

## LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

### AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 26 JULY 2017 AT HASTINGS HOUSE (10:30 – 12:30)

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

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

**Welsh Government Representatives Present:** Lisa James

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

#### 1. Apologies for Absence

1.1 Apologies were received from Ian Howse (Deloitte), Michele Hopton (Deloitte) and Rachel Williams (Business Support Manager).

#### 2. Declarations of Interest

2.1 Julie James declared a possible interest in agenda item 13. The Committee noted the declaration but considered that the circumstances surrounding the loss outlined in the report would not constitute a conflict of interest. However, it was **agreed** that Mrs James would withdraw from the discussion if deemed necessary by the Committee.

#### 3. Minutes of Audit Committee meeting held on 20 February 2017.

3.1 Mark Jones requested that the reference to WAO at paragraph 4.3 be changed to reflect that it was himself rather than the WAO who had queried the disclosure requirements for the Parliamentary Accountability and Audit Report.

3.2 It was **resolved** to adopt the minutes of the Committee meeting held on 20 February 2017 subject to the change agreed at 3.1 above.

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

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

4.2 There were items still outstanding in respect of confirmation of the arrangements for the periodic external review of internal audit awaited from Deloitte and the outcome of the internal audit of Welsh Government ICT systems awaited from Welsh Government Internal Audit Services.

4.3 It was reported that LDBCW staff had not attended the WAO Good Practice Exchange seminar 'Well Managed Risk' due to some confusion in obtaining

details of the event although a copy of the slides presented at the event had been obtained. It was **agreed** that a copy of the slides would be sent to Julie James.

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

- 4.4 It was **agreed** that the Secretariat would consider whether the Chief Executive or Deputy Chief Executive should attend the WAO Good Practice Exchange seminar 'Involving the Citizen' in September 2017.

**Action:** Chief Executive / Deputy Chief Executive **By:** 31 August 2017

## **5. Audit and Risk Assurance Committee Work Plan 2017-18**

- 5.1 It was reported that the Work Plan had been drafted for 2017-18 but that dates for the November and February meetings were not yet confirmed. The Committee noted and **agreed** the content of the Work Plan.

## **6. Audit and Risk Assurance Committee Terms of Reference.**

- 6.1 It was reported that the Committee's Terms of Reference were due for annual review and were considered. The Committee **agreed** the Terms of Reference subject to the following changes:

- Paragraph 4.3 change '2 members' to '3 commission members'.
- Paragraph 4.3 after 'Chair' add 'or act as Deputy Chair'.
- Paragraph 8.1 third bullet point change 'Outline' to 'Plan'.
- Paragraph 8.1 tenth bullet point after 'Management Letter' add 'or any other external audit outputs'

**Action:** Finance Manager **By:** 22 November 2017

## **7. Annual Accounts 2016-17 and Audit of Financial Statements Report and Management Letter.**

- 7.1 The Finance Manager reported the main points of note on the audited accounts to the Committee, including the main areas of income and expenditure and variances on the previous year's expenditure.

- 7.2 Mark Jones reported that accounts had been received early and were of a very good standard and as a result the audit work went smoothly. It was the Auditor General's intention to issue an unqualified audit report subject to there being no events affecting the accounts following their signing.

- 7.3 There were no uncorrected misstatements in the accounts or other significant issues arising from the audit. However, there were some corrected misstatements in the accounts following the audit, one of which affected the financial statements with the rest being changes to the notes to the accounts. The change to the financial statements resulted from a late payment of Grant-in-Aid by Welsh Government which could not be included in the figure for total funding as it had been received outside of the financial year and therefore did not

comply with the Commission's accounting policy on reporting funding received within the year.

7.4 The changes to the notes to the accounts were to improve accuracy of the note regarding estimated future cost of operating leases, include more information on related party transactions and correct some figures in the remuneration report.

7.5 Three recommendations had been raised as a result of the audit which were:

- The Commission should review (and record) its own effectiveness and ensure that the outcome of the review is disclosed in the 2017-18 Governance Statement. The Commission should ensure that the 2017-18 Governance Statement provides informative narrative on the highlights the year, in place of long lists on bulleted non-evaluative facts;
- The Commission should capitalise all purchased assets that it owns and are above its stated capitalisation threshold of £500. In doing so the Commission should verify ownership to the relevant primary documentation; and
- The Commission should ensure that its new contract (or service level agreement) for IT services includes robust controls for the storage and back up of its data and the day-to-day IT operations in these areas.

7.6 The Committee noted these recommendations and the management responses accepting and allocating implementation dates to them.

7.7 The Chair thanked Mr Jones for his report. The Committee **recommended** that the audited accounts should be adopted and signed.

## **8. Internal Audit Plan and Terms of Reference 2017-18**

8.1 The Committee considered Deloitte's Internal Audit Plan for 2017-18 onwards together with the Terms of Reference for the mid-year and end-year internal audits. The internal audit work planned for 2017-18 would cover Corporate Governance, Risk Management, Human Resources, Travel and Subsistence and Expenses, Civil Service Pensions and follow up on previous year's recommendations.

8.2 It was noted that the Audit Plan still referred to local government reorganisation legislation being put in place. It was **agreed** that this should be removed as it was no longer being enacted.

**Action:** Finance Manager / Deloitte **By:** 22 November 2017

8.3 It was noted that in the Terms of Reference the audit of Risk Management did not cover assessment of the effectiveness of mitigating actions. It was **agreed** that Deloitte would be asked to consider including this as part of their audit of Risk Management.

**Action:** Finance Manager / Deloitte **By:** 22 November 2017

8.4 The Committee **agreed** the Terms of Reference for the 2017-18 internal audit work subject to the change outlined at paragraph 8.3 above.

## **9. LDBCW Annual Internal Audit Assessment 2016-17.**

- 9.1 It was reported that the Commission's Accounting Officer and Audit and Risk Assurance Committee had completed their annual assessment of internal audit for 2016-17. The Committee noted the conclusions of the assessment which were that the independence and performance of Internal Audit was of a high standard and had met the standards pertaining to quality assurance.

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

- 10.1 The Committee considered the progress on the outstanding internal audit recommendations. It was noted that the outstanding recommendations for 2012-13 and 2014-15 relating to the Commission's reviews could not be evidenced as having been implemented until a significant amount of review work had been undertaken. However, internal audit of the Commission's review work was due to be carried out during 2018-19 when it was expected that it would be possible to demonstrate that these recommendation had been fully implemented.
- 10.2 It was reported that significant progress had been made on the other outstanding recommendation for 2014-15 regarding the verification exercise to check staff pensions data and that the results of the exercise had been passed to MyCSP for consideration.
- 10.3 The two outstanding recommendations for 2015-16 regarding linking the LDBCW's Operational Plan and staff reporting arrangements to the corporate objectives had now been implemented.
- 10.4 Of the outstanding four 2016-17 recommendations, three had now been implemented. It was considered that the remaining recommendation regarding restricting access to sensitive IT folders would need to be postponed until new IT arrangements had been established as it was not possible to implement under the existing arrangements.
- 10.5 The Committee noted the report on progress on implementation of audit recommendations.

## **11. Public Service Internal Audit Standards – New Version**

- 11.1 The Committee noted the new Public Service Internal Audit Standards recently issued and the changes from the previous version. It was considered that the changes would have no impact on the way internal audit was carried out for the LDBCW but that the Committee's annual internal audit assessment exercise may need to be changed to take account of the Definition of Internal Audit and the Code of Ethics. It was **agreed** that the Committee's internal audit assessment exercise should be reviewed in light of the new PSIAS.  
**Action:** Finance Manager **By:** 22 November 2017

## 12. Business Continuity Plan Test 2017-18

- 12.1 The Committee considered the outcome of the LDBCW's annual Business Continuity Plan test. It was noted that the test indicated that the plan was up to date and current, with the exception of some minor amendments. This outcome indicated that the LDBCW should continue to operate effectively in the event of short to medium term disruption resulting in lack of access to accommodation and office based IT system.

## 13. Schedule of Losses 2016-17

- 13.1 The Committee noted the losses for 2016-17 which were minor and partly related to the wrong postage being applied to items of franked mail. In respect of the loss incurred by the small underpayment of PAYE it was **agreed** that the LDBCW should request that the accountant forward all HMRC notifications of code changes to the finance Manager in future.

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

## 14. Risk Management Report

- 14.1 Consideration was given to the current risk registers and policy. Details of the changes made to both the Corporate and Operational risk registers since the last Committee meeting were reported, including a new Corporate risk covering the transfer of the lease for the LDBCW's offices at Hastings House from Welsh Ministers to the LDBCW.

- 14.2 It was reported that at the LDBCW's July meeting further changes had been made to the Corporate Risk register to reflect that Draft proposals had now been published in respect of the Seaward Boundaries review.

- 14.3 In respect of Operational risk OP18 it was queried whether the lack of travel insurance for staff should be considered as a risk to the LDBCW as there was no precedent for departments being accountable for staff suffering injuries whilst on outside duty away from the office and therefore no grounds for any claims. It was **agreed** that this risk would be reviewed to check its validity and that consideration should be given to lowering the inherent and residual risk ratings to 3/2 and 3/1 and adding any further mitigating actions in terms of liability exemption which may be applicable.

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

- 14.4 In respect of Operational risk OP19 regarding the proposed removal of staff personal drives on the IT system the Committee noted the mitigating actions taken by LDBCW but considered that more should be done and that the Welsh Government should be made aware of the Committee's concern regarding the impact of the proposed change. It was **agreed** that the Deputy Chief Executive would forward copies of correspondence with Welsh Government ICT to Lisa James.

**Action:** Deputy Chief Executive **By:** 31 August 2017

## 15. Budget Monitoring Report.

- 15.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 27 June 2017.

## 16. Gifts and Hospitality – Report and Declarations

- 16.1 The Committee noted that no declarations of gifts of hospitality had been made for 2017-18 to date.

## 17. Complaints

- 17.1 The Committee noted the report on the complaint made to the LDBCW by Gwynedd County Council and the outcome and Council's satisfaction with the LDBCW's response.

## 18. Whistleblowing and Fraud Report and Policies

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

## 19. IT Data Security Report

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

## 20. Any Other Business

- 20.1 Lisa James reported that the Welsh Government would soon be issuing a consultation on their white paper on changes to the Welsh Language Standards and that the Commission may wish to participate in the consultation process. It was **agreed** that the LDBCW would give consideration to the consultation and participate if relevant.

**Action:** Business Support Manager      **By:** 21 November 2017

- 20.2 Mark Jones enquired whether the LDBCW had responded to the WAO's recent consultation on their fees scheme. It was confirmed that the LDBCW had responded to the consultation. It was **agreed** that a copy of the LDBCW's response would be forwarded to Mark Jones.

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

## 21. Dates of Next Meetings

- 21.1 Dates for next two meetings were set for:

22 November 2017

21 February 2018