

ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2019-20

Purpose

1. To seek Council's endorsement for the Annual Report of the WLGA's Audit Committee **Annex 1**.

Background

2. The Audit Committee last met on the 8th October 2020. This annual report covers the extended period and is appended to this cover note. It provides an overview of the work undertaken by the Committee during 2019-20 in accordance with its terms of reference.

Recommendation

3. **Council is asked to endorse the annual report of the Audit Committee.**

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ANNEX 1

THE ANNUAL REPORT OF THE WLGA AUDIT COMMITTEE 2019-20

Membership of the WLGA Audit Committee 2019-20

Chair Cllr Linda Evans (Carmarthenshire) – Plaid Cymru
Vice Chair Cllr Christopher Weaver (Cardiff) – Labour
 Cllr Maureen Webber (Rhondda Cynon Taf) – Labour
 Cllr Julian Thompson-Hill (Denbighshire) – Conservative
 Cllr Rosemarie Harris (Powys) – Independent

Terms of Reference of the Audit Committee

The terms of reference and responsibilities of the Audit Committee derive from the WLGA Constitution.

The Audit Committee has overall responsibility for monitoring the integrity of the financial statements of the Association, and for overseeing the internal control and risk management systems

The Audit Committee:

- Reviews the financial statements prepared for the Association, specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Executive Board or Council.
- Monitors the processes relating to the management of the Association's overall risks, internal controls and corporate governance arrangements and consider the level of assurance that can be taken from those processes.
- Oversees the appointments of external auditors, commission work from internal and/or external audit as appropriate, monitor the operation of internal and external audit processes for the Association and seek expert advice where necessary to provide independent internal or external assurance on key issues.
- Considers issues of probity and conduct and agree action necessary to ensure that the practice for the Association and its associated companies reflects an appropriate ethical framework.
- Presents an annual report to the Council, detailing the activities of the Committee during the year and an assessment of the adequacy and effectiveness of the internal control framework of the Association.

Meetings of the Audit Committee

Copies of the agendas and reports to the WLGA Audit Committee meetings held during the 2018-2019 Council term are available on the WLGA's website:

WLGA Audit Committee held [8th October 2020](#)

WLGA Audit Committee held [9th April 2020](#) via MS Teams

WLGA Audit Committee held [10th October 2019](#) via MS Teams

This Annual Report of the WLGA Audit Committee spans the extended 2019-20 Council Term.

WLGA External Auditors

In October 2018 and in October 2019 the Audit Committee confirmed the appointment of Bevan Buckland LLP as the external Auditors to the WLGA for 2018-19 and for 2019-20 to undertake the audit of the WLGA financial statements for the relevant financial years.

Bevan Buckland LLP
Langdon House
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In October 2019, the Auditors presented:

- The Audit Findings Report for the WLGA for year ended 31 March 2019;
- The Statement of Accounts for the WLGA for the year ended 31 March 2019; and
- The Consolidated Statement of Accounts for the year ended 31 March 2019.

Members reviewed the key risks set out in the Audit Findings Report. The WLGA bears a relatively large pension deficit, however, this is not uncommon across the public sector. The Audit Committee noted the Auditors' findings that the WLGA's cash reserves were strong and that there were no reasons to conclude that this posed any risks.

In April 2020, the Auditors presented their Audit Planning Report for the year ending 31 March 2020. The Audit Committee agreed that the 'materiality threshold' to be applied to the WLGA would again be set at £90k, however, any errors occurring below that threshold would also be reported in the final Audit Report. The Auditors' initial findings were that the internal controls within the WLGA were operating effectively; two matters not yet addressed for the previous year were the need for a centralised system to be devised on income generation and that wherever possible payments should be made through BACS transfer rather than payment by cheque. On the interim audit work undertaken to date, the auditors advised that there were no issues on membership income and that grant income to WLGA is documented. All invoices selected for audit were correctly treated but there were ongoing issues with personnel files.

In October 2020, the Auditors presented:

- The Audit Findings Report for the WLGA for year ended 31 March 2020;
- The Statement of Accounts for the WLGA for the year ended 31 March 2020; and
- The Consolidated Statement of Accounts for the year ended 31 March 2020.

Members reviewed the key risks set out in the Audit Findings Report. The WLGA's pension deficit was again referred to along with the 'amber' risks around the use of cheques, grants centralisation and the need for a review of internal controls.

WLGA officers agreed to action this over the next 6 months. The impact of the pandemic was also discussed in the context of the effectiveness of the Association

Risk Management and Business Continuity

The Audit Committee reviewed the WLGA Strategic Risk Register at each occasion following quarterly review by the Strategic Management Team. The Committee looked at the weighting ascribed to each risk and the mitigating factors to be applied to address those risks to ameliorate or remove them. The Committee asked that officers develop a detailed timetable for delivery.

The April meeting was convened via MS Teams in the early stages of the pandemic lockdown. The Committee considered and approved the WLGA's Business Continuity Plan which was now an integral part of the risk framework.

At the meeting in October 2020, WLGA officers reported back on the successful operation of the Association as a virtual organisation and specific reports generated on 20 detailed functions of the organisation. At the last meeting of the Committee it approved the risk register with additional comments on the People Management Risk in relation to staff welfare.

Data Protection Compliance

In the last October meeting, the Audit Committee received an update from the WLGA's Data Protection Officer (DPO). In the last meeting, the Committee were informed that the compliance work set out within the Service Level Agreement for 2019-20 had been successfully completed with a programme of continued work and support for 2020-21 agreed.

The programme of support for 2020-21 has been impacted as a result of covid-19, with increased support being required around business change and services which have been impacted as a result of the pandemic, particularly for services which have resulted in changes to the way in which the processing of personal data takes place.

All staff within the WLGA have received data protection training through attendance at onsite training which took place during September and October 2019, with further virtual update webinars being planned for December and January 20/21. All staff had also been provided with e-learning training on GDPR. Current compliance with completion of the

training is 70%, with only a small number of staff still to enrol and start the training. WLGA officers need to target 100% as soon as possible, as in the event of any data protection incidents the Information Commissioner would potentially query why mandatory training has not been completed.

No Data Protection security incidents have occurred during the past 12 months which have required notification to the Information Commissioners Office.

Treasury Management

In the last reporting period, the Audit Committee reviewed the WLGA Treasury Management Strategy for 2019-20 and directed that a sum of up to £2.5m be invested in the Churches, Charities and Local Authorities (CCLA) Investment Management Limited, the Audit Committee being satisfied that the performance of CCLA is above industry benchmarks and is a long established institution.

At the October 2020 meeting, the Committee were informed this had been implemented and permission was sought to increase the threshold to £4m. This was agreed on the proviso that any action is confirmed via the WLGA SMT.

WLGA Members Allowances

The Audit Committee approved the WLGA Members' Allowances Scheme for WLGA Office Holders for the Council term 2020-21 in October 2019.

The 2021-22 Scheme was approved in October 2020 based on the decision in the previous year to align them with any Senior Salary uplift for councillors set by the IRPW.

The Committee recommended that a wider review of WLGA Members' Allowances is commissioned over the next 18 months to be introduced for the new Association membership from the next municipal term in 2022-23.

Other issues

At various points the Audit Committee also received reports on

- latest Financial Regulations
- updates on office accommodation, and
- the future Work Programme