

Commissioners present:

Michael O'Higgins (Chairman)
Steve Bundred (Chief Executive)
Bharat Shah (Deputy Chairman)
Jim Coulter
Dr. Jennifer Dixon
Sheila Drew Smith
Cllr. Stephen Houghton
Cllr. Peter Jones (for part)
Sir Thomas Legg
Dame Denise Platt
Professor Peter Smith (for part)
Jenny Watson
Cllr. Chris White

Staff in attendance:

Gareth Davies
Tracey Dennison
Martin Evans
Jenny Grey
Roger Hamilton
Ian Hickman (for part)
Julie Hope
Andy McKeon
Siobhan O'Donoghue (minutes)
Jo Parry (for part)
Dave Stewart
Marcine Waterman (for part)
Jo Whitehead
Peter Wilkinson

Welcome, Apologies and Announcements

1. The Chairman welcomed the Board to the meeting and the following announcements were made:
 - a. The former Commissioner, Iris Tarry, had died recently. MDs paid tribute to her time at the Commission, and the Board expressed their condolences. The Chief Executive would write to her family.
 - b. Apologies had been received from Commissioners Brian Pomeroy and Dr Raj Rajagopal.
 - c. Jo Whitehead, RD, Southern Region was welcomed to the meeting.
 - d. The Local Government Minister, John Healey, had been invited to speak at the Board meeting but had been unable to attend due to illness.
 - e. The previous evening's Board dinner had been enjoyable and useful. The issues around the efficiency agenda and the timeliness of studies that were raised would be taken forward by staff.
 - f. In the absence of the Audit Committee Chair, Sheila Drew Smith drew the Board's attention to the main issues that were discussed at the previous day's Audit Committee meeting: the formal minutes would be included with the papers for the January 2008 Board meeting.

Minutes of the last Meeting and Away day – 8 November 2007

2. The minutes of the 254th Board Meeting were approved as a correct record.

<p>3. The Board approved the minutes of the last Meeting as a correct record.</p>
--

Report of the Chief Executive

CP 95-07

4. National Audit Office and NLGN White Paper: The Chairman and Chief Executive would be meeting with John Tiner, who was leading the Public Accounts Commission's review of Corporate Governance of the National Audit Office, on 20 December 2007.

FINAL with FOI exemptions

This review, however, had a relatively narrow focus and it was likely that HM Treasury would want a more fundamental and widespread rethink of current public audit arrangements. In light of this, it was felt to be a timely opportunity for Board members to express their views on how the Commission should approach such a discussion:

[Section 36(2)(c)]

5. Investors in People: The latest assessment had now been completed and the final report was available. This would be circulated to any Board member who wished to see it.
6. Meetings with Government Ministers and Others: Amongst other issues raised at meetings with Ministers, the flooding report had been discussed with the Local Government Minister, John Healey; and the Health Secretary, Alan Johnson, whose constituency was in a flood-affected area. The publication of the study had been brought forward and it would now be published on 14 December 2007.
7. **[Section 36(2)(b)(i)]**
8. There had also been a positive meeting with Ed Miliband, the Cabinet Office Minister. He valued the contribution that the Commission could make, and in particular, hoped that the Commission would be able to encourage three-year funding agreements with the third sector, in light of the three-year financial settlements for local government.
9. Dinner with Parliamentarians: The Chairman, Deputy Chair, Chief Executive and Commissioner Cllr. Peter Jones had held a dinner recently with a number of Conservative parliamentarians, which had been successful and most useful. **[Section 36(2)(b)(i)]**

- | |
|---|
| 10. The Board noted the report and approved the amendment to the Code of Data Matching Practice. |
|---|

Data Matching Strategy and Code of Data Matching Practice 2008

CP 96-07

11. The MD, Audit introduced the report that presented the draft Code of Practice for data matching for the Board's approval. The Code was subject to a statutory consultation process, and this was expected to begin in January 2008. Along with the equivalent codes for Northern Ireland and Wales, the draft Code was currently with the Information Commissioner, and we awaited his comments.
12. The report also detailed the Commission's draft Data-matching Strategy, that set out how the new powers conferred on the Commission by the Serious Crime Act 2007 might be used to extend the existing National Fraud Initiative, and to use data-matching techniques in areas not related to fraud. These new powers had significant implications and would essentially add a new stream to the Commission's business. It would be important to use the powers cautiously in the first instance and focus on working with central government departments and agencies, the public audit bodies in the home countries, and private sector bodies, such as the Council of Mortgage Lenders, before moving beyond fraud detection work.
13. The Board welcomed the report and considered the significant implications of the new Strategy: **[Section 36(2)(b)(ii)]**.

FINAL with FOI exemptions

14. In summary, the Board was excited by the potential of the new powers and welcomed the Data-matching Strategy. There was even scope for being more ambitious in what we might hope to achieve. However, funding and pricing issues, and external membership of the Strategy Board should be looked at again.

15. **Subject to its comments above, the Board:**
- a. **asked for a more ambitious strategy for developing the Commission's National Fraud Initiative;**
 - b. **approved the draft Code of Data Matching Practice, subject to any changes required by the Information Commissioner; and**
 - c. **delegated authority to the Chief Executive to approve the final version of the Code, for consultation.**

CPA 2008 – Single Tier and County Councils

CP 97-07

16. The MD, Local Government introduced the consultation document on the proposed approach to CPA 2008. The approach reflected the principles of stability and minimum change, as requested by councils and the LGA. Discussions were ongoing on how to best deal with those authorities affected by local government reorganisation, and those affected by the summer floods. The Board noted the consultation document, and commented on the following issues:
- a. The protection of corporate assessment scores would be removed for the final CPA categorisation and this might affect some overall star ratings. However, it was likely that only a handful of authorities would be affected, with an even smaller number at risk of their star rating being changed as a result.
 - b. Assessments of those authorities that had been affected by the 2007 summer floods would be done sympathetically. However, it was important not to suppress reporting on these authorities: the extent of the impact should be understood, and be made public.
 - c. The approach to those authorities affected by local government reorganisation would also be on a case-by-case basis.
 - d. The reference within the consultation document to the last star rating for adult social care was not strictly accurate, and should be reworded.

17. **The Board:**
- a. **agreed the approach to consulting on the last round of CPA national reporting for ST&CC; and**
 - b. **agreed that the final national CPA reporting would be in February 2009.**

*[Secretary's Note: **Section 36(2)(c)**]*

Learning the Lessons from the Recent Procurement of Audit Services

CP 98-07

18. The MD, Audit presented the report that summarised the results of a 'learning the lessons' review, that had been carried out following the recent major procurements of audit services. The review, which had been requested by the Board at its March 2007 meeting, had found that the overall exercise had been a great success in achieving its objective, but that there were some practical improvements and strategic decisions that could be made to inform the next round of procurements, from 2011/12.

FINAL with FOI exemptions

19. The Board welcomed the review and noted the results. The Board felt that the following issues might be considered in advance of further procurement exercises:
 - a. It was vital that the Commission retained the corporate memory and continuity of experience. This would need some further consideration.
 - b. Thought should be given to more 'modern' procurement methods, such as partnering.
 - c. There was room for improvement in terms of how we applied the economics of the audit market to our in-house audit practice. Would it be for the Board to drive the preferred market share and shape, or should it be left to unfold naturally?
 - d. Key stakeholders should be kept informed, but we should not feel bound by their views.

20. The issues raised in the review and in the Board's discussion would also be considered in preparing the next Strategic Plan, due in 2009. The MD, Audit would also seek the views of the Chair of the Selection Panel, outside the Board meeting.

21. The Board noted the results of the review and endorsed the analysis of the lessons learned, to inform the planning for the next procurement exercise from 2011/12

Audit Issues

CP 99-07

22. The MD, Audit presented the report which sought the Board's agreement on various operational issues, and also reported on a number of regulatory and professional practice matters. The Board noted and approved the Directory of Audit Appointments for 2008/09, in light of the Board's decision in March 2007 to award further contracts to PwC and KPMG as part of the second procurement exercise. The appointment exercise had been complex and the Board noted these difficulties, and that a small percentage of audited bodies were not happy with the proposals to change, or not change, their appointed auditor.

23. The other significant regulatory and professional issues for the Board's attention were reported, as follows:
 - a. Transport for London (TfL): The auditor's report was now in the public domain on the TfL website and had also been considered at the meeting of the London Assembly on 12 December 2007.
 - b. **[Section 33]**.
 - c. **[Section 33]**.
 - d. **[Section 33]**.
 - e. **[Section 33]**.
 - f. The Board also noted the launch of the Audit Manual, which was a landmark in the development of the Commission's audit practice. The manual would be downloaded on all auditors' laptops and automatically updated via the Commission network.
 - g. **[Section 33]**.

24. **The Board:**
- a. **approved the new Directory of Audit Appointments, as set out in Appendix 1;**
 - b. **approved the appointment of auditors to a number of Town Councils, as set out in Appendix 3;**
 - c. **approved the appointment of Andy Perrin as the appointed auditor to North Level District Internal Drainage Board;**
 - d. **approved the appointment of Mazars LLP as the appointed auditor to Portchester Crematorium Joint Committee;**
 - e. **approved the appointment of Lee Budge as the appointed auditor to Somerset Waste Partnership Joint Committee;**
 - f. **approved the other changes in appointed auditors, as set out in Appendix 3; and,**
 - g. **noted the other issues set out in the report.**

Update on Audit Professional Developments

CP 100-07

25. The MD, Audit presented the report which was part of a regular series. It updated the Board on various regulatory developments that could potentially impact on the Commission's audit regime and practice, and audited bodies. The report also contained a summary of relevant issues that were raised in the Financial Reporting Council's follow-up report on promoting audit quality.
26. The significant issue to note remained the intention to produce the Whole of Government Accounts (WGA) on the basis of International Financial Reporting Standards (IFRS). There were still concerns around the implementation timetable. Although local government bodies were afforded a longer-term preparation for IFRS, health sector bodies would be required to prepare IFRS-based accounts for 2008/09. Furthermore, it was anticipated that there would be a requirement for PFI schemes to be brought back on to the balance sheet, which had significant implications. Discussions were taking place with Monitor and the Department of Health to try and raise awareness of these issues. The Commission's auditors were also currently undergoing training.
27. The proportionate approach to applying IFRS was welcomed. The Commission should try to highlight the benefits of IFRS, but also think about how it should position itself. If necessary, we should be prepared to challenge the application of IFRS in its entirety, if we felt that this was not appropriate.
28. Further to the information in the report, the MD, Audit highlighted the following issues:
- a. The introduction of International Education Standard 8, and the extent and manner to which it would be adopted, would be monitored closely.
 - b. The length of audit rotations and the rotation of audit partners had been raised again. The Board felt that where a district auditor had been at a body for some time, the rotation term of the lead auditor should also be looked at.
 - c. The concentration of audit around 31 March year ends, and the threat to audit quality that this might pose, had been raised. The Commission also recognised these pressures and was looking into possible ways of reducing them.
 - d. Preparations for the Audit Inspection Unit's assessment of the Commission were going well.

FINAL with FOI exemptions

29. The Board noted the update on professional developments. It was agreed that it **would be useful to receive a regular summary of the key risks relating to professional developments as part of the standing Audit Issues report** to the Board. The Board also felt that it **would be useful to consider the wider issues of management information about the practice, perhaps as part of the regular Board Performance Report.**

30. **The Board noted the report and:**
- a. **requested that a summary of how the audit practice addressed risks arising from professional developments be included in the monthly Audit Issues paper; and**
 - b. **requested that the Commission consider how best to report to the Board on operational risks and practice-wide management information.**

Brand Refresh Update

CP 101-07

31. The MD, Communications, presented the work to date of the brand refresh project, which had been approved as part of the corporate communications strategy by the Board in March 2007. The timing of the refresh was fortunate in that it coincided with the 25th anniversary of the organisation and other refresh projects, including the website. The aim of the refresh was to increase the impact of the Commission across its communications, and also to get better value from the investment in them. The refresh would also seek to protect and capitalise on the Commission's strengths, and counter the more negative aspects and perceptions about our brand. Following a tendering exercise, a branding and design agency had carried out research, including: a visual audit; staff interviews and questionnaires; and a review of the most recent stakeholder research. The summary results had been circulated to the Board in advance of the meeting. Using the theme of 'bright outcomes', the agency had then developed a number of design approaches that were presented to the Board at the meeting. The Board noted the presentation, and in discussing the brand refresh made the following suggestions and comments: **[Section 36(2)(b)(ii)]**

32. **The Board:**
- a. **reviewed the findings of the visual audit and perceptions study;**
 - b. **commented on the selected design route; and**
 - c. **requested more information on the design brief and the extent to which the agency had met these requirements.**

Information Bulletin & Chairman's Speaking Engagements CP 102-07 and CP 103-07

33. The Board noted the Chairman's Speaking Engagements and the Information Bulletin without comment.

34. **The Board received the Information Bulletin and the Chairman's speaking engagements for information.**

Any Other Business

Verbal

35. The Board noted the Housing Minister's recent announcement of a review of the Housing Revenue Account subsidy system. This was welcome news, and might reflect

FINAL with FOI exemptions

on some of the issues that were made in the Commission's 2005 publication *Financing Council Housing*.

Date of Next Meeting

36. The next Board Meeting would be held at 9.30am on Thursday 24 January 2008, in the Boardroom, Millbank Tower.

Siobhan O'Donoghue
December 2007