

## LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

### AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 20 FEBRUARY 2017 AT HASTINGS HOUSE (13:30 – 15:30)

**LDBCW Members Present:** Ceri Stradling (Chair), David Powell (Member), Theo Joloza (Member), Julie James (Independent Member)

**Wales Audit Office Representative Present:** Mark Jones

**Deloitte Representatives Present:** Ian Howse

**Welsh Government Representatives Present:** Lisa James

**LDBCW Officers Present:** Steve Halsall (Chief Executive), Matthew Redmond (Deputy Chief Executive) David Carr (Finance Manager)

The Chair introduced Mark Jones of the Wales Audit Office (WAO).

#### **1. Apologies for Absence**

1.1 The Chair gave apologies for Rachel Williams (LDBCW).

#### **2. Declarations of Interest**

2.1 There were no declarations of Interest.

#### **3. Minutes of Audit Committee meeting held on 23 November 2017.**

3.1 David Powell said that his declaration of interest in the seaward boundary review had been incorrectly recorded and should be changed to reflect the true position regarding his son's involvement in the project. It was **agreed** that the record of the declaration would be changed to show the correct position.

3.2 It was **resolved** to adopt the minutes of the Committee meeting held on 27 July 2016 subject to the amendment noted at 3.1.

#### **4. Issues Arising from Previous Meeting.**

4.1 The Committee noted that the majority of the action items arising from the previous meeting had now been completed or were being dealt with later on the agenda.

4.2 In respect of travel insurance it was reported that enquiries had been made with both WAO and Estyn. WAO had referred to the Welsh Government publication Managing Welsh Public Money which stated that public bodies should only take out insurance in exceptional circumstances. Estyn had confirmed that they did not provide travel insurance for any of their inspectors or staff. The Committee concluded that it was therefore not practicable to take out travel insurance in

order to mitigate the risks to staff travelling on business. In view of this the Committee agreed to recommend that the LDBCW tolerate the risk.

**Action:** Finance Manager **By:** 31 March 2017

- 4.3 In respect of the content of the Parliamentary Accountability and Audit Report section of the Annual Report and Accounts it was reported that the WAO had subsequently realised that the Welsh Government had previously agreed that Welsh public bodies would only be required to include the Auditor General for Wales' Certificate and therefore no further action was required. Mark Jones said that he had recently provided the LDBCW with a spreadsheet giving the results of an informal review by WAO of the content of their annual report. It was agreed that the spreadsheet would be circulated to members together with the draft annual report and accounts for 2016-17.

**Action:** Finance Manager **By:** 16 June 2017

- 4.4 Ian Howse reported that he had made arrangements for the external review of the LDBCW's internal audit arrangements and that they would be implemented as soon as possible.

## **5. Audit and Risk Assurance Committee Work Plan**

- 5.1 The Committee noted the Work Plan and confirmed that all the specified items for the Committee's consideration in February had been included on the agenda.

## **6. External Audit: Audit Plan 2017**

- 6.1 Mark Jones explained that the Audit Plan for 2017 set out the proposed work on the audit of the 2016-17 financial statements. It included the obligations of the Auditor General for Wales and the audit approach, key tasks, outputs and materiality level for reporting misstatements, details of the new audit team personnel and expected timetable for carrying out the audit work. It was noted that the audit fee for the 2017 audit was estimated to be the £303 higher than the 2016. However, this would be subject to adjustment for any difference between the estimated fee and the actual expenditure on the audit.

- 6.2 The respective responsibilities of the Auditor General and the LDBCW were set out at Appendix 1 whilst Appendix 2 identified the main audit risks which could lead to material misstatements in the accounts and required special consideration during the audit. These were:

- The risk of management override of controls. The audit response will be testing journal entries and adjustments made to the financial statements, reviewing accounting estimates and checking significant transactions;
- The risk that disclosures for senior officer remuneration may not be accurate or may not comply with the relevant disclosure requirements. The audit response will be to test all relevant disclosures and consider any changes to roles, responsibilities and remuneration levels and review appointment approval processes;

- The risk of material misstatement in the disclosures required for the notes to the accounts. The audit response will be to review and testing of disclosure notes within the accounts to gain assurance that they are materially accurate.

6.3 Appendix 3 set out future changes to IFRS relevant to central government. The change which would have the most significant effect on the LDBCW would be the change to the accounting treatment of operating leases which was due to be implemented for 2019-20.

6.4 Mark Jones reported that the WAO would be holding a Good Practice Exchange seminar entitled 'Involving the Citizen' in September 2017 which would be relevant to the work of the LDBCW. It was **agreed** that the LDBCW would arrange for a senior staff member to attend the event.

**Action:** Finance Manager **By:** 26 July 2017

## 7. Internal Audit: End Year Audit Report and Annual Audit Report 2016-17

7.1 Ian Howse reported that the audit work carried out in December 2016 had covered revenue and receivables. The findings of the audit work were detailed in the report which gave a Substantial assurance rating and no recommendations had been raised.

7.2 The audit had also included a follow up on previous years' recommendations and 8 of these had been re-raised although the Committee noted that the majority of the re-raised recommendations were those which could not be implemented until the LDBCW had undertaken substantially more review work. It was noted that all outstanding audit recommendations would be dealt with in more detail at agenda item 10.

7.3 Mr Howse referred the Committee to the Annual Report for 2016-17 which contained a summary of the audit work and its findings and gave an overall assurance rating for the LDBCW of 'Moderate' based on the internal audit work undertaken during the year. It also contained Deloitte's self-assessment of their performance in carrying out the audit work during the year.

## 8. Internal Audit Assessment Annual Questionnaire 2016-17

8.1 It was considered that the questionnaire would be improved by the addition of a question regarding members' view on the interaction between internal and external audit. **It was agreed** that an additional question regarding this would be drafted and added to the members' questionnaire for next year.

**Action:** Finance Manager **By:** 26 July 2017

8.2 It was proposed that members would meet after the meeting complete the questionnaire. **It was agreed** that the Finance Manager would record the responses of members following the meeting and the report the results to the next meeting.

**Action:** Finance Manager **By:** 26 July 2017

## **9. Review of Audit and Risk Assurance Committee Self-Assurance Questionnaire Responses**

9.1 The Committee considered the responses to their annual self-assessment questionnaire which indicated that all of the good practice had been demonstrated. It was **resolved** that the Committee would continue the self-assessment exercise each year and endeavour to maintain the current high standard of compliance with good practice.

## **10. Audit Recommendations – Progress Report.**

10.1 The Committee considered the progress on the outstanding internal audit recommendations.

10.2 The 2013-14 recommendation regarding establishing data disposal procedures had previously been reported as implemented. However, Deloitte had re-raised this recommendation as it had not yet been published on the LDBCW intranet. It was noted that the LDBCW intranet had since been updated to include the new data disposal procedures.

10.3 The 2014-15 recommendation that the LDBCW verify staff members' pension data had not yet been implemented due to a delay in obtaining further information required to complete the exercise. A new implementation date of 31 March 2017 for this recommendation was proposed and agreed.

10.4 The 2014-15 recommendation regarding the consolidation of all procurement desk instructions into one procurement handbook document had previously been reported as implemented. However, Deloitte had re-raised this recommendation as it had not yet been published on the LDBCW intranet. It was noted that the LDBCW intranet had since been updated to include the procurement handbook.

10.5 The outstanding recommendation for 2015-16 that the LDBCW should update its staff performance management review to make it clear how individual staff members' objectives linked into the LDBCW's corporate objectives had been assigned a deadline date of 31 March 2017 and it was expected that this date would be met. In addition to this, the 2015-16 recommendation that the LDBCW update its Operational Plan to be better aligned to the corporate objectives, which had previously been reported as implemented, had been re-raised by Deloitte as they did not consider that the action taken by the LDBCW was sufficient. A new implementation date of 31 May 2017 was agreed for the recommendation to allow time for the recommended changes to be incorporated into the 2017-18 Operational Plan.

10.6 Of the six new recommendations resulting from the 2016-17 audit, two had now been implemented whilst implementation dates for the remaining recommendations had been agreed as 30 June 2017 with the exception of the recommendation that access to IT folders containing sensitive information be restricted to only staff members who require which had been assigned an

implementation date of 31 December 2017 to allow time for considerations regarding LDBCW's future IT requirements.

- 10.7 Members considered that implementation of the recommendation regarding ensuring that all staff undertake information security training was very important and should be implemented sooner than the recommended implementation date of 30 June 2017. It was **agreed** that this recommendation would be implemented as soon as possible.

**Action:** Business Support Manager **By:** immediately

- 10.8 It was considered that ARAC Members should also receive training on information security but it was noted that the only training currently available was only available online for civil servants. It was **agreed** that a brief for ARAC Members containing the key messages of information security and data protection would be prepared for the next meeting.

**Action:** Finance Manager **By:** 26 July 2017

## **11. Draft Audit and Risk Assurance Committee Chair's Annual report 2016-17**

- 11.1 The Committee considered the draft ARAC Chair's report and **agreed** additional content to the table at Appendix 2 outlining the LDBCW's sources of assurance.

**Action:** Finance Manager **By:** 1 April 2017

- 11.2 It was considered that the Appendix 2 sources of assurance table should also be linked to and cross referenced with the LDBCW's Board Assurance Framework if possible. It was **agreed** that the sources of assurance table should be cross referenced with the LDBCW's Board Assurance Framework.

**Action:** Finance Manager **By:** 1 April 2017

- 11.3 The report was **agreed** subject to the proposed changes to appendix 2 and some other minor amendments.

## **12. Draft Governance Statement 2016-17**

- 12.1 The Committee considered the draft Governance Statement and several minor changes were proposed. It was **agreed** that further improvements could be made to the document by removing any content duplicated in the Performance Report section of the annual report and also by rearranging the content to have the most important sections at the beginning.

**Action:** Finance Manager **By:** 30 April 2017

- 12.2 It was **agreed** that WAO would assist the LDBCW by reviewing the content of the Governance Statement as part of their 2017 audit.

**Action:** WAO **By:** 30 June 2017

## **13. LDBCW Pensions Risk Register**

13.1 The Committee noted the current version of LDBCW's pensions risk register together with a record of the changes made since their last review.

#### **14. Statement of Responsibilities of the Auditor General for Wales**

14.1 The Committee noted the document presented by the WAO which outlined the responsibilities of the Auditor General for Wales and the LDBCW both overall and in respect of the audit of the 2016-17 financial statements.

#### **15. Risk Management Report**

15.1 The Committee noted the changes to the LDBCW's Risk registers. It was agreed to propose the following changes to the LDBCW:

- Corporate Risk CR2 should reflect the difficulties experienced by the LDBCW in recruiting new staff members;
- Corporate Risk CR12 should reflect the possible disruption to the electoral review programme by undertaking other type of review at the same time;
- The inherent Likelihood risk score of 5 for Corporate Risk CR13 was too high and should be reduced to 4; and
- Corporate Risk CR4 regarding loss of stakeholder confidence and damage to LDBCW's reputation was duplicated by Operational Risk OP17. The LDBCW should consider amalgamating these risk as part of the review of risk registers at the start of the next financial year.

15.2 In respect of the Committees proposed action regarding travel insurance at agenda item 4 it was **agreed** to propose to the LDBCW that ask its members annually to confirm that they had a clause for business travel in their car insurance.

#### **16. Budget Monitoring Report.**

16.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 20 December 2016. It was noted that the LDBCW had also considered their estimated expenditure for 2017-18 and had informed Welsh Government of their reported their budget requirements for 2017-18.

#### **17. Gifts and Hospitality – Report and Declarations**

17.1 The Committee noted the recent declarations for hospitality received by the Chief Executive and members at the Inter-Commission meeting held in Belfast during December 2016.

#### **18. Complaints**

18.1 The Committee noted that no complaints had been received since the last report.

- 18.2 Consideration was given to recent correspondence the LDBCW had received from Gwynedd County Council and whether or not it should be considered as a complaint. It was **agreed** that the Committee would recommend that the LDBCW treat the correspondence as a complaint and that this should be reflected in the report on complaints presented to the next Committee meeting.  
**Action:** Chief Executive **By:** 26 July 2017

**19. Whistleblowing and Fraud Report**

- 19.1 The Committee noted that there had been no instances of whistleblowing or fraud since the last report.

**20. IT Data Security Report**

- 20.1 The Committee noted that there had been no data security incidents since the last report.

**21. Any Other Business**

- 21.1 There was no other business.

**22. Date of Next Meetings**

- 22.1 It was noted that the dates for the next ARAC meeting would be 26 July 2017.