

## COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND

Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank,  
London, SW1P 4QP on Tuesday 15 July 2008

**Present:** Eugene Sullivan (Chair), Tony Redmond and Ann Abraham

**In Attendance:** Andrew Lovett (Baker Tilly), Neil Thomas (KPMG), Nigel Karney,  
Stephen Jones and Corinna Edge

### 1. Minutes – 21 May 2008

The minutes of 21 May 2008 were confirmed as an accurate record of the meeting.

### 2. Matters Arising

#### a) Governance Review Programme (AC267)

Tony Redmond informed the meeting that a paper was being submitted to the next Commission meeting regarding the proposal to appoint Additional Commissioners.

It was also noted that a second independent member of the Audit Committee was due to be appointed in due course.

#### b) Triennial Evaluation (AC259)

It was noted that the next triennial evaluation was due to take place by 31 March 2010.

### External Audit (Baker Tilly)

### 3. Annual Accounts and Audit Opinion 2007/08 (AC271)

Stephen Jones informed the Committee that the new format and colour had enhanced the presentation of the Annual Accounts.

Eugene Sullivan identified a number of presentational errors within the document and asked that the Annual Accounts be proof read.

**The Audit Committee agreed that once the document is amended and cleared by Tony Redmond the revised version be circulated to members of the Committee.**

### 4. Auditors Report (AC272)

Andrew Lovett highlighted that the Commission were not required to follow any particular accounting policies as other Government departments. The Commission had produced good draft accounts and accompanying working papers and there were no points which needed to be brought to the attention of the Committee. He added that the accounts depicted a true and fair view of the Commission's financial position and were prepared in accordance with the Grant Memorandum.

Eugene Sullivan thanked Stephen Jones, the Finance Team and the External Auditors for the work undertaken to produce the Annual Accounts.

Tony Redmond said that the pension fund is basically under funded and needs addressing over a period of time. There is no expectation that the Government will fund the current deficit. The Commission will need to manage this position as it cannot divert any existing resources to fund an increase in the employer contribution. This will be best addressed through the next grant submission by reiterating the issue to the DCLG as it is important they acknowledge the problem of the continuing deficit.

Andrew Lovett asked whether the Commission had a plan for dealing with this deficit and whether it was intended to undertake this in a certain timescale.

Stephen Jones said that the employers' contribution rate had previously been low but previous arrears had been funded by the DCLG. With an ageing workforce and an increase in liabilities the Commission requires sufficient revenue funding to pay contribution rates and additional funds to cover the pension deficit.

Neil Thomas said that it was important to get reassurance on the stewardship of the pension fund from the LPFA before reporting back to the DCLG.

Stephen Jones added that he had queried figures on a number of occasions but there was insufficient challenge from other members of the organisation. Tony Redmond expressed his continuing concern at the LPFA's lack of attention to the Commission's predicament.

The Audit Committee noted the Auditors Report.

## **Internal Audit (KPMG)**

### **5. Update on Internal Audit Programme for 2008/09 (AC273)**

Neil Thomas informed the Committee that the original programme had been updated and changes included additional days for the review of Corporate Services which would also incorporate legal services. He added that the review of IT function would be linked to the review of LGOAT.

Ann Abraham asked whether a proper analysis of IT risk would be undertaken.

Eugene Sullivan said that a review of IT would need to include data loss, data theft and business continuity. He added that the Committee required assurance that a review of IT was not needed until 2009.

**The Audit Committee agreed that a report be submitted to the next meeting which gives assurances that an IT review is not required immediately.**

### **6. Audit Recommendations (AC274)**

Nigel Karney informed the Committee that once a recommendation is completed and reported to the Audit Committee it is deleted from the schedule.

The following items were highlighted:

- a) The next Business Continuity exercise will be run in October and will centre around LGOAT. It will not be a pre-announced event and will be carried out as realistically as possible.
- b) A workshop on managing operational risk is being organised.
- c) A one day event is being undertaken for the York Security Review.
- d) A report is being submitted to the Commission identifying the actions being taken following the York office special audit. A copy of the report is to be sent to Eugene Sullivan for information.

Eugene Sullivan asked whether any work was being undertaken relating to the Governance review including the recommendation to better define the Deputies Group and management arrangements. Nigel Karney said that this work will commence once the report is approved by the Commission.

The Audit Committee noted the audit recommendation document.

#### **7. Loss and Special Payments: 1 March 2008 – 30 June 2008**

It was noted that there was a nil return for this item.

#### **8. Waiving of Financial Regulations (AC275)**

The Audit Committee noted the cases where the Chairman's approved the waiving of financial regulations.

#### **9. Performance Indicators (CLA1651)**

Nigel Karney said that the PIs provided background information and should be read alongside the Strategy Risk Register.

Tony Redmond highlighted that LGOAT were now receiving over 1,000 enquiries a week and there will be a six-month review in October. The overall performance of the Commission is back on track and significantly better than the previous 12 months.

Ann Abraham added that the PIs showed the changing picture and suggested that a comparative data exercise should be undertaken with other Public Sector Ombudsman organisations to identify a common view about workload.

#### **10. Grant in Aid (verbal report)**

Stephen Jones informed the Committee that an update report was being submitted to the Commission meeting. Research work has now been undertaken specifically with the Standards Board for England looking at their processes and systems used to deliver information on resources required each month. The Commission is unable to replicate easily this process (within the current system) and therefore needs to construct a model which will identify the required monthly cash grant. Budget managers are going to undertake a mini project working on the general ledger in a bid to construct a suitable model which will deliver the basis to apply for resources each month. In the longer term fundamental changes will need to be made if an appropriate and effective system is to be introduced. A meeting which took place with the DCLG had been very helpful as it identified that they were very flexible in their arrangements.

Tony Redmond said it was important that the DCLG has recognised the Commission is different and not in a position to apply the same model as used by other organisations. He added that the judgement on the level of reserves to be held under the new arrangements would need to be made at a future date.

The Audit Committee noted the verbal report.

#### **11. Strategic Risk Register Update (AC276)**

Nigel Karney informed the Committee that there were a number of areas where jurisdictional and demographic changes could increase the number of complaints received and also require additional resources.

Tony Redmond said that the register pitched the levels of risks identified correctly. LGOAT had improved accessibility but was struggling to manage the number of complaints received and enquiries far exceeded expectations. The management of change was the biggest challenge facing the Commission as the capacity for delivering change was a critical factor.

Ann Abraham added that it was important to note the wide and challenging horizon despite resources being under pressure.

Eugene Sullivan thought that the Commission had a good handle on the possible jurisdiction changes and the new funding arrangements.

#### **12. Any Other Business**

No other business was discussed.

#### **13. Date of next meeting**

It was noted that the next meeting will take place at 2.30 pm on Monday 24 November 2008.