

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY
25 FEBRUARY 2019 AT THE KIDWELLY SUITE, MERCURE HOTEL, CARDIFF (11:00 –
13:00)

This document is available in Welsh

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

Wales Audit Office Representative Present: Derwyn Owen
Carwyn Rees

Deloitte Representative Present: Clare Skivens

Welsh Government Representative Present: Lisa James

Qualifications Wales Representative Present: Sean Gaffney

LDBCW Officers Present: Shereen Williams (Chief Executive), Matt Redmond (Deputy Chief Executive), David Carr (Finance Manager), David Burley (Business Support Manager)

The Chair welcomed Derwyn Owen, Carwyn Rees, Clare Skivens, Shereen Williams and Sean Gaffney who were all attending the Committee for the first time.

1. Apologies for Absence

1.1 Apologies were received from Mark Jones (Wales Audit Office), Ian Howse (Deloitte) and Lauren Parsons (Deloitte).

2. Declarations of Interest

2.1 There were no declarations of Interest.

3. Minutes of Audit Committee meeting held on 21 November 2018.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 21 November 2018.

4. Issues Arising from Previous Meeting.

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

4.2 It was noted that Deloitte had benchmarked the LDBCW's new accommodation lease costs and concluded that it was good value for money.

4.3 In respect of the arrangements for the periodic external review of internal audit it was reported that Ian Howse of Deloitte had provided the findings of the review to

the Finance Manager who circulated a copy of them to the Committee. The report identified some areas for improvement which would be considered by Deloitte.

- 4.4 A response was still being awaited from Welsh Government regarding the IT internal audit reports requested by the Committee for 2017-18. It was noted that these would not be produced until after the 31 March. It was **agreed** that the Finance Manager would request the reports from Welsh Government during the 2019-20.

Action: Finance Manager **By:** 31 July 2019

- 4.5 In respect of the audit of the Commission's new ICT system it was **agreed** that the audit report would be presented to either a Commission meeting or ARAC meeting depending on which was held soonest following the issue of the report.

Action: Business Support Manager **By:** 31 July 2019

- 4.6 Sean Gaffney said that the ICT internal audit report would not contain an executive summary. It was **agreed** that he would summarise the audit finding for the Commission following the completion of the audit.

Action: Qualifications Wales **By:** 31 July 2019

- 4.7 It was **agreed** that further consideration would be given to which staff member to allocate the additional copy of Sage to following the outcome of the recent job evaluation exercise.

Action: Deputy Chief Executive **By:** 31 July 2019

5. Audit and Risk Assurance Committee Work Plan 2018-19

- 5.1 The Committee noted the 2018-19 Work Plan which incorporated the changes agreed at the last meeting. No further changes were proposed.

6. External Audit: Audit Plan 2019

- 6.1 Derwyn Owen explained that the Audit Plan for 2019 set out the proposed work for the audit of the 2018-19 financial statements. It included the summary of responsibilities which concerned certifying that the Commission's financial statements were true and fair and confirming the regularity of the Commission's expenditure. He said that the Commission was considered a low risk body and drew the Committee's attention to Exhibit 2 which identified the main 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 risk of reclassification of expenditure due to the Commission's ICT project; and
- The accounting for the Hastings House lease following its renegotiation with the landlord.

- 6.2 The remainder of the plan set out the audit fee for the year, which had increased slightly by 2.96% on the previous year following several years of being frozen.
- 6.3 The plan also included details of the audit team and timetable and a statement on the programme of work being carried out by WAO on preparations for the departure of the UK from the EU.
- 6.4 Appendix 2 set out future changes to IFRS relevant to central government. It was noted that the change which would have the most significant effect on the LDBCW would be IFRS 16 regarding the change to the accounting treatment of operating leases which was due to be implemented for 2020-21. The Committee noted the Audit Plan for 2019.

7. Internal Audit: End Year Audit Report and Annual Audit Report 2018-19

- 7.1 Clare Skivens reported that the audit work carried out in January 2019 had covered BCW and LDBCW reviews together with follow-up on previous recommendations. The audit had resulted in a Moderate Audit Assurance Rating due to the 4 medium audit recommendations raised. The Committee considered the recommendations raised in the report and the management responses. It was **agreed** that the report would be put on the agenda for the next BCW meeting.
Action: Finance Manager **By:** 31 March 2019
- 7.2 The recommendations covered the lack of a review checklist for the BCW parliamentary review, LDBCW review checklists not being fully completed, the need for a more comprehensive check of the checklists before signing them off and a need to tighten up the review quality assurance process. It was explained that the incomplete checklists were a result of not all the items being applicable for every review and it was noted that a process had been established of having review officers do an additional check to ensure nothing is missing from the checklist.
- 7.3 The audit had also included a follow up on previous years' recommendations which found that 4 of the 7 outstanding recommendations had now been implemented. The remaining outstanding audit recommendations would be dealt with in more detail at agenda item 10.
- 7.4 The Annual Report for 2017-18 contained a summary of the audit work and its findings and gave an overall assurance rating for the LDBCW of 'Moderate' based on the internal audit work undertaken during the year. It also contained Deloitte's self-assessment of their performance in carrying out the audit work during the year. The Committee noted the report and the assurance it provided and considered that the Moderate rating should be improved upon next year.

8. Internal Audit Assessment Annual Questionnaire 2018-19

- 8.1 It was proposed that members and the Accounting Officer would convene after the meeting to consider and complete the questionnaire. **It was agreed** that the Finance Manager would analyse the members' responses and report the results to the next meeting.
Action: Finance Manager **By:** 31 July 2019

9. Review of Audit and Risk Assurance Committee Self-Assurance Questionnaire Responses

9.1 The Committee considered 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.

10. Audit Recommendations – Progress Report.

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

10.2 Two outstanding recommendations relating to the LDBCW's electoral reviews, from 2012-13 and 2014-15 had now been superseded by recommendation made as part of the current years internal audit.

10.3 The outstanding 2016-17 recommendation that access to electronic HR and finance folders would be restricted had now been implemented.

10.4 The outstanding 2016-17 recommendation that a monitoring process for the retention schedule be established had been re-raised and measures were being taken to improve the current monitoring process.

10.5 The outstanding 2016-17 recommendation that the Commission obtain a clear statement of responsibilities in relation to the new IT arrangements had now been implemented.

10.5 The outstanding 2017-18 external audit recommendation that the Commission ensure its new ICT arrangements included robust controls for the storage and backup of data was considered. It was noted that this recommendation was raised before it was certain that the Commission's new IT system would be cloud based. Derwyn Owen said that the Commission needed to gain full knowledge of how Microsoft operated and ensure that assurances were in place. Sean Gaffney said that Microsoft had very good assurance and security for its cloud-based data and he would find out details of the data centre where the Commission's data was held.
Action: Qualifications Wales **By:** 31 July 2019

10.6 In respect of the outstanding 2017-18 recommendation that the Commission's Travel and Subsistence be updated, it was reported that implementation had been delayed pending a decision on the purchase of travel insurance. It was noted that this issue would be raised at a future Commission meeting to determine whether or not the Commission would acquire travel insurance.

10.7 The 2018-19 mid-year internal audit recommendation that the Commission maintain and keep up to date a list of its contracts and their renewal dates had now been implemented.

10.8 The 2018-19 end-year internal audit recommendation were considered earlier in the meeting at agenda item 7.

11. Draft Audit and Risk Assurance Committee Chair's Annual report 2017-18

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

- Paragraph 3.4 amended to show that a Moderate assurance rating had been received for the internal audit of the LDBCW's reviews;
- Additional text added to paragraph 3.4 to explain that the Moderate assurance rating referred to the review processes not the reviews themselves;
- Additional text added to paragraph 3.4 to explain that the Moderate assurance rating resulted from the fact that it was the first BCW review and that it could not be audited again until the next review was undertaken and that the LDBCW would take steps to improve on the Moderate assurance rating;
- Additional items be added to paragraph 5.1 to cover:
 - Qualifications Wales ICT security reports;
 - Deloitte's assurance on the LDBCW's new lease representing value for money;
 - The independent external audit of the LDBCW's internal audit arrangements; and,
 - The LDBCW's consideration of Brexit as part of their risk management processes.
- Minor amendments to the ARAC Terms of Reference;
- Reference to Qualifications Wales and WG ICT security reports be added to the list of assurances at Appendix 2.

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

12. Draft Governance Statement 2018-19

12.1 The Committee considered the draft Governance Statement. It was considered that additional text should be added to explain the circumstances pertaining to the Moderate internal audit assurance rating for the LDBCW's reviews.

12.2 It was **agreed** that the revised Governance Statement would be tabled at the LDBCW's March meeting.

Action: Finance Manager **By:** 26 March 2019

13. LDBCW Pensions Risk Register

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

14. LDBCW ICT Risk Register

14.1 The Committee noted the LDBCW's new ICT risk register which had been drafted with the assistance of Qualifications Wales. It was considered that the risk register should take account of the requirement to keep some hardware off site and support and assistance from Microsoft. It was **agreed** that these issues would be considered as part of the next Business Continuity Plan test due to be undertaken in May.

Action: Business Support Manager **By:** 31 May 2019

15. LDBCW Bankruptcy and Insolvency Policy

15.1 It was reported that the LDBCW had recently reviewed their Bankruptcy and Insolvency Policy and had requested that the Committee also review the Policy as it contained new text giving the Committee' responsibility to become involved should there be any suspicion that public funds had been involved in the bankruptcy being dealt with.

15.2 The Committee were content with the content of the LDBCW's Bankruptcy and Insolvency Policy and proposed that the LDBCW adopt it.

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.

16.2 It was reported that Corporate Risk CR6 was likely to be removed by the LDBCW at their next meeting following finalisation of their accommodation lease.

16.3 It was considered that Operational Risk OP4 should include an additional mitigating action regarding the technical support which would be provided by Microsoft in the event of a data problem.

Action: Finance Manager **By:** 31 July 2019

16.4 It was considered that Operational Risk OP16 should be reviewed in light of the recent internal audit findings.

Action: Finance Manager **By:** 31 July 2019

17. Budget Monitoring Report.

17.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 29 January 2019. It was noted that Commission had surrendered £20K Grant-In-Aid back to Welsh Government in view of the estimated underspend.

18. Gifts and Hospitality – Report and Declarations

18.1 The Committee noted the declarations of gifts of hospitality had been made for 2018-19 to date which included offers of hospitality recorded following the Inter-Commission meeting held in Edinburgh.

19. Complaints

19.1 The Committee noted that no complaints had been received 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. Data and ICT Security Report

21.1 It was reported that there had been no data security incident since the last report.

21.2 Sean Gaffney outlined the main points of the new ICT Security Report. He said that no significant information security incidents had been reported for the new ICT system since its inception. He drew the Committee's attention to the list of recent cyber-attacks on various organisations and explained that this was intended to raise awareness of the threats currently being detected in the IT community. The report also showed that all of the LDBCW's computers were receiving the latest system and security updates.

21.3 The Committee noted the ICT Security Report.

22. Any Other Business

22.1 There was no other business.

23. Dates of Next Meetings

23.1 The dates for the next meetings have been set as:

Wednesday 31st July 2019

Wednesday 27th November 2019.

Monday 24th February 2020.

23.2 It was agreed that confirmation of these dates would be emailed to members.

Action: Finance Manager **By:** 1 April 2019