

Minutes of the Audit Committee meeting held on Wednesday 10 March 2010 in the Boothroyd Room

Committee members present:

Ian Kelsall (IK)	Chair
Elizabeth Butler (EB)	
Max Caller (MC)	

In attendance:

Peter Wardle (PW)	Chief Executive
Carolyn Hughes (CH)	Director of Finance and Corporate Services
Bola Bajomo (BB)	Head of Finance and Procurement
Kairen Zonena (KZ)	Committee Services Manager
Joel Blackwell (JB)	Committee Services Administrator (Minutes)

Phil Tucker (PT)	(Item 8.1)	Head of ICT
Jo Crofton-Diggins (JCD)	(Item 8.1)	Information Manager
Louisa Parry (LP)	(Item 8.2)	Strategy and Planning Manager

Paul Keane (PK)	National Audit Office (NAO), Director
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Deborah Cripps (DC)	RSM Tenon, Associate Director
Stuart Hopkinson (SH)	RSM Tenon, Client Manager

The meeting commenced at 2.00pm and finished at 4.00pm.

1. Apologies for absence

Apologies for absence were received from Henrietta Campbell, Richard Plumb (RSM Tenon), Aileen Murphie (NAO) and George Smiles (NAO).

2. Declarations of interest

EB declared an interest in relation to item 5 on the agenda.

3. Minutes of 3 November 2009 Audit Committee meeting (ECAC 01/10)

Agreed: That the minutes of the Audit Committee of 3 November be approved as a correct record and signed by the Chair.

4. Matters arising from the minutes and action point list

1. Minute 5.3 from 3 November 2009 meeting. The Committee noted that a summary of outstanding actions from NAO reports would be presented at the next meeting.

Action: PK

2. In relation to Minute 8.2 from 1 July 2009 meeting, KZ confirmed that the procedures, guidance and forms for declaring interests, gifts and hospitality would be revised and circulated before the next meeting.

Action: KZ

3. MC commented on the RSM Tenon press statement regarding their recent merger and asked what was being done to test any potential conflicts of interest resulting from the changes. DC informed the Committee that RSM Tenon had processes in place to check for conflicts of interest and that any perceived risk would be flagged and brought to the Commission's attention.

Noted

5. Appointment of independent Chair of Audit Committee and Terms of Reference (ECAC 02/10)

EB withdrew from the meeting during the discussion and decision.

1. PW introduced the paper and updated the Committee on the steps taken to recruit an independent Chair. PW confirmed that EB had been interviewed for the post by IK and HC on 24 February and that consequently EB had been recommended for appointment.
2. In response to a query from MC about IK's future membership on the Committee, PW advised him that it would be appropriate to discuss that matter during Commission Board's consideration of the report on 11 March.

Agreed: That:

- (a) the report and proposed appointment of EB as independent Chair be endorsed and referred to the Commission Board on 11 March for approval;
- (b) the proposed changes to the Audit Committee Terms of Reference be approved to reflect the Commission Board's decision; and
- (c) Commission Board discuss the matter of IK's future membership of the Audit Committee at its meeting the following day.

EB returned to the meeting.

6.1 Internal audit progress report 2009-10 (ECAC 03/10)

1. DC introduced the paper and summarised the findings of the 2009-10 internal audit reports that had been completed to date.
2. MC expressed concern over a recommendation made in the Governance report that proposed a formalisation of Reference Groups, as the Board had established the Reference Groups to encourage more informal updating and debate outside the constraints of the routine processes. PW agreed that Reference Groups should not become part of the formal committee structure. However, PW suggested that the recommendation could be considered as covering the need for more clarity when establishing a Reference Group in terms of its function and purpose. DC confirmed that the recommendation was not meant to endorse the creation of a sub-committee structure but rather to recommend introducing a better understanding of a particular group's purpose and remit.
3. The Committee noted the recommendations suggested in the Efficiency Savings report. EB stated that a degree of proportionality was required when considering the applicability of recommendations to the size of the Commission and scale of various functions. BB confirmed that she was currently preparing a timetable for reporting and reviewing the efficiency programme for 2010-11.
4. In response to the Financial Management and Budgetary Control report, MC requested further information regarding budget management training. BB confirmed that one-to-one training had been provided for staff and that plans were in place to provide additional training for the Commission's four Business Managers in 2010-11 based on the financial manual.
5. MC commented on the need to test the Commission's Business Continuity Plans and PW confirmed that Executive Team were to take part in an exercise the following week. EB asked if the Committee could be briefed on the outcome of the exercise at its next meeting. It was agreed that this would be included in PW's update to Commission Board in April.
Action: PW
6. The Committee discussed the key findings of the HR internal audit report. MC expressed concern regarding the apparent loss of a quarterly recruitment log although it was noted that it had been re-compiled. EB commented on the potential equality and diversity implications resulting from the finding that the shortlist criteria for two vacant positions (out of a test sample of 15 recruitments) did not adhere to the established essential competencies within the person specification (in the two cases only 6 of the 7 minimum criteria had been used). The Committee also discussed the issue of incomplete appraisal

documentation and concluded that although staff should not be compelled to write comments, all documentation should be signed and dated. IK asked for the Commission's sickness absence figures. PW said they were well below the public sector average, and the exact figure would be included in the minutes.

[Post meeting note: The average annual absence rate for 2009-10 was currently at 5.2 days a year. The public sector average was 10.3 days a year].

7. In relation to the Freedom of Information (FOI) Requests report, MC asked if the figures included requests related to the Boundary Committee. DC confirmed that they did and it was noted that the impending Boundary Committee move would have an affect on the numbers. PW commented on the overall review of the FOI process and stated the intention to review the process and increase ownership of the cases by those who are involved on a day to day basis.
8. DC concluded by running through the internal audit work in progress and the reports to be presented at the next Committee meeting.

Agreed: That:

- (a) the report be noted; and
- (b) a note on the Business Continuity exercise be included in the Chief Executive's update to the April Board.

6.2 Proposed 2010/11 internal audit plan (ECAC 04/10)

The proposed plan for internal audit work during 2010/11 was reviewed.

MC commented on the proposed risk management audit (page 6) and asked whether this would consider the use of gateway reviews. PW agreed that it would be beneficial to test the process to see if it was producing adequate assurances (e.g. of the PEF Online project). PW suggested that a separate update on the PEF online project gateway review be presented to the Audit Committee in June.

Action: Lisa Klein/PW

Agreed: That:

- (a) the 2010/11 internal audit plan be approved; and
- (b) the Audit Committee receive an update on the PEF Online gateway reviews in June.

7.1 NAO - Audit Committee progress report (ECAC 05/10)

1. PK introduced the report and provided an update on current audit activities. The report noted NAO work on best practice guidance for Statements on

Internal Control which would be formally presented to the Committee in due course.

2. The Committee noted that the 2009 Value for Money (VFM) report had been presented to the Speaker's Committee and that the Speaker's Committee welcomed the progress made by the Commission. PK suggested that it might be difficult for the NAO to present another VFM report to the Speaker's Committee this year due to the timing of the general election, a possible change in administration, and the pressure of new priorities.

Agreed: That the report be noted.

7.2 IFRS Trigger Point 4 Audit Report (ECAC 06/10)

PK introduced the report, which he described as positive. He thanked CH and the Finance team for the progress made. MC supported the statement and added that the report demonstrated a big step forward.

Agreed: That the report be noted and welcomed.

7.3 2009/10 Audit Strategy Memorandum (ECAC 07/10)

1. The Committee received the report. PK highlighted the risks identified and the proposed audit approach to be undertaken for the year ending 31 March 2010.
2. In relation to the NAO risk assessment, CH stated that the Commission was back on track with the implementation of PEF online which PK acknowledged.
3. In relation to Performance Related Special Bonuses, PK noted that as the numbers and amounts of payments were relatively small the scale of the risk identified would be reviewed. SH noted that RSM Tenon had already audited the scheme and would be happy to share information with the NAO.
4. PK introduced the issue of corporate governance and fraud and asked the Committee to consider the issues under paragraphs 24 and 25 of the memorandum. In response, PW was of the opinion that the main areas of risk of fraud in the Commission (payment of grants, expenses etc.) had not changed much since the last discussion of fraud 12 months ago.
5. EB asked whether the Commission was doing anything active to deter fraud. CH responded by saying that the Commission would be collaborating with RSM Tenon next year to provide workshops and other programmes to actively engage in the issue. In response to another question by EB, CH confirmed that the Commission's whistle blowing policy did refer to fraud.
6. MC commented that although the Commission had considered the issues surrounding fraud, there had been little discussion regarding corruption and it might be appropriate to consider this more rigorously in the future, especially

in the light of new powers and penalties available for PEF cases. PW confirmed that a 5-day audit in PEF would be taking place next year that would look into making sure appropriate procedures were being put into practice and that a separation of duties was apparent.

7. PW informed PK that the Commission's Policy Development Grant payment method had changed and advice had been sought from the NAO. PK would confirm that the NAO were comfortable with the proposed changes.

Action: PK

Agreed: That the report be noted.

PT, JCD and LP joined the meeting at 3.40pm

8.1 Information governance review (ECAC 08/10)

1. JCD introduced the report and commented on the comprehensive review of actions taken by the Commission during 2009-10 to manage information governance and risk.
2. EB queried the recommended process requiring the Chair of the Committee to provide written assurances to the Accounting Officer on the achievements and progress of the information and governance programme. EB stated that it should be CH, in her capacity as Senior Information Risk Owner (SIRO), who provided assurances to the Chair. CH understood the basis of EB's approach but said that the Cabinet Office guideline whereby the Chair of the Audit Committee confirmed the assessment was intended to ensure appropriate engagement of audit committees in the review process.
3. There was general agreement that the report could provide more information and evidence, more clearly linked to the assurances, to show how the Commission's information governance processes were appropriate, effective and compliant. It was agreed that the report would be reshaped and amended to address these concerns, with the bullet points under section 4.3 of the report being used as the basis for providing the evidence required by the Committee to sign off the review.

Agreed: That:

- (a) the report be deferred and amended to provide sufficient evidence that the factors listed under section 4.3 had been met; and
- (b) the revised report be presented to the next Committee meeting on 30 June.

Action: JCD, PT

PT and JCD left the meeting.

8.2 Risk Registers – report (ECAC 09/10)

1. LP introduced the report, and highlighted key changes to the Commission Risk Register since the Committee's last review. In particular, LP brought to the Committee's attention the increased status of risks relating to the decision to debate the PPE Act Commencement Order after the UK general election, and delays to IER due to the Ministry of Justice having not yet put forward a timescale for the start of the voluntary collection of personal identifiers. LP confirmed that the status of strategic risk would be looked at shortly when Executive Team conducted their formal risk review.
2. The Committee noted that there had been no change to the Commission's overall risk status since its last meeting.
3. The Committee also noted the revisions made to the Risk Framework as a result of the comments made at the November Committee meeting. PW reiterated that a change in the Commission's behavioural approach to viewing risk more as an opportunity was an ongoing process and that progress had been made.

Agreed: That the report and changes to the Risk Framework be noted and welcomed.

LP left the meeting.

8.3 Register of interests, gifts and hospitality (ECAC 10/10)

1. PW introduced the report and reiterated (see item 4) that revised guidance would be produced and reported to the next meeting.
2. IK noted that declarations of gifts and hospitality included cups of tea and asked if that was a necessary requirement. PW confirmed that the issue formed part of an ongoing conversation with the Chair of the Commission over the exact declarations policy and that the revised guidance would hopefully make clear what should and should not be recorded. EB suggested that it might be more beneficial to record a log of significant meetings rather than the number of cups of tea accepted by Commissioners and staff at those meetings. EB stated that it was important not to hinder hospitality as it would inevitably lead to a decline in networking opportunities for the Commission.

Agreed: That the report be noted.

8.4 Forward Plan of Audit Committee work for 2010-11 (ECAC 11/10)

In relation to a proposed agenda item at the next meeting, MC asked if the Annual Resource Accounts for 2009-10 would include the accounts of the Boundary Committee for England. CH confirmed that this would be the case.

ECAC 12/10

The meeting ended at 4.00pm



Signed by the Chair

Action Points (updated with items from 10 March 2010 meeting)

	ACTION POINTS	PRESENT POSITION
	10 March 2010	
	Min 6.1.5 – An update on the Business Continuity exercise to be included in PW's update to Commission Board in April.	Complete
	Min 6.2 - the Audit Committee receive an update on the PEF Online gateway reviews in June	Item on agenda
	Min 7.3.7 - PK to confirm that the NAO are comfortable with the proposed changes to the process for payment of Policy Development Grants.	PK
	Min 8.1. Information governance report be reshaped and amended to address concerns and be presented at June meeting.	Item on agenda
	Min 8.3 Suggestion to log meetings with stakeholders rather than low level hospitality to be considered for revised guidance.	Item on agenda
	3 November 2009	
	Min. 3 (minutes and matters arising) – absent members to be briefed by member of the committee.	To be allocated as need arises.
	Min 5.3 (NAO follow up to audits 2005-2009) – once agreed completed recommendations would be closed off and an update produced for a future meeting.	NAO (AM)
	Actions ongoing from earlier meetings:	
	1 July 2009	
	Minute 8.2 (Principles for declaring interests, gifts and hospitality) (presentation) – The relevant procedures, guidance and forms be revised to reflect the principles, and policies be reviewed annually hereafter (and included in the forward plan).	Item on agenda