

Report of the Audit and Risk Assurance Committee to the Future Generations Commissioner for Wales 2017-2018

Purpose of the Annual Report

The Committee is required provide the Commissioner with an Annual Report summarising the work it has done during the year and timed to support finalisation of the Statutory Annual Accounts and Governance Statement.

Introduction

The Committee was established and appointed by the Commissioner during late 2016 and held its first meeting on 11 January 2017. This first Annual Report of the Committee covers the 15-month period from its establishment to 31 March 2018.

The purpose of the Audit and Risk Assurance Committee is to review and challenge the assurances provided by the Commissioner's staff and by her internal and external auditors. The Committee uses the information and knowledge it gains through this work to provide advice to the Commissioner.

From the outset, the Committee has striven to set the best possible example of the sustainable development principle in the way it works and in the way in which it interacts with the Commissioner's Office. In all of its work and activities, the Committee aims to work with the Commissioner and her Office to strike the right balance between:

- a. ensuring that sound systems of governance, risk management and control are in place: and
- b. ensuring that these systems and the way they operate exemplify the requirements and aspirations of the Well-being of Future Generations (Wales) Act 2015.

Membership

The membership of the Committee, which has remained unchanged since its establishment, is as follows:

Alan Morris (Chair)
Jocelyn Davies
John Dwight

Gareth Madge
Jonathan Morgan

All members had a 100% attendance record at the five Committee meetings held during the period of this report.

Remuneration

The Audit and Risk Assurance Committee members received as part of their terms and conditions remuneration for attendance at meetings and any additional work undertaken at a daily rate of £250 and £300 for the Chair.

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

Main Audit and Risk Assurance Committee Activities

Establishment of the Commissioner's Office and the Committee

Much of the business at the Committee's first two meetings related to putting in place systems and arrangements, including:

- the Committee's Terms of Reference;
- risk management arrangements and the risk register;
- governance framework; and
- the Commissioner's Strategic Plan and Priorities.

The establishment and review of systems and arrangements has been a theme of the Committee's work throughout the first year as the Commissioner's Office has become fully established.

In addition, the Committee had introductory meetings with the Commissioner's Internal Auditors, Deloitte, and External Auditors, the Wales Audit Office. At each Committee meeting ARAC members hold a private session with Internal and External Auditors.

Internal Audit

The Committee has established a good relationship with Internal Auditors Deloitte, on which it relies as a significant source of assurance. The Committee has received six Internal Audit reports.

Two reports on Corporate Governance and Risk Management reflect the growing maturity of the Commissioner's arrangements. The first report, received in March 2017, provided moderate assurance, which reflected arrangements and policies that were still being established and embedded. The Committee was very pleased to note that the second report, received in March 2018, provided substantial assurance.

Two reports on Financial Systems provided substantial assurance on most aspects. There has been an improving picture on purchasing and payments, where a number of recommendations were made in July 2017, and moderate assurance was given in March 2018.

In March 2018 Internal Audit Reports on Cyber Security and Data Protection were received, both providing limited assurance. However, the audits were undertaken whilst these arrangements were still in development and subject to an external review, recommendations from which were yet to be implemented. The Committee was satisfied that plans were in development to significantly strengthen cyber security and data protection arrangements. Follow-up audits are being undertaken in May 2018, which we expect to reflect significant progress.

Annual Accounts and External Audit

The Committee considered the draft 2016-17 Annual Report and Accounts at the meeting held on 11 July 2017 and was happy that it presented a fair and balanced picture. The financial statements were given an unqualified audit opinion by the Auditor General.

Other Activities

The Commissioner is a corporation sole and does not have an executive board (from which the Audit and Risk Assurance Committee would normally be drawn). This arrangement can make it difficult for the members of the Committee to be fully sighted of the work of the Commissioner and her Office, as they do not have wider responsibilities and oversight. The Committee has overcome this potential gap in knowledge partly through their additional advisory work and also by additional discussions with and presentations by the Commissioner and senior staff.

At each meeting the Committee receives an update from the Commissioner, reviews the risk register and receives a budget update, helping members to develop and maintain a broader understanding of the work of the Commissioner and her Office.

As well as providing assurance, the Committee also has an advisory role through which it can assist the Commissioner on strategic and other matters. The Committee has provided advice on a number of matters, including the Commissioner's Strategic Plan and Priorities, strategic partnerships and the establishment of a well-being fund.

In January 2018 Committee members attended a joint event with the Commissioner and her staff. The event provided an opportunity for members to meet with the Commissioner's team and learn more about how their work and to find out more about progress on governance, risk arrangements and measuring/reporting impact. The event was well received by Committee members and staff, providing both groups with an opportunity to enhance their understanding of their respective roles and work.

Conclusion

As a result of its work during the year and the findings of internal and external audit, the Committee can provide the Commissioner with assurance that the governance, financial management and risk management arrangements in place, whilst still evolving, are appropriate and have operated effectively during the 2017-18 financial year.

Looking Ahead

During March 2018 the Chair held individual review meeting with each member of the Committee. The meetings provided an opportunity to discuss the effectiveness of the Committee. Whilst all members were happy that the Committee was working well, a number of suggestions emerged for how it's effectiveness might be improved further during 2018-19. These suggestions included:

- holding an in-depth discussion on a chosen topic at each Committee meeting, for example the Commissioner's Annual Plan;
- holding a detailed discussion on one risk at each meeting;
- inviting individual Committee members to provide the Commissioner or her staff with advice, for example on emerging plans or policies;
- holding further joint events with staff; and
- enhancing the format of some reports to provide members with more contextual information.

Acknowledgements

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, and her staff. In particular, the

Committee would like to thank the Director of Finance and Corporate Governance, Helen Verity, and Office Manager, Susan Crutcher, for supporting and facilitating its work.

The Committee would also like to express its appreciation for the work of Ian Summers in advising the Commissioner on the development of her governance and risk arrangements.

The Committee would like to thank Deloitte for their internal audit work and the Wales Audit Office for its work on the annual accounts.

Alan Morris

Chair of the Audit and Risk Assurance Committee

May 2018