

# Minutes – National Assembly for Wales Commission Audit and Risk Assurance Committee

---

Meeting Venue:

Conference Room 4B – Tŷ Hywel

Meeting date: Monday, 16 November  
2015

Meeting time: 11:00–13:00

## Attendance

Category	Names
Members:	Keith Baldwin David Melding AM, Deputy Presiding Officer Eric Gregory (Chair) Hugh Widdis
Officials:	Claire Clancy, Chief Executive and Clerk, and Accounting Officer Dave Tosh, Director of Resources Gareth Watts, Head of Internal Audit Nicola Callow, Director of Finance Ann–Marie Harkin, Wales Audit Office (WAO) Matthew Coe, Wales Audit Office (WAO) Buddug Saer, Deputy Committee Clerk John Houghton, Committee Support <u>Item 15</u> Anna Daniel, Head of Strategic Transformation
Apologies:	Kathryn Hughes, Committee Clerk



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

## 1.0 Item 1 – Introductions, apologies and declarations of interest

- 1.1 The Chair declared that he was a Non-Executive Director in the Cabinet Office Constitutional Reform team.
- 1.2 No other interests were declared.

## 2.0 Item 2 – Minutes and matters arising

*ACARAC (30) Paper 1 – Minutes of 9 July 2015*

*ACARAC (30) Paper 2 – Summary of actions*

- 2.1 The minutes of the meeting on 9 July 2015 were agreed and progress on actions noted.

## Internal Audit

## 3.0 Item 3 – Internal Audit Update

*ACARAC (30) Paper 3 – Internal Audit Update Report 2015–16*

*ACARAC (30) Paper 4 – Internal Audit Recommendations – Monitoring*

- 3.1 Gareth Watts updated the Committee on progress against his 2015–16 audit plan. He assured the Committee that his planned schedule of work was on course and that he would continue to monitor the outstanding recommendations. Good progress was being made in implementing the recommendations from previous audits, including Value for Money and Expert Advisors. Gareth agreed to present an itemised report of outstanding actions in February 2016.
- 3.2 The Committee welcomed Gareth's update on a series of meetings that he had attended with Kathryn Hughes (Risk Manager) and Heads of Service. The 'Governance Matters' meetings were part of the Assurance Framework, building on the Assurance and Governance statement and raising the profile of the Governance and Audit team. Once approved, Gareth agreed to share an updated Governance and Audit team structure with the Committee.
- 3.3 Over the coming months, he would focus on providing assurance of the Commission's enhanced bilingual services and key financial controls. In addition to the approved plan, he has agreed an additional piece of work with the Director of Finance on controls over pension disclosures.

## **Actions**

- *Gareth to provide an itemised report of outstanding recommendations of the last four years.*
- *Gareth to present updated Governance Framework.*
- *Gareth to update ACARAC on revised Governance and Audit team structure.*

#### 4.0 **Item 4 – Latest Internal Audit reports**

*ACARAC (30) Paper 5 – Audit Report – Public Engagement*

*ACARAC (30) Paper 6 – Quality Assurance and CPD Updates*

- 4.1 The Committee welcomed the Public Engagement audit report, noting that the Assembly is fully focussed on public engagement. That said, the Committee felt that participation methods needed to be reviewed, the organisation needed to be more resilient to negative press and should strive for more positive coverage of its activities.
- 4.2 Claire Clancy informed the Committee that, following negative feedback from several sources, the website needed substantial improvement. Funds had been allocated by the Investment and Resourcing Board to make the website more accessible and navigable. The Committee welcomed this commitment and emphasised that improvements should be enduring.
- 4.3 Officials confirmed that the Engagement Strategy would be a high priority and developed by the Fifth Assembly. The strategy should consider what indicators would be used to measure performance. The Committee suggested that engagement in general should be considered when discussing the risks around future constitutional change.
- 4.4 As agreed by the Chair, Gareth issued the Procurement audit and ICT Futures Review reports in October.
- 4.5 Since the Procurement audit, training sessions had been arranged with a positive take up. Extracting management information from CODA (the finance system) was problematic but the National Procurement Service had provided information spend analysis on commodity buying which would enhance the quality of management information available to the Procurement Team for monitoring purposes. Gareth assured the Committee that non-compliance of procurement rules was taken very seriously by management and he was comfortable with progress being made and the actions management are taking to address the issues.
- 4.6 The Committee questioned the lack of a benefits realisation report for the ICT Futures Review. Officials confirmed that a full review of the benefits was not carried out at project closure and this had been agreed at various checkpoints, throughout the life of the project. Wider project management guidance and a benefits framework was now in place to ensure that benefits realisation had appropriate focus in the future.

- 4.7 The Chair congratulated Gareth on his recent appointment to Coleg Gwent's Audit Committee.

**Action**

- *Gareth to follow up Public Engagement recommendations.*

**5.0 Item 5 – Review of HMT/other guidance for ACARAC (oral item)**

- 5.1 There were no changes to the HM Treasury handbook apart from guidance for simplifying and streamlining accounts which was in hand.
- 5.2 The Chair reported that the Ministry of Justice Legal Aid Agency, where he is a Non-Executive Director, had undergone a CIPFA Finance Review, covering all aspects of financial management, and that this had been a useful and informative exercise. Nicola will research this. The Chair will attend a meeting for Wales Audit Committee chairs in February and report back to ACARAC.
- 5.3 Gareth and Buddug will attend a CIPFA Effective Audit Committee workshop in December and will update ACARAC.

**Action**

- *Nicola to research CIPFA Finance Review.*
- *Eric to share learning points/experiences post Wales Audit Committee chairs.*
- *Gareth and Buddug to share learning points/experiences post CIPFA Effective Audit Committee training.*

**External Audit**

**6.0 Item 6 – Consider latest external audit reports and actions taken in implementing recommendations**

*ACARAC (30) Paper 7 – NAWC outline 15–16 final*

- 6.1 The Committee were pleased to see the draft 2015–16 audit plan at this earlier stage. The WAO had worked closely with Nicola and Claire to produce the plan.
- 6.2 The Committee discussed the audit of Assembly Members' expenses and office costs. Officials agreed to provide further information on this and the check points already in place with Members' Business Support. Nicola stated that audits on Members expenses were in addition to the other work agreed in the plan, and these audits provided extra assurance and transparency. These specific audits would continue until the end of the Fourth Assembly.
- 6.3 Ann-Marie confirmed that the overall audit fee should remain unchanged, although had not been formally agreed as yet. To avoid the delays the Assembly Commission experienced last year, the WAO plan to commence their audit work a week earlier.

- 6.4 The Chair welcomed this update from the WAO and was encouraged by the collaborative working between the Finance team and the Head of Internal Audit.

**Action**

- *Nicola to describe the checkpoints already in place with regards to AM expenses Audit.*

**7.0 Item 7 – Consider any residual actions arising from the previous year’s work**

*ACARAC (30) Paper 8 – Management Letter 2014–15*

- 7.1 The WAO will liaise with the Commission to confirm the appropriate treatment for both dilapidations and heritage assets. Ann-Marie confirmed that she was confident that the Management Letter would be circulated with the ISA 260 next year.

**Action**

- *WAO to liaise with the Commission to confirm the appropriate treatment for both dilapidations and heritage assets.*

**8.0 Item 8 – Preparing for and streamlining the Commission's Annual Report and Accounts for 2015–16**

*ACARAC (30) Paper 9 – Preparing for and streamlining the Commission's Annual Report and Accounts for 2015–16*

- 8.1 Nicola shared a draft version of the Annual Report and Accounts that had been prepared by the recently appointed Head of Finance to reflect HMT’s ‘Simplifying and Streamlining Accounts’ guidance. The interim set of accounts will test this new layout and the Committee welcomed the changes drafted to date. Officials were asked not to underestimate the work involved in preparing the interim set of accounts, considering the changes to the layout of the document.

**Action**

- *Nicola to present interim audit work in February.*

## **Committee Matters**

### **9.0 Item 9 – Effectiveness Survey (oral item)**

- 9.1 The Chair led a discussion on the future effectiveness survey which was a requirement of the HMT handbook. The last survey was completed in May 2014, with the results presented to the Committee in June 2014. An action plan captured the areas of concern for the Chair, and all actions were now complete.
- 9.2 The Committee agreed to follow the same process and complete the survey by mid-December with results being presented to the Committee in February.

#### **Action**

- *Clerking team to liaise with EAG/WAO to ensure survey is completed and results analysed by the next meeting.*

#### **Post meeting update**

- *Clerking team have since created a survey via Survey Monkey. This has been circulated, with response due by 14 December.*

### **10.0 Item 10 – Consider external presentation/input (oral item)**

- 10.1 The Chair had invited an external presenter to the autumn 2014 ACARAC. The Chair asked the Committee to consider ways that external expertise could add the most value to Committee discussions.

#### **Action**

- *Committee and officials to inform Chair of areas of significant interest where an external presenter may provide some added value.*

## **Commission Governance**

### **11.0 Item 11 – Budget Update**

#### *ACARAC (30) Paper 10 – Budget Update*

- 11.1 Nicola summarised the financial position for 2015–16 and confirmed that the 2016–17 budget had been approved by the Assembly. The Finance Committee had scrutinised the budget thoroughly, with a greater level of challenge of some budget lines than previously, and all their recommendations had been accepted. 2015–16 procurement savings would be lower than in previous years due to lower value contracts expiring during this financial year.

- 11.2 Claire stated that this financial year was classed as a transitional year for the VfM approach. A further capacity review was scheduled for the end of November.
- 11.3 The Chair requested an update on the Business Efficiency Review when appropriate.

**Action**

- *Dave to update on the Business Efficiency Review when appropriate.*

**12.0 Item 12 – Update on project to replace Finance system**

*ACARAC (30) Paper 11 – CODA Finance System Replacement*

- 12.1 Nicola stated that Microsoft Dynamics appeared to meet the Commission's needs in terms of functionality and bilingual capability. Further work was required to finalise the business case and procurement strategy. She explained that the planned in-house development work and the scheduled go-live date of April 2017 was based on a full OJEU tender.
- 12.2 The Committee welcomed the update and were interested in the process of implementing an in-house developed IT system. Keith Baldwin (as external challenge) had commented on the business case and felt that the project was going in the right direction, although concerns were raised about the length of time the planning phase was taking.
- 12.3 Dave Tosh informed the Committee that Microsoft Dynamics was a mid-range finance system and the configuration element of system could be managed internally. This complied with the Application Strategy of the organisation and two successful projects, Sharepoint and Lync, were delivered using a similar methodology. The Commission would visit reference sites using Microsoft Dynamics.

**Actions**

- *Update on progress of the CODA Finance system replacement.*
- *Chair to share Ministry of Justice Finance system replacement project contact with Nicola.*

**13.0 Item 13 – Update on phase 2 HR and Payroll project**

*ACARAC (30) Paper 12 – update paper*

- 13.1 The Chair welcomed this update and asked for the closure report and benefits review to be circulated to the Committee.

## **Action**

- *HR and Payroll project to circulate closure report and benefits review.*

### **14.0 Item 14 – Corporate Risks Report**

*ACARAC (30) Paper 13 – Corporate Risks Report*

*ACARAC (30) Paper 13 – Annex A – Corporate Risks Summary*

*ACARAC (30) Paper 13 – Annex B – Corporate Risks plotted*

- 14.1 The Chair remarked that he was pleased a thorough review of risks had taken place and welcomed the additions to the corporate register.
- 14.2 The Committee questioned where the Cyber Security risk sat in the Commission's risk framework. Dave highlighted controls that were in place to test our threat levels, which were reviewed twice yearly. He also received regular updates and threat alerts from the National Government report schemes.
- 14.3 The Committee concluded that the potential threat to corporate and personal information and to the reputation of the organisation warranted the Management Board considering the risk around Cyber Security again.
- 14.4 In future, risk trends would be reflected on the corporate risk diagram.

## **Actions**

- *Management Board to re-assess Cyber Security risk.*
- *Corporate risks plotted – ensure summary of trends is captured.*

### **15.0 Item 15 – Critical examination of one identified risk**

*ACARAC (30) Paper 14 – Risks around Constitutional Change*

- 15.1 Anna Daniel presented a paper to the Committee on the risks related to constitutional change. The future size of the Assembly depended on the Draft Wales bill, and her team were supporting the Presiding Officer in developing alternative proposals to the draft.
- 15.2 Hugh Widdis reflected on the implications of the Assembly continuing with 60 Assembly Members for a further two terms and the Committee recommended that plans should be prepared to understand the implications of this.
- 15.3 The Committee praised the Strategic Transformation Team for their thorough analysis of this risk and concluded that public engagement was critical and that

the Assembly should manifest its value to the people of Wales. Mitigating actions should ideally cover a broader scope than only constitutional change.

## **16.0 Item 16 – Papers to note and any other business**

*ACARAC (30) Paper 15 – Departures summary*

*ACARAC (30) Paper 16 – Forward Work Programme*

16.1 The Committee noted the three departures from normal procurement procedure.

16.2 The Clerking team would ensure that the Forward Work Programme (FWP) captures the information published in the HMT handbook.

### **Action**

- *Ensure FWP captures HMT handbook information.*

Next meeting is scheduled for 8 February 2016, timing to be confirmed.

## **1 Introductions, apologies and declaration of interests**

2.2 The Chair declared that he was a Non-Executive Director in the Cabinet Office Constitutional Reform team.

1.3 No other interests were declared.

## **2 Minutes of 9 July meeting, actions and matters arising**

*ACARAC (30) Paper 1 – Minutes of 9 July 2015*

*ACARAC (30) Paper 2 – Summary of actions*

2.1 The minutes of the meeting on 9 July 2015 were agreed and progress on actions noted.

## **3 Internal Audit update**

*ACARAC (30) Paper 3 – Internal Audit Update Report 2015–16*

### *ACARAC (30) Paper 4 – Internal Audit Recommendations – Monitoring*

- 3.4 Gareth Watts updated the Committee on progress against his 2015–16 audit plan. He assured the Committee that his planned schedule of work was on course and that he would continue to monitor the outstanding recommendations. Good progress was being made in implementing the recommendations from previous audits, including Value for Money and Expert Advisors. Gareth agreed to present an itemised report of outstanding actions in February 2016.
- 3.5 The Committee welcomed Gareth's update on a series of meetings that he had attended with Kathryn Hughes (Risk Manager) and Heads of Service. The 'Governance Matters' meetings were part of the Assurance Framework, building on the Assurance and Governance statement and raising the profile of the Governance and Audit team. Once approved, Gareth agreed to share an updated Governance and Audit team structure with the Committee.
- 3.6 Over the coming months, he would focus on providing assurance of the Commission's enhanced bilingual services and key financial controls. In addition to the approved plan, he has agreed an additional piece of work with the Director of Finance on controls over pension disclosures.

#### **Actions**

- *Gareth to provide an itemised report of outstanding recommendations of the last four years.*
- *Gareth to present updated Governance Framework.*
- *Gareth to update ACARAC on revised Governance and Audit team structure.*

## **4 Latest Internal Audit Reports**

### *ACARAC (30) Paper 5 – Audit Report – Public Engagement*

### *ACARAC (30) Paper 6 – Quality Assurance and CPD Updates*

- 4.8 The Committee welcomed the Public Engagement audit report, noting that the Assembly is fully focussed on public engagement. That said, the Committee felt that participation methods needed to be reviewed, the organisation needed to be more resilient to negative press and should strive for more positive coverage of its activities.
- 4.9 Claire Clancy informed the Committee that, following negative feedback from several sources, the website needed substantial improvement. Funds had been

allocated by the Investment and Resourcing Board to make the website more accessible and navigable. The Committee welcomed this commitment and emphasised that improvements should be enduring.

- 4.10 Officials confirmed that the Engagement Strategy would be a high priority and developed by the Fifth Assembly. The strategy should consider what indicators would be used to measure performance. The Committee suggested that engagement in general should be considered when discussing the risks around future constitutional change.
- 4.11 As agreed by the Chair, Gareth issued the Procurement audit and ICT Futures Review reports in October.
- 4.12 Since the Procurement audit, training sessions had been arranged with a positive take up. Extracting management information from CODA (the finance system) was problematic but the National Procurement Service had provided information spend analysis on commodity buying which would enhance the quality of management information available to the Procurement Team for monitoring purposes. Gareth assured the Committee that non-compliance of procurement rules was taken very seriously by management and he was comfortable with progress being made and the actions management are taking to address the issues.
- 4.13 The Committee questioned the lack of a benefits realisation report for the ICT Futures Review. Officials confirmed that a full review of the benefits was not carried out at project closure and this had been agreed at various checkpoints, throughout the life of the project. Wider project management guidance and a benefits framework was now in place to ensure that benefits realisation had appropriate focus in the future.
- 4.14 The Chair congratulated Gareth on his recent appointment to Coleg Gwent's Audit Committee.

#### **Action**

- *Gareth to follow up Public Engagement recommendations.*

## **5 Review of HMT and other guidance for ACARAC**

- 5.4 There were no changes to the HM Treasury handbook apart from guidance for simplifying and streamlining accounts which was in hand.
- 5.5 The Chair reported that the Ministry of Justice Legal Aid Agency, where he is a Non-Executive Director, had undergone a CIPFA Finance Review, covering all aspects of financial management, and that this had been a useful and

informative exercise. Nicola will research this. The Chair will attend a meeting for Wales Audit Committee chairs in February and report back to ACARAC.

- 5.6 Gareth and Buddug will attend a CIPFA Effective Audit Committee workshop in December and will update ACARAC.

**Action**

- *Nicola to research CIPFA Finance Review.*
- *Eric to share learning points/experiences post Wales Audit Committee chairs.*
- *Gareth and Buddug to share learning points/experiences post CIPFA Effective Audit Committee training.*

## **6 External Audit – Latest external audit reports and actions taken in implementing recommendations**

*ACARAC (30) Paper 7 – NAWC outline 15–16 final*

- 16.3 The Committee were pleased to see the draft 2015–16 audit plan at this earlier stage. The WAO had worked closely with Nicola and Claire to produce the plan.
- 16.4 The Committee discussed the audit of Assembly Members' expenses and office costs. Officials agreed to provide further information on this and the check points already in place with Members' Business Support. Nicola stated that audits on Members expenses were in addition to the other work agreed in the plan, and these audits provided extra assurance and transparency. These specific audits would continue until the end of the Fourth Assembly.
- 16.5 Ann-Marie confirmed that the overall audit fee should remain unchanged, although had not been formally agreed as yet. To avoid the delays the Assembly Commission experienced last year, the WAO plan to commence their audit work a week earlier.
- 16.6 The Chair welcomed this update from the WAO and was encouraged by the collaborative working between the Finance team and the Head of Internal Audit.

**Action**

- *Nicola to describe the checkpoints already in place with regards to AM expenses Audit.*

## **7 External Audit – Management Letter 2014–15**

### *ACARAC (30) Paper 8 – Management Letter 2014–15*

- 7.1 The WAO will liaise with the Commission to confirm the appropriate treatment for both dilapidations and heritage assets. Ann-Marie confirmed that she was confident that the Management Letter would be circulated with the ISA 260 next year.

#### **Action**

- *WAO to liaise with the Commission to confirm the appropriate treatment for both dilapidations and heritage assets.*

## **8 Preparing for and streamlining the Commission's Annual Report and Accounts for 2015–16**

### *ACARAC (30) Paper 9 – Preparing for and streamlining the Commission's Annual Report and Accounts for 2015–16*

- 8.1 Nicola shared a draft version of the Annual Report and Accounts that had been prepared by the recently appointed Head of Finance to reflect HMT's 'Simplifying and Streamlining Accounts' guidance. The interim set of accounts will test this new layout and the Committee welcomed the changes drafted to date. Officials were asked not to underestimate the work involved in preparing the interim set of accounts, considering the changes to the layout of the document.

#### **Action**

- *Nicola to present interim audit work in February.*

## **9 Effectiveness Survey**

- 9.1 The Chair led a discussion on the future effectiveness survey which was a requirement of the HMT handbook. The last survey was completed in May 2014, with the results presented to the Committee in June 2014. An action plan captured the areas of concern for the Chair, and all actions were now complete.
- 9.2 The Committee agreed to follow the same process and complete the survey by mid-December with results being presented to the Committee in February.

**Action**

- *Clerking team to liaise with EAG/WAO to ensure survey is completed and results analysed by the next meeting.*

## **10 Consider external presentation/input**

- 10.1 The Chair had invited an external presenter to the autumn 2014 ACARAC. The Chair asked the Committee to consider ways that external expertise could add the most value to Committee discussions.

**Action**

- *Committee and officials to inform Chair of areas of significant interest where an external presenter may provide some added value.*

## **11 Budget update**

*ACARAC (30) Paper 10 – Budget Update*

- 11.1 Nicola summarised the financial position for 2015–16 and confirmed that the 2016–17 budget had been approved by the Assembly. The Finance Committee had scrutinised the budget thoroughly, with a greater level of challenge of some budget lines than previously, and all their recommendations had been accepted. 2015–16 procurement savings would be lower than in previous years due to lower value contracts expiring during this financial year.
- 11.2 Claire stated that this financial year was classed as a transitional year for the VfM approach. A further capacity review was scheduled for the end of November.
- 11.3 The Chair requested an update on the Business Efficiency Review when appropriate.

### **Action**

- *Dave to update on the Business Efficiency Review when appropriate.*

## **12 Update on project to replace Finance system**

### *ACARAC (30) Paper 11 – CODA Finance System Replacement*

- 12.1 Nicola stated that Microsoft Dynamics appeared to meet the Commission's needs in terms of functionality and bilingual capability. Further work was required to finalise the business case and procurement strategy. She explained that the planned in-house development work and the scheduled go-live date of April 2017 was based on a full OJEU tender.
- 12.2 The Committee welcomed the update and were interested in the process of implementing an in-house developed IT system. Keith Baldwin (as external challenge) had commented on the business case and felt that the project was going in the right direction, although concerns were raised about the length of time the planning phase was taking.
- 12.3 Dave Tosh informed the Committee that Microsoft Dynamics was a mid-range finance system and the configuration element of system could be managed internally. This complied with the Application Strategy of the organisation and two successful projects, Sharepoint and Lync, were delivered using a similar methodology. The Commission would visit reference sites using Microsoft Dynamics.

### **Actions**

- *Update on progress of the CODA Finance system replacement.*
- *Chair to share Ministry of Justice Finance system replacement project contact with Nicola.*

## **13 Update on phase 2 HR and Payroll project**

- 13.1 The Chair welcomed this update and asked for the closure report and benefits review to be circulated to the Committee.

### **Action**

- *HR and Payroll project to circulate closure report and benefits review.*

## **14 Corporate Risks Report**

*ACARAC (30) Paper 13 – Corporate Risks Report*

*ACARAC (30) Paper 13 – Annex A – Corporate Risks Summary*

*ACARAC (30) Paper 13 – Annex B – Corporate Risks plotted*

- 14.1 The Chair remarked that he was pleased a thorough review of risks had taken place and welcomed the additions to the corporate register.
- 14.2 The Committee questioned where the Cyber Security risk sat in the Commission's risk framework. Dave highlighted controls that were in place to test our threat levels, which were reviewed twice yearly. He also received regular updates and threat alerts from the National Government report schemes.
- 14.3 The Committee concluded that the potential threat to corporate and personal information and to the reputation of the organisation warranted the Management Board considering the risk around Cyber Security again.
- 14.4 In future, risk trends would be reflected on the corporate risk diagram.

### **Actions**

- *Management Board to re-assess Cyber Security risk.*
- *Corporate risks plotted – ensure summary of trends is captured.*

## **15 Critical examination of one identified risk**

*ACARAC (30) Paper 14 – Risks around Constitutional Change*

- 15.1 Anna Daniel presented a paper to the Committee on the risks related to constitutional change. The future size of the Assembly depended on the Draft Wales bill, and her team were supporting the Presiding Officer in developing alternative proposals to the draft.

- 15.2 Hugh Widdis reflected on the implications of the Assembly continuing with 60 Assembly Members for a further two terms and the Committee recommended that plans should be prepared to understand the implications of this.
- 15.3 The Committee praised the Strategic Transformation Team for their thorough analysis of this risk and concluded that public engagement was critical and that the Assembly should manifest its value to the people of Wales. Mitigating actions should ideally cover a broader scope than only constitutional change.

## **16 Papers to note and any other business**

*ACARAC (30) Paper 15 – Departures summary*

*ACARAC (30) Paper 16 – Forward Work Programme*

- 16.1 The Committee noted the three departures from normal procurement procedure.
- 16.2 The Clerking team would ensure that the Forward Work Programme (FWP) captures the information published in the HMT handbook.

### **Action**

- *Ensure FWP captures HMT handbook information.*

Next meeting is scheduled for 8 February 2016, timing to be confirmed.