief Executive. The Committee notes that this approach is being maintained but is unconvinced that the approach is delivering maximum efficiency in the use of resources. The Committee recommends that the Assembly Commission carefully monitors this approach and where significant inefficiencies are found these resources should be returned to the public purse.**

We share PAC's objective, which is ensuring the Commission delivers high quality service at best value to the public purse. We ensure this happens with expert, thorough, transparent budget planning, a comprehensive governance framework and regular financial reporting. These are all subject to scrutiny. We believe our approach delivers value to the taxpayer in a way that is open and effective.

Our 1% target is just one measure of whether we are managing our business and delivering what we say we will. We have a full suite of measures providing comprehensive information by which we can be judged. We regularly monitor and report on progress of these performance measures.

We can demonstrate a considerable level of scrutiny in all areas of financial performance. For example, in addition to PAC's scrutiny of the Annual Report and Accounts, we are subject to scrutiny by Finance Committee, the Assembly Commission Audit and Risk Assurance Committee (ACARAC), the Commission's independent advisers and by the WAO. All these elements provide assurance that we use resources efficiently, economically and effectively, entirely in line with best practice set out in HM Treasury guidance.

During the year, expenditure decisions are taken by the Commission's Investment and Resourcing Board (IRB), which has responsibility for ensuring that the Commission's budgets are used as effectively as possible to deliver the Commission's priorities and achieve value for money. Any funds that are identified by IRB as surplus to the Commission's requirements would be returned to the Welsh Block via a Supplementary Budget.

## Recommendation 15

**The Committee discussed the Assembly Commission's approach to staffing, while staff sickness absence is below the public sector average, we are concerned that levels are above the Assembly Commission's target. We note the Assembly Commission's disappointment with these figures but welcome the introduction of Human Resources business partners to work with line managers to improve absence management. The Committee recommends that sickness absence levels continue to be carefully monitored to ensure action being taken is having a positive impact and to identify where further work may be necessary.**

Process improvements, in particular the introduction of strategic HR business partners, mean that we are now in a better position to understand the causes and seasonality of absence. We have also introduced a process to revisit previous quarter figures in order to ensure that retrospective notification of new or closed absences are reflected.

Our review and process improvements have informed us of the various reasons for the increase in the sickness absence rates since January 2015. One concern that has been identified is an increase in the number of absences relating to stress and anxiety. We can attribute a proportion of these absences to the pro-active management of underperformance, together with related grievance and disciplinary cases. Whilst arrangements are made to support the employees involved, some individuals felt unable to attend work and cited stress and anxiety as reasons for their absence. HR have proactively worked with these individuals.

The review has also raised our awareness of the challenging caring responsibilities that some of our employees have, particularly for elderly relatives. In some cases, employees struggle to manage both their home and work life and this can impact on their health. We know that a number of our employees have cited caring pressures as reasons for absence due to stress and anxiety and this has also contributed to the increase in the absence rates since January 2015. As a consequence, we are re-visiting the support available. This further supplements our current work on a Mental Health Management Programme, which now includes mental health first aid courses and stress related health and wellbeing events.

Sickness absence levels continue to be carefully monitored to ensure action being taken is having a positive impact and to identify where further work may be necessary.

## **Recommendation 16**

**In giving oral evidence the Assembly Commission informed the Committee that there were no plans to run a severance scheme, although we understood that the future running of a scheme was not ruled out. In a further letter to the Committee, we have been informed that the Assembly Commission will be running a severance scheme in this financial year. The Committee welcomes the assurances it has been provided with in terms of the work that has been undertaken to consider whether a scheme is necessary and the purpose of the scheme. The Committee recommends that it be provided with an update by the Summer of 2016 on the progress of the scheme and further detail of how the planning of the scheme has taken into account the recommendations arising from the Assembly Commission's Internal Audit review of its previous schemes and from the Value for Money study undertaken by the Wales Audit Office on severance schemes.**

When the Commission provided evidence to PAC in September there were no plans to run a Voluntary Exit Scheme. The Accounting Officer and the Investment and Resourcing Board (IRB) subsequently made the decision to run a Voluntary Exit Scheme and we wrote to the Finance Committee and PAC in November 2015, indicating our intention to do so.

The Voluntary Exit Scheme builds on our capacity planning work to ensure that the Assembly Commission is in a strong position to meet the needs of the Fifth Assembly. The Scheme will allow the Commission to respond to shifts in skills requirements, facilitate organisational change, improve workforce efficiency and deliver long term savings where possible.

We will ensure that all previous audit recommendations have been taken into account. These include recommendations raised by the Head of Internal Audit in his audit of the 2010 and 2012 Voluntary Exit Schemes and the recommendations raised in the Auditor General for Wales's Report on 'Managing early departures across Welsh public bodies', published in February 2015. The Commission's Audit and Risk Assurance Committee (ACARAC) will receive a full report on the progress of the scheme.

The scheme is due to close in March 2016 and the Commission will, of course, provide the update information requested by Committee. We will also be disclosing information in the Annual Report and Accounts to meet accounting standards and to provide transparency in our use of public funds.



## **Recommendation 17**

**The Committee considered the fraud incident that occurred in 2013-14 and the subsequent impact this had on the 2014-15 accounts; specifically a loss of £29,000 in 2013-14 and £71,000 in 2013-14. The Committee is disappointed that only a small amount of these losses can be recuperated and remain concerned that the processes in place at the time were insufficiently robust to prevent the fraud from occurring. The Committee were particularly concerned that it took a period of three months before the fraud was detected. However, we note the action taken by the Assembly Commission to strengthen its controls around the recording of and verification of its suppliers' data. The Committee recommends that Assembly Commission regularly monitors and reviews its controls within this area to ensure that such controls remain robust. We recommend that communication is maintained with other public sector organisations to ensure intelligence and good practice is shared to assist in preventing fraud incidents occurring in the future.**

### **Assurance**

Immediately following the identification of an incidence of fraud in May 2014, we further strengthened our processes and control environment. These additional checks have been reviewed by the external and internal audit teams and are confirmed as robust and fit for purpose.

The Commission also regularly monitors its key financial controls, as well as continuing to find ways to improve processes and instil best practice across the organisation in all matters of financial management, including combatting fraud. Internal Audit and WAO provide assurance that our processes continue to be fit for purpose. Our most recent assurance (January 2016) covered key financial controls and was an audit carried out by TIAA concluding with the highest audit rating. A regular annual audit on data is also currently underway. As detailed below, improvements resulting from this monitoring are communicated across the organisation to ensure their effectiveness.

### **Communication**

The Head of Internal Audit belongs to the PwC (PricewaterhouseCoopers) Wales and the West Heads of Internal Audit Forum. From September 2015, this provided access to the PwC Fraud Academy including experts with knowledge about fraud, corruption and integrity risks. Information is then shared more widely with Commission colleagues. He also meets with

counterparts from the other UK Legislatures at Intra Parliamentary forums and regularly discusses fraud at their six monthly catch ups.

During 2014-15, the Head of Internal Audit attended a series of team meetings across the Assembly Commission to raise awareness of teams' duties in relation to good governance, including the responsibility of being alert to potential fraud. A member of the Governance and Audit team also provides an induction presentation to all new starters, which encompasses a section on the importance of raising awareness of the risk of fraud. Regular bulletins are also posted on our intranet on fraud topics to ensure continued awareness of threats and to highlight the importance of staff remaining alert to the risk of fraud.

In November 2014, ACARAC reviewed the work undertaken by the Head of Internal Audit in updating the Fraud Response Plan. This plan sets out how staff should respond to any attempted or perceived threat of fraud in a swift manner.

During 2015-16, our Internal Audit partners, TIAA, delivered a fraud awareness course to members of the Financial Services team in January 2016. The training is made available to others in the Assembly Commission through the staff intranet. This is further supported by topical updates and guidance to assist staff throughout the Commission in handling queries in a way that minimises fraud risk.

The Commission has a constructive working relationship with the Wales Audit Office who have an overview of the whole of Welsh Public Sector – and receive occasional updates and thoughts from the WAO audit team. Internal Audit and External Audit also have a joint working protocol in place that was endorsed by the Commission's Audit and Risk Assurance Committee (ACARAC). ACARAC encourages WAO and internal audit to continue to work closely on raising awareness in respect of fraud.