



Audit and Risk Assurance Committee (ARAC)

The minutes of the meeting held on Wednesday 19 July 2023

Held at Tramshed Tech
Unit D, Pendyris St., Cardiff CF11 6BH

9:45 – 10:00 (closed for Members) 10:00 – 10:15 (ARAC members and auditors)

10:15 Full Committee

Alan Morris	Committee Member [Chair]
Jocelyn Davies	Committee Member
Fran Targett	Committee Member
John Dwight	Committee Member
Gareth Madge	Committee Member
Derek Walker	Future Generations Commissioner for Wales
Marie Brousseau Navarro	OFGC: Chief Operating Officer and Deputy Commissioner
Jacob Ellis	OFGC: Lead Change Maker
Lou Neale	OFGC: Lead Change Maker People and Culture
Susan Crutcher	OFGC: Solutions Architect
Helen Nelson	FGC: Corporate Hero [Committee Secretariat]
Clare James	External Auditor Audit Wales
Isabel Hammond	External Auditor Audit Wales
Helen Cargill	Internal Auditor TIAA

PART 1 - ASSURANCE

1. Apologies for absence and declarations of interest

Apologies – Lisa Pitt.

Declarations of interest - None

2. Minutes of last meeting and matters arising

The minutes of the meeting on 28 March 2023 were approved as correct record. ARAC approved their publication on the [FGC website](#).

Matters Arising:

Derek noted that had had meet with the Auditor General for Wales which had been a positive meeting.

3. Audit

a) Internal audit

Helen Cargill, Director of Audit from TIAA introduced the annual internal audit plan for the year ahead. She noted that this might need to be tweaked to reflect the views of the new members of the Committee who are due to join in September.

The Committee thanked TIAA for the HR audit, which had had a *reasonable assurance*. The strategic findings were that:

- The recruitment process is documented and from a sample of new starter and interview information is operating effectively.
- The Human Resource (HR) function uses People HR to support the processes. There is system functionality which is not yet implemented which would enhance the processes in place and be more in keeping with the digitalised ethos of the organisation.
- Learning and Development is in development. There is a tracker in place for training, but this is not fully comprehensive.
- Training needs are being identified but as yet are not fully structured with statutory training included.

There were two routine and one important recommendation which had been accepted. Lead Changemaker (People and Culture) Lou Neale reported that absence interviews would be held after five days absence (not one day) as recommended.

The follow-up audit was also noted which assessed progress on the internal audits in 2022 on corporate governance, procurement, stakeholder engagement and risk management. The conclusion was that the Commissioner has made good progress and has implemented eight of the 12 audit recommendations (67%). Updates were provided for the outstanding recommendations and new implementation dates given.

Alan thanked TIAA for these useful pieces of work. A workshop session led by TIAA would be provided to new ARAC members in October.

b) External audit programme

The Committee welcomed Clare James and Isabel Hammond from Audit Wales – the Commissioner's external auditors (replacing Lucy Evans and Leanne Malough) who had fulfilled this role for the last few years.



The detailed audit plan was taken as read. From the areas of focus, Clare commented that it was good to see the open discussion on the procurement of the table and chairs which had enabled the matter to be closed down. Other issues highlighted by Audit Wales were:

- The timetable of getting the accounts signed off, due to delays with the external audit process. An extraordinary ARAC meeting might need to be held in August to sign the accounts off
- The audit fee was likely to increase due to a change in auditing standards and other considerations. Audit Wales had previously advised that it could be in the region of 10-20% higher; but that FGC would only be charged for the work that Audit Wales actually do.

Points of discussion:

- John Dwight said the procurement of the table was not of material value. Conversations were happening with staff and there were no other areas of significant concern.
- Derek said a potential 15% audit fee increase was large for a relatively small organisation and we were hoping that it would be less than this.

ACTIONS:

- Helen Nelson Corporate Hero to arrange an extraordinary meeting of ARAC if it is needed to sign off the accounts, or with Alan decide whether this can be done over email.
- Clare James to keep Lisa Pitt Head of Finance abreast of charges.

4. Resourcing and Finance

a) End of year outturn report (verbal)

Marie Brousseau Navarro, Deputy Commissioner, led the update in the Head of Finance's absence. Welsh Government has approved that the Commissioner can carry forward £74,000 underspend from 2022/23 into the current financial year. This news was welcomed by the Committee.

b) First quarter report 2023-2024

Some small changes had been made to how the budgets were managed this year, with budget holders being brought in.

Because in previous years we have been underspent, this year we have deliberately set an overspend budget. There is a contingency pot of £10,000 so this gives us leeway and we will be monitoring spend monthly to check the impact on the bottom line.

Three cost centres that had not been included in the projected budget were:



- Cost of living support
- IT hardware
- Cover for maternity leave (Team Support, six months mat leave 2023-2024)

The monthly monitoring would enable the Commissioner's team to assess if there were sufficient resources to cover these costs.

Points of discussion:

- Fran Targett advised that we closely monitor to ensure those adjustments are being made. But she wasn't concerned and felt like this was a pragmatic approach to tackling consistent annual underspends.

c) Cost of living payment

The Deputy Commissioner added that Welsh Government have awarded their staff a cost-of-living payment of circa £1,500 per person. Bodies like the Commissioner's office was expected to match these payments, although there would be no support from Welsh Government for that. The costs for FGC in the current year would be around £32,000, and this would need to come from the existing 2023/24 funds.

Points of discussion:

- Derek confirmed that he was not planning to take the extra payment himself but that he was keen to honour it and find it from any in-year underspends.
- Gareth Madge noted that with regards to Derek's role, public appointments are a different category but there has to be a pay regime in place. The new Memorandum of Understanding between the Welsh Government and the Commissioner's office is fine - that 'pay and rations' are decided by Welsh Government. The upside is that the Commissioner does not have to enter into separate negotiations; the downside being there isn't any involvement.
- Gareth highlighted the issue of the financial changes that came in in 2018/19 whereby commissioners were not able to keep reserves. The then Commissioner Sophie Howe was very clear to Welsh Government about the predictable consequences of this approach – less financial sustainability and ability to manage times of higher and lower expenditure over multiple years (as in the case of the cost-of-living payment).
- Jacob Ellis, Lead Changemaker Public Affairs stated that the post-legislative scrutiny (timetable TBC) could be a useful opportunity to reiterate this point.
- The Committee noted that the Commissioner is not under the same terms and conditions as his employees as his role is established via the public appointments process. It was AGREED that the



Commissioner should fall under the same FGC employment policies. Gareth Madge advised that it might not be appropriate for the Commissioner to opt out on a case-by-case basis.

- Derek noted that the team doesn't have a recognised trade union. He'd welcome it but the onus must come from the staff.
- ARAC agreed that that it was desirable to award the cost-of-living payment, funding permitting.

d) Statutory estimate (verbal)

The Deputy Commissioner Marie Brousseau Navarro outlined the approach to preparing the Statutory Estimate this year. The official deadline was 31 October, but the Office had been asked to complete an outline in August so that it could be part of budget discussions. In the past, we have used our reserves to supplement staff costs. These had now run out.

The Commissioner will need to lay the Estimate and priorities by 31 October, at which point we're unlikely to have a new plan in place. We will be giving Welsh Government a number of options; an additional factor is the eight new bodies that will come under the Act in April 2024, and whether there will be additional funding for those. The narrative that we are leading with is that the Office is not here to provide a *service* to Welsh Government but has outcomes and KPIs to deliver and the legislation.

ACTIONS:

- Marie to keep ARAC informed of progress with the Statutory Estimate.

5. Internal policies

Alan Morris (Chair) reminded the Committee that they are not there to approve policies, only comment and advise.

- a) **Whistleblowing** – there was considerable discussion on the proposed whistle-blowing policy. This was the third time that it had come to ARAC with the sticking point being ARAC's role in the process. Lou Neale Head of People and Culture had taken further advice, and the draft policy was back to where we started. Alan Morris noted that ARAC does not have a 'management role' however, there was recognition that Derek's role due to the nature of the issue, could be compromised. ARAC's role as "giving independent expert advice" was broad and a process for whistleblowing would need to be in place (e.g. procurement of expert advice). It was agreed to proceed with the policy and put their concerns to one side as this seemed like a practical way forward.
- b) **Pay philosophy** – ARAC noted the benchmarking for their revised daily rate. No comments on pay philosophy policy – it was useful to bring together these strands in one place.
- c) **Health and safety** – this policy plugged gaps. Again, the document was supported.



- d) **IASME Cyber Security Assurance accreditation and policies** Marie have an update and the Committee thanked her for her assurance.

ACTIONS:

- TIAA to send Lou the link to a webinar on whistle blowing.

6. Annual Report

ARAC Annual Report – this was approved.

Commissioner's statutory Annual Report.

The Performance Report presents another good picture of impact. The Committee thanked Helen Nelson Corporate Hero for her work on this.

In the Financial Statement, it looked like there was a deficit (relating to the £74,000) but this was misleading and a reflection of accounting practices relating to resource accounting issues and managing Welsh public money. Some rewording may be needed.

ACTIONS:

- Relook at the phrasing to make sure that the deficit issue was clarified.

7. ARAC Quarterly Report and Summary Risk Register

ARAC thanked the Corporate Hero and team for the quarterly report and risk register which presented a reassuring picture.

It was good to hear about the positive response to the recruitment, where there was a very high calibre of applicants. The Committee were also pleased to hear of the interest for the trainee roles. All in all, it looked like there would be a good mixture of skills and experience. It was important that the Committee didn't get too big – it was currently planned to grow from 6 to 9.

The new Memorandum between the Commissioner and Welsh Government was noted.

ACTIONS:

- Helen Nelson Corporate Hero to make the changes to the ARAC Terms of Reference with regards to the changed length of service and addition of trainee roles.

The auditors present left the meeting. Short break. Agenda items 8- 11 were of an advisory nature.