



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 30th June, 2014**, Rooms 3 & 4 - 17th Floor, City Hall.

**Members Present:** Councillors Jean Paul Floru (Chairman), David Boothroyd, Lindsey Hall and Judith Warner

**Officers Present:** Anna D'Alessandro (Acting Chief Financial Officer), John Ogden (Head of Financial Management & Control), Jane Cika (Business Partner), Sevin Arabaci (Head of P2P), Andrew Sayers (Partner – KPMG), Sally-Ann Eldridge (Senior Manager – KPMG), Anthony Oliver (Chief Procurement Officer), Andrew Curtois (Acting Head of Category Management), Della Main (Operations Support Manager, Process & Governance), Chris Harris (Head of Internal Audit, Baker Tilly), Moira Mackie (Senior Manager, Baker Tilly), David Whitehouse-Hayes (Manager – Housing Benefit Fraud Investigations, Baker Tilly), Mo Raham (Strategic Business Analyst) and Ellie Simpkin (Senior Committee & Governance Officer)

**Apologies for Absence:** None

#### 1 MEMBERSHIP

- 1.1 There were no changes to the membership.
- 1.2 Councillor Lindsey Hall was appointed Vice-Chairman of the Committee.

#### 2 DECLARATIONS OF INTEREST

- 2.1 There were none.

#### 3 MINUTES

- 3.1 **RESOLVED:** That the minutes of the meetings held on 4 February 2014 and 4 June 2014 be agreed.

#### 4 WORK PROGRAMME 2014-15

- 4.1 The Committee considered its work programme for the 2014-15 municipal year. The Chairman highlighted the need for reports to be concise and free

from jargon. He also requested that reports contain a glossary of abbreviations and that officer contact details were clear.

- 4.2 With regard to disbanding the Committee's working groups, whilst the Committee agreed that a number of the groups had not met recently and recognised that had been established when the Committee had a larger membership, Members felt that the Audit and Process Group still had an important role play and did meet regularly. It was therefore agreed that the Audit and Process working group would continue with Councillor Floru replacing Councillor Mitchell on the Membership.
- 4.3 Members raised concerns over the Annual Contracts Review report (item 6 on the agenda) in so far that they felt that there would not be enough time at the meeting for close examination of the report, given that the Final Accounts were also on the agenda. The Committee agreed to defer the report to the September Committee meeting. Mr Anthony Oliver, Chief Procurement Officer, suggested that the Committee may like to receive a half yearly update in addition to the annual review report. The Committee welcomed this suggestion.
- 4.4 **RESOLVED:** That 1) the work programme, subject to the Annual Contracts Review 2013-14 being moved to the September meeting, be agreed and 2) the working groups, with the exception of the Audit and Process Working Group, be disbanded with more detailed Member involvement being carried out via a working group or single-Member investigation as agreed by the Committee on an ad-hoc basis.

## **5 FINAL ANNUAL ACCOUNTS 2013-14**

- 5.1 The Committee had before them the Final Statement of Accounts 2013-14 as well as the ISA 260 report from KPMG and an Objection Update report from KPMG which summarised the current status of objections to the accounts. The Chairman announced that these papers were circulated separately to the main agenda and had not met the statutory deadline. The reports had been circulated at the earliest opportunity, once the external auditors had completed the necessary work to be able to report to Members the findings from the audit and the audit adjustments to the draft accounts. He had therefore considered these papers to be matters of urgency and agreed to accept them as late items.
- 5.2 Mr Andrew Sayers, KPMG, introduced the reports explaining that the accelerated closedown timetable, with the aim have an audited set of accounts by 30th June, had impacted on the quality of the accounts. The audit had identified a total of seven adjustments relating to areas including non-domestic rates, the revaluation of Council dwellings and the transfer of three schools to academies. Overall, these adjustments did not have an impact on the general fund, however, it was considered to be a high level of adjustments (the total value being £93m). The Council's underlying financial systems were deemed to be effective overall. An unqualified value for money conclusion had also been issued, however the audit report would include a Report by Exception as it was felt that there was still further work required to

embed improvements in procurement activity. Mr Sayers confirmed that KPMG had complied with all requirements on objectivity and independence.

- 5.3 Ms Anna D'Alessandro, Acting Chief Financial Officer, commented that the Council accepted all comments made by the auditors and acknowledged that the timetable had been challenging. The Committee asked about the rationale of bringing the close of accounts forward and was informed that the close of accounts was a very time consuming and backward-facing process and that truncating the process would free-up officers in the corporate finance team to allow them to look to the year ahead, focus on the savings to be achieved and give full consideration to the medium term financial issues. The Committee noted that it was hoped that the 2014-15 final accounts would be completed by 30<sup>th</sup> May 2015.
- 5.4 The Committee asked about the amount of time and resources being used to reorganise and restructure across the Council, given that this activity focused on the organisation rather than the community. Ms D'Alessandro explained that the Council had to achieve savings of £100m over the next 3 years and significant and on-going change was needed in order to achieve these savings. The focus would be on back office functions.
- 5.5 Councillor Boothroyd requested copies of the auditors letters in respect of those objections which were being closed. He also questioned whether the Council had any responsibility for the accounts of the Queens Park Community Council. Officers undertook to provide further information on this. Councillor Warner asked about the accounts for Westco, the Council's trading organisation and was informed that these were consolidated in the group accounts. Councillor Warner requested further information on the Westco accounts.
- 5.6 The Chairman summarised that:
- The Committee acknowledged that staff had worked hard to produce the accounts in the accelerated timetable but that there had been a number of adjustments. The Committee noted that the final accounts would be produced earlier again next year.
  - There were still two outstanding objections to accounts. The Committee highlighted that these should be dealt with as soon as possible.
  - The auditor had issued an unqualified opinion on the accounts.
  - The Committee was concerned that constant re-organisation would detract from frontline services.
- 5.7 **RESOLVED:** That 1) the Committee the final audited Statement of Accounts 2013-14 be approved; 2) the Committee notes the ISA 260 report from KPMG, accepts the recommendations and notes the Council's response and 3) the Committee notes the current status of objections.

*The Committee adjourned from 7.52 – 7.58 in order to allow the Chairman to sign the Final Accounts.*

## **6 ANNUAL CONTRACTS REVIEW 2013-14**

- 6.1 **RESOLVED:** That the report be deferred to the September meeting in order to ensure that the Committee has sufficient time at a meeting to discuss the issues in full.

## **7 ANNUAL INTERNAL AUDIT AND COUNTER FRAUD MONITORING REPORT**

- 7.1 Chris Harris, Audit Manager, Baker Tilly Business Services, introduced the annual internal audit report which outlined the key outcomes from the Internal Audit & Counter Fraud work in 2013/14. It was noted that internal audit work carried out in the financial year 2013/14 found that in the areas audited, internal control systems were generally effective with 83% of the audits undertaken receiving a positive assurance opinion. This was an improvement on the percentage of audits receiving a positive opinion in the previous financial year. Housing Benefit investigations had resulted in ten prosecutions and eighty-two “Cautions” or “Administrative Penalties” during 2013/14 which related to overpayments and fines totalling nearly £500k of which approximately £99k had been recovered so far. General fraud investigation work during the year had resulted in five Council properties being recovered and one housing application being prevented. In addition, investigations into the misuse of disabled parking badges had resulted in two prosecutions.
- 7.2 The Committee asked for an update on issues relating to adult services given that the service had been the subject of other limited assurance audits and further questioning of the Committee at a previous meeting. It was noted that follow up work to see if recommendations implemented would be completed within 6 months of the initial report. Moira Mackie, Senior Manager, Baker Tilly, explained further that with the implementation of the Tri-borough working adult services had been through a lot of change. There was a period during which the systems across the three boroughs were not fully aligned in many areas and officers were working within three different systems, however, improvements were being made and an advantage was that the service could align with the best practice option. The Committee asked about the sharing of best practice in general across authorities and Mr Harris explained that Baker Tilly had internal processes for making sure auditors were aware of best practice, however, London borough authorities were much larger and complex than other public sector organisations and therefore could be difficult to translate from small districts to large authorities such as Westminster. Mr Harris suggested that future internal audit reports to the Committee could include more specific reporting back on recommendations and improvements which could be made with regard to control weaknesses which had been identified. This information was shared with officers as part of the audit process but it could also be helpful to Members. The Committee welcomed this suggestion.
- 7.3 Councillor Hall updated the Committee on the implementation of the Single Fraud Investigation which would see responsibility for fraud investigations transfer to the Department of Work and Pensions. It was noted that the transfer from Westminster was currently expected in March 2015. The

transfer of the pilot areas had been delayed due to issues with data sharing and was expected in mid-July. There had been concerns raised by the Cabinet Officer over the risk that skills and local knowledge could be lost in the transfer.

- 7.4 **RESOLVED:** That the year-end internal audit and counter fraud report be noted.

## **8 FINANCE AND PERFORMANCE BUSINESS PLAN MONITORING REPORT**

- 8.1 Ms D'Alessandro presented the finance report for May 2014 (period 2), highlighting that the Council was currently projecting an overall budget deficit of £1.7m which was mostly related to an increased demand on temporary housing costs. The Housing department was taking this overspend very seriously and she was confident that the projected overspend would decrease. The 2014/15 savings programme was being monitored closely and making good progress with c28% of savings being rated as green/complete. With regard to the General Fund, the 2014/25 budget currently proposed the use of £2m of reserves.
- 8.2 The Committee noted that the Council needed to achieve savings of £100m over the next 3 years and asked about how savings would be achieved. Ms D'Alessandro explained and that the Chief Executive was looking for the Council to explore less siloed ways of working and opportunities with partner agencies such as the NHS. Further tri-borough arrangements would deliver some of the savings. It was noted that Public Health had not been set any savings targets given it was the first year of service being part of the local authority. The budget was also ring-fenced but this did not mean that efficiencies would not be explored in the future.
- 8.3 Mo Rahman, Strategic Business Analyst, introduced the 2013/14 end of year performance report which updated the Committee on the delivery against the 2013/14 Business Plans and Better City, Better Lives projects and activities.
- 8.4 The Chairman raised concerns about the number of planning applications not being processed within the required timescales and that no target had been set in 2013/14 for the number of planning applications determined within 8 weeks. The Chairman also had concerns over missed targets relating to the recruitment of foster carers and care leavers. It was agreed that the Committee would have an 'interview slot' at future meetings in which officers from the service areas would be asked to attend the meeting to discuss performance in more detail.
- 8.5 Councillor Boothroyd requested further information on the impact of short term lettings.
- 8.6 Mr Rahman also informed the Committee that there were some changes taking place to how performance monitoring was carried out and presented. A briefing paper on these changes would be circulated to the Committee

ahead of the September meeting, at which the new monitoring information would be presented.

8.7 **RESOLVED:** That the report be noted.

The Meeting ended at 8.38 pm

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_