LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 24 FEBRUARY 2016 AT HASTINGS HOUSE (10:30 – 12:30)

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

Wales Audit Office Representative Present: Claire Worrall

Deloitte Representative Present: Kath Shafer

Welsh Government Representatives Present: Lisa James

LDBCW Officers Present: Steve Halsall (Chief Executive), David Carr (Finance Manager), Rachel Williams (Business Support Manager)

The Chair welcomed Claire Worrall who was attending for the first time on behalf of the Wales Audit Office following the hand-over from Grant Thornton.

1. Apologies for Absence

1.1 The Chair gave apologies for Ian Howse (Deloitte), Anthony Barrett (Wales Audit Office) and Matthew Redmond (LDBCW).

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Minutes of Audit and Risk Assurance Committee meeting held on 24 November 2015.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 24 November 2015.

4. Issues Arising from Previous Meeting.

4.1 The Committee noted that all of the items arising and action points from the previous meeting had now been completed, including those to be dealt with later on the agenda. It was considered that the item regarding reviewing audit effectiveness should have referred to the review of ‘internal’ not ‘external’ audit and that this should be reflected on the Committee’s Work Plan.

4.2 Julie James enquired what the outcome of the LDBCW’s discussions with Welsh Government regarding the Small Workplace Health Assessment Scheme had been. Steve Halsall replied that the LDBCW was currently collecting the required evidence to submit to Welsh Government to enable possible participation in the Scheme next year.

5. Audit and Risk Assurance Committee Work Plan

5.1 The Committee considered their Work Plan for 2015-16 which included all items identified as being required at the previous meeting. **It was agreed** that the item regarding reviewing audit effectiveness would be changed refer to an annual meeting to review 'internal' not 'external' audit.
Action: Finance Manager **By**: 27 July 2016

6. External Audit: Audit Plan 2016

6.1 Claire Worrall reported that WAO had recently held their hand over meeting with Grant Thornton and that some initial planning work for the forthcoming audit was to be undertaken during the week. The Audit Plan for 2015-16 set out the proposed audit work on the 2015-16 financial statements. It included the obligations of the Auditor General and the audit approach, key tasks, outputs and materiality level for reporting misstatements, details of the new audit team personnel and expected timetable for carrying out the audit work. It was noted that the audit fees for the 2016 audit were expected to be the same as 2015.

6.2 It was noted that page 7 gave details of the impact of the Well-being of Future Generations (Wales) Act 2015 on future audit work. Although the LDBCW was not one of the bodies named in the Act it had been agreed that it would try to comply with the requirements of the Act as far as practicable.

6.3 The respective responsibilities of the Auditor General and the LDBCW were set out at Appendix 1 whilst 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 will 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 will be to review and testing of revenue recognition policies;
- The risk that appropriate disclosures for senior officer remuneration are not in line with relevant regulations and legislation. The audit response will be to test all relevant disclosures and review approval processes.
- 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 will be to review information and management representations to ensure the appropriate disclosures on the impact are made in the financial statements.
- The risk that the LDBCW's use of external accountants may result in gaps in procedures and records. The audit response will be to obtain an understanding of the nature and terms of the service.

7. Internal Audit: End-Year Audit Report and Annual Audit Report 2015-16

7.1 Kath Shafer reported that Deloitte's year end audit had covered Budgetary Control which had been given a Substantial assurance rating. The report had made 2 low priority audit recommendations which had been accepted by the Commission. These were:

- That an updated version of the Budgeting Methodology desk instructions is available on the intranet, and that both the Budgeting Methodology and Monthly Budget Reporting desk instructions contain information on the date the current version was reviewed, and when next due for review; and
- That the annual budget set by the Finance Manager is reviewed and approved by the Commission in a timely manner.

7.2 The audit work had also included a follow up review of progress on previous year's recommendations. Progress on the implementation of all outstanding recommendations would be dealt with further at agenda item 9.

7.3 The 2015-16 Annual Report contained a summary of the audit work and its findings and gave an overall assurance rating for the LDBCW 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. Internal Audit: Assessment Annual Questionnaire 2015-16

8.1 The Committee noted the questionnaire and considered that no changes were required and that the annual internal audit assessment should be completed as soon as possible. It was proposed that members would meet after the meeting complete the questionnaire with the exception of Julie James who had to leave the meeting early. **It was agreed** that the Finance Manager would record the responses of members following the meeting and the report the results to the next meeting.
Action: Finance Manager **By**: 27 July 2016

8.2 **It was agreed** that Julie James would complete her questionnaire later and email it to the Finance Manager.
Action: Julie James **By**: 29 February 2016

9. Audit Recommendations Progress Report

9.1 The Committee noted the progress on the outstanding internal audit recommendations which included those recommendations re-raised as part of the recent 2015-16 internal audit follow up.

9.2 The outstanding 2012-13 recommendation regarding completion of review checklists had been re-raised as the follow up audit had found that it was still not being completed effectively. Review Officers had again been informed of their responsibility to complete the checklists by the Deputy Chief Executive who would monitor the situation closely in future to ensure compliance.

9.3 The two recommendations outstanding from 2013-14 concerning the LDBCW's Records Management arrangements had been given revised deadline dates of 31 December 2015 but these deadlines had not been met and therefore the recommendations had again been re-raised. It was reported that new deadline dates of 31 March 2016 had been proposed for both recommendations although the recommendation regarding the drafting of an Information Records Management Programme and Staff Guidance had now been fully implemented.

9.4 In respect of the 2014-15 recommendations it was reported that seven had been re-raised. These were:

- The recommendation regarding the LDBCW Pensions Risk Register was re-raised as the auditor considered the original recommendation did not go far enough to ensure the register was reviewed regularly. This had now been addressed to ensure the register is reviewed annually;
- The recommendation that the LDBCW focusses on finalising the procedure notes for reviews and ensures that they are followed for all future reviews was re-raised as the follow up audit had found evidence that the recommendation had not been fully adhered to for a recent community review. Although all Review Officers had been reminded of their responsibility to comply with the recommendation, it was noted that further testing could not be carried out until further reviews had been completed;
- The recommendation regarding the verification of member's pension data was still awaiting further response from MyCSP. It was expected that this recommendation would be implemented by 31 March 2016;
- The recommendation that the LDBCW ensures that all key information relevant to reviews is retain on review files was re-raised because it cannot be tested for implementation until after the completion of an electoral review;
- The recommendation 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 was re-raised as the auditor considered the original recommendation did not go far enough. It was now proposed that that the new roles and responsibilities and segregation of duties will be incorporated into the new Procurement Handbook by 31 March 2016; and
- The recommendation that the LDBCW focuses on consolidating all existing purchasing procedures into an up to date Procurement Handbook which should include procedures for carrying out tender exercises was re-raised as it had not been possible to implement it by the previously agreed deadline date of 31 January 2016. It is now proposed that the recommendation will be implemented by 31 March 2016

9.5 The four 2015-16 recommendations, including the two new recommendations discussed at agenda item 7, have all been agreed with implementation dates for 2016.

10. Audit and Risk Assurance Committee Self-Assessment Questionnaire Responses

10.1 The responses to the Committee's annual self-assessment questionnaire were considered and it was noted that the majority of good practice had been demonstrated. However, there had been some negative responses concerning aspects of the terms of appointments for members in respect of support and training, renewal of appointments and appraisal of member's performance. This had been partly due to there being no terms of appointment specific to the Audit and Risk Assurance Committee apart from those issued to the independent member. Those Audit and Risk Assurance Committee members who were also LDBCW members were covered by the terms of appointment for their LDBCW membership. **It was agreed** that the questionnaire would be amended to make it clear that these questions only applied to the independent Audit and Risk Assurance Committee member.
Action: Finance Manager **By**: 27 July 2016

10.2 There had been another negative response concerning training for new Committee Members. **It was agreed** that arrangement would be made for new Committee member, Theo Joloza, to attend appropriate training for members of audit committees.
Action: Finance Manager **By**: 31 March 2016

11. Draft ARAC Chair's Annual Report 2015-16

11.1 The Committee considered the draft ARAC Chair's Annual Report for 2015-16 and noted that some parts could only be finalised at a later date. Several minor amendments were proposed and accepted.

11.2 The report included a new appendix which gave details of the LDBCW's sources of assurance. However, it was considered that this appendix was not comprehensive and several more assurance areas were proposed. **It was agreed** that these would be adopted and an updated appendix on assurance included in the report.
Action: Finance Manager **By**: 31 March 2016

11.3 **It was agreed** that the report would be amended to include all of the proposed changes and outstanding information.
Action: Finance Manager **By**: 31 March 2016

12. Draft Governance Statement 2015-16

12.1 The Committee noted the draft Governance Statement and noted that some parts could only be finalised at a later date. Several amendments were proposed and adopted. **It was agreed** that the report would be amended to include all of the proposed changes and outstanding information.
Action: Finance Manager **By**: 31 March 2016

13. LDBCW Pensions Risk Register

13.1 The Committee noted the LDBCW Pensions Risk Register, which had been reviewed during January 2016, and the note of the reason for the changes made as a result of that review.

14. Risk Management Report

14.1 Consideration was given to the report, current risk registers and policy. It was reported that since November 2015 the Corporate Risk Register had been changed to recast risk CR7 to more accurately reflect the current situation regarding the LDBCW's future work programme and also to split it into two risk, CR7 and CR10, to further differentiate between the short term situation for electoral reviews and long term situation for community reviews. The Committee noted these changes.

15. Budget Monitoring Report.

15.1 The budget report presented to the LDBCW meeting of 26 January 2016 was noted. It was reported that the budget for 2015-16 had been recast following the surrender of funds back to Welsh Government and that additional funds for the parliamentary review had been approved by the Cabinet Office.

16. LDBCW Pay Policy Statement.

16.1 The Committee noted the LDBCW's recent adoption of an Annual Pay Policy Statement in accordance with a recommendation made by the Welsh Government Minister for Public Services. The Statement set out the LDBCW's polices in respect of the pay and remuneration of its workforce and was intended to enhance consistency, transparency and accessibility on these issues for all devolved public bodies in Wales.

17. Gifts and Hospitality – Report and Declarations

17.1 The Committee noted the recent declarations for hospitality received by the Chief Executive and members at the Inter-Commission meeting held in Edinburgh during November 2015. It was also noted that further claims were expected in relation to gifts received during a recent visit by staff and members to Ordnance Survey in Southampton.

18. Complaints

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

19. Whistleblowing and Fraud Report and Policies

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

20. IT Data Security Report

20.1 The Committee noted that there had been no data security incidents for 2015-16 to date.

21. Any Other Business

Managing Welsh Public Money

21.1 The Committee noted that the Welsh Government publication Managing Welsh Public Money had recently been finalised and issued. All LDBCW members had received a copy and it had been included in the LDBCW's induction for future members.

21.2 Theo Joloza drew the Committee's attention to page 67 in the Glossary which referred to 'Accounts produced by the Office for National Statistics in accordance with the European System of Account 1995' and pointed out that this had now been superseded by the European System of Accounts 2010. This was noted by Lisa James who said she would pass it on to Welsh Government.
Action: Lisa James **By**: 31 March 2016

22. Dates for future meetings

22.1 Dates for future Committee meetings were proposed for:

- Wednesday 27th July 2016; and
- Wednesday 23rd November 2016.

It was agreed that these dates would be circulated for confirmation.
Action: Finance Manager **By**: 29 February 2016