

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES
AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD VIA MICROSOFT
TEAMS ON MONDAY
26 JULY 2021 (10:30 – 12:15)

This document is available in Welsh

LDBCW Members Present: Ceri Stradling via MS Teams (Chair), Dave Powell (Member), Julie May (Member), Julie James via MS Teams (Independent Member)

Audit Wales Representative Present: Julie Rees via MS Teams

TIAA Representative Present: Helen Cargill 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)

The Chair welcome Julie May, the LDBCW Member who had been appointed to the ARAC in place of Theo Joloza who had terminated his appointment early due to his moving overseas with his career.

1. Apologies for Absence

1.1 There were no apologies for absence.

2. Declarations of Interest

2.1 There were no declarations of interests.

3. Minutes of Audit Committee meeting held on 24 February 2021

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 24 February 2021 subject to changing 'Deloitte' to 'TIAA' on the list of attendees.

3.2 It was noted that the LDBCW no longer had an ICT Champion following the departure of Commissioner Theo Joloza. It was **agreed** that a new ICT Champion should be nominated following the appointment of new members later in the year.

Action: Chief Executive / LDBCW Members **By:** 31 January 2022

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.

- 4.2 There was one item still outstanding which was the ICT Security Deep-Dive exercise. Preparation for the exercise was currently on-going with a risk assessment being carried out by Qualifications Wales and the LDBCW.

5. IT Data Security Report

- 5.1 The Committee noted that there had been no data security incidents for 2021-22 to date.
- 5.2 The Committee noted the ICT security report presented by Sean Gaffney. He gave a summary of the most recent cyber threats identified by the National Cyber Security Centre and explain that none of these posed a significant threat to the LDBCW.
- 5.3 It was reported that the LDBCW's Cyber Essentials ICT Security audit had recently been renewed.
- 5.4 The Committee considered that an ICT security refresher training course should be organised for all staff and members. It was **agreed** that this would be arranged following the appointment of new members.
Action: Head of Business / Qualifications Wales **By:** 31 March 2022
- 5.5 Sean Gaffney drew the Committee's attention to a recent increase in web threats being blocked by ICT security which had been triggered by accessing the aswpsdkus.com web address which was categorised as a malicious URL. It was **agreed** that should these instances continue in the coming months then further action would be taken to identify the cause.
- 5.6 It was reported that the ICT Risk Register was now being reviewed at all management meetings. It was **agreed** that the latest version of the ICT Risk Register would be forwarded to Sean Gaffney for his review.
Action: Head of Business **By:** 15 August 2021

6. Audit and Risk Assurance Committee Work Plan 2021-22

- 6.1 It was reported that a new Work Plan had been drafted for 2021-22.
- 6.2 The Committee noted and **agreed** the content of the 2021-22 Work Plan subject to the following changes:
- The description for the item regarding the annual meeting with external audit being amended to read 'closed meeting' following which there would be an opportunity to discuss the effectiveness of internal audit.
 - The timing of the verification of fixed assets exercise to be moved from November to February.
- Action:** Finance Manager **By:** 29 November 2021

7. Audit and Risk Assurance Committee Terms of Reference.

7.1 The Committee noted the content of the Terms of Reference. It was **agreed** that the list of responsibilities and information requirements for sections 7 and 8 would be updated to include ICT Data Security Assurance and Freedom of Information.
Action: Finance Manager **By:** 29 November 2021

8. Annual Accounts 2020-21 and Audit of Financial Statements Report.

8.1 It was noted that the draft financial statements and accounts had been considered by the LDBCW at their meeting held on 29 June 2021.

8.2 Julie Rees reported that accounts had been received on time and as a result the original timetable for carrying the audit had been met. It was the Auditor General's intention to issue an unqualified audit report subject to there being no events affecting the accounts up to the point of the Auditor General's certification scheduled for 28 July 2021.

8.3 There were no uncorrected misstatements in the accounts or significant issues arising from the audit. There were 7 corrected misstatements in the accounts, which were some minor amendments to the amounts disclosed for members' remuneration, an adjustment to account for the disposal of a fixed asset, an adjustment to an accrual as only part of the payment fell within the year and the inclusion of a prepayment which had been omitted in error.

8.4 There were two audit recommendations raised in the report which were:

- The accounting policy for intangible assets needs to be refined to include a de-minimis level above which all assets are assessed against IAS 38. All software expenditure needs to be assessed against the criteria within IAS 38 for capitalisation such as length of licence etc.
- A review of the fixed asset register is undertaken to ensure the asset lives remain appropriate and that the register has been updated to reflect assets that have subsequently been disposed of.

8.5 Both of the recommendations had been accepted by management. In respect of the recommendation regarding the accounting treatment of software it was noted that the majority of current software costs were relatively low amounts relating to annual lease charges and therefore the existing policy of treating them as revenue expenditure was appropriate. It was **agreed** that the LDBCW's current level of software expenditure would continue to be treated as revenue expenditure and that the accounting policy for intangible assets would be amended to include a de-minimis level above which software costs were assessed against IAS 38.

8.6 it was agreed that the deadline dates for implementing the recommendations would be brought forward to a more suitable date than 31 March 2022.

8.7 The Chair thanked Julie Rees for her report. The Committee **approved** the audited accounts and their signing and agreed steps to sign the letter of representation.

9. Annual Internal Audit Plan 2020-21

- 9.1 Helen Cargill said that the Internal Audit Strategy covered the next 3 years from 2021-22 to 2024-25 and included issues such as the outcome of previous audits, fraud and cyber security as well as electoral reviews. Also included was the Summary internal Controls Assurance Report which gave a summary of recent fraud alerts although no action was required from the LDBCW in response to these as they just required noting.
- 9.2 Appendix D set out the annual plan for 2021-22 which covered Governance Strategic controls, Risk Management, Payroll, ICT General Controls and Electoral and Parliamentary Reviews.
- 9.3 The Committee considered that too much time had been allocated on the plan to Electoral and Parliamentary reviews as the Electoral reviews had recently ended and the Parliamentary review had only recently commenced. It was also noted that 3 days had been allocated to the audit of Payroll which was considered to be excessive.
- 9.4 It was **agreed** that the audit of Electoral and Parliamentary reviews should be removed from the Plan and the audit days allocated to Key Financial Controls instead. It was also **agreed** that the audit days allocated to the audit of Payroll should be reduced by 1 day, and the time allocated to the Key Financial Controls.
Action: TIAA Ltd. **By:** 1 September 2021
- 9.5 It was agreed to change the risk rationale and scope for Governance Strategic Controls to clarify that it included the risks of conflicts of interest but not risk management which was subject to a separate review.
Action: TIAA Ltd. **By:** 1 September 2021
- 9.6 The Committee **approved** the Audit Strategy and Annual Internal Audit Plan 2021-22 subject to the agreed changes.

10. LDBCW Annual Internal Audit Assessment 2020-21.

- 10.1 It was reported that the Commission's Accounting Officer and Audit and Risk Assurance Committee had completed their annual assessment of internal audit for 2020-21. 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.
- 10.2 It was noted that the assessment responses included several comments regarding how quickly TIAA had understood the business and functions of the LDBCW and how well the audit had been conducted during the first year of their contract.

11. Audit Recommendations – Progress Report.

- 11.1 The Committee considered the progress on the outstanding internal audit recommendations including those which had been implemented since the previous report.
- 11.2 It was noted that the internal audit recommendation regarding the review and updating of the Training and Development Policy had been implemented by a rolling programme of review and therefore the implementation deadline date should be amended to reflect this as ongoing.
- 11.3 The remaining three internal audit recommendations outstanding were in respect of the electoral review programme which had nearly been completed and therefore could not be implemented until the next review programme in 2022/23.

12. Schedule of Losses 2020-21

- 12.1 The Committee noted that the LDBCW had not recorded any losses during 2020-21 and that a nil return had been submitted to Welsh Government.

13. Business Continuity Plan 2021-22

- 13.1 The Committee noted that there had been no test as such of the Business Continuity Plan during 2021-22 because the Plan was still active in response to the ongoing COVID-19 restrictions. The report gave a summary of the areas where changes and improvements had been made to the LDBCW's processes to overcome the difficulties experienced at the start of the Covid 19 Pandemic in 2020-21.
- 13.2 The Committee noted the report on the Business Continuity Plan test and the conclusion that the Plan is sufficiently robust.

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.
- 14.2 It was noted that although Risk CR2 had been removed from the Corporate Risk register it remained on the Risk Radar. It was agreed that Risk CR2 would be removed from the Risk Radar.
Action: Finance Manager **By:** 31 July 2021

15. ICT Risk Register

- 15.1 Consideration was given to the current ICT risk register. It was noted that the ICT Risk Register would most likely change as a result of the ICT Security Deep Dive exercise.

16. Budget Monitoring Report.

- 16.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 29 June 2021.
- 16.2 It was noted that a budget for staff wellbeing costs had been established and reported that the services of the LDBCW's recently contracted staff welfare provider, Care First, extended to include LDBCW Members as well as staff.

17. Gifts and Hospitality – Report and Declarations

- 17.1 The Committee noted that no declarations of gifts of hospitality had been made since the previous meeting.

18. Complaints

- 18.1 The Committee noted that no complaints had been made to the LDBCW since the previous meeting.

19. Whistleblowing and Fraud Report and Policies

- 19.1 The Committee noted that there had been no instances of whistleblowing or fraud since the previous meeting.
- 19.2 The Committee reported that both the Fraud and Whistleblowing Policies had been recently reviewed.

20. Freedom of Information Report

- 20.1 The Committee noted the FoI requests for information received between April 2021 and July 2021. It was considered that the number of FoI request was likely to increase following the Ministers decisions for the Electoral Review Final recommendations.

21. Any Other Business

- 21.1 There was no other business.

22. Dates of Next Meetings

- 22.1 Dates for the next meetings were:
29 November 2021