

**National Assembly for Wales
Assembly Commission
Audit and Risk Assurance Committee**

**Annual Report to the
National Assembly for Wales
Commission for the year ended
31 March 2014**

June 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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01. Introduction

- 01.01. The Assembly Commission Audit and Risk Assurance Committee is pleased to present this report on its work for the year ended 31 March 2014, the third year of the Fourth Assembly. Throughout the year, we have continued to emphasise the importance of having robust and effective governance, internal control and risk management processes in place to help ensure that the Commission operates to a high standard and provides good value for money.
- 01.02. The Committee acts in an advisory capacity and has no executive powers. The Committee revised its Terms of Reference and forward work programme in accordance with HM Treasury's latest guidance and these are available on the Commission's website here. They state that:
- The Committee will provide the Commission and the Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement. The Annual Report will summarise the Committee's conclusions from the work it has done during the year.
- 01.03. The role of the Committee is to provide advice, challenge and support to the Chief Executive and Clerk of the Assembly in respect of her Accounting Officer responsibilities, as well as providing assurance to the Assembly Commission on the effectiveness of governance, risk management and internal control. These responsibilities include a requirement to ensure that public money is spent in a regular and proper manner and that value for money is secured in the use of resources. The Accounting Officer is also required to ensure that sound corporate governance arrangements are in place and that effective internal controls are operating to ensure that risks are properly identified and managed.
- 01.04. In fulfilling its role, the Committee examines and provides assurance on:
- key accounting policies;
 - financial reporting, including the Annual Report and Accounts;
 - the planned activity and results of internal and external audit and the adequacy of the management response to recommendations;
 - the Commission's corporate governance, internal control and risk management arrangements, including the annual Governance Statement; and counter-fraud policies and whistle-blowing arrangements.
- 01.05. During 2013-14, the membership of the Committee changed, with Eric Gregory taking over the role of Chair from Richard Calvert (who had reached the end of his agreed term with the Assembly) in November 2013. Hugh Widdis also joined the Committee as an independent member in February 2014. The current membership is available on the Commission's website here. The Committee would like to record its thanks to Richard Calvert for his excellent contribution as Chair.

01.06. The following also regularly attended Committee meetings:

Claire Clancy - Chief Executive and Clerk of the Assembly

Steve O'Donoghue - Head of Assembly Resources and Director of Finance

Nicola Callow – Head of Finance

Gareth Watts – Head of Internal Audit

Dave Tosh – Director of ICT

Richard Harries – Wales Audit Office

Mark Jones – Wales Audit Office

Kathryn Hughes – Committee Clerk

01.07. During the year meetings were also attended by other Assembly Commission officials, as required.

01.08. The Committee also held informal meetings with the external and internal auditors and the Chief Executive and Clerk of the Assembly to help ensure that effective relationships are in place.

02. Committee activity and considerations

02.01. The Committee met five times during the year, with activity guided by its forward work programme. Regular agenda items included consideration of:

- the Annual Report and Accounts, including a draft of the annual Governance Statement;
- internal audit plans, reports and updates from the Head of Internal Audit;
- external audit plans and reports;
- risk management reports and critical examination of key corporate risks;
- internal control and governance arrangements; and
- updates on key issues.

02.02. The internal audit reviews considered by the Committee during the year were:

- Review of Computer Aided Analytical Tests (CAATs) from the accountancy system CODA April 2013
- Review of Shop Operations – June 2013
- HR and Payroll integrated project review – June 2013
- Future ICT Services – April and June 2013
- Assembly Business Management System – November 2013
- Performance Management Development Review (PMDR) review – November 2013
- Voluntary Exit Schemes Review – November 2013
- Review of the Scheme of Financial Delegation – November 2013
- Business Continuity planning review – February 2014
- Facilities Management contract review - February 2014
- A series of follow up reports from audits from previous years throughout the year.

02.03. The Committee reviewed management's progress in implementing all outstanding Internal Audit recommendations and satisfied themselves that there is robust tracking in place.

02.04. The Committee also received updates on the delivery progress and risk management of key projects and other areas which had been highlighted in the 2012-13 Governance Statement, including:

- bringing the Commission's ICT services in house;
- procurement and implementation of a combined HR/Payroll system;
- further improvement in project analysis and project management skills;
- development of business continuity planning;
- the development and implementation of the Commission's Official Languages Scheme; and
- improvements to information governance.

02.05. In part to support their role on the Committee, members have also been involved with other elements of the Commission's governance arrangements, including:

- Investment Board meetings, and advising on the approach to programme and project management;
- Management Board meetings, including scrutinising the assurance statements provided by each senior member for the Accounting Officer's Governance Statement;
- as members of the Remuneration Committee;
- as panel members for senior recruitment; and
- a Future ICT Services project board meeting ahead of involvement in ICT senior team recruitment

03. Committee findings and observations

Annual Report and Accounts

03.01. The Committee noted that the Annual Report and Accounts process was conducted in an efficient, effective and co-operative manner, and that the report was well presented.

External Audit

03.02. The Committee welcomed the positive messages in the external auditor's Management Letter, which stated that, "in all material respects, the Commission's 2012-13 financial statements were properly prepared, the significant financial systems are materially sound and the Annual Governance Statement continues to improve". It also welcomed the conclusion that the Commission operated an effective system of controls and noted the continuous improvements seen with each Management Letter.

03.03. In relation to the audit on Members' allowances, the Committee noted their reassurance around the depth of analysis and robust management of this high profile subject.

Internal Audit

03.04. The Commission's internal audit service is managed by the in-house Head of Internal Audit who takes responsibility for all audit outputs. In July 2013, the Commission appointed Gareth Watts as its new Head of Internal Audit. To ensure continuity between appointments, Ian Pennington from KPMG managed internal audit services for the four months to July 2013.

03.05. In August 2013, the contract for provision of internal audit services was awarded to TIAA following a tendering exercise. The Committee noted the good overall momentum in delivering and reporting on the audits, particularly given the change in personnel.

03.06. Internal audit provides one of the key resources for the Committee's work. The Audit Plan enabled reports to be considered evenly through the year.

03.07. The Committee welcomes the progress that has been made across all of the areas reviewed and endorses the sharp focus on management implementing Internal Audit's recommendations, reports on which are now brought to the Committee at each meeting. The Internal Audit Annual Opinion and Report will include details of audit ratings and the effectiveness of recommendations.

03.08. The Committee were satisfied with assurances from the Head of Internal Audit that the level of resourcing committed to the Audit Programme was sufficient and welcomed the productive relationship that had been established with the new internal audit service providers TIAA.

03.09. The Committee were also pleased to observe conformance with the new Public Sector Internal Audit Standards (PSIAS) that came into effect from 1 April 2013. An Internal Audit Charter, which was a requirement of the new standard, was endorsed by the Committee, along with the approach to further development of the Commission's Assurance Framework. Committee members also welcomed the proposed consultation across the devolved parliaments.

03.10. The Committee also provided feedback to officials on the Commission's Internal Audit Report on Fraud and on its asset accounting policies.

- 03.11. The Committee welcomed the renewed emphasis on establishing and testing sound Business Continuity Plans, taking on board audit recommendations. The Committee will continue to monitor progress in this area.
- 03.12. In June 2013 the Committee received the Annual Internal Audit Opinion for the 2012-13 financial year. It stated that ‘...the Assembly Commission has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.’ The Head of Internal Audit will present his opinion for 2013-14 at the Committee’s meeting in June 2014. At the time of writing this report, an opinion similar to that for 2012-13 is anticipated, based upon the reports presented in 2013-14.

Risk Management

- 03.13. The Committee continued to monitor the effectiveness of risk management within the organisation and welcomed the quality of reports on key corporate risks. They scrutinised both the identification and management of key risks and the effectiveness of risk management processes, and suggested improvements in the reporting of risks.
- 03.14. The Committee is satisfied with the processes in place to identify key corporate risks and that these are generally being managed appropriately. Indeed, currently there are no corporate risks with a ‘red’ severity rating. Comments and suggestions made by Committee members have been taken on board to strengthen mitigating actions. It considers that one of the most significant risks for the coming year will be related to the implementation of the Commission’s ICT Strategy.

04. Forward Look

04.01. The Committee has an agreed work programme for 2014-15. In addition to the regular items, the Committee will also be taking an active interest in:

- key actions or issues emerging from the Commission’s Annual Report and Accounts, including from the Governance Statement;
- the progress with and implementation of the Commission’s priority change programmes including the ICT Strategy and new HR/Payroll system;
- the work being done to further develop the Commission’s Assurance Framework; and
- the continued development of the Commission’s approach to strategic planning and programme and project management.

04.02. The Committee noted the Commission’s 2014-15 budget and will continue to take a close interest in the Commission delivering value for money within this.

04.03. The Committee will conduct a detailed review of its own effectiveness, using a questionnaire that has been developed together with the Wales Audit Office, who will facilitate the review.

05. Conclusion

- 05.01. The Committee is satisfied that it has sufficient evidence to provide assurance to the Accounting Officer and the Commission on the effectiveness of the overall risk, control and governance environment. Indeed overall, assurance levels within the Commission are generally strong. The sources of assurance are also robust and reliable.
- 05.02. Whilst we recognise the further improvements that have been made during the year, there remain opportunities for greater efficiency and effectiveness in the exercise and management of controls. Examples include: strengthening controls around financial delegations; communicating responsibilities in relation to Business Continuity Planning; and documentation of procedures relating to the facilities management contract. We will continue to pay particular attention to these areas in 2014-15.
- 05.03. The Committee thanks the Chief Executive and Clerk of the Assembly, and her staff, for the constructive and cooperative approach they have taken to the Committee's work. The Committee is also grateful to the internal and external auditors for undertaking their work in a positive and collaborative manner, and to the Secretariat for providing first class support.

Eric Gregory, Chair and Independent Adviser

Keith Baldwin, Independent Adviser

Angela Burns, AM/AC, Commissioner

Hugh Widdis, Independent Committee Member