LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

AUDIT AND RISK ASSURANCE COMMITTEE MEETING HELD ON WEDNESDAY 23 NOVEMBER 2016 AT HASTINGS HOUSE (10:30 – 12:15)

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

Wales Audit Office Representative Present: Anthony Ford

Deloitte Representatives Present: 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 Ian Howse (Deloitte), Anthony Barrett (WAO) and Matthew Redmond (LDBCW).

2. Declarations of Interest

2.1 David Powell declared an interest in the seaward boundary review for the Tidal Lagoon project as his son worked for the company involved in the initial design work for the project. The Committee noted Mr Powell's declaration but considered that there would be no requirement for him to withdraw from any discussion of the seaward boundary review.

3. Minutes of Audit Committee meeting held on 27 July 2016.

3.1 It was **resolved** to adopt the minutes of the Committee meeting held on 27 July 2016.

4. Issues Arising from Previous Meeting.

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

4.2 The exception was the agreed action for Deloitte to investigate the possibilities for external review of the LDBCW's internal audit arrangements. Kath Shafer reported that progress had been made by Ian Howse who had approached the Government Internal Audit Agency to make arrangements for the external review. The Committee noted this development.

4.3 Steve Halsall updated the Committee on the latest position for the LDBCW's electoral review work. The Policy and Practice document for the reviews had been completed and published and the first principal councils to be reviewed were Gwynedd, Ceredigion and Powys. Arrangements had been made to hold initial meetings with each principal council and community / town councils in early 2017. Meetings had also been arranged with officials of the WLGA to discuss the commencement of the reviews.

4.4 Mr Halsall said that it was also possible that the LDBCW would be undertaking a review of the seaward boundaries of Swansea and Neath Port Talbot for the Tidal Lagoon project. This type of review had never been undertaken before and the LDBCW were currently assessing the potential risks involved for inclusion on the corporate risk register. It was expected that the review would take approximately 1 year.

5. Audit and Risk Assurance Committee Work Plan

5.1 The Committee noted the Work Plan which had been revised following the previous meeting to reflect the new timing of external audit reporting.

6. Internal Audit: Mid-Year Audit Report 2016-17

6.1 Kath Shafer reported that the audit work carried out in September 2016 had covered the areas of Information Security and IT General Controls. The findings of the audit work were detailed in the report which gave Moderate assurance ratings for both Information Security and IT General Controls. The report made one medium priority and six low priority recommendations, which were:

- that the Commission seeks to obtain from Welsh Government a clear statement of responsibilities in relation to the IT services currently provided by Welsh Government on behalf of the Commission and assurances from Welsh Government as to the effectiveness of the internal controls in place in relation to the IT services it provides, for example, requesting that the relevant internal audit reports are shared with the Commission. (Medium);
- that staff are informed that they should not disclose the code which grants access to the Commission's office to visitors. (Low)
- that access to the electronic HR folder is restricted to only those members of staff who require access. (Low)
- that the version of the Records Management policy available to staff on the intranet is replaced with the most up to date version. (Low)
- that the Commission ensures that all members of staff receive training on information security awareness. (Low)
- that a monitoring process for the Retention Schedule is established and followed. (Low) and
- that the Commission obtains a written agreement from the Welsh Government in relation to the provision of emergency accommodation. If Welsh Government will not provide a written agreement then the Commission should consider what alternative emergency accommodation options are available that the Business Continuity Plan is updated to reflect that there is no longer a written agreement in place with Welsh Government. (Low).

6.2 The medium priority recommendation regarding obtaining a statement of responsibilities from Welsh Government regarding IT services assurances regarding the effectiveness of internal IT controls had been rejected by LDBCW management on the grounds that there was a significant possibility that the LDBCW's IT arrangements would be changing in the near future. Although this recommendation had been rejected the Committee considered that it would still be prudent for the LDBCW to obtain any internal audit assurances on IT which the Welsh Government may have for the remaining time during which the LDBCW would remain part of their IT system. It was **agreed** that the LDBCW should contact the Welsh Government Head of Internal Audit and request any audit reports or assurances they have. It was also **agreed** that the LDBCW would check the Welsh Government's annual accounts for any assurances on IT controls.

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

6.3 The remainder of the recommendations, which had all been accepted by management and assigned deadline dates for completion. The Commission noted from the internal audit plan that the end-year audit scheduled for December 2016 would cover Revenue and Receivables, Corporate Governance and Risk Management and follow up of previous year's recommendation.

7. Review of fixed Assets Verification Exercise

7.1 The Committee noted the outcome of the LDBCW's annual verification of fixed assets exercise. All assets had been accounted for and the only issues arising concerned minor instances of incorrect asset labelling which had now been rectified.

8. Review of Audit and Risk Assurance Committee Self-Assurance Questionnaire

8.1 It was reported that all outstanding issues arising from the previous year's exercise had now been resolved and that the amended questionnaire for 2016-17 had been circulated to members for completion. The outcome of the 2016-17 exercise and any issues identified would be considered at the February 2017 meeting.

9. Business Continuity Plan Test 2016-17

9.1 The Committee considered the outcome of the LDBCW's annual Business Continuity Plan test and it was noted that the test indicated that the LDBCW could continue to operate effectively in the event of short to medium term disruption resulting in lack of access to the LDBCW's accommodation and office based IT system. In respect of the list of action points arising from the test, the Committee considered that the deadline date of 31 March for implementing alternative arrangements for access to online banking for the Chief Executive and Deputy Chief Executive should be brought forward. It was **agreed** that this action point should implemented as soon as possible.

Action: Finance Manager **By**: 30 November 2016

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 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 commencement of electoral reviews in early 2017, it was anticipated that these recommendations would be confirmed as implemented in due course.

10.2 There was one outstanding recommendation 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. This had been assigned a deadline date of 31 March 2017 at the Committee's February meeting and it was expected that the recommendation would be implemented on the return of the Business Support Manager.

10.3 The new agreed recommendations resulting from the 2016-17 mid-year audit had already been considered under agenda item 6 and the deadline dates for implementation were noted.

11. Brexit – Implications and Risks

11.1 It was reported that the LDBCW had recently given consideration to the implications and risks surrounding the recent vote to leave the EU. Their considerations had been assisted by a meeting held by Welsh Government for WGSBs to discuss this issue and during which it had been agreed that the Welsh Government would endeavour to keep all WGSBs informed of any developments or changes to policy resulting from Brexit by means of the biannual WGSB Heads of Resources meetings. The Committee noted the report

11.2 Lisa James considered that Brexit may have an impact on the LDBCW's stakeholders, particularly the principal authorities. It was resolved that the LDBCW should be mindful of this when dealing with stakeholders.

12. Risk Management Report

12.1 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. The Committee noted the current situation in respect of the LDBCW's IT arrangements and the ongoing meetings with other WGSBs and drafting of the business case and feasibility report. It was estimated that the new IT arrangements should be in place by the end of 2017.

12.2 It was reported that a new corporate risk covering the LDBCW undertaking a seaward boundary review for the Swansea, Neath Port Talbot Tidal Lagoon project was to be drafted for inclusion in the Corporate Risk Register in December.

12.3 It was noted that the operational risk covering travel insurance for staff undertaking official travel was currently being tolerated as no insurance provider could be found. It was considered that this risk would increase as the new electoral review work involved site visits and travel to principal authority offices for meetings with officials. Anthony Ford said that some WAO staff undertook significant travel as part of their duties and offered to make enquiries within WAO to ascertain what travel insurance arrangement, if any, were in place.
Action: Wales Audit Office **By**: 22 February 2016

12.4 The Committee considered that the most likely WGSB to require travel insurance would be Estyn as their inspectors undertook a significant amount of travel as part of their duties. It was agreed that enquiries would be made with Estyn regarding whether they obtained travel insurance cover for their inspectors.
Action: Finance Manager **By**: 30 November 2016

12.5 Lisa James said that the LDBCW's requirement for legal advice would increase as the programme of electoral review work commenced. It was noted that the current arrangements for legal services with the Government Legal Department were due to expire and that the LDBCW had also been successfully using the National Procurement Service's framework on a call off basis. It was reported that a paper on option for provision of legal services was due to be tabled at a future LDBCW Commission meeting.

13. Budget Monitoring Report.

13.1 The Committee noted the minutes of the budget report presented at the Commission meeting of 25 October 2016. It was reported that the LDBCW would assess the underspend in their budget and agree on an amount to be surrendered back to Welsh Government at their December meeting. The LDBCW would also consider their budget requirements for 2017-18 at the same meeting and it was expected that there would be further costs associated with the new IT arrangements and the seaward boundary review. In respect of the new IT arrangements Lisa James said that the Sponsor Division would need to know of any capital funding requirements as soon as possible. It was **agreed** that the LDBCW would pass the capital funding requirements for the new IT system to the Sponsor Division as soon as they were available.
Action: Finance Manager **By**: 31 December 2016

14. Gifts and Hospitality – Report and Declarations

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

15. Complaints

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

16. Whistleblowing and Fraud Report

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

17. IT Data Security Report

17.1 It was reported that there had been one data security incident since the last report. This had occurred when a document containing details of staff contact information intended for internal distribution only had been emailed to an outside organisation in error. The outside organisation involved was a principal council and it had been possible to locate and delete the restricted information with the assistance of the council's IT data security officer.

17.2 The incident had been reported to the Welsh Government and it was not expected that any further action would be necessary. The LDBCW had now produced a redacted version of the document for issue to auditors in order to improve the security of the document.

18. Chair of ARAC Meeting 24 October 2016

18.1 It was reported that the issues considered at the meeting were assessing audit committee effectiveness and annual reports following the recent change of format. The Committee considered that they reviewed and demonstrated their effectiveness by including details of all their decisions and proposals made which had been adopted by the LDBCW within the ARAC Chair's Annual Report. It was reported that some WGSBs had adopted the practice of holding joint ARAC meetings once a year to consider such issues as effectiveness and training and that there may be an opportunity for the LDBCW to adopt this practice following the establishment of shared IT arrangements with another WGSB. It was **agreed** to propose to the LDBCW that they investigate this possibility.
Action: Finance Manager **By**: 31 December 2017

18.2 Another method of assessing audit committee effectiveness which had been highlighted at the meeting was the practice of taking 10 minutes at the end of each audit committee meeting to hold a discussion about how the meeting had gone and how effective members considered it had been. It was **agreed** that the Committee would adopt this practice starting with the current meeting. It was noted that it was not the LDBCW's current practice to publish ARAC meeting agendas on their web site. It was **agreed** to propose to the LDBCW that they consider adopting the practice of publishing ARAC meeting agendas.
Action: Finance Manager **By**: 31 December 2016

18.3 The Chair of ARACs meeting had included an informal assessment by WAO of WGSB's annual reports. The outcome of this assessment of the LDBCW's annual report was that it appeared to lack key performance indicators. The

Committee considered that it had been difficult for the LDBCW to include performance indicators when no review work was being undertaken. It was noted that the LDBCW had used the Minister's objectives set out in his Remit Letter for 2016-17 as a measure of their performance in the absence of review work and the Committee considered that this was sufficient. Lisa James enquired whether the LDBCW had a stakeholder feedback system and Steve Halsall confirmed that a stakeholder questionnaire was used at the end of each review.

18.4 At the Chair of ARACs meeting it was noted that annual report now required a Parliamentary Accountability and Audit Report section which most WGSB's, including LDBCW, had not fully complied with. It was agreed that the LDBCW would check the requirements of this section and consider whether they were relevant for inclusion in the annual report.
Action: Finance Manager **By**: 22 February 2017

19. Any Other Business

19.1 The Chair noted that Kath Shafer was leaving Deloitte and would no longer attend LDBCW ARAC meetings. He extended the Committee's thanks to her for her assistance to the Committee and wished her good luck for the future. The Committee noted her replacement, Michelle Hopton, would attend future meetings.

19.2 There was a discussion regarding the Committee's performance and effectiveness during the meeting. There was consensus that the meeting had gone well and that effectiveness had been demonstrated by good agenda coverage, the quality of the meeting papers and the discussions generated with suggestions being readily considered.

20. Dates of Next Meetings

20.1 It was noted that the dates for the next ARAC meetings would be:

- 22 February 2017
- 26 July 2017.