

COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND

**Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank,
London, SW1P 4QP on Monday 24 November 2008**

- Present:** Eugene Sullivan (Chair), Tony Redmond, Lucinda Bolton and Ann Abraham
- In Attendance:** Nigel Karney, Stephen Jones, Neil Thomas (KPMG) and Jo Lees (KPMG)
- Apologies:** Andrew Lovett (Baker Tilly)

Eugene Sullivan welcomed Lucinda Bolton, Independent Member, to her first meeting.

1. Minutes – 15 July 2008

The minutes of 15 July 2008 were confirmed as an accurate record of the meeting.

2. Matters Arising

a) Governance Review Programme (AC267)

Tony Redmond informed the Committee that a Governance Away Day for Commissioners was being organised for early 2009 where organisation's governance will be discussed including the proposal to appoint additional Commissioners.

b) Auditors Report (AC272)

Stephen Jones advised the Committee that he had requested LPFA carry out a mid term valuation to give a view on the actual size of the pension deficit. He also said that the LPFA was working on Service Level Agreements with a view to identifying gaps in their service and he has asked to be involved in assessing them.

Tony Redmond said the specific responsibilities of LPFA needed to be clarified including the provision of information to employees regarding changes in pension regulations and options available.

Neil Thomas stated that the experiences of the Commission are common for smaller bodies but the LPFA were becoming more customer focused though this is taking time to achieve.

The Committee **agreed** that on completion of LPFA's mid term valuation it should be shared with DCLG along with the Commission's plan for dealing with the pension deficit.

c) IT Review

Nigel Karney informed the Committee that an audit on information security was planned but the scope for this was yet to be drafted. This review will include data loss, data theft and business continuity.

Eugene Sullivan said that the Committee had yet to be given independent assurance that a review was not necessary at this stage. Nigel Karney said that KPMG was looking at undertaking a penetration testing review on all aspects of security and a timescale had been agreed for this work.

Eugene Sullivan also asked whether supplier failure had been identified as a risk. Nigel Karney pointed to the register of all suppliers which would be submitted to the Audit Committee towards the end of each financial year. Stephen Jones added that a watching brief is kept on all suppliers.

Eugene Sullivan asked whether there was any work being undertaken regarding business continuity and incident management. Nigel Karney said that a business continuity exercise based around the Coventry office and specifically the new first contact centre was imminent.

The Audit Committee noted the various aspects of work being undertaken in this area.

3. Internal Audit (KPMG)

i) Corporate Services Efficiencies Review (AC278)

Nigel Karney informed the Committee that, as the project had initially been undertaken by the Commission as part of the budget process, it was deemed necessary for it to be reviewed by an external body. Some of the recommendations made by KPMG were probably more relevant to the longer term issues facing the Commission and not considered appropriate at this point of time. He also questioned the degree of savings identified by KPMG. The Commission supported these views.

Neil Thomas acknowledged that the recommendations identified by KPMG were more relevant to the medium to long term.

Tony Redmond said that the exercise had been a very thorough piece of work which had looked at all the different options available and the Commission had not ruled out the possibility of introducing shared / outsourced services. Possible new jurisdictional areas are sure to tax the capacity of the organisation to deliver a proper and robust service so introducing outsourced services at this time would leave the organisation more exposed. He added that the exercise had been most helpful and some of the proposals and suggestions would probably be reconsidered within the next two to three years.

Eugene Sullivan mentioned that two areas which might be looked at further were legal and IT. Nigel Karney said that the way legal services is delivered will need to be reshaped for 2010 and that there was a potential gain in outsourcing IT and both of these will be reported to the Commission.

This review was noted by the Audit Committee.

ii) Accommodation Strategy Review (AC279)

Jo Lees informed the Committee that Nigel Karney had already done some work around the options available to the Commission in both the short and long term. In the short term it was concluded there were no other options for the Commission given the nature of the current leases. The long term options were dependent on the Commission's strategy.

Nigel Karney said that he agreed with the recommendations identified in the review.

Tony Redmond said that the next two years will define the shape and size of the organisation and it would be prudent to wait until then to decide on the Commission's accommodation options and strategy.

This review was noted by the Audit Committee.

iii) Audit Committee Progress Report (AC285)

Jo Lees reported that the fieldwork on financial systems and operational performance management had been finalised. It was also noted that the fieldwork on LGOAT had just commenced.

The Audit Committee noted this report.

iv) Risk Management and Corporate Governance (AC286)

As Eugene Sullivan and Lucinda Bolton had not received a copy of this paper the Audit Committee **agreed** to accept the report and email any concerns about the content to Nigel Karney in due course.

v) Audit Recommendations Update (AC280)

Nigel Karney reminded the Committee that this report was constantly being updated and was a standing item on the agenda.

The auditors expressed no concerns with the progress being made on each item.

Eugene Sullivan asked that the document be split into the following two categories in order to avoid confusion:

- a) Outstanding recommendations and progress being made.
- b) Items for the Commission's consideration which the Audit Committee should note and feedback their views when necessary.

He also requested that there be a commentary / overview at the front of the document drawing attention to urgent items which require the Audit Committee's specific attention.

Lucinda Bolton also requested that the columns for 'further action' and 'projected completion dates' be completed in order that the Audit Committee may track progress of each recommendation.

The Audit Committee noted this report and **agreed** the suggested amendments to layout.

4. Losses and Special Payments: 1 July 2008 – 31 October 2008

The Audit Committee noted that there was a nil return.

5. Waiving of Financial Regulations

The Audit Committee noted that there was a nil return.

6. Performance Indicators

Nigel Karney stated that the PI report presented data on the core business of the organisation. The low complaint levels have been a trend through the year and targets were currently being achieved.

Tony Redmond highlighted the reduction in the number of complaints being sent to investigative teams as LGOAT was dealing with premature complaints and providing substantial advice to all enquiries. However, the organisation will not be able to identify actual investigator workloads until this new service has been running for a year when a full review of the service will be undertaken. The Commission was also due to introduce the 'ultimate rung' procedure whereby complainants would be required to exhaust a council's complaints procedure before the Commission would investigate their complaint.

It was noted that the performance indicators are submitted to the Commission to highlight trends and changes but it is currently being reviewed by KPMG. It was acknowledged that there were weaknesses in the model which will need to be reviewed with the introduction of data from LGOAT.

Eugene Sullivan said that the design of the data needed to be reviewed to fit specific audiences. The Audit Committee would be more interested in seeing how the intelligence extracted would affect risk and options to the business.

The Audit Committee noted this paper.

7. Grant in Aid

Stephen Jones tabled a paper which set out a brief overview of the work that has been undertaken to date. He informed the Committee that a shadow exercise was now into its second month and weaknesses in the system had been identified which require resolution before going live on 1 April 2009. The Commission is using a high level of manual intervention at present but is on course to deliver the new arrangements by the due date.

Eugene Sullivan said that it was encouraging to see the progress made so far.

8. Strategic Risk Register Update (AC281)

Nigel Karney informed the Committee that this document follows the recommendations identified in the KPMG report which have been incorporated as necessary. He has now brought in a 5.5 scoring system. He added that it was still work in progress.

Eugene Sullivan asked that a front page be produced each time the register is submitted to the Audit Committee which identifies the high risk items and action to be taken.

Lucinda Bolton requested that where a risk was identified as 'high' a note be provided in the 'action' column.

The auditors approved the risk register.

Tony Redmond was then asked to provide a summary of the proposed and potential new jurisdictional areas for the organisation.

i) Making Experience Count

The Commission is a relatively small player in this area as it is principally around health. Complaint numbers could rise as it is proposed that there be only one complaint handling stage at local authority level. The Commission is in the process of securing appropriate additional resources to fund this service for next year. This is due to be introduced on 1 April 2008.

ii) Self Funders

This new area is due to be introduced on 1 April 2010 whereby the Commission will be the body responsible for providing an independent complaints handling function for private sector adult social care. The Commission is currently in negotiations with the Department of Health for necessary funding for the new service.

iii) Internal Management of Schools

The Commission has been identified as one out of three potential hosts for dealing with complaints about internal management of schools. A decision is expected prior to Christmas. There could be approximately 24,000 schools within jurisdiction. The Commission is currently in negotiations with Department for Children, Schools and Families on possible delivery of this service and its funding.

iv) Empowerment White Paper

The Government is undertaking a review of local authority complaint handling systems particularly redress and there is also a move towards more local decision making. This will be a challenge for the Commission and changes in jurisdiction may be required. However, the White Paper is less than clear on how this may happen.

Tony Redmond added that issues around timescale and capacity to delivery need to be addressed.

Ann Abraham said potentially there will be considerable more work and change for the organisation. Furthermore, the Commission is increasing its risk score in all areas. However, she added that there was a question about whether this degree of additional work can be absorbed by the organisation facing current funding challenges.

Tony Redmond said that work was being undertaken to ensure that funding for all the potential new areas is appropriate. He added that the organisation had been proactive in securing these new services as, otherwise, there was a real threat to the Commission's size and influence.

Lucinda Bolton highlighted the importance of securing the correct and appropriate project skills to ensure the best results for each of these areas.

Tony Redmond said that the organisation could possibly end up with three projects. He added that the majority of work on LGOAT had been conducted in-house though there was some assistance from external sources. He envisaged that there would be a need for external assistance at some stage as the organisation did not have sufficient capacity and expertise in-house. Finally, it was noted that decisions on these areas were required by end January/ beginning February if they were to be delivered by the due date.

The Audit Committee noted the register and **agreed** the suggested amendments to presentation of the document.

9. Any Other Business

No other business was discussed by the Audit Committee.

10. Date of meetings for 2009

The Audit Committee **agreed** that three meetings would be scheduled for next year and additional meetings would be arranged if necessary.