

Audit and Risk Assurance Committee (ARAC)

Thursday 25 January 2024

Online

9:40 – 10:00 (ARAC mtg closed for Members) 10:00 – 10:15 (ARAC members and auditors)

10:15 – 11:15 (full committee)

Alan Morris	Committee Member [Chair]
Fran Targett	Committee Member
Peter Davies	Committee Member
Annmarie Thomas	Committee Member
Mair Gwynant	Committee Member
Sabiha Azad	Committee Member (trainee)
Samer Karrar	Committee Member (trainee)
Princess Onyeausi	Committee Member (trainee)
Derek Walker	Future Generations Commissioner for Wales
Marie Brousseau Navarro	FGC: Deputy Commissioner
Jacob Ellis	FGC: Director of External Affairs and Culture
Lisa Pitt	FGC: Director of Finance and IT
Helen Nelson	FGC: Director of Strategic Planning, Climate and Nature [Committee Secretariat]
Clare James	External Auditor Audit Wales
Helen Cargill	Internal Auditor TIAA

PART 1 - ASSURANCE

1. Apologies for absence and declarations of interest

Apologies from Jocelyn Davies.

Alan welcomed the two new committee members Phil George and Nicola Williams who would be joining in April 2024. They were attending this meeting as observers. Phil and Nicola introduced themselves.

Declarations of interest

- Committee member Mair Gwynant noted that she had been appointed as the new Chair of [Adnodd](#) (the new body that oversees the provision of educational resources to support the teaching and learning of Curriculum for Wales). Adnodd is fully accountable to the Welsh Ministers as a wholly

owned subsidiary company limited by guarantee. It receives a remit letter from Welsh Government but as it is not subject to the WFG Act, it was not regarded by the Committee as a conflict of interest.

- Committee member Fran Targett noted that she had been appointed as Chair of the [external steering group for Welsh Government on its Welsh Benefits Charter](#). The charter commits Welsh Government and local authorities to work together to improve the take-up rate and the experiences people have when they access the financial support available. This position was also not regarded as a conflict of interest.

2. Minutes of last meeting and matters arising

Accuracy of minutes:

Page 5 and 6 – Annmarie noted that she had asked to see sickness data in the quarterly report, compared across the Welsh public sector. Derek responded that he would ask Lou to find this information and work on an enhanced data set which includes benchmarking, for the next ARAC.

Helen Cargill also clarified that the cyber security audit was being brought forward to 2024-25. With these changes, the minutes were approved as a correct record of the meeting and were approved for publication on the [FGC website](#).

Matters Arising:

There were no matters arising that were not already on the agenda.

3. Audit

Internal audit - Helen Cargill, Director of Audit at TIAA

The Summary Internal Controls Assurance (SICA) was presented which confirmed completion of audits on:

- Financial Controls.*
- Project management.*

The follow-up audit is scheduled for mid-February, and an annual report will be prepared for the next meeting along with the reports. Alan thanked TIAA for their work, and the SICA report was accepted.

External audit programme - Clare James, Director Financial Audit at Audit Wales

Audit Wales would start planning for the Office's external audit imminently, ready for a more detailed discussion on timescales at the April ARAC meeting. The fee for 2024/25 would be in the region of £21,000, which reflects a 6.4% increase. Audit Wales are aiming for the work to be completed by the end of July, ideally.

The Committee noted that the increase in fees remains a concern for them, especially given the Office's 5% budget cut next year. They thanked Clare for her report.

4. Resourcing and Finance

Lisa Pitt (FGC Head of Finance) joined the meeting.

Derek introduced the budget for 2024-25.

- Whilst he had concerns about the 5% budget cut the office was facing, he was confident that the work programme could be managed as intended as there is an element of flexibility to adapt. He flagged that a potential impact on the budget cut was likely to be on the redevelopment of the office's website which needed improvement. An application to Welsh Government has been made for capital funding, which the office would hear about before the end of the financial year hopefully.
- With regards to redundancy costs faced by the office, an application had been made to Welsh Government to provide some or all of this. If it isn't covered in the current financial year by Welsh Gov, then it has a potentially significant knock-on effect in 2024/25.

Budget Update December 2023

- Lisa introduced the paper and set out that the Commissioner is looking at a balanced budget. The alignment project led by Welsh Government means that the Office are not able to have reserves, which makes long-term financial management more difficult.
- Unexpected costs include website inaccessibility; cost of living payment aligned to Welsh Government standards; car benefits p11d payroll reporting (which has been rectified); a higher external audit fee; and increased legal fees associated with the restructure.
- Other additional and unavoidable costs to be managed included employers pension increases, from 1 April.
- The application for the office's international action plan was being submitted to Welsh Government. Whilst the team is hoping for a similar level, they are again mindful of potential budget cuts. We hope to hear from Welsh Government's international team in April 2024.

Points of discussion:

- There was concern about the external perception of how the budget reduction could impact on the delivery of Cymru Can. The restructure work has proved to be necessary as the current staffing is not financially sustainable. Whilst we are sad to be losing good people, ARAC commended the Commissioner for taking that leap early. The Commissioner added that the revised structure has resilience built in providing that the international work and Future Generations Leadership Academy supports itself in the way that it has done in the past.

- Lisa reassured the Committee that the continued risks associated with the P11d fine are low. Payroll is undertaken as a service to the office by the Public Service Ombudsman for Wales, and it is generally a good service. The office has tightened up on its own check list. P11ds are a minefield and it's positive that the office was the one to pick this up.
- ARAC noted the underspend in the 2023/24 budget on people and culture including training. They advised not to erode the training and development budget too much.
- It was acknowledged that taking the Act beyond public bodies always needs a resource. The team should be attentive where the momentum is, reaching out and building alliances. Derek replied that we are looking at opportunities to bring in extra funding - whilst the office can't make a profit or surplus we can cover costs. With our training and advice offer to public bodies, we are moving to a 'one to many' approach. For some of those more bespoke training and support services, we will charge for keeping an eye on achieving maximum impact.
- The meeting noted the importance of the Commissioner's role in helping to deal with difficult issues, and to convene and help broker solutions. Government ministers deal with difficult and wicked issues on a day-to-day basis, and we should always be alive to exploring with them how the Commissioner's unique role can help. It was important that Ministers and government see the Commissioner's core funding as the base, with opportunities to draw in other investment over and above that for more specific activities – like the office had done for the international work and future generations leadership academy. This is a mindset that we want Ministers to understand - a function that is about innovation and development for the future. We need to be clear on the wicked issues and system issues that we're seeking to tackle.
- The Committee advised that it was good to see the project budget ringfenced. The Committee concluded that the main risk relates to the restructure costs and the success of bids for project work. Depending on the outcome of this, there is a risk of accepting more voluntary redundancies.

The Committee thanked Lisa for her thorough report.

ACTION:

- ARAC to be updated on the outstanding budget issues (restructure costs, project funding bids etc) at the next meeting.

5. Quarterly Report

Helen Nelson, Director of Strategic Planning, Climate and Nature summarised the paper covering in particular the work programme planning. Following the launch of [Cymru Can](#) (new seven-year strategy) in November 2027, the focus now was on drafting annual mission plans and a set of key performance indicators. A three-year Routemap would bridge the gap between the one-year plans to take us to halfway in the Commissioner's term and would also show the connections and areas of work that unite the team (i.e. that cut across all missions like the Future Generations Report 2025).

Further to the point made under accuracy of the Minutes, Annmarie Thomas added that the point she was making was that the sickness % rate is low based on her experience of rates in the public sector. Statistics only tend to be useful if you have a good source of benchmarking data to draw conclusions whether it is a good, bad, or indifferent rate. With regards to protected characteristics, she advised on monitoring the composition of ARAC and the statutory Advisory Board and benchmark with other commissioners, as well as following protected characteristics data through the recruitment process – for example to track the statistics at application, interview, and appointment. This was it's possible to understand better if attraction strategies are working.

Risk

Marie presented the quarterly risk update and noted that the biggest risk is budget and future delivery of our services. In comparison, at the last meeting it was the restructure.

Points of discussion:

- The Committee talked through each risk and advised the Commissioner that if he doesn't receive the restructure funding and he cost has to come out of next years budget, then those who asked for voluntary redundancy will need to be considered.
- The Committee suggested that the risk register needed to be more aligned to Cymru Can. Some of the risks featured are actually "issues". Derek replied that the risk register was being reviewed with a view to an updated set of risks and presentations being brought to the April meeting.

ACTIONS:

- Lou Neale Director of People to follow-up with Annmarie Thomas if any further discussion needed on how HR/ sickness data presented.
- The Commissioner and Deputy Commissioner to continue work to review the strategic risk register and bring an update to the April meeting.
- Jacob Ellis Director of External Relations to bring an update on the Future Generations Report to a future ARAC meeting (pencilled in for July 2024 or October)

The Committee thanked Helen, Marie (and Lou) for the report.

6. Any other Business

There was no any other business and Alan drew this part of the meeting to a close.