

COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND

Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank, London SW1P 4QP on Wednesday 12 March 2008 at 10.00 am

Present: Ann Abraham (Chair), Tony Redmond, Nigel Karney, Stephen Jones,
Chris Wicks

Apologies: Andrew Lovett and Tim Drew

In Attendance: Corinna Edge

Ann Abraham opened by welcoming Corinna Edge to the meeting. She said that the meeting was being held in order to ensure that any outstanding issues were resolved, and their status recorded, prior to the incoming Chair commencing his post.

1. Minutes of 17 July 2007 meeting

The minutes of the 17 July 2007 meeting were confirmed as an accurate record.

2. Matters Arising

a. Annual Accounts and Audit Opinion 2006/07 (AC249)

Nigel Karney stated that the Accounts for 2006/07 had been signed off by the Auditor.

b. IT Audit (AC251)

It was noted that 'testing' issues relating to the IT Audit were to be discussed later on the agenda.

c. Governance Audit (AC252)

i. Work arising from the risk management workshop

Further work is being undertaken to link the Horizon Scanning document and the Risk Register.

ii. Audit Committee structure/arrangements

The new structure is now in place and the terms of reference are to be considered as part of item 4 on this agenda.

iii. Discussion on longer term governance issues outlined in the PKF report, including the interface with risk management

It was noted that the newly appointed internal auditors, KPMG, would be undertaking the Governance review.

d. Annual Report (AC253)

Nigel Karney informed the meeting that there was now a new process for monitoring audit recommendations and this would be discussed as part of item 6 ii) on the agenda.

4. Note the new Terms of Reference (AC258)

Ann Abraham said that the Audit Committee need to note that the Commission had agreed the new terms of reference for the Audit Committee at its meeting in September 2007.

Tony Redmond informed the meeting that Eugene Sullivan had been appointed as Chair of the Audit Committee and would be taking over the role very shortly. He added that the new Chair had extensive knowledge of audit in the public sector.

The Audit Committee noted the new terms of reference but recognised that the new Chair may wish to revisit this issue in due course.

External Audit (Baker Tilly)

5. External Audit Programme 2007/08 (AC259)

Stephen Jones stated that this was the last audit by Baker Tilly under the present arrangements as the external audit contract is to be re-tendered during the summer.

Stephen Jones then informed the Committee of the following issues:

- There are minor changes to FRS 17 which are currently being worked on;
- There are indications that there is likely to be a pension fund deficit which is being drawn to the attention of the DCLG;
- The tendering process for the external audit is on track.

Ann Abraham drew attention to section 6 of the report and stated that it was unclear as to whether the Commission or the Audit Committee are responsible for governance.

Tony Redmond stated that overall responsibility for governance arrangements lies with the Commission. However, it was not appropriate for the practical day-to-day responsibility to lie there. He agreed that this issue needed to be more fully explained within the report.

Chris Wicks agreed with this and stated that the references to governance arrangements within the report had been written from an audit perspective.

Tony Redmond added that the Audit Committee needed to record its view that the report did not articulate sufficiently the governance and management arrangements within the Commission.

Stephen Jones said he would raise this issue with Baker Tilly.

The Audit Committee accepted the audit plan with the proviso that the governance and management arrangements identified within the report are redrafted and circulated with the minutes.

Internal Audit (PKF)

6. Internal Audit

i. Financial Systems Resource Audit (AC260)

Chris Wicks informed the Committee that the review had been concluded at the end of 2007 and the financial systems were found to be satisfactory although there had been one issue and recommendation in relation to bank reconciliations.

Stephen Jones stated that the audit this year would be different due to changes in the financial systems by the introduction of e-commerce. This would be exposing the Commission to greater risk but should enable a more efficient service.

The report was noted and the Finance team was congratulated on its excellent work.

ii. Follow up on the implementation of Internal Audit recommendations (AC261a)

Chris Wicks advised the meeting that 20 recommendations have been made from the internal audit it 2004/05 to 2006/07. Out of these, 18 have been fully implemented in a satisfactory manner. The remaining two, R9 and R11 were then discussed by the Committee.

R9 – recommendation that each location develops its own process for the local distribution of work to employees at their home locations in the event of an incident.

Nigel Karney responded by stating that following further consideration of this recommendation, management had concluded that rather than organise a cascade system as recommended, the most appropriate course of action to distribute files if the offices were not accessible by staff, facilities would run an appointment system to for collection from where the files are located.

Chris Wicks accepted this counter proposal and stated that it was a sound approach.

R11 – recommendation that a copy of the Business Continuity plan is retained offsite at a nearby location to each site. Senior Fire Wardens at each site should hold a copy of the action plan which they would bring out of the building to ensure the Crisis Management Team always has a copy of the plan available if they cannot return to the building.

Nigel Karney responded by stating that the Business Continuity plan is currently held at remote sites. However, the longer term plan is to develop an internet version which will be password protected.

Chris Wicks accepted the long term solution but stated that there was no guarantee that internet access would be available in a disaster situation.

Stephen Jones said that key individuals had been supplied with the document to be kept in their home. Tony Redmond added that the proposals seemed reasonable and that it was not possible to cover every eventuality.

The Audit Committee noted that the recommendations had been completed and accepted the proposed solutions. It also noted the development of an internet accessible Business Continuity plan.

Audit Recommendations (AC261b)

Nigel Karney stated that the audit recommendations table would now be a standard item on the agenda.

IT Review

Nigel Karney stated that the Commission had sound propriety security software products in place and management was of the view that a 'penetration test' would involve unnecessary expenditure; it also would not be conclusive as new security threats arise on a daily basis.

Chris Wicks acknowledged that in the current economic climate conducting this test would not be the best use of the Commission's funds. However, he added that the new internal auditors may have an alternative solution to this issue.

Tony Redmond confirmed the Commission's view that a 'penetration test' would be a very large investment of the organisation's funds which was difficult to justify in the present financial climate.

Ann Abraham said that the IT Security Review was likely to feature in a future Audit plan and should be one of the issues discussed with KPMG.

The Audit Committee noted that 'penetration testing' of IT security would not be progressed at present but would be considered as part of the new internal audit plan.

iii. Internal Audit Plan 2007/08 progress report (AC268)

The Committee noted that assignments relating to Finance Systems and Follow up had been completed and those relating to Governance and Access & Advice Implementation Review had been deferred.

Tony Redmond informed the Committee that a statement of internal control assurance has been received from PKF in the form of a letter which states that

'overall the system of internal control is adequate in most respects', the particular point being that the Governance Audit had been deferred to the next Audit Plan.

The Audit Committee noted the statement of internal control assurance.

iv. Handover arrangements between Internal Auditors (verbal)

Chris Wicks put forward a suggestion that KPMG make contact with him directly in order to arrange a meeting to discuss handover arrangements and offered to provide any support necessary.

Tony Redmond advised the Committee that Chris Wicks was remaining as an adviser to the COIN Project Board until the first stage is completed. This will be reviewed at the beginning of the second stage of the project.

Ann Abraham thanked Chris Wicks and his PKF colleagues for all the work undertaken.

Tony Redmond endorsed this and asked that his personal appreciation for all the work undertaken by Chris Wicks be recorded.

Chris Wicks responded by stating that he had enjoyed working with the Commission and respected the rationale for the decision by the Commission to recruit new Internal Auditors.

Stephen Jones will ensure that contact details of PKF are forwarded to KPMG.

7. Annual Report on Major Contracts (AC262)

Nigel Karney introduced this paper and stated that the main purpose of the report was to maintain an oversight of each of the Commission's significant contractors. The following issues were highlighted:

a. Hire Car Service

Problems have arisen, particularly for the Coventry office, relating to the unreliability of vehicles being delivered to staff's homes. The Commission is looking for an alternative supplier and more reliable arrangements possibly involving collection from a depot and staff making arrangements with reliable local firms near where they live.

b. Estate Agency Services: Building Consultancy

An increasing proportion of work is being undertaken in-house but the Commission will continue to use LSH when necessary. The arrangement with WYG has been brought to a close.

c. Planned Maintenance

Due to the unreliability of previous contractor in London an alternative has been engaged following a re-tendering exercise jointly with PHSO.

d. Design, Print Management and Website

The Commission is now using a government framework agreement for design services following the demise of the previous contractor.

e. Occupational Health

A new firm, rather than an individual, has been employed to undertake work to provide a wider range of services; it is the same contractor as used by PHSO

f. Equality and Diversity Consultant

A new firm has been employed to undertake work which is a team rather than an individual. This is another contractor who has been previously used successfully by PHSO.

g. Health and Safety

Work is now being undertaken in-house with ad hoc external support.

The Chair commented on the clarity and usefulness of the report.

This report was noted.

8. Losses and Special Payments: 1 July 2007 – 1 March 2008 (AC263)

Tony Redmond said that the format for this report will be reviewed and the Committee will be provided with more information in the future. This will ensure that the Committee is able to fulfil its role properly.

This report was noted.

9. Waiving of Financial Regulations (AC264)

A revised version of this report was tabled adding a final column listing the amount of the lowest bid. Nigel Karney commented that management were increasingly using more sophisticated methods of selection with the support of the PHSO procurement unit.

Nigel Karney informed the Committee of the following:

a. Intranet Indexing and Search Tool

A decision was made to appoint CINTRA despite the higher cost as they used a device different from others on the market and their system is used by local authorities.

b. Equality and Diversity Consultancy

A decision was made to appoint Work-Positive despite the higher cost as the organisation with the lowest tender performed poorly at interview.

Tony Redmond requested that the format of this report be altered for subsequent meetings by expanding the reasons for acceptance. The Chair commented that it was not surprising that the lowest tenderer was not always being appointed now that more sophisticated approaches to selection were being used.

The report was noted.

10. Performance Indicators (CLA1630)

It was noted that the PIs had been included on the agenda to provide a performance backdrop to the item relating to the Strategic Risk Register and Strategy Update.

11. Strategic Risk Register and Strategy Update (AC265)

Nigel Karney informed the Committee that the revised version of the Risk Register was based on the model agreed at the last meeting. The main issues related to the backlog in the York office, the findings of the MORI survey and the budget situation.

Ann Abraham stated that the Risk Register provided clear and comprehensive information on the current position of the Commission. She added that it provided an excellent starting point for the new Chair of the Audit Committee and Internal Auditors.

New Chair and Internal Auditors be provided with a copy of the Risk Register.

12. Any Other Business

No further business was discussed.

13. Date of next meeting

Date to be arranged for May 2008 following consultation with the new Chair.