



Llywodraeth Cymru
Welsh Government

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Audit and Risk Assurance Committee meeting: 17 July 2024

Minutes of the Audit and Risk Assurance Committee meeting held on 17 July 2024.

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Present

- Mike Usher, Non-Executive Director and Chair of WG ARAC
- Angus Muirhead, Chair - LGHCCRA ARAC
- Nigel Reader, Chair - HSCEY ARAC
- Gareth Pritchard, Acting Chair - Independent Member ECWL ARAC

Officials

- Andrew Goodall, Permanent Secretary
- Sioned Evans, Director General, ECWL Group
- Tracey Burke, Director General, LGHCCRA Group
- Dean Medcraft, Director of Finance
- Kim Jenkins, Deputy Director Accounts, Governance & Grants
- Helen Morris, Deputy Director, Audit, Assurance & Counter Fraud
- Simon Phillips, Deputy Director, Change and Improvement, HSCEY Group
- Steve Hudson, Deputy Director, Finance and Economy, EET Group
- Clare James, Audit Wales
- Richard Harries, Audit Wales
- Matthew Mortlock, Audit Wales

Also present

- Head of Corporate Governance Centre of Excellence
- Deputy Head of Internal Audit
- ARAC Secretariat
- Head of Governance, LGHCCRA Group

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1. Declarations of interests

1.1 There were no declarations of interest raised by Members.

2. Matters arising from the meeting held on 29 May 2024

2.1 The committee agreed the minutes of the previous meeting and noted the good progress made in implementing the agreed actions.

3. Annual review of the committee's terms of reference

3.1 The committee reviewed and approved its terms of reference for the next 12 months.

4. Principal Accounting Officer overview

4.1 The Permanent Secretary provided the Committee with an update on a number of key areas, including:

- The resignation of the First Minister and the focus on the continuity of government business whilst a successor is appointed.
- The Covid Public Inquiry and the publication, in July 2024, of its first report. This will require a response from Welsh Government in early 2025.
- The financial challenges both in relation to the in-year position and future

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budget planning.

- The importance of effective relationships with the new Westminster government.

5. Governance and risk issues

Internal control questionnaire

5.1 The Head of the Corporate Governance Centre of Excellence provided an update on the Internal Control Questionnaire (ICQ) process for 2023-2024. Members were satisfied the ICQ returns had been subject to appropriate scrutiny and challenge and provided sufficient evidence to support the overall annual assessment of Welsh Government's internal control framework. The committee endorsed management's intention to undertake a lessons-learnt review to identify any areas for improvement for the 2024-2025 ICQ exercise.

Head of Internal Audit annual report

5.2 The Head of Internal Audit presented her Annual Report for 2023-2024 which summarised internal audit activity and other sources of assurance on which her annual opinion was based. The Head of Internal Audit was satisfied there was a sufficient body of work on which to base her opinion, which would be published within the 2023-2024 Annual Report and Accounts. The committee noted and endorsed the Head of Internal Audit's annual report.

Welsh Government's risk appetite

5.3 The Head of the Corporate Governance Centre of Excellence provided an update on changes to Welsh Government's risk appetite. An initial discussion

was held with the Board in June and detailed discussions with officials are planned over the summer prior to providing the Board with a proposed risk appetite statement for further discussion and approval. The committee endorsed the approach being taken and requested a further update be provided at its autumn meeting.

Group ARAC quarterly reports

5.4 The committee considered the quarterly reports prepared by the Chairs of the Group ARAC's following the summer round of ARAC meetings. In addition to standing items, each ARAC considered the business areas transferred into Groups following the recent corporate restructure and received presentations on their background, objectives, risks and issues. There were no issues that Chairs felt needed to be escalated to the WG ARAC.

5.5 The annual meeting between Independent Members and internal and external audit took place after each Group ARAC meeting.

WG ARAC Annual Report

5.6 The committee considered the WG ARAC annual report for 2023-2024 and endorsed the overall opinion on the adequacy of audit arrangements for the Welsh Government and also on the arrangements for governance, risk management and internal control. The opinion will be published in the 2023-2024 Annual Report and Accounts

Scrutiny of Parts 1 and 2 of the Welsh Government Consolidated Accounts

5.7 The committee began its scrutiny of Welsh Government's consolidated

accounts for 2023-2024 and considered:

- Part 1, the Performance Report which outlines the functions of Welsh Government, how it is funded, how the funding is spent and how it performs.
- Part 2, the Accountability Report which includes the Annual Governance Statement, Remuneration and Staff report, Summary of Resource Outturn and Certificate and Report of the Auditor General for Wales.

5.8 The committee identified a number of areas that would benefit from review and clarification prior to the production of the final accounts and these were noted by officials.

5.9 The committee discussed and endorsed the rationale for raising the de minimis threshold for the WG consolidated account from £15 million to £30 million.

Audit of accounts Update (including detailed audit plan)

5.10 Audit Wales officials provided an update on the progress of their work on the 2023-2024 accounts and noted that much of the work has already started. Welsh Government is on track to deliver the main account to Audit Wales by 27 August.

5.11 The committee received a presentation on the audit plan including the identified audit risks, the timetable, the audit fees and the audit team. Specific attention was drawn to the materiality threshold, which will increase from 1% to 2% (£200 million to £400 million). This will allow Audit Wales resources to be more aligned with areas of greatest risk, and to focus on items that are considered material by nature.

5.12 The committee endorsed the audit plan and welcomed the proactive approach being taken by both the audit and finance teams, and the focus on

considering ways in which the process can be made more efficient.

5.13 The committee also received an update on Audit Wales' value for money studies.

ARAC Secretariat

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