



Report of the Audit and Risk Assurance Committee to the Commissioner for the year ended 31 March 2014

Purpose

The Audit and Risk Assurance Committee is pleased to submit its annual report for the year ended 31 March 2014 to the Commissioner as required by its Terms of Reference.

Membership

During the year the membership of the Audit and Risk Assurance Committee was unchanged and comprised:

Gordon Lishman – Chair
Ian Summers

Kenneth Jones
Eifion Pritchard

Remuneration

The members received, as part of their terms and conditions, remuneration for 6 days per annum at a daily rate of £350 (members) and £400 (Chair).

Members were also reimbursed for their travel and subsistence costs in accordance with the Commissioner's Travel and Subsistence Policy.

Members were reimbursed for any additional work to their Audit and Risk Assurance Committee responsibilities at the same daily rate.

Term of Office

The term of office for Gordon Lishman, Chair, and Kenneth Jones ended on 31 March 2014. Kenneth Jones was offered and accepted an extension of 2 years to 31 March 2016. The Commissioner invited Ian Summers to become the Chair with effect from 1 April 2014 and is currently considering the appointment of a new member.

Frequency of Meetings

The Committee met quarterly during the year on the following dates:

17 April 2013	all members in attendance
16 July 2013	all members in attendance
22 October 2013	all members in attendance
28 January 2014	apologies from Gordon Lishman, Chair

The October meeting was held in Canolfan Soar, Merthyr Tydfil. All other meetings were held in the Commissioner's office.

Terms of Reference

At the October meeting, the Committee reviewed its Terms of Reference and made a few minor changes (one further minor change was made at the April 2014 meeting).

Audit related matters

A Internal Audit

Internal Audit Strategy 2013/14

The Committee approved the plan for 2013/14 on 17 April 2013.

Reports

The Internal Auditors (Deloitte) produced the following reports for the year:

- Performance Management – Follow up of ARAD Evaluation

The Committee discussed this in detail and concluded that there was no need to take further action.

- Communications and Engagement

The Committee noted that the work leading to this advisory audit report was undertaken during the organisational restructuring of the communications team. Most of the recommendations had already been actioned as part of the restructure.

- Corporate Governance and Risk Management

The Committee were pleased that this report was given a substantial assurance rating. Deloitte made a number of recommendations which related directly to the Committee's operation which were agreed in principle:

- a) The Chair of the Committee should prepare the annual Report, with support from the Committee secretariat.
- b) The Committee should consider reviewing the performance of Internal and External Audit annually.
- c) The Committee should consider whether the Annual Report should be updated to include a Corporate Governance statement which states they operate in accordance with the code of good practice for Corporate Governance as well as that the organisation prepares a Governance statement; the Committee completes a self-assessment identifying and implementing action points and scrutinises the External Audit fees to ensure value for money.

- Financial Systems

This report gave the following assurance:

- a) Purchasing and payments – Full assurance
- b) Payroll – Substantial assurance
- c) Budgetary Control – Full assurance

Deloitte made 5 low priority recommendations which were actioned immediately.

The Committee were satisfied that this report gives an overall high level of assurance to the Commissioner.

- Internal Audit Annual Report for 2012/13

The Committee were pleased to note that all areas of audit for this year were given either full or substantial levels of assurance. Deloitte's overall assurance statement was reflected in the Governance Statement published with the Commissioner's 2012-13 Accounts.

Internal Audit Annual Report for 2013/14

The Committee considered this at its meeting on 29 April 2014 and were pleased to note that Deloitte concluded that “the Commissioner has a basically sound system of internal control, which should provide substantial assurance regarding the achievement of the Commissioner’s objectives”.

Review of Internal Audit’s Performance for 2013/14

The Committee considered the performance indicators supplied by Deloitte and sought the views of External Audit and the Senior Management Team. As a result of those deliberations, the Committee concluded that it was very satisfied with the service provided by Deloitte.

B Annual Accounts and External Audit

2012-13 Accounts

The Committee considered the Commissioner’s draft 2012-13 accounts and were pleased to note that they were given an unqualified opinion by the Auditor General and laid before the National Assembly for Wales on 2 July 2013.

External Audit Reports

The Audit and Risk Assurance Committee received the following reports from the Wales Audit Office (WAO):

- Report on the 2012-13 accounts (ISA 260)

The WAO stated that there were no significant issues to report and the Auditor General for Wales intended to issue an unqualified audit report on the Commissioner’s financial statements.

- Strategy for 2013-14

The Committee raised a number of points for clarification on the external audit strategy for 2013-14 at the meeting held on 28 January 2014. The WAO produced an amended strategy for the April 2014 meeting which addressed those issues. Following a discussion on the audit fee, the WAO agreed to provide a breakdown of cost for future years.

Review of External Audit

The Committee will review the work of the external auditors in the autumn after completion of the audit of the 2013/14 accounts.

C Audit Joint Working Protocol - Internal and External Auditors

This Committee discussed this joint protocol in the meeting held on 16 July 2013 and there were no changes to note.

Scheme of Delegation

Following the Commissioner's organisational restructure, the Committee noted the changes to the Scheme of Delegation at their meeting held on 17 April 2013.

Risk Management

Senior management provided the Committee with regular updates on the processes in place for managing risk within the organisation.

The Committee also received reports on the incidence of complaints, accidents and incidents as indicators of the management of risk within the organisation.

During the year, the Committee spent a significant amount of time considering and discussing the Risk Register (including part of their Development Day held on 7 October 2013). As a result, the format and content has been updated and could now be held out as an exemplar.

Policies

The following policies were noted by the Committee following their annual review:

- a) Raising Concerns
- b) Risk Management
- c) Counterfraud
- d) Ordering goods and services
- e) Travel and subsistence
- f) POVA policy.

Learning and Development

During the year, Committee members took advantage of the opportunity to receive the following in-house learning and development:

- Presentation and discussion on the work of the Ageing Well in Wales programme
- Presentation and discussion on the work of the Raising Concerns programme
- Two development days were held in October 2013 and March 2014 giving an opportunity for all members to engage in more detail with the work of the Commissioner including:
 - Residential Care Review
 - 2013/14 Business Plan
 - Dashboard and programme budgets
 - Ageing Well in Wales programme
 - Follow up to recommendations in the Internal Audit Report – Corporate Governance & Risk Management

The Chair was invited to attend the two meetings of the Welsh Government Sponsored Bodies 'Chairs of Audit Committees' held during 2013/14. Kenneth Jones attended the meeting held on 25 April 2013 on behalf of the Chair and Gordon Lishman, Chair, attended the meeting held on 5 November 2013.

Review of the effectiveness of the Audit and Risk Assurance Committee

Following a development day on 17 March 2014 the Committee agreed the methodology for the annual review of its effectiveness. This review was conducted during the meeting on 29 April 2014.

As a result of the review, the Committee agreed to:

- Reformat its meeting agendas to indicate clearly whether items are for decision, discussion or information.
- The Committee agreed in principle that one of its development days should take place away from Cardiff subject to the Commissioner being able to link this to an engagement visit and making sure that the time spent on the organisation of this is not disproportionate to the benefit.

Based on its own discussions and the views of the Commissioner, senior management and the internal and external auditors, the Committee concluded that it was operating effectively.

Other activities

During the year the Members advised the Commissioner and members of her team on a range of matters in addition to their formal Committee work. In all cases this was in line with the terms of their appointment and appropriately declared and recorded in the Committee minutes.

In law, the Commissioner is a corporation sole. The Committee considers that the absence of an executive board (from which the Audit and Risk Assurance Committee would normally be drawn) has created an “information gap” for the Members as they do not have wider responsibilities and oversight. The Committee has overcome this gap partly by virtue of their additional advisory work and also by additional discussions with and presentations by the Commissioner and senior staff as an “add-on” to Committee meetings. In 2013-14, 2 additional development days were arranged for the Committee in October and March which gave the opportunity for detailed scrutiny of the Commission’s work.

Conclusion

As a result of its work in 2013-14, the Committee is content with the overall level of internal and external audit coverage. In respect of the Commissioner’s arrangements for financial management, and the wider corporate governance and identification of risk and management processes, the Committee considers that, based on the findings of the auditors and its own observations, it can provide the Commissioner with high assurance that the arrangements in place are appropriate and have been operating effectively. This opinion feeds into the Commissioner’s drafting of the Governance Statement for 2013/14 which was considered by the Audit and Risk Assurance Committee at its April 2013 meeting.

Acknowledgments

The Committee would like to thank Deloitte for their work in undertaking the internal audit arrangements for the Commissioner. The Committee is also grateful to the Wales Audit Office for its work on the annual accounts.

The Committee would not be able to operate effectively without the help and support of the Commissioner who is also the Accounting Officer for her office. The

Committee is, of course, most grateful to her in this regard and would also like to thank all the staff who have taken the time to interact with and support the work of the Committee. The Committee would like to thank, in particular, Sue Hayward, for the invaluable secretarial support which she has provided.

Finally, the Committee would like to thank Gordon Lishman for his service to the Commissioner. He was the first Chair of the Committee following the establishment of the Commissioner's office and made a valuable contribution to its overall governance during a critical period.

A handwritten signature in black ink, appearing to read 'Ian Summers', with a long horizontal flourish extending to the right.

IAN SUMMERS

Chair

On behalf of the Audit and Risk Assurance Committee

21 May 2014