

COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND

**Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank, London,
SW1P 4QP on Monday 23 March 2009**

- Present:** Eugene Sullivan (Chair), Tony Redmond, Lucinda Bolton
- In Attendance:** Nigel Karney, Stephen Jones, Angela Senda, Henry Arthurs (Baker Tilly), Neil Thomas (KPMG), Jo Lees (KPMG) and David Stacey (KPMG)
- Apologies:** Ann Abraham

Eugene Sullivan welcomed Henry Arthurs from Baker Tilly to his first meeting of the LGO Audit Committee.

1. Minutes – 24 November 2008

The minutes of 24 November 2008 were confirmed as an accurate record of the meeting.

2. Matters Arising

There were no matters arising.

External Auditor Report (Baker Tilly)

3. External Audit Programme 2008/09 (AC287)

Henry Arthurs introduced himself and advised the committee that he had replaced Andrew Lovett.

Henry Arthurs introduced the report and highlighted the following issues:

- The Commission now has a heavy agenda and is looking to change the organisation very significantly and so there was a potential risk for staff to be distracted from delivering the core service. However, from the planning work to date this does not seem to be the case. It is felt that the Commission will be able to prepare their financial statements for 2008/09.
- Baker Tilly will follow the same process as used in previous years when preparing the Audit Opinion and will report to the next Audit Committee.

Stephen Jones said that there had been a seamless handover between Henry Arthurs and Andrew Lovett and indicated that the accounts will be ready for inspection by mid June.

Eugene Sullivan asked whether the Commission was in discussion with the DCLG regarding the Alignment Project which was a Treasury inspired initiative. Stephen Jones said that no approach had been made by the DCLG with regards to this initiative.

Eugene Sullivan then asked whether the Commission would be producing triggers for IFRS. Stephen Jones said that a scoping exercise was due to be undertaken with Baker Tilly's assistance and a shadow exercise will be underway in due course with a view to collating the required information. Henry Arthurs added that the scoping exercise may throw up some interesting issues so it would be in the best interests of the Commission to start this work in the next half year.

This report was noted by the Audit Committee.

Internal Auditor Reports (KPMG)

4. Financial Systems Review (AC288)

Jo Lees said the report gave substantial assurance over the Commission's key financial systems. She added that this information had been shared with Baker Tilly and the recommendations had been agreed by management.

Nigel Karney endorsed this though all the recommendations had not yet been implemented.

Stephen Jones said the straight forward recommendations had already been implemented and he was aware that a number of items that needed to be rectified related to administration arrangements.

Lucinda Bolton noticed that the report highlighted the inconsistencies across the offices with regards to budget monitoring which raised a broader issue.

Eugene Sullivan asked that the layout of all future reports produced by KPMG be revised so that recommendations are set out clearly in bold print.

The Audit Committee noted this report.

5. Operation Performance Management Report (AC289)

Jo Lees said that there was a series of recommendations but KPMG gave substantial assurance in respect of the Commission's operational performance management arrangements.

Nigel Karney said that the Audit Recommendations update paper showed the current position with regards to PIs and this was to be discussed by LGOs and Deputies at a meeting yet to be arranged.

Neil Thomas added that the organisation needed to make a decision on the various roles and how the Commission, Audit Committee and Deputies see different functions being performed.

Eugene Sullivan said that a different level of information was required and the Audit Committee was not well served with segmented data provided currently. He also added that the structure chart identified on page four required amendment as it did not identify the reporting lines for the Deputies' Group.

Tony Redmond suggested that a meeting be arranged to discuss the type of information and data required by members of the Audit Committee.

Both Eugene Sullivan and Lucinda Bolton asked what measures were in place to ensure that out of date information in the Investigator Handbook was not used to determine decisions on complaints. Tony Redmond replied that sample monitoring checks on cases are undertaken by LGOs, Deputies and Assistant Ombudsmen to ensure correct decisions are made.

It was **agreed** that Eugene Sullivan, Tony Redmond and Nigel Karney would meet to discuss what performance data would be relevant for members of the Audit Committee.

The Audit Committee noted this report.

6. Access and Advice Centre Review (AC290)

Jo Lees stated that KPMG gave substantial assurance to the internal review of LGOAT's performance.

Tony Redmond said that the objectives set for the Access and Advice Centre had been largely met. These KPMG recommendations were not fundamental to the nature of the service but would assist in making improvements. He added that the Commission were planning on carrying out an annual review of this service after 31 March 2009.

The Audit Committee noted this report.

7. Risk Management Report (AC291)

Jo Lees said the report provided substantial assurance to the Commission's risk management arrangements. She added that this paper had been submitted to the previous Committee meeting but members had asked for more time to review the report.

Lucinda Bolton felt that a discussion around risk appetite was required with more precise information provided. Tony Redmond said that the Commission takes its reputation exceptionally seriously but this had to be balanced against the need to develop and improve.

Eugene Sullivan asked whether health and safety procedures were in place for staff specifically at MBT as it is a high profile building. Nigel Karney replied that all offices have procedures in place including regular inspections and evacuations.

The Audit Committee noted this report.

8. Audit Progress Report 2009/10 (AC292)

Jo Lees summarised the progress of audit reviews to date.

The Audit Committee noted that the majority of the plan had been completed apart from one and the follow-up on the Governance Review. Once these have been undertaken KPMG will issue their annual report.

Nigel Karney said that the IT follow-up review would be underway once the terms of reference had been agreed. Eugene Sullivan said that the IT review was an important piece of work.

The Audit Committee noted this report.

9. Internal Audit Operational Plan (AC293)

Neil Thomas asked the Committee to note that the document was the basis of the plan and was currently in draft.

Nigel Karney informed the Committee that the following two issues were still under discussion:

- Casework Management
- Operational Quality Control

Nigel Karney raised concerns about the internal auditors having access to complaint files when carrying out this review as there are confidentiality issue and a need to have detailed understanding of the Commission's complaints work.

Neil Thomas said that it was not vital for the auditors to view case files but he did not want this option ruled out as it would exclude a large part of the Commission's core business. However, he recognised that the Commission could be placed in a difficult position.

Tony Redmond said that there was no fundamental objection to the auditors having access to the case files but they would require a clear awareness and understanding of how complaints are dealt with. He would welcome a conversation with KPMG relating around the sensitivities that would need to be considered.

Lucinda Bolton understood Tony Redmond's position and said that it could be resolved by identifying what details would not compromise any confidentiality.

Eugene Sullivan recognised the possible sensitivities around casework files but thought this might be accommodated through the terms of reference.

Nigel Karney asked that the Human Resources audit be deferred to a more appropriate time after the recruitment of staff for the new specialist teams. Neil Thomas said that he could see the merits of deferring this audit.

It was **agreed** that Nigel Karney and Neil Thomas would meet to discuss the terms of reference for the Casework Management and Operational Quality Control review.

The Audit Committee noted this report.

10. Audit Recommendations Update (AC294)

Nigel Karney informed the Audit Committee that he had amended the paper as requested following the previous meeting.

The Internal Auditors had no comments on this paper.

Eugene Sullivan asked if it would be possible to agree a more manageable way of reporting these updates to the Audit Committee and asked for the following changes to be made:

- Current recommendations are not included in the document
- All outstanding recommendations are grouped together in the document
- Any completed recommendations are deleted from the document

It was **agreed** that these amendments be implemented for future meetings.

The Audit Committee noted this report.

11. Losses and Special Payments: 1 November 2008 to 20 March 2009 (AC295)

The Audit Committee noted this report.

12. Waiving of Financial Regulations (AC296)

The Audit Committee noted this report.

13. Performance Indicators (CLA1695)

Nigel Karney informed the meeting that a new design which highlights issues to be considered will be ready for the next meeting.

Eugene Sullivan asked whether the underperformance of a specific office is being addressed. Tony Redmond said that he was aware this issue needed to be addressed and a number of measures have already been put in place.

The Audit Committee noted this report.

14. Grant in Aid (AC297)

Stephen Jones informed the Audit Committee that the Commission was just about to go live and submit its first monthly bid. He also said that the Grant Memorandum was still in draft form despite best efforts as the Commission was awaiting further comments from DCLG.

It was **agreed** that the draft would be circulated to Eugene Sullivan and Lucinda Bolton in order that they be apprised of its content and provide any feedback.

The Audit Committee noted this report.

15. Pension Fund Interim Assessment (AC298)

Stephen Jones reported that he was unable to report on the interim fund position of the Commission as the LPFA had not provided this information. He added that the fund was due to be re-valued in 2010.

Henry Arthurs said that it was important the Commission had estimated the worst case scenario of possible employer contribution rates as set out in the report submitted to the Audit Committee. He added that it was vital DCLG were kept informed of the Commission's position.

It was **agreed** that the Audit Committee would be kept informed of any developments regarding this issue.

The Audit Committee noted this report.

16. Annual Report on the Operational Risk Register (AC299)

Nigel Karney said that the report showed how the Commission was managing operational risk.

The Internal Auditors were content with the report and said that the procedures fit in with their recommendations.

Although the paper was extremely informative, Eugene Sullivan and Lucinda Bolton felt the paper should have related more to risk management performance.

The Audit Committee noted this report.

17. Strategic Risk Register Update (AC300)

Nigel Karney said that although there were no changes since the November meeting a number of major developments were imminent which were not yet reflected in the document.

The Internal Auditors said that they were content with the document as presented.

Tony Redmond then provided the following update on the new areas of jurisdiction:

a) Adult Social Care Self Funding

This is presently at committee stage in the House of Lords and it is likely that Royal Assent will be given by July, though this might slip to September. This is broadly in line with the anticipated timetable but implementation may be deferred until 1 October 2010 at the request of the Care Quality Commission.

b) Internal Management of Schools

This is presently at committee stage in the House of Commons and is due to be given Royal Assent by November/December 2009. This service will be implemented by way of a pilot arrangement which will commence in April 2010

but this may slip to September 2010. This pilot will run for one year and the service will be fully implemented in September 2011 or April 2012.

c) Community Empowerment and Redress

The Commission has set in place a watching brief at this stage as there are currently no developments in this area which have any significant effect on the Commission.

Funding for the new initiatives has been set for one year only (set up costs) and monies from the two Departments are 'ring fenced'. This funding will be used to develop the new service and recruit and train staff. All the funding is to be channelled through the DCLG.

The Commission appointed Mott MacDonald, following a tender process, to develop the new service design for both new initiatives.

The Commission has set up a Programme Board comprising the four Commissioners and below this sits a series of project teams each headed by a Deputy. The four project teams are:

- Retaining core business including LGOAT, Council First, COIN II
- Empowerment White Paper
- Internal Management of Schools
- Adult Social Care Self Funding

From 1 April 2009 a new arrangement of a one stage complaints procedure for adult social care is being introduced. The Commission is in the process of recruiting six additional members of staff as there is likely to be an increase in complaint numbers in this area.

There is also a programme of redundancies taking place so there will be changes to the composition of investigative teams and support staff.

The Audit Committee recognised that the Commission was entering a challenging programme of change and requested they be kept informed of the status for each project and any critical deadlines.

The Audit Committee noted the Commission's risk register.

18. Any Other Business

No other business was discussed.

19. Date of next meeting

To be arranged.