

COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND

Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank, London SW1P 4QP on Tuesday 27 March 2007 at 10.30am

Present: Chris Swinson (Chair), Tony Redmond, Jerry White, Anne Seex, Nigel Karney, Neville Jones, Neil Hobbs, Peter MacMahon, Stephen Jones, Andrew Lovett, Chris Wicks

Apologies: Richard Weighell

1. Minutes of 12 December meeting

- a. The minutes of the 12 December meeting were confirmed as an accurate record subject to one amendment.

Item 5 (a): Business continuity

Anne Seex confirmed that the second sentence in the third paragraph should read: "Furthermore, there was a need to expedite supplying staff with identisafe cards."

There was one matter arising from the minutes.

Item 5 (b): Risk management

It had not yet been possible to arrange for a risk management workshop to be held.

2. External Audit (Baker Tilly)

Andrew Lovett summarised the key points from the External Programme for 2006/07 (AC237). He considered the audit was low risk. Reliance would be placed on the internal audit work performed by PKF on the financial systems. No issues were raised to take further, so the programme was agreed.

The new engagement letter (AC238) was required because Baker Tilly had changed status to a limited liability partnership (LLP).

3. Internal Audit (PKF)

Chris Wicks said he was delighted to accept the extension of the contract for a further year. Richard Weighell would be standing down from the LGO assignment, and would be replaced by Tim Drew.

Chris Swinson thanked Richard Weighell, on behalf of the Committee, for his services over a number of years, and for his helpful advice.

a) Internal Audit Update (AC242)

Chris Wicks highlighted the key points from the Internal Audit Update, which summarised the Internal Audit Programme.

There were two audits outstanding: IT security was in draft, and Governance was in progress. Both should be finalised by the end of April to be available for the July meeting of the Committee.

b) Business Continuity (AC239)

There had been a few changes to the draft. The Business Continuity Plan was believed to be adequate.

Chris Swinson raised the issue of the most cost-effective way of putting emergency contact numbers in the hands of the people who need them, when necessary. He suggested there might be a technological solution.

Nigel Karney said the intranet was available to home workers, but said the phone number issue was a sensitive one with staff.

Chris Wicks said he thought the card system was practical. He has one from another organisation that includes all the existing data.

Neil Hobbs said he felt that the York Business Continuity exercise had not been realistic. Chris Wicks said it was difficult to make exercises realistic, but that the experience of working together on an exercise before an emergency happened, made it more likely that a real event could be successfully managed. Anne Seex said that, realistic or not, there were benefits in learning and awareness.

Anne Seex said that the York office was more vulnerable than the other two, and there was a greater likelihood of some event happening to the building. It was important to prioritise work on document protection, for example by more electronic scanning of documents.

c) Risk Management (AC240)

Chris Wicks had reviewed Nigel Karney's new risk management document, and said he thought it enhanced the previous paper.

He said he should like to attend the proposed Risk Management workshop, when it was arranged.

The recommendations were accepted.

d) Financial Systems (AC241)

Chris Wicks said the financial systems were satisfactory overall, and there were no major issues. There were two minor issues of best practice. He hoped to finalise the report by July.

Andrew Lovett said it was a very reassuring report.

e) Follow up of recommendations (AC243)

Chris Wicks said PKF had tested against 18 recommendations from previous audits, of these:

8 had been fully implemented

4 had been partially implemented
5 were outstanding, of which 1 was no longer applicable

He highlighted two issues that ranked above 'low risk'. They were:

- i) Credit card statements not being signed by cardholder (medium risk). Stephen Jones said that the recommended change in procedure would be implemented in April 2007.
- ii) Progress reporting on IT strategy

Nigel Karney said that the structure in place at the time the audit was done no longer existed. New reporting arrangements were on the Commission agenda following the finalisation of the IT Strategy.

f) Internal Audit Project Support Update: Project Hydra (AC243a)

An additional paper (AC243a) was presented concerning the role of PKF in providing an independent challenge with Project Hydra, which had now been put on hold. Tony Redmond said that Chris Wicks' participation in Project Board meetings had been of great help.

g) Draft Internal Audit Plan 2007/08 (AC244)

Chris Wicks said the draft plan had not been finalised.

The proposals were to complete all audits by 30 April. They would amount to 102 days work, compared with 72 days last year.

The areas where an audit was proposed were: Business Planning; Workload Planning; Internal and External Communications; Financial Systems; and Governance.

Neville Jones asked if it was essential to include Finance every year, and if 10 days were necessary for the work. Chris Wicks said he could provide a better response after he had met with the External Auditors. Stephen Jones said he would not be happy with fewer than 10 days work and Tony Redmond, as Accounting Officer, endorsed this.

Anne Seex agreed that Business Planning and Governance should be audited, but queried the need for 12 days work. She said 30 days for Communications was too much, especially as the Commission was about to consider a new Communications Strategy. But she thought that the importance of Workload Planning had been underestimated - the more help and insight the Commission received on that issue, the better.

Chris Swinson suggested that a view on the Communications audit should be taken after the Strategy had been agreed. He and Tony Redmond also agreed that more time should be spent on Workload Planning. Chris Wicks said he would like to hold discussions with local management.

Tony Redmond suggested that the wording on Business Planning could be refined to reflect that PKF not only reviewed the process, but contributed to it.

Stephen Jones said the budget in 2007/08 for Internal Audit was 51 days work.

Chris Swinson said that the papers needed some tweaking, particularly regarding reducing or removing Communications/Marketing and increasing the time spent on Workload Planning. He would discuss the budget and audit days with Tony Redmond. Adjustments to the paper would be done outside of the Committee, then accepted as a plan.

4. Pensions Disclosure Annual Accounts (AC245)

Stephen Jones said the paper was a response to the debate at the presentation of the Annual Accounts, to reflect Treasury guidelines.

The Ombudsmen and Deputies endorsed the full disclosure of their accumulated pension entitlements.

5. Losses and Special Payments: 1 December 2006 - 15 March 2007 (AC246)

The special payments were noted.

6. Waiving of Financial Regulations (AC247)

The waiver was noted.

7. Strategic Risk Register and Strategy Update (AC248)

Nigel Karney said the paper currently represented his own views, but that he would refer it to the Deputies Group, so that it could be amended to reflect the views of the Group.

Jerry White said that the paper was more useful than any previous paper on the subject, and should become a strategic management tool.

Amendments were agreed to page 10 - the Strategic Risks Pyramid.

- i) The list of stakeholders should include both the public and the media.
- ii) Risk area (1) concerning the soundness of complaint decisions should be put in red, to reflect its importance.

Action: NJK

Anne Seex made the point that we do not actually track who is using our service, in terms of social class, distribution across the country, wealth/poverty etc. Neil Hobbs said this was an area of work where much could be done.

8. Any other business

Jerry White raised the issue of the future composition of the Audit Committee.

Tony Redmond said that preferences had been expressed for more independent members on the Committee. He raised three further points:

- i) Do all the Ombudsmen need to be members and present at each meeting?
- ii) Should Tony Redmond, as Accounting Officer, be a member of the Committee, or an attendee?
- iii) What are the roles of the Deputy Ombudsmen and Deputy Chief Executive at the Committee?

This issue should be placed on the agenda for the next meeting.

9. Date of next meeting

The next meeting would be at 10.30am on Tuesday 17 July 2007, at Millbank Tower.