

Concise Minutes – Senedd Commission Audit and Risk Assurance Committee

Meeting Venue:

Microsoft Teams

Meeting date: Wednesday, 15 June 2022

Meeting time: 10.00 – 12.30

Attendance

Category	Names
Members:	Bob Evans, Independent Adviser and Committee Chair Ann Beynon OBE, Independent Adviser and Committee Member Aled Eirug, Independent Adviser and Committee Member Ken Skates MS, Senedd Commissioner and Committee Member
Officials:	Siwan Davies, Director of Senedd Business, Acting Chief Executive and Clerk of the Senedd and Additional Accounting Officer Ed Williams, Director of Senedd Resources Nia Morgan, Director of Finance Gareth Watts, Head of Governance and Assurance Arwyn Jones, Director of Communication and Engagement Ann-Marie Harkin, Audit Wales Gareth Lucey, Audit Wales Kathryn Hughes, Committee Clerk, and Risk and Governance Manager Buddug Saer, Deputy Committee Clerk Richard Thomas, Constitutional Change Implementation Manager (Item 7)



1 Introductions, apologies and declaration of interests

- 1.1 The Chair welcomed everyone to the meeting and noted one apology from Manon Antoniazzi, Chief Executive and Clerk of the Senedd, and Accounting Officer.
- 1.2 The Committee welcomed Siwan Davies as acting Chief Executive and Clerk of the Senedd and Additional Accounting Officer.
- 1.3 No interests were declared.

2 Minutes of 29 April, actions and matters arising

ARAC (22-03) Paper 1 – Draft Minutes of 29 April 2022

ARAC (22-03) Paper 2 – Summary of actions

- 2.1 The minutes of the 29 April meeting were formally approved and updates to the actions were noted.
- 2.2 Ed Williams had received confirmation that a timeline for the district heating scheme would be agreed within eight weeks. He agreed to provide the Committee with an informal briefing before the Autumn.

Action

- Ed Williams to organise an informal briefing on Cardiff Council's sustainability strategy and activities.

3 G&A update report

ARAC (22-03) Paper 3 – Governance & Assurance Update Report - June 2022

- 3.1 Gareth Watts presented his update on overall governance and assurance activity. He had circulated the follow-up report on previous cyber-security audits out of committee and thanked Committee members for their questions which he had passed on to relevant officials for response. He planned to share the reports on the most recent cyber-security audit and the audit of compliance with the Official Languages Scheme in the coming weeks.
- 3.2 Gareth confirmed that the tendering exercise for the internal audit co-sourced partner was on-going. He was pleased to report evidence from the supplier presentations of audit experience in the Welsh public sector. The new contract was due to take effect from 1 August 2022.
- 3.3 The Committee questioned the ways in which the number of contracts awarded to Welsh suppliers were measured and reported. Gareth would be working with the Head of Procurement to discuss how this might incorporate the Welsh economic impact of suppliers as opposed to presence in Wales.

4 Consider External Audit opinion (ISA 260 Report) for the financial year 2021–22

ARAC (22-03) Paper 4 – ISA260 Report

- 4.1 Gareth Lucey introduced the ISA 260 report and noted the intention for Audit Wales to issue an unqualified (clean) audit opinion on the 2021-22 accounts. He also highlighted that no misstatements had been identified, with only a few minor amendments to the supporting narrative, and no recommendations arising from the audit.
- 4.2 In relation to an issue that was raised during last year's audit, Gareth reported that the audit team had worked with the Finance team to trawl for instances where capital expenditure could be recorded as revenue and were satisfied that no material items were identified.
- 4.3 Gareth also highlighted one matter arising late in the audit process around revaluation of land and building assets which had an impact on the financial statements. He outlined that, whilst the Commission revalued these assets every three years, in line with accounting standards, a further revaluation was required due to material differences caused by rising building replacement costs. This rise was due to the impact of increases in inflation across the building sector in the final quarter. Gareth expressed his thanks to Nia Morgan and her team for addressing this quickly. Audit Wales had also discussed the revaluation directly with the valuers and were satisfied with what they considered to be a reasonable estimate. The Committee agreed it seemed logical to seek a revaluation of the Senedd estate.
- 4.4 Audit Wales had concluded that the financial statements gave a true and fair record of the state of the Commission's affairs. They thanked Nia, Catharine Bray and the Finance team for their efforts and hard work again this year which resulted in another very smooth audit.
- 4.5 The Chair thanked Audit Wales for their thorough report and praised Nia and the Finance team for their work, and for the way they had responded to the late request for revaluation. He had welcomed the opportunity to meet the audit team on 31 May, noting the importance of the Committee's reliance on external audit as one of the primary providers of assurance on internal controls. He had been pleased to hear assurances from the audit team on the quality of the data and the systems in place, which aided the audit process.
- 4.6 The Committee members noted that the positive ISA 260 report was a reflection on the work done internally and thanked both parties.
- 4.7 Committee members acknowledged that the impact of increasing inflation was a global issue. Ann-Marie Harkin commented on the time spent by public sector

bodies and auditors dealing with the impact of inflation increases, particularly on revaluations. She added that HM Treasury were undertaking a review of this impact and the pressure on resources of public sectors across the UK.

- 4.8 Ann-Marie Harkin confirmed that she would be signing the accounts again this year and that Adrian Crompton, Auditor General for Wales would be in a position to sign them next year.

5 Consider the Commission's Annual Report and Statement of Accounts 2021–22 (to recommend the signing of the accounts)

ARAC (22-03) Paper 5 - ARA 2021-22 - cover paper

ARAC (22-03) Paper 5 - Annex A - ARA 2021-22

- 5.1 Siwan Davies introduced the Annual Report and Accounts, noting that the narrative had been reviewed previously by the Committee in April. She invited Nia to present the Statement of Accounts.
- 5.2 Nia thanked the audit team for a smooth audit process. She also thanked her team for their commitment and outstanding work in completing another clean set of accounts. She recorded her thanks, in particular to Catharine Bray, Head of Finance as she would be retiring in November – the Committee also wished to record specific thanks to Catharine, and to wish her well for her retirement.
- 5.3 Nia outlined some of the key points from the Statement of Accounts. She highlighted that the outturn underspend was slightly above the estimated target, partly due to lower than expected post-election costs – this was explained in the management commentary as required by FREM. She also highlighted the additional information relating to pay, which now showed the 25th and 75th percentile of pay of all employees, as well as the median pay reported previously. The Chair welcomed the inclusion of further details on staff pay, was satisfied with the coverage in the discussion about revaluations (under item 4) and was pleased to note the preparatory work for reporting on IFRS 16 relating to leases in the following year's accounts.
- 5.4 In response to a question from Committee members relating to the Chief Legal Adviser's appointment, Siwan advised that this fell outside of the reporting period.
- 5.5 Nia described the significant amount of work involved in reviewing capital versus revenue spend, which had been undertaken by the Finance team. They would continue to work with Audit Wales to refine this process and to ensure a common understanding of any grey areas.
- 5.6 Nia confirmed that, subject to agreement by the Commission, the Annual Report and Accounts were due to be signed and laid before the Senedd on behalf of the

Auditor General for Wales on 23 June. They would then be scrutinised by the Public Accounts and Public Administration Committee in the Autumn.

- 5.7 The Chair and members of the Committee congratulated Nia and the Finance team on the clean set of accounts and the assurances provided during the discussion. Siwan also praised the team for their ongoing professionalism.
- 5.8 Siwan invited Arwyn Jones to outline details of the interactive presentation of the Annual Report on the Senedd website. Arwyn presented an updated version of the web pages, highlighting the prominence of a printable version. He demonstrated how readers could navigate to specific sections of the report, with links to related published material, including reports and video and audio content.
- 5.9 In response to suggestions from Committee members, Arwyn agreed to add details on recent activity relating to the report by the Special Purposes Committee on Senedd Reform. He also agreed to include a link from the online version to briefing produced by the Research Service on legislation activity during the reporting period. He also confirmed that once audited and laid, the report would become a preserved record of activity for 2021-22.
- 5.10 In response to a question about the rationale for auditing the English version, Audit Wales confirmed that they would have the capacity to audit the Welsh version but would need both versions at the same time.
- 5.11 The Committee concluded that the report and its presentation was very impressive, flexible and helpful to readers, and praised everyone involved in its production. They urged officials to exploit opportunities to promote its content as much as possible during the year.
- 5.12 The Committee recommended to the Accounting Officer that the financial statements for 2021-22 should be signed. An electronic signature would be added before laying and publishing the report.

6 Corporate Risk

ARAC (22-03) Paper 6 – Corporate Risk

ARAC (22-03) Paper 6 – Annex A - Summary Corporate Risk Register

ARAC (22-03) Paper 6 – Annex B – Corporate Risks plotted

- 6.1 The Chair referred to the quality of the documentation and the updates provided, and noted that there had been no movements to the overall risk ratings since the Register was presented to the Committee at its 29 April meeting.
- 6.2 Ed Williams highlighted that the Commission's approach to Covid-19 risks had been adapted in response to Welsh Government guidelines, noting that whilst Covid-19 rates continued to decline in Wales, they were on the rise elsewhere. He described the updated internal guidance on face coverings, the continued

monitoring of the desk booking system and ongoing review of desk configurations.

- 6.3 In response to a request for changes to the narrative in the Register to be highlighted, Kathryn Hughes reminded the Committee that the 'current status' field was substantially updated ahead of each meeting and this included details of any changes to the controls, for example.
- 6.4 The Committee thanked officials for their comprehensive updates and the Chair noted the proportionate management responses to the risks.

7 Critical examination of one identified or emerging risk or issue – Senedd Reform

- 7.1 The Chair invited Siwan Davies to introduce this item and welcomed Richard Thomas, Constitutional Change Implementation Manager to the meeting. Siwan explained Richard's experience with implementing previous reform activity, how he had supported the Special Purpose Committee on Senedd Reform and his role in managing delivery of this next phase of the reform agenda and the associated risks.
- 7.2 Siwan welcomed this opportunity to provide the latest information to the Committee and to discuss the governance and challenges around what would be a momentous and all-encompassing transformational change. She outlined the various elements of the reform proposals which included an increase in the number of Members from 60 to 96 and a different electoral process.
- 7.3 The report by the Special Purpose Committee on Senedd Reform, which had been published on 30 May, was debated by the Senedd in the Plenary meeting on 8 June. The motion to endorse the recommendations in the report was moved, with 40 Members voting in favour. It was considered unlikely that any wider political consensus in favour of reform would be achieved. This gave the Welsh Government a strengthened mandate to bring forward legislation to enact the reform proposals by 2026. It was expected that the Bill would be introduced by Autumn 2023, and receive Royal Assent by Summer 2024.
- 7.4 Siwan advised that Commission officials had been working with the Welsh Government to establish joint governance arrangements on those elements of the Senedd Reform Programme where a joint interest and decision-making dependencies exist and support collaborative working between the Welsh Government and the Senedd Commission. The Llywydd had discussed the joint governance arrangements with the First Minister.
- 7.5 The Commission's Executive Board had been considering the proposed governance arrangements for the Senedd Commission projects, with details due to be presented to the Commission in July. Governance arrangements would

encompass planning to support the passage of legislation (business as usual), reform of Commission services (ways of working) and reform of Senedd business. Senedd Commission officials would also support the Remuneration Board's reform project.

7.6 Siwan outlined some of the key challenges, including the following:

- the need to implement a major transformation programme for the Seventh Senedd alongside delivering business as usual during the Sixth Senedd;
- financial constraints;
- harnessing appropriate expertise; and
- engaging with stakeholders, particularly given the multiple-ownership and interdependencies of various projects.

7.7 Siwan provided assurance to the Committee around the detailed planning underway to deliver the reform programme and manage the challenges she had outlined. The planning would incorporate governance arrangements for the Commission, and joint working with the Independent Remuneration Board and the Welsh Government but with clear delineation.

7.8 The Committee acknowledged the magnitude of the Senedd Reform programme and its all-encompassing effect on delivery of the Commission's services. The Chair and members were keen to help in areas where they could add value and noted that Senedd Reform would be a key area of focus in its forward work programme. The Chair suggested that specific areas of focus would be around clarifying and communicating ownership, governance arrangements, including roles and responsibilities, and resourcing issues, including effective budget management and use of business processes.

7.9 In response to questions from the Committee about the inter-related nature of the Senedd Reform and Ways of Working programmes, Ed Williams outlined how both programmes would report to the Executive Board which would provide advice and recommendations to the Commission.

7.10 Committee members referred to the potentially destabilising nature of such major transformational changes on staff and the need for effective and timely communication. They also stressed the importance of having a resource dedicated to programme and change management and clear lines of accountability with an identified Senior Responsible Officer (SRO). Ed provided assurance on the change management process under consideration by the Executive Board, which would include internal communication strands.

7.11 In terms of internal communications, Siwan realised the importance of keeping staff informed about Senedd Reform and the challenges this brought, alongside delivering business as usual. The Chair considered this had been pitched well at the recent all-staff meeting with the challenges expressed in a way which did not

raise concerns. Siwan added that consideration was also being given to external communications, including with intra-parliamentary fora as the reform agenda would raise the profile of, and generate interest in the Senedd. The Chair noted that there were no precedents for such ambitious changes and agreed that other legislatures would be taking an interest.

7.12 Richard Thomas highlighted the possible pressure to deliver change within existing budgets which would inevitably mean prioritisation of services going forward. Siwan added that resourcing options for supporting Senedd Reform would be included in the 2023-24 budget which was due to be considered by the Commission in July. She also informed the Committee of a capacity review being undertaken by Executive Board and Leadership Team, with Heads of Service tasked with identifying efficiencies and flexible use of existing resources.

7.13 The Chair acknowledged the challenges associated with delivering Senedd Reform. He was confident in the Commission's ability to handle change, given the competence demonstrated in planning and delivering complex activities under challenging circumstances, citing the flexible and effective response to the Covid-19 pandemic and successful transition to the Sixth Senedd as examples.

7.14 From a governance, assurance and audit perspective, and given the pervasive nature of the Senedd Reform programme, Gareth Watts would build this into his internal audit plan. He would be proactive in working with the team to develop ways of providing real time assurance, in line with the Commission's Assurance Framework. He would also work with the Commission's Risk Manager, who was a member of his team, to re-evaluate priorities to ensure there was capacity to support the programme's management of risk.

7.15 It was agreed that Senedd Reform would be added to the Committee's forward work programme as a standing item. Officials agreed to provide updates to the Committee as plans developed and to present details of the governance structure, including links with the Welsh Government at the Autumn meeting.

Actions

- Clerking team to ensure a standing item was added to the Forward Work Programme for a corporate update on Senedd Reform.
- Siwan Davies to present governance structure diagram (to include the internal team structure and links with Welsh Government) at the autumn meeting.

8 Departure Summary

ARAC (22-03) Paper 7 – Departure Summary

8.1 The Committee noted one departure from normal procurement procedure.

9 Committee's Annual Report to the Commission and Accounting Officer

ARAC (22-03) Paper 8 – cover paper

ARAC (22-03) Paper 8 draft ARAC Annual Report

- 9.1 The Chair invited members of the Committee to comment on the draft ARAC Annual Report. He thanked Kathryn Hughes for presenting such a comprehensive draft.
- 9.2 The Committee discussed and agreed the areas suggested in the paper for inclusion in the forward look section of the report. These included Senedd Reform which would evidently dominate the Committee's focus in the coming year, and decarbonisation which was due to be discussed at the July meeting. The Chair also noted the increasing importance of the Commission's Corporate Delivery Plan.
- 9.3 Ann Beynon asked for clarification that the inclusion of communications and engagement as an area of focus in the coming year related to the Commission's strategy for engaging with the public, particularly with those who were disengaged or hard to reach. Arwyn Jones agreed to provide updates to the Committee during the year on plans to address this, including through the use of social media. He would also report on the use of new social media monitoring tools to better measure engagement which would form the basis of key performance indicators in the Commission's 2022-23 Annual Report.
- 9.4 The Committee approved its Annual Report and noted that a bilingual version would be presented by the Chair at a Commission meeting on Monday 11 June.

10 Consider timing and content of the Committee's effectiveness survey

ARAC (22-03) Paper 9 – cover paper - survey

ARAC (22-03) Paper 9 – revised survey with additional questions

- 10.1 The Committee praised Kathryn Hughes for her analysis of a new National Audit Office effectiveness tool and the extraction of usable material to build into the forthcoming survey, as presented in the paper. The content and timetable were agreed. The Clerking team would issue the updated survey in July 2022, with a view to presenting the results to the Committee in November. The Chair emphasised the importance of sufficient responses to provide meaningful information. Kathryn also emphasised the importance of backing up the scores with comments which would help inform evaluation of the results.

11 Forward work programme

ARAC (22-03) Paper 10 – Forward Work Programme

- 11.1 The Committee agreed on the proposed items to be discussed at the informal meeting in July. A revised forward work programme would be shared and published after that meeting.

12 Any other business

Oral item

12.1 No other business was raised.

Next formal meeting is scheduled for 21 November 2022.