

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 24 FEBRUARY 2021 VIA MS TEAMS (10:30 – 13:00)

This document is available in Welsh

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

Audit Wales Representative Present: Julie Rees

TIAA Representative Present: Steen Gourlay

Qualifications Wales Representative Present: Sean Gaffney

LDBCW Officers Present: Shereen Williams (Chief Executive), Tom Jenkins (Head of Policy and Programme) David Carr (Finance Manager), David Burley (Head of Business)

The Chair welcomed Julie Rees who had taken over from Mark Jones as Audit Wales' Audit Manager for LDBCW.

1. Apologies for Absence

1.1 There were no apologies for absence.

2. Declarations of Interest

2.1 There were no declarations of Interest.

3. Minutes of Audit Committee meeting held on 25 November 2020.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 25 November 2020 subject to:

- Additional text to paragraph 6.5 thanking Sean Gaffney for arranging the ICT Security training for members and noting that the decision to nominate an ICT Champion arose from the awareness gained by members as a result of that training.
- Clarification of paragraph 14.1 that the association referred to was the Conservative Association.

4. Issues Arising from Previous Meeting.

4.1 The Committee noted that there were two issues still outstanding following the previous meeting.

4.2 The required changes to the LDBCW's bank mandate had been completed and it was noted that the Secretariat would now proceed to change the online payment authorisation procedures to require dual authorisations for all online bank payments.

- 4.3 David Burley reported that he would need to draw up a consideration of all the ICT risks faced by the LDBCW and organise a workshop to produce a report for the ICT security risk deep dive exercise.

5. Audit and Risk Assurance Committee Work Plan 2020-21

- 5.1 The Committee noted the 2020-21 Work Plan. No further changes were proposed.

6. ICT and Data Security Report

- 6.1 It was reported that there had been no data security incidents since the last report.

- 6.2 Sean Gaffney outlined the main points of the new ICT Security Report. He drew the Committee's attention to the latest threats identified by the National Cyber Security Centre which were most relevant to the LDBCW.

- 6.3 It was noted that the LDBCW's current cyber security exposure score was at medium. This was due to not all MS security updates having been rolled out across all Surface Pros. Sean Gaffney explained that the roll out of security updates was staggered across Surface Pros to avoid disruption to all staff's work at the same time. In addition, two new Surface Pros were being prepared for the new staff members joining in March and these didn't have the security updates yet which also had the effect of increasing the security exposure score. It was noted that all MS security updates had now been applied to all Surface Pros resulting in the security exposure returning to a low position.

- 6.4 It was noted that the LDBCW's security exposure score only took account of staff Surface Pros and not those assigned to members. Although this posed a slight security risk when members access the LDBCW's Sharepoint site, it was considered that this risk would remain very low if members kept their Surface Pros up to date with the latest MS security updates.

- 6.5 The committee noted that the LDBCW's Cyber essentials audit was scheduled to be carried out in May.

- 6.6 It was noted that the Information and Security Awareness training had now been completed by most members and staff. There was one member and one staff member who had not yet completed the training. It was **agreed** that the individuals who had not completed the training would be reminded to complete it.

Action: Chief Executive **By:** 31 March 2021.

7. External Audit: Audit Plan 2021

- 7.1 Julie Rees explained that the Audit Plan for 2021 set out the proposed work for the audit of the 2020-21 financial statements. She drew the Committee's attention to Exhibit 1 which identified the main financial audit risks which could lead to material misstatements in the accounts and would require 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 COVID19 national emergency. The audit response will be reviewing the LDBCW's closedown process, quality monitoring arrangements and accounts preparation process.
- The risk regarding the weakness in the LDBCW's HR controls and documentation identified during the previous year's audit.
- The risk regarding the amendment of journal postings on Sage identified during the previous year's audit.
- Preparation for IFRS16 adoption for the 2022-23 accounts.

7.2 The plan also included details of the audit team and timetable and set out the audit fee for the year. It was expected that the audit would be completed in late June or early July. It was noted that the audit fee remained the same as the previous year but also included as an addition the amount incurred in further costs during the previous year's audit. The Committee sought assurance that the contingency for further costs would only be charged should the same issues arise as last year. Julie Rees confirmed that the contingency charge would not be applied unless necessary.

7.3 Appendix 1 set out future changes to IFRS relevant to central government. It was noted that IFRS 16 Leases had been deferred until April 2022 by HM Treasury. IFRS 17 Insurance contracts had been included for completeness but would have no significant impact on LDBCW accounts.

7.4 The Committee noted and approved the Audit Plan for 2021.

8. Internal Audit: End Year Audit Report and Annual Audit Report 2020-21

8.1 Steen Gourlay reported that the audit work carried out in January 2021 had covered Pandemic Response and Electoral and Parliamentary Reviews together with follow-up on previous years' recommendations. The audit had resulted in Substantial Audit Assurance Ratings for both Pandemic Response and Electoral and Parliamentary Reviews.

8.2 The Committee noted the recommendations raised which were:

- The Electoral Review Desk Instructions be finalised and approved as planned.
- Arrangements be put in place for Draft Quality Assurance Checklists and Final Quality Assurance Checklists to be completed and approved digitally to ensure these can be accessed remotely.
- The results of Post Review Surveys be collated and presented to the Commission along with detail of any actions undertaken arising from the feedback obtained.
- The reference to the Evacuation Pack be removed from the Business Continuity Plan.
- The Business Continuity plan to record which posts within the Commission will perform the role of Senior Officer and Designated Documenting Officer and also who deputises for each role.

All of the recommendations had been accepted.

- 8.3 The result of the follow up of previous year's audit recommendations was that most had now been implemented. The audit recommendations still outstanding were in respect of electoral reviews and HR and would be closed down and replaced by recommendations made as part of the current year's audit.
- 8.4 The Annual Report for 2020-21 contained a summary of the audit work and its findings and gave an overall assurance rating for the LDBCW of 'Reasonable' based on the internal audit work undertaken during the year. The Committee noted the report and the assurance it provided and considered that the 'Reasonable' assurance rating was disappointing given the Substantial assurance obtained for the areas covered by the year-end audit. Steen Gourlay explained because there had been an equal number of Substantial and Reasonable assurance ratings obtained during the year, he considered that the overall assurance rating should reflect the lower of these.

9. Internal Audit Assessment Annual Questionnaire 2020-21

- 9.1 The content of the questionnaire was noted and agreed. **It was agreed** that the Finance Manager distribute the questionnaires to members and the Accounting Officer by email and analyse the responses and report the results to the next meeting.
Action: Finance Manager **By:** 26 July 2021

10. Review of Audit and Risk Assurance Committee Self-Assurance Questionnaire 2020-21 Responses

- 10.1 The Committee noted 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.

11. Audit Recommendations – Progress Report.

- 11.1 The Committee considered the progress on the outstanding audit recommendations.
- 11.2 The external audit recommendation that the Commission strengthens its online bank payment process by having an additional level of authorisation for payments is ongoing. The additional signatures had been added to the LDBCW's bank mandate and it was now possible to proceed with adding the requirement for two signatures for online payment authorisation.
Action: Finance Manager **By:** 30 April 2021
- 11.3 It was reported that the external audit recommendation that all employees have signed contracts and that a central HR record for all staff is maintained had been implemented.

- 11.4 It was reported that the external audit recommendation that Sage account journals should not be amended, and all changes be made by new journal entries had been implemented. It was further noted that this recommendation only applied to journal entries and that any changes to single entries for invoices would be included in the monthly report to the Accounting Officer.
- 11.5 It was reported that the external audit recommendation that all credit card payments are always supported by delivery notes has been implemented.
- 11.6 It was reported that the external audit recommendation that the Commission should always minute the approval of its annual budget, and any subsequent in-year changes considered and approved by Commissioners was accepted and would be implemented in future by being reported to the Commission as a separate paper to the year-end budget report.
- 11.7 It was reported that the internal audit recommendation that monthly reconciliation of payroll reports be undertaken and checked had now been implemented.
- 11.8 It was reported that the internal audit recommendation that finance policies and procedures be updated to include details on current and future review dates to allow better tracking has now been implemented.
- 11.9 It was reported that the internal audit recommendation that petty cash checking be undertaken monthly as per the process had now been implemented.
- 11.10 It was reported that the internal audit recommendation that expense claim forms be checked and signed digitally had been implemented.
- 11.11 It was reported that the internal audit recommendation that personnel files to include a checklist of required information had been implemented.
- 11.12 It was reported that the internal audit recommendation that the Performance Management Guide be updated in line with current practices has been accepted with an implementation date of 31 March 2021.
- 11.13 It was reported that the internal audit recommendation that the Training and Development Policy and Procedure document be reviewed and updated to provide a more comprehensive description of the training and development arrangements within the Commission had not been implemented because the Welsh Government did not have a Training and Development policy. It had been proposed instead that the Senior Management Team would develop a training action plan annually based on the Staff Survey results and business needs with an implementation date of 31 March 2021.
- 11.14 It was reported that the internal audit recommendation that all compulsory training be automatically recorded on training record spreadsheet to enable review of completion of mandatory training such as Health and Safety and Display Screen Equipment (DSE) had not been implemented. It had been proposed instead that all compulsory training be recorded on Clear Review as an objective with a deadline, rather than on a spreadsheet.

11.15 It was reported that the internal audit recommendation that a column be added to the Training Record to show the date when the training expires had not been implemented as all training is now recorded in Clear Review.

12. Draft Audit and Risk Assurance Committee Chair's Annual Report 2020-21

12.1 The Committee considered the draft ARAC Chair's report and **agreed** subject to the following changes:

- Paragraph 1.1 fifth line amended to read 'independent advice **and assurance**'.
- Paragraph 3.1 amended to read 'appointed' instead of 'reappointed'.
- Paragraph 13.12 fourth bullet point amended to reflect that the LDBCW Chair was unable to participate in the ICT Security Awareness training.
- Paragraph 8.1 amended to reflect that the LDBCW's overall Reasonable risk assurance rating state was leading towards a Substantial rating in view of the outcome of the year end internal audit findings.
- Appendix 2 add a new section on Freedom of Information with Accounting Officer as 1st level, reports to LDBCW as 2nd level and reports to ARAC meetings as 3rd level of assurance.
- Appendix 2 Information and Data Security add appointment of ICT Champion to 2nd level of assurance and Qualifications Wales' reports to ARAC to 3rd level of assurance.
- Appendix 2 Business Continuity add Staff Wellbeing Survey and Pandemic arrangements to 1st level.

12.2 The report was **agreed** subject to the proposed changes.

13. Draft Governance Statement 2020-21

13.1 The Committee considered the draft Governance Statement. Several minor typos were noted and amended. In addition, the following changes were agreed:

- Section 3.1 should include a statement that the LDBCW were currently consulting with Welsh Government on a revised version of the Framework Document.
- Section 3.4 should include reference to the Welsh Government Sponsor Division having the option to attend ARAC meetings.
- Section 3.8 should include reference to the staff wellbeing survey and response.
- Section 4, fourth paragraph should include reference to the Pandemic Response internal audit resulting in a Substantial assurance rating.
- Section 7.2 the list of board information should include the recently adopted Workplan for LDBCW meetings.
- Section 12 should include reference to the recent ICT Security Awareness training for Members and the appointment of an ICT Champion.

13.2 It was **agreed** that the revised Governance Statement would be tabled for formal adoption at the LDBCW's March meeting.

Action: Finance Manager **By:** 31 March 2021

14. LDBCW Pensions Risk Register

- 14.1 The Committee noted the current version of LDBCW's pensions risk register together with a record of the changes made since their last review. It was considered that the residual risk rating for risk PEN4 regarding joiners and leavers could be reviewed and lowered. However, given several new staff members either having recently joined or about to join the pension scheme it was decided to wait until they had been successfully enrolled before reviewing the risk rating.

15. LDBCW ICT Risk Register

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

16. Risk Management Report.

- 16.1 The Committee noted 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.

17. Budget Monitoring Report.

- 17.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 26 January 2021.

18. Gifts and Hospitality – Report and Declarations

- 18.1 The Committee noted that no declarations of gifts of hospitality had been made for 2020-21 to date.

19. Complaints

- 19.1 The Committee noted that there had been no complaints received by the LDBCW since the last report.

20. Whistleblowing and Fraud Report

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

21. Freedom of Information Report

- 21.1 The Committee noted the FoI requests for information received between April 2020 and 10 February 2021.

- 21.2 It was agreed that future reports should include an additional column showing whether the LDBCW had met the deadline for responding to the requests.
Action: Chief Executive **By:** 26 July 2021.

22. Any Other Business

- 22.1 The Chief Executive gave the Committee an update on the LDBCW's current progress on the electoral review programme. It was noted that Final Recommendations for The Vale of Glamorgan had now been published and it was expected that Final Recommendations for Monmouthshire would be published in June 2021, within the deadline set for completion of the review programme.

23. Dates of Next Meetings

- 23.1 The following dates for the next meetings were proposed:

Monday 26th July 2021
Monday 29th November 2021.

- 23.2 It was **agreed** that MS teams invites would be sent to members following the meeting.