

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 27 JULY 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: Anthony Barrett

Deloitte Representatives Present: Ian Howse
Katherine Shafer

Welsh Government Representatives Present: Lisa James

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

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 24 February 2016.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 24 February 2016.

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 2016-17 and included all items identified as being required at previous meetings. It was noted that the testing of the Business Continuity Plan which had been due to take place in the spring had been postponed for 2016-17. This was due to the pending closure of the Welsh Government's Emergency Co-ordination Centre (Wales) which would therefore no longer be available as alternative accommodation for the LDBCW in the event of Hastings House being inaccessible. However, this issue had been discussed with the LDBCW's sponsor division who had agreed that in the event of an emergency they would provide LDBCW staff with spare desks and IT hardware in Welsh Government offices. This alternative arrangement would be

reflected in an updated Business Continuity Plan and any future testing. The Business Continuity Plan test for 2016-17 would now proceed on the basis of the new emergency arrangements and the outcome would be reported to the November Committee meeting.

Action: Business Support Manager **By:** 31 October 2016

- 5.2 It was noted that it had been the practice of the previous external auditors to issue an Audit of the Financial Statements report to the Committee's summer meeting and subsequently a Management Letter to the autumn meeting. However, the Wales Audit Office's practice was to issue a single audit report, including the Management Letter, in the summer and therefore there was no longer a requirement for a separate item on the Work Plan to deal with the Management Letter during the autumn. It was **agreed** that the Work Plan should be amended to remove this item.

Action: Finance Manager **By:** 23 November 2016

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. The Committee considered that the final sentence of paragraph 1.1 regarding the Commission's change of name was no longer required. It was **agreed** that this sentence should be removed.

Action: Finance Manager **By:** 31 July 2016

- 6.2 It was noted that the details in paragraph 1.3 for the senior Welsh Government sponsor division officer responsible for the Commission was out of date. It was **agreed** that the details would be updated.

Action: Finance Manager **By:** 31 July 2016

7. LDBCW Electoral Reviews – Minister's Announcement.

- 7.1 It was reported that the Welsh Government Minister had issued a statement during July announcing that the LDBCW was to commence a review of the electoral arrangements for the 22 principal councils in Wales to be completed in time for the local government elections scheduled for May 2022.

- 7.2 The Committee noted this development and it was reported that the LDBCW were currently planning the review timetable and estimating future staffing and budget requirements in order to complete the review by the Minister's deadline. It was **agreed** that the LDBCW would keep the Committee informed about the progress of the reviews and any changes to budget requirements.

8. Annual Accounts 2015-16 and Audit of Financial Statements Report and Management Letter.

- 8.1 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.

- 8.2 Anthony Barrett reported that whilst the accounts had been of a very good standard overall, there had been some changes made to the draft accounts. These were changes to the figures in the notes to the accounts to improve the estimated future cost of the IT lease and to include more information on related party transactions and also additional notes to cover valuation of fixed assets and accounting standards not yet effective. 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. It was also noted that there were no audit recommendations arising from the audit work and that the WAO would be conducting a post project learning exercise to identify any lessons to be learnt for the audit of the accounts.
- 8.3 The Chair thanked Mr Barrett for his report.

9. Internal Audit Plan 2016-17

- 9.1 Kath Shafer presented Deloitte's Internal Audit Plan for 2016-17 onwards. The internal audit work planned for 2016-17 would cover Finance Systems, Corporate Governance and follow up as usual, together with Information Security and IT General Controls. The Committee noted the internal audit work planned for 2016-17.
- 9.2 It was noted that the plan had been previously been changed to move the audit of the LDBCW's review work back to 2018-19 and bring the audit of HR forward to 2017-18 due to the uncertainty regarding the reorganisation of local government and delays in commencing the electoral review. The Committee considered that the Welsh Government Minister's recent announcement regarding the commencement of the LDBCW's review of local government electoral arrangements meant that it would be desirable for the internal audit of commission reviews to start in 2017-18 rather than 2018-19. It was also considered that this audit work should be in addition to the existing audit of commission reviews in 2018-19 and 2019-20. It was proposed that the internal audit plan would be amended to include an additional 2.5 days for an audit of commission reviews in 2017-18.

Action: Finance Manager / Deloitte **By:** 23 November 2016

10. ARAC Annual Self-Assessment 2015-16 Progress Report.

- 10.1 It was reported that two points had arisen from the Committee's annual self-assessment exercise which had been addressed as follows:
- The self-assessment questionnaire had been amended to clarify that questions relating to appointment terms and conditions were only in respect of independent members; and
 - An audit committee training course had now been booked in response to the identified need for training for the new committee member.

- 10.2 The Committee noted the progress with points identified from the self-assessment exercise.

11. LDBCW Annual Internal Audit Assessment 2015-16.

- 11.1 It was reported that the Commission's Accounting Officer and Audit and Risk Assurance Committee had completed their annual assessment of internal audit for 2015-16. 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.

12. Audit Recommendations – Progress Report.

- 12.1 The Committee considered the progress on the outstanding internal audit recommendations. It was noted that the outstanding recommendations for 2012-13 and 2014-15 related to the Commission's reviews and therefore could not be evidenced as having been implemented until a significant amount of review work had been undertaken. However, in light of the Welsh Government's recent announcement regarding the commencement of reviews, it was anticipated that these recommendations would be confirmed as implemented in due course.

- 12.2 There was one outstanding recommendations for 2015-16 which was that the LDBCW should update its staff performance management review to make it clear how individual staff members' objectives linked into the LDBCW's corporate objectives. It was noted that the corporate objectives would now be reviewed and redrafted as a result of the Welsh Government Minister's announcement and therefore it would not be possible to implement this recommendation until the end of the 2016-17 staff reporting year. It was therefore proposed that the deadline date for the implementation of this recommendation be changed to 31 March 2017. It was **agreed** that the deadline date for this recommendation would be changed as proposed.

Action: Finance Manager **By:** 23 November 2016

13. Public Service Internal Audit Standards – New Version

- 13.1 The Committee noted the new Public Service Internal Audit Standards recently issued and the changes. Ian Howse confirmed that the changes would have no impact on the way internal audit was carried out for the LDBCW.
- 13.2 The Committee enquired whether Standard 1111 concerning direct interaction with the board was being complied with. Mr Howse replied that Audit and Risk Assurance Committee representing the LDBCW as a sub-committee was sufficient to cover the requirement of this standard.
- 13.3 The Committee raised the issue of periodic external assessment of internal audit required by Standard 1312 and considered how best to comply with this standard. Mr Howse said that he would be willing to contact internal audit providers for other Welsh Government Sponsored Bodies (WGSB) to try and explore possible joint

arrangements for achieving compliance with this standard. It was **agreed** that Mr Howse would make enquiries with other WGSB internal audit providers and report back to the Committee.

Action: Deloitte **By:** 23 November 2016

14. Accommodation Matters – Cardiff Business Improvement District (BID)

- 14.1 It was reported that the LDBCW had established that they were liable for inclusion in the proposed Cardiff BID and for the associated annual charge. The Committee noted this development and that the LDBCW had kept their sponsor division informed and had taken steps to secure the appropriate legal advice before accepting their inclusion in the BID.

15. Schedule of Losses 2015-16

- 15.1 The Committee noted the losses for 2015-16 which were minor and related to the wrong postage being applied to two items of franked mail. The Committee considered that the Commission's procedures for recording losses could be improved by a 'lessons learnt' section in order to detail what actions had been taken or were proposed in order to avoid similar losses being made in future. It was **agreed** that the Committee would propose that the LDBCW adopt a 'lessons learnt' procedure as part of its schedule of losses.

Action: Finance Manager **By:** 23 November 2016

16. Risk Management Report

- 16.1 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, including two new Corporate risks covering the Welsh Government announcement of the local government electoral reviews and the possible change to IT arrangements. The Committee noted the report.

17. Budget Monitoring Report.

- 17.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 28 June 2016. It was further reported that the Cabinet Office funding for the BCW parliamentary review work for 2016-17 had been set at £500,000 and that changes would be made to the budget category allocations to take account of the expected recruitment of additional staff for both the parliamentary and local government reviews.

- 17.2 Julie James enquired whether the LDBCW had given any consideration to the possible risks to LDBCW funding following the recent referendum vote to leave the European Union. It was **agreed** that the Chair would raise this issue for discussion at the next LDBCW Commission meeting.

Action: Finance Manager **By:** 23 August 2016

18. Gifts and Hospitality – Report and Declarations

- 18.1 The Committee noted that no declarations of gifts of hospitality had been made for 2016-17 to date.

19. Complaints

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

20. Whistleblowing and Fraud Report and Policies

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

21. IT Data Security Report

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

22. Any Other Business

- 22.1 There was no other business.