

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES
AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD VIA MICROSOFT
TEAMS ON MONDAY
27 JULY 2020 (10:30 – 12:30)

This document is available in Welsh

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

Audit Wales Representative Present: Mark Jones

TIAA Representative Present: Helen Cargill

Qualifications Wales Representative Present: Sean Gaffney

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

The Chair welcomed Helen Cargill of TIAA Ltd. who was attending her first ARAC meeting following's their successful bid for the LDBCW's internal audit contract.

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 26 February 2020

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 26 February 2020 subject to the minor change to correct a minor typo.

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 which were:

- A copy of Welsh Government ICT internal audit assurance for 2018-19 had not been received despite several reminders being sent. It was **agreed** that the Secretariat would continue to send reminders to Welsh Government ICT requesting the internal audit assurance;

Action: Chief Executive **By:** 25 November 2020

- It had not been possible to undertake a review of the ICT Risk Register due to other commitments. It was **agreed** that this would be done before the November meeting;
Action: Head of Business **By:** 25 November 2020
- It had not been possible to arrange ICT security training sessions for Members after a meeting due to social distancing. Sean Gaffney said that he could undertake the training face to face with Members or remotely but that he would need about two weeks notice in order to prepare for it. It was considered that November would be a convenient time to hold the training. It was **agreed** that the Secretariat would give Sean Gaffney two weeks notice of when the ICT Security training for Members was required.
Action: Head of Business **By:** 25 November 2020
- Qualifications Wales had assessed HUT Six internet security training but had concluded that it offered no advantage over the existing internet security training.

5. IT Data Security Report

- 5.1 The Committee noted that there had been no data security incidents for 2020-21 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. It was also noted that the operating system updates installed were currently up to date for all active Surface Pros, the Commission's web site was secure and that the biggest threat came from phishing emails but these had been successfully blocked.
- 5.3 Although a Cloud Security Review had not been undertaken since February 2019, Qualifications Wales had found that these reviews had yielded less and less value over time and they now employed an independent assessor instead. He said that Qualifications Wales had decided not to undertake the Cloud Security Review unless further assurance was required.
- 5.4 The Commission had achieved their annual Cyber Essentials Plus certification in May 2020 and the Committee extended their thanks to the Qualifications Wales staff who had been involved in obtaining it.
- 5.4 The Committee noted the current results of the simulated phishing attacks which showed that only a very low percentage of staff had been susceptible to the simulated phishing emails.

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

- 6.1 It was reported that a new Work Plan had been drafted for 2020-21.
- 6.2 The Committee noted and **agreed** the content of the 2019-20 Work Plan.

7. **Audit and Risk Assurance Committee Terms of Reference.**

- 7.1 The Committee noted and **agreed** the content of the Terms of Reference subject to any reference to a requirement for sponsor division representative attendance at meetings being removed.

8. **Annual Accounts 2019-20 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 30 June 2020.

- 8.2 The Chair invited the Finance Manager to provide a short summary of the highlights in the annual accounts which he duly did. Following this members of the ARAC and the external auditors thanked the Finance Manager for all the additional efforts he had made under difficult lockdown conditions to ensure the accounts were prepared on time and supported by suitable documentation for audit purposes.

- 8.3 Mark Jones 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 31 July.

- 8.4 There were no uncorrected misstatements in the accounts. There were 8 corrected misstatements in the accounts and one significant issue arising from the audit. The significant issue concerned weaknesses in the LDBCW's HR controls and documentation which Audit Wales found to be inadequate. The Committee **agreed** that the HR issues identified during the audit should be addressed by the LDBCW as a matter of urgency.

Action: Head of Business **By:** 25 November 2020

- 8.5 Mark Jones said that there would be an additional audit charge (i.e. in excess of the fee estimate in the 2020 Audit Plan because of a relatively high number of audit issues and the increased amount of audit work necessary. This year, audit Wales would be preparing a Financial Statements Report Addendum setting out certain audit findings, recommendations for improvement and management's responses. This report would be presented to the Committee's November meeting.

- 8.6 The Committee considered that one of the corrected misstatements relating to the staff costs note to the accounts was misleading as the figure given was the total amount of staff costs rather than the difference between the original incorrect staff costs and the amended staff costs amount. Mark Jones agreed to amend Appendix 3 of the Financial Statements Report and send the updated report to LDBCW's Finance Manager that day. It was **agreed** that Audit Wales would provide the Committee with an additional record of the corrected misstatement for their records.

Action: Audit Wales **By:** 31 July 2020

8.7 The Chair thanked Mr Jones for his report. The Committee **approved** the audited accounts and their signing.

9. Audit Strategy and Annual Internal Audit Plan

9.1 Helen Cargill said that the Strategy covered the next 3 years from 2020-21 to 2022-23 and included issues such as the outcome of previous audits, fraud and cyber security as well as national issues such as Covid-19 and Brexit.

9.2 Appendix B gave a rolling strategic plan for the 3 year period. The plan was flexible and could be changed. The Committee considered that September may be too early to undertake an audit of the LDBCW's Covid-19 response and that the HR audit should be brought forward due to the recent external audit findings. It was also considered that the HR audit should include a review of the completeness of HR records and staff well-being.

9.3 It was **agreed** that the HR audit work would be brought forward and included in the September 2020 audit and that the Covid-19 Response audit work would be put back to the February 2021 audit.

Action: TIAA Ltd. **By:** 1 September 2020

9.4 The Committee noted that the dates scheduled for the February 2021 audit work left little time for issuing the audit report before the February 2021 ARAC meeting. It was **agreed** that the February 2021 audit work would be brought forward to allow sufficient time for the audit report to be presented at the February 2021 ARAC meeting.

Action: TIAA Ltd. **By:** 1 February 2020

9.5 The Committee **approved** the Audit Strategy and Annual Internal Audit Plan subject to the agreed changes.

10. LDBCW Annual Internal Audit Assessment 2019-20.

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 2019-20. 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.

11. Audit Recommendations – Progress Report.

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

11.2 It was reported that all of the outstanding internal audit recommendations had now been implemented.

11.3 In respect of the outstanding 2018-19 external audit recommendation that the Commission strengthen their online payment authorisation process it was reported that efforts to switch bank accounts to the Government Banking Services had not been successful due to lack of response. In light of this, the Secretariat considered that the LDBCW should now pursue the alternative of implementing a system of dual online payment authorisation signatories with their current bank. A proposed new deadline date for this was 31 October 2020.

Action: Finance Manager **By:** 31 October 2020

11.4 Mark Jones pointed out that the text description of the recommendation contained within the report was a description of the audit findings from which the recommendation arose rather than the recommendation itself. It was **agreed** that this would be amended for the next Committee meeting.

Action: Finance Manager **By:** 25 November 2020

12. Schedule of Losses 2019-20

12.1 The Committee noted that the Commission had recorded losses amounting to £949 during 2019-20. This had been largely due to post-dated franking of review reports in advance for distributions which had subsequently been cancelled due to the general election purdah period.

12.2 The Committee considered the lessons learnt paper and noted that in future it would be advisable to postage frank distribution items as close to the distribution date as possible.

12.3 It was **agreed** that the Secretariat would check with Royal Mail whether it was possible to receive a refund of postage lost under similar circumstances.

Action: Finance Manager **By:** 25 November 2020

13. Business Continuity Plan 2020-21

13.1 The Committee noted that there had been no test as such of the Business Continuity Plan during 2020-21 because the Plan had been activated in response to the COVID-19 lockdown. The report gave a summary of the areas which worked well and those where some difficulties had been experienced in respect of office access being required for some finance and review tasks such as printing maps and distributing review reports. The report's overall conclusion was that the Business Continuity Plan had proven to be extremely robust, mainly due to the Cloud based ICT system allowing staff to work remotely with complete access to the LDBCW's electronic file system.

13.2 It was **agreed** that the process for using digital signatures should be included in the Business Continuity Plan.

Action: Head of Business **By:** 25 November 2020

13.3 The Committee considered that the LDBCW should capture more detail regarding the impact on the reviews by the COVID-19 lockdown. It was reported that the LDBCW had written to the principal councils requesting their views on suspending

the reviews. It was **agreed** that the Business Continuity Plan should be updated to include formalised stages for dealing with principal council reviews during similar instances as the COVID-19 lockdown.

Action: Head of Review and Programmes **By:** 25 November 2020

- 13.4 The Committee considered that it would be important to obtain feedback on how well staff thought they had been supported by the LDBCW during the COVID-19 lockdown. It was **agreed** that an online survey of staff regarding lockdown wellbeing would be conducted.

Action: Head of Business **By:** 25 November 2020

- 13.5 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 In respect of Operational Risk OP20 regarding Civil Service accreditation the Committee enquired whether the renewal of the accreditation had been obtained. It was reported that the accreditation had now been renewed for 3 years until 2023. It was **agreed** the OP20 could now be removed from the Operational Risk.

Action: Finance Manager **By:** 31 July 2020

- 14.3 It was **agreed** that a column indicating whether the risk was being treated or tolerated should be added to the Operational Risk Register.

Action: Finance Manager **By:** 31 July 2020

15. Budget Monitoring Report.

- 15.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 30 June 2020.

16. Gifts and Hospitality – Report and Declarations

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

17. Complaints

- 17.1 The Committee noted that no complaints had been made to the LDBCW for 2020-21 to date.

- 17.2 The Committee considered that recent correspondence regarding the Flintshire electoral review. It was **agreed** that a complaint would be recorded in respect of

the Flintshire review and that a report would be submitted to the November meeting.

- 17.3 The Committee considered that an item on Freedom of Information requested should be included on future meeting agendas. It was **agreed** that this new agenda item would be added to the Committee's Work Plan.
Action: Finance Manager **By:** 25 November 2020

18. Whistleblowing and Fraud Report and Policies

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

20. Any Other Business

- 20.1 There was no other business.

21. Dates of Next Meetings

- 20.1 Dates for the next meetings were:

25 November 2020
24 February 2021