

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 4th February, 2015**, Rooms 3 & 4 - 17th Floor, City Hall.

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

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 26 November 2014 be signed by the Chairman as a correct record of proceedings.

4 MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

4.1 The committee considered an annual report which provided an overview of the arrangements in place and actions taken to maintain high ethical standards throughout the authority.

4.2 The committee sought clarity on the types of fraud and corruption reported through the freephone Fraud and Whistleblowing hotline or the anonymous 'Report a Fraud' facility on the council website and how effective they were. Moira Mackie, Senior Manager, (Baker Tilly) explained that a significant majority of the calls or referrals related to parking and housing benefit fraud with very few relating to allegations against members of staff which would more likely be reported by managers through internal processes. David Whitehouse Hayes, Counter Fraud Manager, advised that the number of reports of alleged housing benefit fraud was proportional given that the council currently has 23,000 live housing benefit claims. He informed members that few successful sanctions were achieved for calls received via

the hotline as the quality of information was often poor. Procedures existed to determine which were worth pursuing.

- 4.3 A concern was raised that at meetings of the Discretionary Housing Payment Advisory Panel the majority of cases before the panel involved examples where tenancies are paid for in cash. Councillor Hall asserted that the absence of a clear paper trail of payments could potentially fuel money-laundering by landlords while for tenants there would be a loss of protection under the law. To assist both in the prevention and detection of housing benefit fraud the committee suggested that the verification framework for housing benefit applications should include a requirement that applicants provide proof of tenancy agreement. It was also suggested that applicants should be required to make rental payments through an auditable process. Concern was raised about the council's Tenancy Deposit Scheme and whether proof that a deposit has been paid has to be provided to the council.
- 4.4 In respect of ethical governance training, the committee was pleased to note that following the local elections in May 2014 98% of councillors have attended training sessions conducted by the Head of Legal and Democratic Services on the new Members Code of Conduct and their obligations as City of Westminster Councillors. This is a vast improvement on the 2012 rate. It was also noted that the member who has not yet received training has been contacted to ensure training can be arranged.
- 4.5 The Head of Legal and Democratic Services was asked for further details about the complaints procedure against members and the numbers received in the year to date. He explained that the new regime under the Localism Act is less prescriptive in terms of the requirement on the Standards Committee than previously. He explained that in consultation with the Independent Member of the Standards Committee he considers complaints against members in the first instance to determine whether they should be referred to the Standards Committee. In the year to date there had been three or four complaints against members. He advised that the subject of the complaints had been on relatively trivial matters which is why he had not referred them to the Standards Committee.
- 4.6 Councillor Boothroyd asked Mr Large for a view in respect of an ethical governance issue in relation to the council's contractors and procurement. With reference to a recent Freedom of Information (FOI) release relating to the pay by phone contract he stated that an audit of the contract had revealed that the contractor had failed to apply RPI to the cost of the contract. He advised that the contractor had informed the council that it would be willing to let the council off paying the sum if it renewed its contract. In response Mr Large considered that provided the offer was transparent and disclosed as part of the contract arrangement and that it complied with the procurement code then he did not believe this raised concerns from an ethical governance perspective as it is commonplace for contractors to present a price advantage.
- 4.7 **RESOLVED:**

1. That the annual report and actions taken to maintain high standards of ethical governance throughout the authority be noted
2. That the report be circulated to all members of the council for information with a covering letter from the chairman of the committee.
3. That the suggestion in respect of amending the verification framework for housing benefit applications be referred to officers for a response.

5 QUARTER 3 FINANCE & PERFORMANCE BUSINESS PLAN MONITORING REPORT

- 5.1 The City Treasurer introduced the report relating to the financial performance. The Committee noted the reported overspend but that the budget was expected to balance by the year's end.

The committee asked for a written response on the following matters:

- Whether there is a contingency in the draft budget for 2015-16 to accommodate an increase in temporary accommodation costs should an appeal to the Supreme Court over temporary housing accommodation out of borough be successful?
- Whether the costs for private sector rented accommodation to address homelessness (as Set out in Table 1 of the finance report) include the cost of annexed bed and breakfast accommodation?
- A clarification of the statement 'the use of specialist units for households who are required to live in adapted accommodation in borough leads to the use of high cost units'.

- 5.2 The committee then heard from Sally Pillay, Head of Triborough Fostering and Adoption Service, and Kevin Jones, Operational Director of Children's Services, on the challenges in meeting the key performance indicator for the recruitment of Foster Carers. Ms Pillay summarised the progress on recruitment to date and outlined the mitigating actions including a recruitment strategy put in place to address these as set out in the briefing note circulated to the committee prior to the meeting. The committee was advised that the service is currently expected to recruit 19 Foster carers by the year's end against a target of 20. Ms Pillay explained that the biggest challenges were around maximising awareness of the service, in particular its online presence and brand and attracting the right type of candidates. The service has historically not had a problem in attracting interest from members of the public but unfortunately in many cases prospective applicants are unsuitable for a number of reasons including lack of language skills to not having sufficient accommodation space in their homes. The service hopes to develop a group of 'champions' that can identify and influence the right type of people to apply.

- 5.3 Mo Rahman, Strategic Performance Team, introduced the remainder of the report which outlined progress made against the performance management framework between October and December.
- 5.4 The Committee welcomed the performance headlines from the 2014 City Survey which showed the council had been able to increase many reputation measures, some to record highs.
- 5.5 Officers were asked to explain why the performance indicator to increase the total income generated from the Council's property investment portfolio by 3% was off-track. Officers were also asked why the total number of agency contractors had increased above the target level for the year. The City Treasurer advised in relation to the first matter that the income was more than likely impacted by lower than expected interest rate levels based on an expectation of securing better interest rates. In respect of the latter he advised that councillors should see a reduction in both the number of contractors and the overall salary bill by the summer.
- 5.6 The committee noted that the target to reduce the permanent admission of people (aged 65 and over) to residential and nursing care homes, had not been met. Councillor Warner questioned whether the target was potentially unrealistic and unachievable given the challenges of an ageing population, the high population churn in Westminster and the fact that relatives may not be in a position to look after elderly relatives.
- 5.7 While the committee noted the key service achievements to support residents into employment members were keen to establish whether the outcomes had resulted in long-term employment.
- 5.8 The committee asked for a written response on the following matters:
- The delays to the public realm improvements to the retail environment of the Queensway area.
 - How the council is responding to changes to the vacant buildings law which could have a fundamental impact on the affordable housing contributions required to be provided by developers.
 - The delay in developing the new University Technical College (UTC).
 - The methods that members of the public can engage with the council as part of the new customer centre contract
 - Which schemes have resulted in delays in delivering targeted capital receipts for the investment property portfolio
 - The action plan that has been developed to reduce the permanent admissions of older people to residential and nursing homes per 100,000 populations.

- How many of those residents helped into employment are in long-term employment and the cost to the council of the Families and Communities Employment Service Programme

5.9 **RESOLVED:**

1. That the report be noted.
2. That the request for further information as set out above be actioned.

6 INTERNAL AUDIT AND COUNTER FRAUD MONITORING REPORT

- 6.1 The Committee considered a report that set out the key outcomes from the Internal Audit and Counter Fraud work in the year to date.
- 6.2 The Committee noted the Internal Auditor's opinion that the Council's internal control systems based on the areas reviewed were generally effective, with the exception of those areas detailed in the report. It was emphasised that this was a positive opinion, with 80 % of the audits receiving a positive assurance opinion. The Committee expressed concern about the limited assurance audit in respect of Direct Payments and in particular the need for the high-priority recommendation reminding staff that there should be a clear link between the client's Support Plan and the direct payment made and that changes should be updated accordingly.
- 6.3 The Committee discussed the summary of housing benefit fraud investigations. Officers were asked about the number of sanctions achieved through investigations in the year to date. It was suggested that the number of successful outcomes appeared to be reducing compared to previous years. Mr Whitehouse-Hayes, Counter Fraud Manager, advised that the number of prosecutions for the year-to-date was actually 17 rather than 9 as set out in the report. He explained that this was due to delays in reporting from the Department for Work and Pensions (DWP) to the Council.
- 6.4 Mr Whitehouse-Hayes further advised that at the request of lead members with responsibility for tackling fraud the service has focused on a disruption process which to date has stopped £1.8 million of fraudulent claims. This has taken up a good deal of the service's resources. In response to questions he advised that of the 19 social housing properties that had been suspected of being sub-let two resulted in sanctions. Moira Mackie highlighted that the council had focused on getting social housing properties back and into circulation. She explained that obtaining a successful prosecution can be difficult due to the level of evidence required.
- 6.5 Members noted that as the investigation of housing benefit fraud would be transferring to DWP from 1 March 2015 future reports would not include a summary of housing benefit fraud investigations. However, the committee was informed that it would receive a year end report covering the period up to when housing benefit fraud investigations transfer to DWP.

6.6 Committee Members were pleased to note that the office where DWP would undertake investigations would remain in the borough and be located in Marylebone.

6.7 **RESOLVED:** That the report to be noted.

7 INTERNAL AUDIT PLAN 2015-16

7.1 The committee considered the draft internal audit plan for 2015-16. The Internal Audit Plan has been reviewed to reflect the changes in the Council's structure and to ensure that the audit work addresses key risks during a period of change and general financial constraints.

7.2 Committee Members were informed that the Council's internal audit will be provided by the Tri-borough Internal Audit Service with effect from 1 April 2015. Internal Audit are required to provide the S151 Officer (currently the City Treasurer), the Executive Management Team and the Audit & Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year.

7.3 Officers were referred to the fact that many of the auditable areas did not have specific dates attached to them. Ms Mackie advised that the plan was an early draft which will be subject to some amendment before the final plan is published in March. She undertook to provide the committee with the final plan at the end of the financial year.

7.4 Committee Members noted that a large number of the auditable areas were classified as high risk. Members expressed concern about the security risks of transferring data across the tri-borough councils and the NHS as well as the governance challenges and control arrangements arising from cultural differences. Ms Mackie advised that a number of the audits focusing on key governance areas, including the sharing of information, will be undertaken on a Tri-borough basis. The majority of these will be within Adult Social Care, Public Health and Children's Services, although a large number will also be within the Corporate Services area of the plan. She commented that while parts of a service would be unique to each local authority there should be some communality across the three boroughs.

7.5 **RESOLVED:** That the report and the draft Internal Audit Plan 2015-16 be noted.

8 KPMG CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT (AUDIT 2013/14)

8.1 The Committee received a report on the annual review undertaken by KPMG on the grants the City Council claims. The key messages from the Grant Certification Audit are communicated to the Audit and Performance Committee as the body charged with overseeing governance at the Council.

8.2 The committee noted that KPMG had no recommendations to raise for members consideration.

8.3 **RESOLVED:** That the KPMG report be noted.

9 KPMG ANNUAL AUDIT PLAN 2015-16

9.1 The Committee considered the external audit plan which outlined the work that KPMG propose to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2014/15. The plans are based upon KPMG's audit risk assessment. KPMG also made of the fraud enquiries required under Auditing Standards.

9.2 Officers were asked whether the acceleration of the closedown of the council's accounts would mean that the fees charged for auditing the Authority's financial statements would be slightly lower than the previous year. Andrew Sayers, Audit Partner, KPMG, informed members that due to the improvements in processes for accelerating the closedown of the council's accounts KPMG expected the audit costs to be lower than the prior year but probably above the scale free. He clarified that accelerating the closedown of the council's accounts would not involve any less audit work and would still require a number of staff to undertake various checks.

9.3 Officers were asked about the implications for the Council of the Local Audit and Accountability Act 2014 including the requirement to have an Auditor Panel. The City Treasurer advised that he intended to bring a report on this matter before the committee in due course.

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

10 WORK PROGRAMME 2014-15

10.1 Councillor Boothroyd commented in respect of the responses to actions from the previous meeting that while he had received a response to his request for further information on the implications of the Care Act it did not include as requested details of the number of vulnerable people affected as a result of the new Care Act and the category/level of care they receive. Officers advised that this would be chased.

10.2 The Committee asked that the note previously provided on Westco's activities be re-circulated.

10.2 **RESOLVED:**

1. That the agenda items for the 23rd April 2015 meeting as set out in the Work Programme be agreed.
2. That the updates to actions arising from the previous meeting be noted.
3. That the requests set out above be actioned.

The Meeting ended at 8.27 pm

CHAIRMAN: _____

DATE _____