

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

Annual Report to the National Assembly  
for Wales Commission for the year ended  
31 March 2011

July 2011



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# **Assembly Commission Audit Committee**

## **Annual Report to the National Assembly for Wales Commission for the year ended 31 March 2011**

### **1. Introduction and role of the Committee**

The Assembly Commission Audit Committee is pleased to present this report on its work for the year ended 31 March 2011, the final year of the third Assembly.

The role of the Committee is to provide constructive advice, challenge and support to the Chief Executive in respect of her Accounting Officer responsibilities. These responsibilities include the 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.

As such, the Committee's work examines and provides assurance to the Commission and Accounting Officer on:

- the annual report and accounts;
- the planned activity and results of internal and external audit;
- adequacy of 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.

### **2. Terms of reference**

The Committee acts in an advisory capacity and has no executive powers. Its terms as set by the Commission are consistent with Treasury guidance and are reviewed by the Committee from time to time. A copy is attached at Annex A.

### **3. Committee membership and attendees**

Membership of the Committee was unchanged during the year and comprised:

**Richard Calvert**, Chair and Independent Adviser

**Tim Knighton**, Independent Adviser

**Professor Robert Pickard**, Independent Adviser

**William Graham AM**, Commissioner for Assembly Resources

Regular attendees at Committee meetings were the Chief Executive in her capacity as Principal Accounting Officer, the Chief Operating Officer, and Head of Finance and representatives of internal and external audit. Other managers of the Assembly attended as required. Secretariat services were provided by the Governance and Audit team of the Assembly Commission.

### **4. Committee activity and considerations**

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;
- 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.

In addition to these, the Committee also considered:

- the Commission's Information Management Strategy;
- an update by the Chief Operating Officer on the progress on recommendations from Internal Audit Reports on Procurement and contract management; and,
- an information update on the Commission's budget for 2011-12.

## **5. Committee findings and observations**

The Committee's key findings and observations were:

### **External Audit and Annual Accounts**

The Committee welcomed the fact that the draft accounts for 2009-10 were submitted for audit in line with the agreed timetable and received an unqualified audit opinion.

The Committee commended the Head of Finance and her team for the smooth production of the accounts for 2009-10, with fewer substantive audit issues being identified than in previous years.

The Wales Audit Office had not raised any significant matters from its interim audit. The Management Letter for 2009-10 identified opportunities to improve the organisation's financial management and contained five recommendations. The Committee were pleased to note that there were no issues of significant concern and that the five recommendations had been addressed in a timely manner.

More generally, the Committee was pleased to note that the excellent working relationships between the Commission and the Wales Audit Office have continued and been built upon during the year and that a culture of constructive challenge continues to exist.

In addition to its work on the annual accounts, the Committee received reports from the Wales Audit Office which detailed the results of its examinations of Assembly Members' allowance claims.

The Wales Audit Office reported satisfactory findings with no significant matters of concern; though as a result of this work, administrative processes were further strengthened in response to specific recommendations. The audit programme over recent years has ensured that payments to each Assembly Member have been audited by the end of the third Assembly, thus providing a high level of assurance in this potentially sensitive area.

### **Statement on Internal Control**

Linked to the upcoming review of the annual accounts, the Committee considered the draft Statement for 2010-11 at its last meeting and identified several areas where it could be expanded. This included assessing future risks which the Commission may face in the coming year and adding a paragraph on fraud risk. One of the members of the Committee provided external challenge at the interim statement stage and this was particularly useful in developing the final statement.

## **Internal Audit**

Internal audit provides one of the key resources for the Committee's work. Following earlier concerns about the quality and rigour of internal audit arrangements, a new contract was awarded this year for the provision of internal audit services. This was awarded to KPMG, and commenced in July 2011. This service is managed by the in-house Head of Internal Audit who takes responsibility for all audit outputs. The reviews for 2010-11 included:

- Review of the Broadcasting Contract;
- Contract Management;
- Core Financial Controls;
- UNO Post Implementation Review;
- Payroll.

The report on core financial controls provided a satisfactory level of assurance to the Committee on the overall control environment within the Assembly Commission. The Committee recognised however that the efficiency of the control environment is hampered by limitations in the current IT system for finance, and emphasised the need to look at future options for upgrading this.

The payroll audit identified a strong level of assurance for payroll controls, though process value for money factors limited this to a satisfactory audit assurance. The Committee noted that proposals are in hand to address these value for money issues.

The Committee also welcomed the in-depth analysis provided by the reviews on the Broadcasting Contract, Contract Management and UNO. These identified important lessons to be learned and recommendations for developing controls and expertise in procurement, contract and project management. The Committee was broadly satisfied with the progress made in taking forward recommendations from the internal audit reports, though will want to see further progress in embedding the planned changes around procurement and contract management over the year ahead.



## **Risk Management**

In fulfilling its role of challenging risk management within the organisation, the Committee considered the registers of Strategic Risks and Significant Operational Risks throughout the year. In addition the Committee considered a specific strategic risk in detail at two of the meetings.

The Committee considers that considerable progress has been made in embedding risk management within the Commission and that processes generally work well. The Committee will be reviewing the results of an internal audit in this area at its next meeting.

## **Information Management Strategy**

The Committee endorsed the new Information Management Strategy which was the key development following an Internal Audit Report on Records Management in 2009-10. The Committee emphasised the need to ensure that the strategy was not diluted during implementation and to highlight the strategy's importance to staff.

## **6. Forward Look**

The Committee has an agreed work programme for 2011-12. In addition to the regular items, the Committee will also be taking an active interest in the development and operation of the new internal audit service and the rollout of the audit plan. The Committee will also wish to take a careful interest in the Commission's financial management given the tough financial environment that will be faced by the public sector as a whole. The Committee will monitor carefully the progress on implementing improvements in Procurement and Contract Management and the implementation of the Information Management Strategy. The Committee will also give consideration to the transition to the fourth Assembly and any new strategic approach determined by the Commission.

## **7. Conclusion**

We believe that the Committee has an established and effective work programme capable of delivering the assurance required by the Accounting Officer, and that overall assurance levels within the Commission are good. That said, there is scope both for improvement in some areas and for greater efficiency in the exercise and management of controls. We will pay particular attention to these areas in 2011-12 and will ensure that the internal audit programme

supports this. We will review this work programme in the light of any new priorities established by the fourth Assembly.

The Committee wishes to thank the Chief Executive and staff of the Assembly for the positive approach taken to its work. The Committee is also grateful to the internal and external auditors for undertaking their work in a constructive and helpful manner and to the Secretariat for ensuring that that the Committee operates in a smooth manner.

**Richard Calvert, Chair, Independent Adviser**

**Tim Knighton, Independent Adviser**

**Professor Robert Pickard, Independent Adviser**

**William Graham AM, Commissioner for Assembly Resources**



## **Annex A**

# **Bwyllgor Archwilio Comisiwn y Cynulliad Assembly Commission Audit Committee**

### **TERMS OF REFERENCE.**

*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.*