

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 25 NOVEMBER 2020 AT HASTINGS HOUSE AND VIA MS TEAMS (10:30 – 12:15)

This document is available in Welsh

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

Audit Wales Representatives Present: Mark Jones (via MS Teams)
Kathryn Watts (for Item 8) (via MS Teams)

TIAA Representative Present: Steen Gourlay (via MS Teams)

Qualifications Wales Representative Present: Sean Gaffney (via MS Teams)

LDBCW Officers Present: Shereen Williams (Chief Executive), David Carr (Finance Manager), David Burley (Head of Business), Hannah Toor (Business Support).

1. Apologies for Absence

1.1 Apologies were received from Helen Cargill (TIAA).

2. Declarations of Interest

2.1 There were no declarations of Interest.

3. Minutes of Audit Committee meeting held on 27 July 2020.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 27 July 2020 subject to a minor typo.

4. Issues Arising from Previous Meeting.

4.1 The Committee noted the report on the position on issues arising from the previous meeting.

4.2 Julie James requested a copy of the report on the outcome of the staff wellbeing survey. It was **agreed** that the Chief Executive would send a copy of the report to the LDBCW regarding the outcome of the survey.

Action: Chief Executive **By:** 30 November 2020

5. Audit and Risk Assurance Committee Work Plan

5.1 The Committee noted and **agreed** the Work Plan for 2020-21.

6. ICT Data Security Report

- 6.1 It was reported that there had been no data security incident for 2020-21 to date.
- 6.2 Sean Gaffney reported that a recent survey of UK companies had concluded that cloud based IT systems had saved them from collapse during the pandemic. This result highlighted the advantages the LDBCW had gained by moving to a cloud based IT system well before the pandemic. However, there had also been a significant increase in cybercrime during the pandemic including COVID 19 phishing scams. The LDBCW's current cyber security posture was rated as medium risk but it was expected that this score should trend downwards in coming months as Microsoft automatic security updates caught up. If the LDBCW's security posture exposure rating did not begin to decrease then Qualifications Wales would investigate why.
- 6.3 ICT Security refresher training courses had been issued to all staff for completion. The ICT report to the next Committee meeting would include how many staff members had completed the training.
- 6.4 It was reported that Qualifications Wales had undertaken an ICT security risk deep dive of their system. The Committee considered that a similar exercise should be undertaken for LDBCW. It was agreed that a deep dive ICT security risk exercise would be undertaken during March 2021 and reported in the ARAC Annual Report.
Action: Head of Business / Qualifications Wales **By:** 31 March 2021
- 6.5 The Committee extended their thanks to Sean Gaffney for arranging the ICT Security training for members the previous day. As a result of the ICT Security training, it was considered that a committee member should be nominated as ICT Champion for the LDBCW. It was **agreed** that Theo Joloza would be the LDBCW's ICT Champion.
- 6.6 It was reported that work would commence in April 2021 for the renewal of LDBCW's Cyber Essentials accreditation in May 2021.

7. Internal Audit: Mid-Year Audit Report 2020-21

- 7.1 Steen Gourlay reported that the audit work carried out in September 2020 had covered the areas of Key Financial Controls and Human Resources. The findings of the audit work were detailed in the reports which gave Reasonable assurance ratings for both Key Financial Controls and Human Resources. The reports raised 2 Important priority and 7 Routine priority recommendations, which were:
- Monthly reconciliation of payroll reports be undertaken and checked.
 - Policies and procedures be updated to include details on current and future review dates to allow better tracking.
 - Petty cash checking be undertaken monthly as per the process.
 - Expense claim forms be checked and signed.
 - Personnel files to include a checklist of required information.
 - The Performance Management Guide be updated in line with current practices.
 - 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.

- 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).
- A column be added to the Training Record to show the date when the training expires.

7.2 The recommendations had been accepted and allocated implementation deadline. It was noted that the reports also included an Operational Effectiveness Matters (OEM) Action Plan for the LDBCW's consideration. These action points were not audit recommendations but suggestions on how the LDBCW could improve its existing governance arrangements. Steen Gourlay also confirmed that the OEMs did not contribute to the overall audit assurance ratings.

7.3 The Committee noted the Summary Internal Controls Assurance report which provided an update on emerging governance, risk and internal control related issues. The Committee considered the Client Briefing Notes (CBN) at Appendix E to the report and noted that there were several ICT developments listed. Sean Gaffney said that he did not think any of the ICT points raised should be cause for concern for the LDBCW. It was considered that the Finance Manager would review these CBNs in future reports and identify any which require the attention of the Committee.

7.4 Julie James informed the Committee that new employer legislation had been introduced which could affect contracts of employment. It was reported that the LDBCW had recently received legal advice on the contract for the new Communications and Engagement Manager and could extend this to contracts for all staff in future.

7.5 The Chair thanked Steen Gourlay for his report.

8. External Audit of Accounts Report Addendum

8.1 Mark Jones reported that the Audit of Accounts Addendum set out the recommendations arising from the findings of the external audit of the 2019-20 annual accounts. These were:

- The Commission should:
 - ensure that all employees have mutually-signed contracts of employment, before they commence employment;
 - where necessary, ensure that signed employment contracts are put in place retrospectively;
 - produce and maintain a central HR record for any change to an employee's circumstances, including any change to their remuneration; and
 - maintain, and keep fully up to date and complete, a HR folder for each employee, and an equivalent HR record for all other staff such as secondees.
- The Commission should immediately stop amending and deleting accounting journals that have been prepared, approved and processed.
- The Commission should ensure all credit card transactions are always supported by sufficient appropriate audit evidence, which includes confirmation of when goods and/or services were received.
- The Commission should always minute the approval of its annual budget, and any subsequent in-year changes considered and approved by Commissioners.

- 8.2 All of the recommendations had been accepted and allocated implementation dates and would be followed up as part of next year's audit of accounts.
- 8.3 In respect of the additional audit fees, Mark Jones said that the original audit fee had been set quite low and was based on minimal changes being made to the accounts. However, during the audit it was necessary to make 8 amendments to the accounts. He pointed out that the actual cost of the additional audit work was £4k but that £2k of this was attributable to the new auditors not being familiar with the LDBCW and COVID 19 restrictions affecting how the audit work was undertaken and therefore was not passed on to the LDBCW.
- 8.4 The Chair asked whether the Finance Manager was content with the additional audit charge given his knowledge of the additional work carried out by the auditors and the Finance Manager confirmed that he was content.
- 8.5 The Committee thanked Mark Jones for his report.

9. Review of fixed Assets Verification Exercise

- 9.1 The Committee noted the outcome of the LDBCW's annual verification of fixed assets exercise. All assets had been accounted for with the only issue arising concerning some assets which had been disposed of but not removed from the assets list.

10. Review of Audit and Risk Assurance Committee Self-Assessment Questionnaire

- 10.1 It was reported that the questionnaire for 2020-21 had recently been circulated to members for completion. It was **agreed** that the questionnaire would be completed and returned by ARAC members by 31 December 2020 and that the Finance Manager would email a reminder of this to members.
Action: Finance Manager **By:** 30 November 2020
- 10.2 It was noted that in respect of Question 19 regarding appointment of the ARAC Chair that there had been an informal assessment based on prior experience and that any issues regarding this should be raised as an additional comment.
- 10.3 It was agreed that the analysis of responses to the questionnaires would be submitted to the February ARAC meeting.
Action: Finance Manager **By:** 12 February 2020

11. Audit Recommendations – Progress Report.

- 11.1 The Committee considered the progress on the outstanding internal and external audit recommendations which included those reported earlier in the meeting. Also included in the report were the OEMs from the internal audit mid-year reports. It was **agreed** that the OEMS should be reported to the next LDBCW meeting under issues arising.
Action: Finance Manager **By:** 15 December 2020

- 11.2 The 2019-20 external audit recommendation that the LDBCW strengthen its online bank payment controls was ongoing with arrangement being made to replace the Deputy Chief Executive with the Head of Policy and Programme on the bank mandate.
- 11.3 The 2019-20 external audit recommendation that the LDBCW should ensure that all staff have signed contracts of employment and maintain a central HR record of changes to employees circumstances had been accepted with an implementation date of 30 September 2020.
- 11.4 The 2019-20 external audit recommendation that the LDBCW should immediately stop amending and deleting accounting journals that have been prepared, approved and processed had been accepted to be implemented immediately. However, the Finance Manager said that he did not think that this was a straightforward process with Sage accounting software. It was considered that this issue should be discussed with external auditors during the interim audit in January.
- 11.5 The 2019-20 external audit recommendation that the LDBCW ensure all credit card transactions are always supported by sufficient appropriate audit evidence and delivery notes was partially accepted to be implemented immediately. This recommendation was only partially accepted because management considered that under normal circumstances all delivery notes would be received and retained and that the few recent instances where this was not the case were due to disruption caused by the initial pandemic lockdown period.
- 11.6 The 2019-20 external audit recommendation that the LDBCW always minute the approval of its annual budget and any subsequent in-year changes considered and approved by Commissioners was accepted to be implemented immediately. The Committee noted that whilst new budgets were always reported and agreed by the LDBCW this was not always captured correctly in the minutes. It was therefore going to be policy in future that new budgets would be dealt with as a separate item to budget reports on LDBCW meeting agendas.
- 11.7 The 2019-20 internal audit recommendation that the LDBCW undertake monthly reconciliation and checking of payroll reports had been accepted with an implementation date of 30 September 2020
- 11.8 The 2019-20 internal audit recommendation that LDBCW policies and procedures be updated to include details on current and future review dates to allow better tracking had been accepted with an implementation date of 30 September 2020.
- 11.9 The 2019-20 internal audit recommendation that the LDBCW petty cash checking be undertaken monthly as per the process had been accepted with an implementation date of 30 September 2020.
- 11.10 The 2019-20 internal audit recommendation that the LDBCW expense claim forms be checked and signed was accepted with an implementation date of 30 September 2020.
- 11.11 The 2019-20 internal audit recommendation that LDBCW personnel files should include a checklist of required information had been accepted with an implementation date of 19 October 2020.

- 11.12 The 2019-20 internal audit recommendation that the LDBCW update the Performance Management Guide in line with current practices had been accepted with an implementation date of 31 March 2021.
- 11.13 The 2019-20 internal audit recommendation that the LDBCW 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 been accepted with an implementation date of 31 March 2021.
- 11.14 The 2019-20 internal audit recommendation that the LDBCW record all compulsory training on the training record spreadsheet to enable review of completion of mandatory training such as Health and Safety and Display Screen Equipment (DSE) had been accepted with an implementation date of 30 November 2020.
- 11.15 The 2019-20 internal audit recommendation that the LDBCW add a column to the Training Record to show the date when the training expires had been accepted with an implementation date of 30 November 2020.

12. Risk Management Report

- 12.1 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.
- 12.2 It was **agreed** that an additional mitigating action should be added to corporate risk CR1 in respect of handling the Flintshire Review complaint.
Action: Finance Manager **By:** 15 December 2020
- 12.3 It was **agreed** that additional mitigating actions should be added to operational risk OP4 in respect of Qualification's Wales' ICT security risk deep dive and the nomination of a member as an ICT Champion.
Action: Finance Manager **By:** 31 December 2020

13. Budget Monitoring Report.

- 13.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 13 October 2020. It was reported that the Commission had estimated the year-end budget position and had reported it to the LDBCW meeting held on 24 November 2020.

14. Complaints

- 14.1 It was reported that that the LDBCW had received a complaint regarding their Flintshire electoral review final recommendations. The complaint concerned a request to withdraw a representation by a member of the Conservative Association who had submitted it. This request was later contested by other members of the association. The Chief Executive had updated Welsh Government on the situation

and advised the association to provide details of their representation to Welsh Government. Following this no further correspondence had been received from the association.

14.2 The Committee noted the details of the complaint and the actions taken by LDBCW.

15. Gifts and Hospitality – Report and Declarations

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

16. Whistleblowing and Fraud Report

16.1 The Committee noted that there had been no instances of whistleblowing or fraud for 2020-21 to date.

17. Freedom of Information Requests (Fol)

17.1 The Committee noted the report from the Chief Executive giving details of Fol requests received by LDBCW for 2019-20 and April to October 2020.

17.2 It was reported that a request for information regarding the Monmouthshire review had been rejected by the LDBCW due to the high cost of providing the information. The party requesting the information logged a complaint with the Information Commissioner's Office (ICO). The LDBCW were currently awaiting contact from the ICO regarding the complaint.

18. Any Other Business

18.1 Mark Jones reported that there would be a change of Audit Wales senior personnel for the audit of the 2020-21 annual accounts and that he would no longer be Audit Manager for LDBCW.

18.2 the Chair extended his thanks to Mark Jones for his advice and assistance in previous year's audits.

19. Date of Next Meeting

19.1 The date of the next meeting was 24th February 2021.