

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 22 JULY 2015 AT HASTINGS HOUSE (10:30 – 12:30)

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

Grant Thornton Representative Present: Julie Masci

Deloitte Representative Present: Katherine Shafer

Welsh Government Representatives Present: Lisa James
Rachel Colligan

Wales Audit Office Representative Present: Ann-Marie Harkin

LDBCW Officers Present: Steve Halsall (Chief Executive), David Carr (Finance Manager)

The Chair welcomed Rachel Colligan from Welsh Government who was attending as an observer.

1. Apologies for Absence

1.1 The Chair gave apologies for Matthew Redmond (LDBCW).

2. Declarations of Interest

2.1 There were no declarations of Interest.

3. Minutes of Audit Committee meeting held on 11 February 2015.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 11 February 2015 subject to a minor amendment.

4. Issues Arising from Previous Meeting.

4.1 The Committee noted that all of the items arising from the previous meeting had now been completed or were being dealt with later on the agenda.

5. Audit and Risk Assurance Committee Work Plan

5.1 It was reported that the Work Plan had been drafted for 2015-16 and included all items identified as being required at previous meetings. It was **agreed** that the

description of the first item regarding risk management would be expanded to make it clear that it included review of the Commission's risk management policy.

Action: Finance Manager **By:** 31 July 2015

- 5.2 The Committee approved the Work Plan for 2015-16 subject to the small amendment agreed.

6. Audit and Risk Assurance Committee Terms of Reference.

- 6.1 It was reported that the Committee's Terms of Reference were due for annual review and were considered. It was noted that the membership details for the independent member did not include the recent 1 year extension to their appointment and it was **agreed** that this should be included. A further minor error was also identified as requiring amendment.

Action: Finance Manager **By:** 31 July 2015

7. Annual Accounts 2014-15 and External Audit of Financial Statements Report.

- 7.1 The Finance Manager reported the main points of note on the audited accounts to the Committee, including the main areas of income and expenditure and variances on the previous year's expenditure.

- 7.2 Julie Masci reported that the audit of the annual accounts for 2014-15 had been carried out during the week commencing 15 June 2015 and thanked the Commission staff for their assistance to the auditor. There had been some minor changes to the figures and some other minor changes had been made to improve presentation. There were no uncorrected misstatements and no other significant issues to report and, subject to receiving the signed Letter of Representation from the Commission, it was the Auditor General's intention to issue an unqualified audit report on the financial statements. Accordingly there was no reason for the Committee not to recommend that the financial statements be signed by the Accounting Officer. It was also noted that there were no audit recommendations arising from the audit work.

- 7.3 Julie Masci reported that it was intended that John Golding would attend the November meeting to present the Commission's 2014-15 Management Letter but following that date, responsibility for the Commission's external audit would pass to the Wales Audit Office (WAO). Ann-Marie Harkin said she would remain the Commission's WAO liaison and would let the Commission know who their new WAO engagement lead for future audit work would be and it was hoped they would be able to attend the November meeting.

8. Internal Audit: Annual and Year End 2014-15 Audit Reports.

- 8.1 Katherine Shafer reported that Deloitte's year end audit had covered Commission Reviews, Petty cash and Purchasing, Payables and Procurement all of which had been given a Substantial assurance rating. The report made 7 audit

recommendations, 4 medium priority and 3 low priority. All of the recommendations had been accepted by the Commission and management's responses to these recommendations and deadline dates for implementation were noted.

8.2 The 2014-15 Annual Report contained a summary of the audit work and its findings and gave an overall assurance rating for the Commission of 'Substantial' 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.

8.3 The Committee considered Appendix C to the Annual Audit Report that covered examples of public sector fraud including fraud resulting from changes to supplier details. This was reflected in one of the audit recommendations - that the Commission should tighten its controls for amending suppliers' details to ensure that they could not be altered fraudulently. It was noted that it had been agreed to implement this recommendation by 31 December 2015 but on reflection it was decided that this date should be brought forward. It was agreed to implement this audit recommendation as soon as possible.

Action: Finance Manager **By:** 31 July 2015

9. Internal Audit Plan 2015-16

9.1 Katherine Shafer presented Deloitte's Internal Audit Plan for 2015-16 onwards. The following points were noted:

- Audit of the various finance systems was spread over each of the 5 years of the contract;
- The audit of pension fund arrangements was scheduled for 2017-18 to ensure the new Public Service pension scheme requirements had been fully implemented;
- The audit of Commission reviews had been allocated over 2 years, 2017-18 and 2019-20 to ensure sufficient review work had been carried out and completed;
- The audit of the Strategic Plan had been set for 2015-16 to ensure its readiness for the period of the review work;
- Corporate Governance had been allocated 2 days for each of the years 2015-16, 2017-18 and 2019-20 and 1 day each for the remaining 2 years;

9.2 It was noted that, although the areas of audit work had been scheduled to try and ensure maximum relevance and timeliness, the Plan was intended to be flexible and could be changed at a later date to suit the Commission's circumstances. In that context the timing of HR audit work planned for 2018-19 may need to be reconsidered at a later stage. Subject to these factors the Committee **agreed** the internal audit plan for 2015-16 onwards.

10. LDBCW Annual Internal Audit Assessment 2014-15.

10.1 It was reported that the Commission's Accounting Officer and Audit and Risk Assurance Committee had completed the first annual assessment of internal audit

for 2014-15. The assessment was carried out by means of questionnaires completed by the Accounting Officer and Committee members.

- 10.2 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 requirements of the Public Sector Internal Audit Standards and that the audit work was carried out effectively and would be of benefit to the operational governance of the Commission.

11. Audit Recommendations – Progress Report.

- 11.1 The Committee noted the progress on the outstanding internal audit recommendations. It was again noted that the long outstanding 2012-13 recommendation that the LDBCW test its reviews checklist for effectiveness could not be implemented until sufficient review work had been undertaken which would not be possible until the commencement of the new review programme.
- 11.2 The two recommendations outstanding from 2013-14 concerned the LDBCW's Records Management arrangements and were to be dealt with by the Business Support Manager. The deadline date for implementation had been originally set as 31 January 2015 but later amended to 30 May 2015. It had been intended that a further extension until 31 August 2015 be proposed due to the continued long term absence of the Business Support Manager, but further developments meant that that date was also unlikely to be achieved. The Accounting Officer gave his assurance to the Committee that the two outstanding 2013-14 recommendations could be safely delayed as all of the main records management procedures and controls were in place. It was **agreed** that the deadline dates for the two outstanding 2013-14 recommendations could be put back to 31 December 2015.
- 11.3 The 2014-15 mid-year audit raised six recommendations, four of which had been implemented. Of the two outstanding recommendations, one regarding the revision of the Commission's Code of Conduct for Members had now also been implemented following its recent adoption by the Commission. The remaining outstanding recommendation regarding the verification of member's pension data was awaiting further response from MyCSP.
- 11.4 The recent 2014-15 year end audit raised eight recommendations, three of which had been implemented. Those still to be implemented were:
- that the Commission focusses on finalising the procedure notes for reviews and ensures that they are followed for all future reviews – deadline date 31/08/15.
 - that new supplier forms are completed and are verified independently by a member of the Finance Team and that in the event of an amendment to existing supplier details, the supplier is called to verify these changes using a telephone number already recorded for that supplier – deadline date 31/07/15.
 - that documentation regarding the roles and responsibilities and segregation of duties in place at the Commission is updated to reflect current employees and also include an up to date authorised signatories listing that should be reviewed on a regular basis – deadline date 31/12/15.

- that the Commission focuses on consolidating all existing purchasing procedures into an up to date Procurement Handbook which should include procedures for carrying out tender exercises – deadline date 31/12/15.

12. Business Continuity Plan Test

- 12.1 The Committee noted the outcome of the LDBCW's test of its Business Continuity Plan carried out in June 2015 and the proposed changes, which had been implemented with the exception of updating the list of local authority chief executives which was still ongoing.
- 12.2 It was noted that the continuity facility for IT hot desking at Welsh Government had changed due to Brunel House being vacated. Lisa James informed the Committee that the hot desking availability at Cathay's Park was often restricted with high demand for the desks. It was **agreed** that the Commission should test the availability of the new IT hot desks in Cathay's Park during term time when they were at their highest demand. This would allow the Commission to assess any possible problems which may be experienced.
Action: Finance Manager **By:** 30 September 2015

13. Schedule of Losses 2014-15

- 13.1 The Committee noted the losses for 2014-15. In respect of a loss resulting from printing a report which was subsequently found to contain an error, Mr Halsall assured the Committee that procedures for the proof reading and quality assurance of reports were to be reviewed and strengthened.

14. Risk Management Report

- 14.1 Consideration was given to the report, current register and policy. It was reported that there had been no changes to the Corporate risk register since April 2015 as the Commission considered that the register correctly reflected the risks the LDBCW was currently exposed to. The Operational risk register had been reviewed by the Commission's senior management team during June 2015. It was **agreed** that for future reviews of the Operational risk register senior management would keep notes of any changes which were made and the reasons behind them.
Action: Finance Manager **By:** 30 September 2015

15. Budget Monitoring Report.

- 15.1 The Budget Report presented to the Commission meeting of 21 June 2015 was noted.

16. Gifts and Hospitality – Report and Declarations

16.1 The Committee noted that no declarations of gifts of hospitality had been made for 2015-16 to date.

17. Complaints

17.1 The Committee noted that no complaints had been received for 2015-16 to date.

18. Whistleblowing and Fraud Report and Policies

18.1 The Committee noted that there had been no instances of whistleblowing or fraud for 2015-16 to date.

18.2 Consideration was given to the LDBCW's Whistleblowing and Fraud Policies. It was noted that the list of contacts at Annex B to the Whistleblowing policy had now changed due to the recent senior staff restructuring at Welsh Government. It was **agreed** that Lisa James would provide the Secretariat with the correct details in order to update the policy.

Action: Lisa James **By:** 31 July 2015

18.3 It was noted that the Fraud Policy still referred to the 'Audit Committee' and it was **agreed** that this should be changed to 'Audit and Risk Assurance Committee'.

Action: Finance Manager **By:** 31 July 2015

18.4 It was considered that the policies should be included in the annual Performance Management Review process for LDBCW staff and also included on agendas for any future workshops. It was considered that LDBCW staff should be made aware that the policies had been reviewed by the Committee and would be asked to note them. It was **agreed** that an email to this effect would be sent to all staff.

Action: Finance Manager **By:** 30 August 2015

19. IT Data Security Report

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

20. Any Other Business

i. Change to Bank Mandate and Payment Authorisations

20.1 It was reported that the Commission had considered their bank mandate and payment authorisation levels at their 21 June 2015 meeting following difficulties resulting from a conflict between authorisation levels for online banking and bank mandate cheque signatories. The Commission had decided that the restrictions in place on the bank account mandate for cheque signatories were out dated and restricted efficient process of supplier payments given that the Commission rarely

issued cheques anymore. They considered that the current internal controls in place for authorising payment of suppliers was sufficient to allow for a single authorisation from senior management for online bank payments and agreed that the Commission's bank mandate should be altered to allow for single authorisation of payments accordingly. The Committee noted this decision.

ii. Internal Audit Change to Audit Assurance Ratings

- 20.2 Katherine Shafer reported that Deloitte had changed their audit assurance ratings system to bring it in line with HM Treasury Guidance and Government Internal Audit Agency. This meant that the previous assurance levels of 'Full'; 'Substantial'; 'Limited'; and 'None' would be replaced with 'Substantial'; 'Moderate'; 'Limited'; and 'Unsatisfactory'. The Committee noted these changes.

iii. Dates of Future Meetings.

- 20.3 It was reported that one of the Committee Members would not be able to attend the meeting due to be held on the 11 November 2015. A provisional new date for the meeting of 24 November 2015 was proposed. It was also considered that a date be set for the February 2016 meeting and a provisional date of 24 February 2016 was proposed. It was **agreed** that these proposed dates would be circulated to members by email to confirm availability.
Action: Finance Manager **By:** 31 July 2015