

**COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND**

**Minutes of the meeting of the Audit Committee held at Millbank Tower, Millbank,  
London, SW1P 4QP on Monday 16 November 2009**

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

**In attendance:** Nigel Karney and Stephen Jones (LGO)  
Jo Lees and David Stacey (KPMG)  
Neil Sayers and Alex Macneill (NAO)

**Apologies:** Neil Thomas (KPMG)

Eugene Sullivan welcomed Neil Sayers and Alex Macneill to the meeting.

There were no declarations of interest from those present at the meeting.

**1. Minutes – 13 July 2009**

The minutes were approved as an accurate record of the meeting subject to the following amendment:

**6. Corporate and Risk Management (AC306)**

Tony Redmond and Nigel Karney would be producing a governance document for consideration by the Commission.

**2. Matters Arising**

**a) Areas of New Jurisdiction**

Tony Redmond provided the following update:

- Both of the bills have received Royal Assent.
- The LGO is now working with the two Departments in translating the Bills into guidance that will underpin the legislation.
- Dates for Commencement Orders for both of the new areas have not as yet been identified.

- Internal management of schools:
  - The LGO will run a small pilot from April 2010.
  - The Treasury has not approved advance funding for the recruitment of staff.
  - Four different types of authorities have been chosen to participate in the pilot which will comprise of just under 600 schools.
  - A second pilot comprising 10% of schools may commence in September 2010.
  - Full roll out is expected by September 2011.
- The implementation of the new jurisdiction for Adult Social Care Self Funders does not take effect until October 2010.
- From January 2010 the LGO's jurisdiction will include the investigation of SEN complaints currently being undertaken by the DCSF.

Tony Redmond also informed the Audit Committee of the following:

- Detailed negotiations with DCSF are currently taking place about the practicability of the LGO dealing with complaints in relation to non compliance with pupil and parent guarantees and whether they fall within the LGO's jurisdiction. However, many guarantees are implicit in the current legislation.
- There is general support for the two Acts by all political parties and there is no fundamental opposition to the LGO in undertaking these new areas of jurisdiction.

It was **agreed** that the risk registers for the new areas of jurisdiction will be submitted to the next Audit Committee for information.

## **External Audit (NAO)**

### **2. Draft Letter of Understanding (AC314)**

Neil Sayers informed the Audit Committee that the document submitted was now a Letter of Engagement and had been amended in respect of discussions that had already taken place. He added that the Letter of Engagement sets out the over-arching concept and practice behind the work to be undertaken by the external auditor.

The Committee raised concerns that this letter did not properly reflect the legal position of the Commission or the NAO's scope and remit in that context.

It was agreed that:

- a) The letter would be amended appropriately taking into account the concerns raised.

- b) Eugene Sullivan and Tony Redmond would approve the revised letter on behalf of the Audit Committee.

#### **4. Audit Strategy (AC315)**

Neil Sayers introduced this paper saying that it sets out first thoughts on where the audits should be focused. However, it would be updated and amended as the work is planned.

Ann Abraham said that the LGO was a unique organisation and asked for clarity on the exact protections the organisation would have to ensure that it was not receiving the “standard service”.

Tony Redmond emphasised that the DCLG recognised the LGO is a different organisation and is not classed as an NDPB or a Central Government body.

Neil Sayer said that a standard template has been used to produce this document but recognised that it needs to be adapted to reflect the LGO’s particular status and was happy to continue the dialogue to amend it accordingly.

The Audit Committee **agreed** the following:

- a) Any sensitive data will be transferred electronically and all requests for this data need to be made through the Head of Finance.
- b) Eugene Sullivan and Tony Redmond would approve the final document on behalf of the Audit Committee.

#### **Internal Audit (KPMG)**

#### **5. iPOS Report on Systems Change (AC316)**

David Stacey provided the following introduction to this report:

- The audit considered the effectiveness of the implementation of iPOS
- It was found that the new system included key controls
- The compliance testing was sound
- Three low priority recommendations have been made
- “Full Assurance” has been given.

Stephen Jones informed the Audit Committee that the implementation of iPOS had been a substantial piece of work. He added that:

- A post implementation review is being undertaken to ensure the system is being used effectively
- Reporting tools are being introduced

- There will be continued training for users.

The Audit Committee noted this report.

## 6. Information Security (AC317)

Jo Lees provided the following introduction to this report:

- The audit was undertaken follows concerns expressed by members of the Audit Committee
- A number of recommendations have been made
- “Substantial Assurance” has been given.

Lucinda Bolton noted that there were a number of level 2 recommendations identified. She asked that given the importance of the LGO’s reputational risk whether there also needed to be a cultural change on protecting data.

Nigel Karney said that the organisation was on the cusp of making core files electronic and information held on paper would then be only on a temporary basis. He added that with the introduction of the new areas of jurisdiction the organisation will be holding a higher amount of more sensitive information than currently held. The systems already in place need to be more robust. Though the organisation has good policies these are not always being practised on the ground. There is a need for some sort of system on spot checking local practices, alerting managers when practices are not being followed and necessary action being taken. The intention is to recruit a specialist post to focus on this area of work. He felt that staff were aware of sensitive material they are working with but have not yet made the culture shift required.

Ann Abraham said she was conscious that these had been issues in PHSO and that the Commission requires the resource to change the culture. She added that awareness training was required where staff lacked understanding about the risks associated with electronic transfer of data.

Tony Redmond said that all the recommendations set out in the report were relevant and essential for good information security and practices.

Eugene Sullivan echoed some of the concerns expressed by other members of the Committee. He felt that the recommendations and actions identified in the report were not clear enough. He added that the cost of penetration testing was not a good reason for not adopting the internal audit recommendation and that the Committee needed assurance that the LGO system defences are robust

The Audit Committee **agreed** that it did not feel that the Commission was substantially assured with regards to information security and commissioned penetration testing in this area.

**7. Internal Audit Programme – Progress Report (AC318)**

Jo Lees informed the Committee that this report summarised the programme of work to date and work to be undertaken in the next quarter.

The Audit Committee noted this report and expressed concern that there were two draft reports which had not been finalised in time for the meeting. Both management and internal audit have a responsibility to finalise reports in time for committee meetings or explain the reason for the delay.

**8. Audit Recommendations (AC319)**

The Audit Committee noted the following:

- The governance work has been completed and Tony Redmond will be drafting a report for consideration by the Commission and Audit Committee.
- Discussions took place at the Management Conference in relation to the accommodation issue and a strategy document is being submitted to the next Commission meeting for consideration.
- A review of service requirements within Corporate Services will be carried out following the implementation of the new areas of jurisdiction.

Lucinda Bolton asked if timelines could be set for all recommendations as it would assist the Committee in monitoring terms.

The Audit Committee noted the report.

**9. Losses and Special Payments : 1 July 2009 – November 2009 (AC320)**

The Audit Committee noted the special payment in respect of the excess insurance loss.

**10. Waiving of Financial Regulations (AC321)**

The Audit Committee noted that the NAO has been employed as the Commission's external auditor.

**11. Performance Indicators**

Nigel Karney produced a short highlighted summary which shows that the predictions set out in the Corporate Plan the current situation.

The Audit Committee noted the following:

- The Commission now has the lowest number of investigators but is current recruiting new members of staff.
- The workflow and workload is in a fragile position.

- The consistency in approach across the three offices does impact on productivity.

## **12. Pension Fund Interim Valuation Report (AC322)**

Stephen Jones introduced this item and said that the most recent FRS17 reported result showed a significant increase in the deficit on the fund.

A letter sent to the DCLG setting out a proposal for the Commission to redeploy its unused grant to make a one off payment was tabled.

Neil Sayer informed the Audit Committee that the LGO would not be the only organisation to make a one off payment at the end of the year.

The Audit Committee noted this report.

## **13. Service Contracts Register Review (AC323)**

Nigel Karney introduced this register and highlighted the fact that the high risks appear to be in the areas of pensions, facilities, communications and IT.

Eugene Sullivan asked whether any of the suppliers used by the Commission were at risk in the current economic climate. Nigel Karney said that he did not think that there were any.

The Audit Committee noted the register.

## **14. Strategic Risk Register Update (AC324)**

Nigel Karney introduced the risk register and highlighted the significant movements since it was last reported.

The Audit Committee **agreed** the following:

- a) The risk registers for the new areas of jurisdiction will be submitted to future Audit Committee meetings.
- b) The ratings identified are reviewed to ensure that they are correct.

## **15. Any Other Business**

No other business was discussed.

## **16. Date of meetings in 2010**

Dates for meetings in 2010 are:

- 3.00 pm – Tuesday 2 March 2010
- 3.00 pm – Wednesday 28 July 2010
- 3.00 pm – Wednesday 3 November 2010