

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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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