

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES
AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY
25 JULY 2018 AT HASTINGS HOUSE (10:30 – 12:00)

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

Wales Audit Office Representative Present: Mark Jones

Deloitte Representative Present: Lauren Parsons

Welsh Government Representatives Present: Lisa James

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

1. Apologies for Absence

1.1 Apologies were received from David Powell (Member), Steve Halsall (Chief Executive), Ian Howse (Deloitte) and Derwyn Owen (Wales Audit Office).

2. Declarations of Interest

2.1 There were no declarations of interests.

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

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

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:

- confirmation of the arrangements for the periodic external review of internal audit awaited from Deloitte;
- consideration of internal audit requirements for the LDBCW's new ICT arrangements awaited from Deloitte; and
- the 2017-18 reports of the internal audit of Welsh Government ICT systems awaited from Welsh Government Internal Audit Services.

4.3 It was reported that Deloitte had made some progress on arrangements for the external review of internal audit and it should be possible for an update report would be presented at the next meeting.

Action: Deloitte **By:** 21 November 2018

4.4 It was noted that the consideration of internal audit requirements for the LDBCW's new ICT arrangements was due to be completed by the end of 2018.

4.5 It was **agreed** that the Secretariat would contact the Head of Governance and Assurance to try and progress the issue regarding the Welsh Government ICT internal audit reports.

Action: Finance Manager **By:** 21 November 2018

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

5.1 It was reported that a new Work Plan had been drafted for 2018-19. The Committee noted and **agreed** the content of the 2018-19 Work Plan.

6. Audit and Risk Assurance Committee Terms of Reference.

6.1 The Committee noted and **agreed** the content of the Terms of Reference.

7. Annual Accounts 2017-18 and Audit of Financial Statements Report and Management Letter.

7.1 It was noted that the draft financial statements and accounts had been considered by the LDBCW at their meeting on 24 July 2018.

7.2 Mark Jones reported that accounts had been received early and were of a very good standard and as a result the audit work went smoothly. It was the Auditor General's intention to issue an unqualified audit report subject to there being no events affecting the accounts following their signing.

7.3 There were no uncorrected misstatements in the accounts or other significant issues or recommendations arising from the audit. However, there were several corrected misstatements in the accounts following the audit which were:

- reclassification of capital expenditure on review portal as revenue expenditure to comply with accounting policy;
- capital expenditure on new office lighting removed from accruals as some of the work had not been completed by the 31 March;
- recalculated depreciation of transferred assets to reflect their reduced asset life;
- reduction of the office lease accrual to account for the deposit element which is not classed as a lease cost; and
- removal of operating lease costs from the operating leases note to the accounts to reflect the position of the Commission not being formally committed to a lease.

7.6 The Committee considered that the section in the Letter of Representation headed 'Information provided' should include members under the third bullet point

dealing with knowledge of fraud or suspected fraud. It was agreed that this would be changed for the Letter of Representation for the audit of the 2018-19 accounts.

Action: WAO **By:** 30 June 2018

- 7.7 The Chair thanked Mr Jones for his report. The Committee **recommended** that the audited accounts should be adopted and signed.

8. Internal Audit Plan and Terms of Reference 2018-19

- 8.1 The Committee considered Deloitte's Internal Audit Plan for 2018-19 onwards together with the Terms of Reference for the mid-year and end-year internal audits. The internal audit work planned for 2018-19 would cover Corporate Governance, Risk Management, Purchasing, Payables and Procurement, review of Parliamentary constituencies and follow up of previous year's recommendations.

- 8.2 It was noted that the audit of review work should include the LDBCW electoral reviews as well as the review of Parliamentary constituencies. It was considered, however, that given the similar information required for the two types of review the proposed number of 2.5 audit days would still be sufficient to accommodate the work. It was **agreed** that a new Terms of Reference covering the audit of BCW and LDBCW review work should be issued and circulated to Members as soon as available.

Action: Finance Manager / Deloitte **By:** 31 July 2018

- 8.3 It was noted that there was only 1 audit day assigned to IT General Controls for the 2018-19 audit as the main IT audit work would be undertaken in the during 2019-20. In respect of the external independent audit of the new ICT arrangements it was **agreed** that the final audit report would be presented at both the LDBCW and ARAC meetings.

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

- 8.4 The Committee considered that although compliance with the General Data Protection Regulation (GDPR) was being monitored as part of the risk management arrangements, it could also be reviewed as part of the 2019-20 audit of review work to ensure compliance as part of the review process. It was **agreed** that the Internal Audit Plan would be amended to include controls for handling personal data as part of the 2019-20 audit of review work. It was agreed that further discussion would be required to determine whether this would require further audit time for 2019-20.

Action: Finance Manager / Deloitte **By:** 21 November 2018

- 8.5 The Committee **agreed** the Internal Audit Plan and Terms of Reference for the 2018-19 internal audit work subject to the agreed changes.

9. LDBCW Annual Internal Audit Assessment 2016-17.

- 9.1 It was reported that the Commission's Accounting Officer and Audit and Risk Assurance Committee had completed their annual assessment of internal audit for 2016-17. 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.

- 9.2 The Committee considered that the assessment could be updated for next year to include questions regarding members' views on the outcome of the forthcoming internal audit of ICT and electoral reviews. It was agreed that the proposed new questions would be circulated to members for their views and presented to the Committee's February meeting.
Action: Finance Manager **By:** 21 November 2018

10. Audit Recommendations – Progress Report.

- 10.1 The Committee considered the progress on the outstanding internal audit recommendations. It was noted that the outstanding recommendations for 2012-13 and 2014-15 relating to the Commission's reviews could not be evidenced as having been implemented until a significant amount of review work had been undertaken. However, internal audit of the Commission's review work was due to be carried out during 2018-19 when it was expected that it would be possible to demonstrate that these recommendation had been fully implemented.
- 10.2 Of the outstanding three 2016-17 recommendations, one had now been implemented. It was considered that the remaining recommendations regarding restricting access to sensitive IT folders and obtaining a clear statement of responsibilities regarding the new ICT arrangements would need to be postponed until new IT arrangements had been established in January 2019 as it was not possible to progress these recommendations under the existing arrangements.
- 10.3 There were four outstanding 2017-18 internal and external audit recommendations. Two of these recommendations which related to keeping HR policies up to date and amending the LDBCW's Travel and Subsistence policy had been due for implementation by 31 March 2018. The review of HR policies had been postponed due to the Business Support Manager being engaged with other commitments. The review of the Travel and Subsistence policy had been substantially completed but was being held up pending receipt of information from WG on insuring staff out of the office on official business. A revised implementation date of 31 December 2018 was proposed for each. It was **agreed** that the implementation date for these recommendation would be changed to 31 December 2018.
Action: Finance Manager **By:** 21 November 2018
- 10.4 The outstanding 2017-18 recommendation that the LDBCW's Corporate Plan should include a mission statement had been due for implementation by 30 June 2018 but this had been delayed pending the outcome of the Welsh Government's green paper on local government reform and therefore a revised implementation date of 31 December 2018 was proposed. It was noted that the local government reform was now unlikely to go ahead with the exception of possible voluntary mergers between principal authorities which would have a significantly reduced impact on the LDBCW. Members therefore considered that the implementation date for this recommendation could be brought forward to 31 October 2018. It

was **agreed** that the implementation date for this recommendation would be changed to 31 October 2018.

Action: Finance Manager **By:** 21 November 2018

- 10.5 The Committee noted the report on progress on implementation of audit recommendations.

11. Schedule of Losses 2017-18

- 11.1 The Committee noted that there were no losses during 2017-18 and that a nil return had been submitted to Welsh Government accordingly.

12. Business Continuity Plan Test 2018-19

- 12.1 The Committee considered the outcome of the LDBCW's annual Business Continuity Plan test. It was noted that the test had indicated that the plan was up to date and current, with the exception of some minor amendments and the requirement for some updated contact details. It was reported that the next year's Business Continuity Plan test was to be more extensive and would include consideration of disaster recovery for the new ICT arrangements.

- 12.2 The Committee considered that the next year's Business Continuity Plan test should include Members who could be questioned about their knowledge of the plan and also one Member should be included in undertaking the test with the Secretariat. It was **agreed** that the following year's test would be conducted with the assistance of Members.

Action: Business Support Manager **By:** 30 June 2019

- 12.2 The Committee noted the report on the Business Continuity Plan test.

13. Risk Management Report

- 13.1 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.

- 13.2 It was reported that mandatory GDPR training had now been completed by all staff.

- 13.3 In respect of Corporate Risk CR7 regarding local government restructuring it was reported that this risk would change significantly in light of recent developments with the remaining risks to the LDBCW coming from potential voluntary mergers of principal councils and the extending of the franchise. This risk was due to be considered further at the LDBCW's August meeting when there would be a clearer picture of the current position.

14. Budget Monitoring Report.

14.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 26 June 2018. It was noted that resource budget reporting had now been implemented.

15. Gifts and Hospitality – Report and Declarations

15.1 The Committee noted that no declarations of gifts of hospitality had been made for 2018-19 to date.

16. Complaints

16.1 The Committee noted that no complaints had been made to the LDBCW for 2018-19 to date.

17. Whistleblowing and Fraud Report and Policies

17.1 The Committee noted that there had been no instances of whistleblowing or fraud for 2018-19 to date. It was noted that both the Whistleblowing and Fraud policies had been recently reviewed and updated by the LDBCW.

18. IT Data Security Report

18.1 The Committee noted that there had been no data security incidents for 2018-19 to date.

19. Any Other Business

19.1 There was no other business.

20. Dates of Next Meetings

20.1 Dates for next meeting was:

21 November 2018