

**National Assembly for Wales**  
Assembly Commission Audit Committee

Annual Report to the National Assembly  
for Wales Commission for the year ended  
31 March 2012

July 2012



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# Assembly Commission Audit Committee

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## Annual Report to the National Assembly for Wales Commission for the year ended 31 March 2012

### Introduction

1. The Assembly Commission Audit Committee is pleased to present this report on its work for the year ended 31 March 2012, the first year of the fourth Assembly. Throughout the year, we have continued to emphasise the importance of strengthening the organisation to be better than 'good enough' and striving to achieve efficiency and value for money.

### Role of the Committee

2. The Committee acts in an advisory capacity and has no executive powers. Its Terms of Reference are at Annex A. They were agreed (under the Committee's previous title of Corporate Governance Committee) by the National Assembly for Wales Commission on 20 June 2007. These are consistent with Treasury guidance and are reviewed by the Committee from time to time. The Terms of Reference for the Audit Committee say:

*The Committee will provide the Commission and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.*

3. 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 Commission. 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.

4. In fulfilling its role, the Audit Committee examines and provides assurance on:
  - the annual report and accounts;
  - the planned activity and results of internal and external audit;
  - the adequacy of the management response to issues identified by internal and external audit;
  - the Commission's corporate governance and risk management arrangements including the annual Statement on Internal Control; and
  - counter-fraud policies, whistle-blowing processes, and arrangements for special investigations.

#### **Committee membership**

5. During 2011-12, the Membership of the Committee was:

Richard Calvert (Chair and Independent Adviser)  
Tim Knighton (Independent Adviser)  
Professor Robert Pickard (Independent Adviser)  
William Graham AM, Commissioner (until April 2011)  
Angela Burns AM, Commissioner (from June 2011)

6. Following the Assembly elections in May 2011, the Assembly Commissioner member of the Audit Committee changed. The Committee would like to record its thanks to William Graham for his valuable contribution to the work of the Committee.

7. The following also regularly attended Committee meetings:

Claire Clancy - Chief Executive and Clerk of the Assembly  
Dianne Bevan - Chief Operating Officer (Director of Finance)  
Nicola Callow - Head of Finance

Lynne Flux - Head of Internal Audit  
Mark Harries - Wales Audit Office

John Grimes – Clerk to the Audit Committee

8. During the year meetings were also attended by other Assembly officials and representatives from external organisations, including auditors, as required.
9. In addition to the usual meetings of the Audit Committee, the Members of the Committee held informal meetings with the external auditors and with the internal auditors to review progress and discuss any issues outside the context of formal meetings.

### **Review of the Committee's effectiveness**

10. Given the new membership, the Committee decided to undertake an annual assessment exercise using the Wales Audit Office online assessment tool. The exercise showed a positive response and progress on the areas for improvement identified in the last review. The Committee noted that the evaluation drew attention to ensuring the continued effectiveness of internal audit and of counter fraud measures.

### **Committee activity and considerations**

11. The Committee met five times during the year and its activity was guided by the forward work programme for the year. Regular agenda items included:
  - Internal audit plans and reports;
  - Annual Report and Accounts including the Statement on Internal Control (and for 2011-12 drafts of the Governance Statement for 2011-12);
  - External audit plans and reports;
  - Consideration of risk management reports and periodic discussion of key risks;
  - Governance and internal control arrangements; and
  - Updates on key issues.
12. In addition, the Committee also considered:

- updates on progress with the implementation of recommendations from Internal Audit Report;
- A presentation from the Assembly Commission's new Head of Procurement; and
- An information update on the Commission's financial position in 2011-12 and its budgets for 2012-13 and 2013-14.

### **Committee findings and observations**

13. The Committee's key findings and observations are show below.

#### External Audit and Annual Accounts

14. The Committee welcomed the fact that the draft accounts for 2010-11 had been submitted for audit in line with the agreed timetable and received an unqualified audit. The Audit Committee noted the very satisfactory financial performance that had been achieved during the year. The Committee particularly welcomed the continued improvement over the last three years which had been evidenced by the most recent ISA 260 report. The Committee also noted that the effective cooperation between the Wales Audit Office and Commission officials.

#### Governance Statement

15. The Committee considered the draft versions of the Annual Report and Accounts Governance Statement for 2011-12 which, reflecting guidance from the Treasury, will replace the Statement on Internal Control.

#### Internal Audit

16. Internal audit provides one of the key resources for the Committee's work. Following concerns in earlier years about the quality and rigour of internal audit arrangements, a new contract was awarded in 2010-11 to KPMG for the provision of internal audit services. The service is managed by the in-house Head of Internal Audit who takes responsibility for all audit outputs.



17. The Audit Plan enabled reports to be considered more evenly through 2011-12. The reviews considered by the Committee in 2011-12 were:
- Risk Management.
  - Fraud Risk Management facilitation exercise.
  - Fixed Asset Management.
  - Update Report on management of Website content
  - Assembly Members' allowances and expenses.
  - Information Security and Data protection Governance
  - Review of recruitment procedures for Independent and Specialist Advisers.
  - Review of the effectiveness of budgetary control and financial management processes.
18. In addition, the Committee considered two reports prepared by the Assembly's Corporate Governance adviser at the request of the Accounting Officer, which examined :
- Vote 2011.
  - Translation and Reporting - TRS and FTR.
19. The Audit Committee acknowledged the very substantial amount of work that had gone into this programme and the wide-ranging coverage of these investigations. We 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 relationship that had been established with KPMG. We also welcome the opportunity to appoint an apprentice, which will further enhance internal capacity.
20. During the course of the year, the Committee took a close interest in the Commission's improvement strategy for procurement and contract management, which had been identified as an area of weakness in the previous audit programme, in order to ensure that we were satisfied with the action that was being taken. A new Head of Procurement was recruited on a two-year secondment from the Environment Agency to strengthen the team. His priorities have been to review the existing procurement processes, build on the development of the existing team, and reappraise the overall procurement

programme. The Committee will continue to review progress through the coming year.

21. The report on risk management recognised that the risk process was well embedded at all levels of the organisation. The report made a number of recommendations for improvement of minor control weaknesses in managing the risk process and bringing more clarity to the reporting of risks. The Committee agreed that risk management is largely embedded in the Assembly's culture but also emphasised the benefits of clear reporting. They welcomed the comprehensive review of the risk management undertaken during 2011-12 which was considered at the April 2012 meeting. The Committee was also encouraged that the Fraud Risk Management facilitation exercise also showed a good understanding of these risks across the organisation.
22. The Committee welcomed the positive assurance provided by the Internal Audit Reports on Fixed Assets, Assembly Members' Expenses and Allowances, Budgetary Control and Financial Management. The Committee is satisfied that recommended action to further improve the processes is underway.
23. The reviews of the management of content on the new Assembly Website and of the recruitment of independent and specialist advisers also demonstrated good progress in ensuring sound procedures are in place.
24. The report on Information Security and Data Protection Governance identified a number of important control risks. The Committee noted the limited scope of the audit, but emphasised the importance and urgency of tackling the areas for improvement. It noted that speedy action was being taken by senior managers in the organisation to address the key issues highlighted by the audit. The Committee will continue to monitor progress in this area closely.
25. The Committee also received two reports on the management of projects prepared by the Corporate Governance Adviser. They noted that the lessons to be learned from these were similar to those from other recent reports. The Committee noted also that the Accounting Officer had instigated a review of delegations prompted by one of these reports.

## Risk Management

26. In fulfilling its role of challenging risk management within the organisation, the Committee considered the registers of Strategic Risks and Significant Operational Risks during the year. The Committee has already acknowledged the considerable progress that has been made in embedding risk management within the Commission. The Committee is aware that the risk management process is currently being reviewed for 2012-13 to reflect the Assembly Commission's revised Strategic Goals for the Fourth Assembly. The approach to risk management is also being revised in response to recommendations from internal Audit, to provide a simpler and more streamlined system approach to managing risks. The Audit Committee will continue to maintain an overview of this important aspect of governance within the Assembly.

## **Forward Look**

27. The Committee has an agreed work programme for 2012-13. In addition to the regular items, the Committee will also be taking an active interest in the continued development of procurement arrangements and practices, and the action taken to strengthen information security and data protection governance.
28. The Committee noted the budget that had been allocated to the Commission for 2012-13 to enable it to provide the outstanding parliamentary service necessary for the Assembly and to meet the expectations of Assembly Members. The Committee has signalled that it will wish to take a close interest in the Commission's achievement of value for money within its allocated budget over the year ahead.

## **Conclusion**

29. The Audit 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 strong. Nonetheless, there is scope both for improvement in some areas and for greater efficiency in the exercise and management of controls. We will continue to pay

particular attention to these areas in 2012-13 and will ensure that the internal audit programme supports this. Our work programme will be reviewed in the light of any new priorities emerging during the course of the year.

30. The Audit 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 helpful manner and to the Secretariat for supporting the operation of the Committee.

**Richard Calvert, Chair, Independent Adviser**

**Tim Knighton, Independent Adviser**

**Professor Robert Pickard, Independent Adviser**

**Angela Burns AM, Commissioner for Assembly Resources**

## **Annex 1**

### **Audit Committee-Terms of Reference**

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*The Commission has established the Assembly Commission Audit Committee in support of its responsibilities for issues of risk control and governance by reviewing the comprehensiveness of assurances in meeting the Commission and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances*

#### **MEMBERSHIP**

The members of the Assembly Commission Audit Committee will comprise:

- One Commissioner; and
- Independent non-executive advisers – one of who will be the Chair.

The Corporate Unit will provide the secretariat for the Committee.

#### **REPORTING**

The Committee will formally report in writing to the Commission and Accounting Officer after each meeting.

The Committee will provide the Commission and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

#### **RESPONSIBILITIES**

The Committee will advise the Commission and Accounting Officer on:

- the strategic processes for risk, control and governance and the Statement on Internal Control;
- the accounting policies, the accounts, and the annual report of the Commission, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the Auditor General;

- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including the external audit management letter from the Wales Audit Office;
- assurances relating to the corporate governance requirements for the Commission;
- proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;

The Committee will also periodically review its own effectiveness and report the results of that review to the Commission.

## **RIGHTS**

The Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience;
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Commission.

## **ACCESS**

The Head of Internal Audit and the representative of the Wales Audit Office will have free and confidential access to the Chair of the Committee.

## **MEETINGS**

The Committee will meet at least four times a year. The Chair may convene additional meetings, as deemed necessary.

A minimum of two members of the Committee must be present for the meeting to be deemed quorate.

Committee meetings will normally be attended by the Accounting Officer, the Chief Operating Officer, the Head of Internal Audit, and a representative of the Wales Audit Office.

The Committee may ask any other officials to attend to assist it with its discussions on any particular matter.

The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

The Commission or the Accounting Officer may ask the Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

## **INFORMATION REQUIREMENTS**

**For each meeting the Corporate Governance Committee will be provided with:**

- a report summarising any significant changes to the Commission's Risk Register;
- a progress report from the Head of Internal Audit summarising:
  - work performed (and a comparison with work planned);
  - key issues emerging from Internal Audit work;
  - management's response to audit recommendations;
  - changes to the annual audit plan;
  - resourcing issues affecting the delivery of Internal Audit's plan;
- a progress report from the Wales Audit Office representative summarising work done and emerging findings.

**As and when appropriate the Committee will also be provided with:**

- proposals for the terms of reference of Internal Audit;
- the internal audit strategy;
- the Head of Internal Audit's Annual Opinion and Report;
- quality assurance reports on the Internal Audit function;
- the Wales Audit Office annual Audit Strategy;
- the Wales Audit Office ISA 260 report to those charged with governance;
- the draft accounts of the Commission;
- the draft Statement on Internal Control;
- a report on any changes to accounting policies;
- the Wales Audit Office management letter;
- a report on any proposals to tender for audit functions;
- a report on co-operation between internal and external audit.

*The above list suggests minimum requirements for the inputs which should be provided to the Committee. In some cases more may be provided. For instance, it might be agreed that Committee members*

*should be provided with a copy of every Internal Audit assignment report.*