

## LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

### AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 11 FEBRUARY 2015 AT HASTINGS HOUSE (10:30 – 12:30)

**LDBCW Members Present:** Ceri Stradling (Chairman), David Powell (Member), Julie James (Independent Member)

**Grant Thornton Representatives Present:** John Golding

**Deloitte Representative Present:** Kath Rankin

**James de Frias Representative Present:** Stewart Dethridge

**LDBCW Officers Present:** Steve Halsall (Chief Executive), Matthew Redmond (Deputy Chief Executive), David Carr (Finance Manager)

#### **1. Apologies for Absence**

1.1 The Chairman gave apologies for Lisa James (Welsh Government), Ann-Marie Harkin (Wales Audit Office) and Rachel Williams (LDBCW).

#### **2. Declarations of Interest**

2.1 There were no declarations of Interest.

#### **3. Minutes of Audit Committee meeting held on 10 November 2014.**

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 10 November 2014.

#### **4. Issues Arising from Previous Meeting.**

4.1 The Committee noted that almost all of the items arising from the previous meeting were to be dealt with as agenda items later in the meeting. The exception was an update on the review of fixed assets and stores. It was noted that the stores items found to be missing from the stores list had now been added.

#### **5. Audit and Risk Assurance Committee Work Plan**

5.1 It was reported that the Work Plan had been updated to include the review of the Pensions Risk Register at each spring meeting and the LDBCW's Business Continuity Plan test at each summer meeting. The Committee approved the amended Work Plan for 2014-15.

## **6. External Audit: Audit Plan 2014-15.**

- 6.1 John Golding explained that the Audit Plan for 2014-15 set out the proposed audit work on the 2014-15 financial statements. It included the obligations of the Auditor General and the audit approach, key tasks and outputs and materiality level for reporting misstatements. It was noted that the audit fees for the 2014-15 audit were the same as 2013-14.
- 6.2 The respective responsibilities of the Auditor General and the LDBCW were set out at Appendix 1. Appendix 2 identified the main audit risks which could lead to material misstatements in the accounts and required special consideration during the audit. These were:
- The risk of management override of controls. The audit response would be testing journal entries and adjustments made to the financial statements, reviewing accounting estimates and checking significant transactions;
  - The risk of material misstatement due to revenue recognition fraud. The audit response would be review and testing of revenue recognition policies;
  - The uncertainty regarding the future role of the LDBCW in light of the report of the Commission on Public Service Governance and Delivery. The audit response would be to review information and management representations to ensure the appropriate disclosures on the impact are made in the financial statements.
- 6.3 Mr Halsall gave the Committee a brief update on the current situation regarding the LDBCW's responses and evidence given in respect of the White Paper and Local Government (Wales) Bill. It was anticipated that the Bill would receive royal assent in November 2015 and that the LDBCW would commence their first review in early 2016. In the meantime the LDBCW would be working on planning scenarios for possible outcomes and changes to local government.
- 6.4 Mr Golding said that the dates for carrying out the audit work had yet to be agreed but it was expected that they would be in early June 2015. He added that he did not expect any significant changes to the format of the accounts for 2014-15.

*[Stewart Dethridge (James de Frias) left the meeting]*

## **7. Internal Audit: Year-End Audit 2014-15 Terms of Reference.**

- 7.1 Kath Rankin reported that the Terms of Reference covered the second part of the 2014-15 internal audit work which was due to be carried out during 17<sup>th</sup> to 20<sup>th</sup> March 2015. The proposed areas for audit work were LDBCW Reviews, Purchasing, Payables and Procurement and Petty Cash.
- 7.2 The audit of LDBCW Reviews would focus on community review work. Although only two reviews have been commenced by the LDBCW since the new procedures had been put in place it was considered that this would provide a good indication of how effective they were. It would also enable auditors to

assess progress made on previous audit recommendations for improvements to the procedures.

## **8. Internal Audit Annual Assessment.**

8.1 It was reported that an internal audit assessment questionnaire had been drafted to provide a means by which the LDBCW could carry out an annual internal assessment of internal audit services. The questionnaire was divided between questions to be answered by the LDBCW's Accounting Officer and questions to be answered by Audit and Risk Assurance Committee members. A copy of HM Treasury's Internal Audit Quality Assessment Framework had been included for information, however, it was considered that the content would be too in depth for a small body such as the LDBCW.

8.2 Proposals were made for several additional questions and it was **agreed** that these would be included in the assessment questionnaire and circulated to Committee members.

**Action:** Finance Manager **By:** 28 February 2015

8.3 John Golding said that part of the external audit considered the effectiveness of internal audit and would report any areas in which it was considered inadequate. Kath Rankin said that Deloitte would be doing their own self assessment and it was **agreed** that the completion of the LDBCW's questionnaire would be postponed until that was available for consideration.

**Action:** Finance Manager **By:** 28 February 2015

8.4 It was **agreed** that the Committee members would meet to discuss and complete the questionnaire during the lunch break of the LDBCW meeting to be held on 16 April 2015.

## **9. Audit Recommendations – Progress Report.**

9.1 The Committee noted the progress on the outstanding internal audit recommendations. The only recommendation still outstanding for more than a year was the 2012-13 recommendation that the LDBCW test its reviews checklist for effectiveness. Implementation of this recommendation depended on undertaking sufficient review work which would not be possible until the commencement of the new review programme.

9.2 Of the recommendations outstanding from 2013-14, two concerned the LDBCW's Records Management arrangements and would be dealt with by the Business Support Manager. The deadline date for implementation had been originally set as 31 January 2015 but this was not possible to achieve due to the recent heavy workload of the Business Support Manager undertaking several tender exercises. A new deadline date for implementation of these recommendations had been set for 30 May 2015 and this was noted and **agreed**.

9.3 The 2014-15 mid-year audit raised six recommendations, four of which had been implemented.

## **10. Audit Committee Self Assessment 2014-15.**

- 10.1 It was reported that the results of the completed self assessment questionnaires for 2014-15 strongly indicated that the Audit and Risk Assurance Committee had come close to achieving full compliance with good practice.
- 10.2 It was **agreed** that the questionnaire should be amended to reword the training question and also that a new question be added regarding members keeping up to date with governance training.  
**Action:** Finance Manager **By:** 22 July 2015

## **11. ARAC Chair's Draft Annual Report 2014-15**

- 11.1 The Committee considered the draft Annual Report. It was **agreed** that further details should be added to Section 3 outlining the Audit and Risk Assurance Committee's role in conferring with and gaining a view from external audit bodies which the LDBCW was unable to do.  
**Action:** Finance Manager **By:** 28 February 2015
- 11.2 It was agreed that a further point detailing the Committee's impact on LDBCW should be added to cover the suggestion that LDBCW produce a governance assurance framework arrangements chart and include it in their Governance Statement.  
**Action:** Finance Manager **By:** 28 February 2015

## **12. Draft Governance Statement 2014-15**

- 12.1 The Committee noted the draft Governance Statement and the inclusion of the new governance assurance framework arrangements chart at Annex A.
- 12.2 It was **agreed** that the main risk outlined in the risk section should be reworded to strengthen it in view of the extent of the future uncertainties to LDBCW's work.  
**Action:** Finance Manager **By:** 28 February 2015

## **13. Risk Management Report**

- 13.1 Consideration was given to the report, current register and policy. It was reported that the LDBCW had recently increased the residual risk rating of CR7 from 15 to 20 to reflect the recent developments with the Welsh Government Bill and White Paper. It was also reported that the issue of the stakeholder questionnaire in March for the end of the Pembrokeshire electoral review would close the remaining assurance gap on the Board Assurance Framework.

## **14. LDBCW Pensions Risk Register**

- 14.1 The Committee noted the LDBCW's Pensions Risk Register which had been reviewed and redrafted as a result of an internal audit recommendation. It was also noted that a new risk covering pensions had been added to the LDBCW Corporate Risk Register as proposed by the audit recommendation.

## **15. Budget Monitoring Report.**

- 15.1 The Budget Report and the change made to budget categories following the surrender of funds to Welsh Government was noted.

## **16. LDBCW Business Continuity Plan Test**

- 16.1 The Committee noted the outcome of the LDBCW's test of its Business Continuity Plan carried out in May 2014 and the proposed changes.

## **17. WG Public Services Staff Commission White Paper**

- 17.1 The Committee noted that the LDBCW had responded to the Welsh Government's White Paper and concluded that the LDBCW's inclusion on the list of bodies covered by the remit of the Staff Commission was not strictly relevant as most of the LDBCW's staffing procedures were analogous with Civil Service.

## **18. LDBCW Corporate Plan**

- 18.1 The Committee considered the LDBCW's new Corporate Plan. It was noted that the Plan would need to be further revised in light of the Local Government (Wales) Bill and new review programme.

## **19. Gifts and Hospitality – Report and Declarations**

- 19.1 The Committee noted the recent declarations arising from the attendance of the Chief Executive and Members to the Inter-Commission meeting held in Edinburgh in November.

## **20. Complaints**

- 20.1 The Committee noted that no complaints had been received since the last report.

## **21. Whistleblowing and Fraud Report**

- 21.1 The Committee noted that there had been no instances of whistleblowing or fraud since the last report.

## **22. IT Data Security Report**

- 22.1 The Committee noted that there had been no data security incidents since the last report.

## **23. Any Other Business [Kath Rankin withdrew from the meeting]**

### **Internal Audit**

- 23.1 It was reported that the LDBCW had recently undertaken a tender for the provision of internal audit services. The deadline for receipt of tenders was 16<sup>th</sup> February 2015 and the tender board would be held on 26<sup>th</sup> February 2015.

### **External Audit**

- 23.2 John Golding reported that the Wales Audit Office was currently retendering for audit engagement partners which would impact on whether Grant Thornton would continue to be the LDBCW's external auditors. The Committee noted that this could possibly result in a simultaneous change to internal and external auditors.

## **24. Dates of Future Meetings.**

- 24.1 It was requested that the date of the July meeting be changed as one member was no longer able to attend on the originally agreed date of 15<sup>th</sup> July 2015. It was agreed that the date of the July meeting should be changed to 22<sup>nd</sup> July 2015 and that this revised date would be circulated.

**Action:** Finance Manager **By:** 28 February 2015