



City of Westminster

Committee Agenda

Title: **Audit and Performance Committee**

Meeting Date: **Wednesday 4th February, 2015**

Time: **7.00 pm**

Venue: **Rooms 3 & 4 - 17th Floor, City Hall**

Members: **Councillors:**

Jean Paul Floru (Chairman)
Lindsey Hall (Vice-Chairman)
David Boothroyd
Judith Warner

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal.

**Tel: 020 7641 3160 Email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To approve the minutes of the meeting held on 26th of November 2014.

(Pages 1 - 6)

4. MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

Report of the Head of Legal and Democratic Services

(Pages 7 - 18)

5. QUARTER 3 FINANCE & PERFORMANCE BUSINESS PLAN MONITORING REPORT

Report of the City Treasurer and Director of Communications and Strategy

(Pages 19 - 36)

6. INTERNAL AUDIT AND COUNTER FRAUD MONITORING REPORT

Report of the City Treasurer

(Pages 37 - 54)

7. INTERNAL AUDIT PLAN 2015-16

Report of the City Treasurer

(Pages 55 - 68)

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

Report of the City Treasurer

(Pages 69 - 74)

9. KPMG ANNUAL AUDIT PLAN 2015-16

Report of the City Treasurer

(Pages 75 -
106)

10. WORK PROGRAMME 2014-15

Report of the Head of Legal and Democratic Services

(Pages 107 -
120)

Peter Large
Head of Legal & Democratic Services
27 January 2015

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CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 26th November, 2014**, Rooms 3 & 4 - 17th Floor, City Hall.

Members Present: Councillors Jean Paul Floru (Chairman), David Boothroyd and Tony Devenish

Also Present: Steve Mair, (City Treasurer), Sally Anne-Eldridge, (KPMG), Grant Slessor, (KPMG), Sue Howell, (Complaints and Customer Manager), Mo Rahman, (Strategic Business Analyst), Glen Peache, (Assistant Director for Looked After Children and Leaving Care), Chris Harris and Moira Mackie, (Baker Tilly), David Whitehouse-Hayes, (Counter Fraud Manager), Reuben Segal, (Committee and Governance Services)

Apologies for Absence: Councillor Judith Warner

1 MEMBERSHIP

- 1.1 It was noted that Councillor Tony Devenish had replaced Councillor Lindsey Hall.

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 17th September 2014 be signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME 2014-2015

- 4.1 Councillor Devenish suggested that the procurement workshop which had been arranged for the committee on 4 December, to which all members of the council have been invited, is moved to the second half of January in order to generate a better turnout.

4.2 Councillor Boothroyd suggested that it would be helpful for the committee to receive a report on the future of the council's internal audit and counter fraud service as a result of housing benefit fraud services transferring to the DWP's Single Fraud Investigation Service by March 2015.

4.3 **RESOLVED:**

1. That the Work Programme for the remainder of 2014-15 be endorsed subject to the inclusion of an item on the future of the council's internal audit and counter fraud service.
2. That the procurement workshop which has been arranged to take place on 4 December is rescheduled to the second half of January.

5 KPMG ANNUAL AUDIT LETTER 2013/14

5.1 The Committee considered the Annual Audit Letter issued by the Council's external Auditors KPMG. This set out the key findings from the audit of the Council's Financial Statements (Council and Pension Fund) for the year ending 31 March 2014.

5.2 Steven Mair, City Treasurer, welcomed the unqualified value for money conclusion and unqualified opinion on the council's financial statements. He stated that the Audit Commission Annual Report was expected in the following two to three weeks. This would reveal where the council came in the order of local authorities filing their financial statements for 2013/14.

5.3 The committee noted that due to the accelerated closedown timetable this year the auditors had identified a higher number of errors in the accounts than in previous years. It further noted that there is an intention to close down the accounts at the same time if not earlier next year. Members asked the City Treasurer whether he was confident that similar problems will not occur next year. In response, Mr. Mair provided the committee with details of the project plan and systems that were in place to minimise such issues occurring in future years. However, he explained that given the size of the organisation there will always be some errors that will require correction. Members noted that the high number of errors in the accounts had resulted in additional audit fees. Mr Mair acknowledged this was the case. However he explained the purpose for the accelerated closedown of the council's accounts which formed part of the financial transformation programme. This would in future reduce the overall cost of the finance service to the council.

5.4 The committee also noted that the auditors had not issued a certificate closing the audits for 2008/09 onwards as it has been considering a number of objections principally raised by one member of the public. Two objections were outstanding. These related to the parking pay by phone contract and the Phillips Bailiff contract. The first had been raised by the principal objector. At the request of the Chairman Sally Ann Eldridge, KPMG, provided a breakdown of the cost of work relating to the consideration of matters raised by the principal objector since 2008/09. This amounted to approximately

£80,000. The Committee was concerned that objections raised as far back as 2008/9 were still unresolved and the cost to the Council. However, it was recognised that some of the objections had identified weaknesses in council processes.

- 5.5 **RESOLVED:** That the Annual Audit Letter 2013/14 including the status of objections to the authority's accounts be noted.

6 CORPORATE COMPLAINTS 2013/2014

- 6.1 The Committee considered a report that set out the Council's Annual Complaints Review for 2014. The report summarised the Council's complaints performance (Complaint stages 1 and 2), those complaints received by the Local Government Ombudsmen (LGO), and a limited review of dealing with the Leader and Cabinet Member correspondence. The report also contained, as an appendix, a copy of the Local Government Ombudsman Annual Letter/Review for the year ending 31 March 2014 and a copy of CityWest Homes Complaint Report for 2013-14.
- 6.2 The committee noted the improvement in meeting the target response times at stage 1 but that there had been a slight decrease in the target response time at stage 2 against the previous year. Members asked about the 15% increase in the total number of complaints received since the previous year. Sue Howell, Complaints and Customer Manager, explained that there were a growing number of organisations that filter through complaints to the Council on behalf of others and that this could account for the increase.
- 6.3 Members referred to the fact that councillors and officers receive complaints on an informal basis which aren't logged. The committee asked to receive a process map that sets out how enquiries coming into the council lead to the formal two-stage complaints process. The committee also requested that in future years the report include a definition of what is deemed to be a corporate complaint.
- 6.4 The committee asked whether the person who investigates a complaint at stage 1 is independent from the person against whom the complaint is being made. Ms Howell stated that the council encourages complaints to be investigated by a manager who is independent from the individual, however, this is not always possible, such as where the service comprises of a small team. The stage 2 complaint process exists should a complainant be unsatisfied with the investigation into a complaint at stage 1.
- 6.5 CityWest Homes has its own complaints procedure which has been in operation since April 2012. However, in agreement with CityWest Homes their version of an annual complaint report was included in the annual review to facilitate some scrutiny of their complaint performance. The committee expressed concern that CityWest Homes has its own complaints procedure. There was also concern that to Members knowledge CityWest Homes had not set up the forerunner of the new tenants' panel to review complaints which

would otherwise be investigated by the council. This was one of the reasons cited for CityWest Homes being allowed to have their own procedure. Concerns were also raised about the number of members enquiries quoted in the CityWest Homes report which members believed to be significantly under-reported. The committee asked for a briefing note from CityWest Homes on whether the forerunner of the new tenants' panel has been established and how it is operating, and if not the reason for this.

6.6 Subsequent to the recommendation of the Local Government Ombudsman, Councillor Boothroyd asked for a statement on the amount of compensation that has been paid out by the Council to families who had been housed in temporary accommodation longer than the statutory limit.

6.7 **RESOLVED:**

1. That information about complaints set out in the Annual Complaints Review 2013/14 be noted.
2. That the request for further information as set out above be actioned.

7 QUARTER 2 FINANCE & PERFORMANCE BUSINESS PLAN MONITORING REPORT

7.1 The City Treasurer introduced the report relating to financial performance. He reported that there was an overspend in the council's annual budget of approximately £3.5 million at period 6. This was primarily due to an overspend in housing due to a combination of factors including high homelessness levels. He expected the budget to be back on track and balanced by the year's end.

7.2 Mo Rahman, Strategic Performance Team, introduced the remainder of the report which outlined progress made against the performance management framework between April and September 2014. It was noted that the evaluation of performance was based on progress against the business plans of each Executive Director portfolio.

7.3 In respect of the performance report, the committee requested that future reports are abridged and focus on the analytics of the Better City Better Lives objectives and service deliverables.

7.4 Following a request from the Chairman, Glen Peache, Assistant Director for Looked After Children and Leaving Care attended the meeting to explain the reasons for the impact on the target to reduce the proportion of young people coming into care aged 14-17 years. Mr Peache explained that this was due to an increase in the number of unaccompanied Asylum Seeking children. Traditionally the number of such children in Westminster has been quite low compared to neighbouring authorities. Since April 2014 changes have been introduced to ensure that there is a far more equal distribution across London local authorities. In addition to this, there has been an overall increase in the number of unaccompanied asylum seeking children in London due in part to an increase in children arriving from Albania. This matter was being discussed

with the Home Office and Border Control as it was suspected that some of those claiming asylum were older than stated and/or were economic migrants. The Committee was advised that there is a specialist assessment process if there is any doubt on the age of those seeking asylum.

- 7.5 The committee had requested that a senior officer from the Fostering Service attend the meeting to discuss the challenges for the recruitment of Foster Carers. Members were disappointed that no one was present. Members asked the Fostering Service to provide a note to the committee.
- 7.6 Councillor Boothroyd asked for details of the associated cost to Adult Services as a result of the new Care Act, the number of vulnerable people affected, the category level of care they receive and implications of the delay in implementing the service.
- 7.7 Councillor Boothroyd also requested more information regarding the planning permission and work programme for the Queens Park Leisure Centre and details of the corporate property portfolio, in particular the costs, income generated and breakdown of portfolio.
- 7.8 **RESOLVED:** That the content of the reports be noted and that the request for further information as set out above be actioned.

8 INTERNAL AUDIT AND COUNTER FRAUD MONITORING REPORT

- 8.1 The Committee considered a report that set out the key outcomes from the Internal Audit and Counter Fraud work in the year to date. Members 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 77 % of the audits receiving a positive assurance opinion.
- 8.2 The Committee expressed concern about the limited assurance audits in respect of two Westminster schools (Queen Elizabeth II Special School and College Park Special School). Chris Harris, Baker Tilly, notified the committee of an error in the report that the red warning flagged up for College Park Special School should have been listed as amber. He stated that the result of the audits were disappointing given the significant amount of work that had been undertaken with the schools in the past to enable them to put robust processes in place. Moira Mackie, Baker Tilly, suggested that the cause for the less than satisfactory financial administration at one of the schools was due to a change in the bursar which had affected the quality of financial administration. The committee has asked that if the problems persist the Council's City Treasurer and Tri-Borough Director of Children's Services work with the schools to influence improvements in internal control systems.
- 8.3 The Committee then discussed the summary of housing benefit fraud investigations. Members asked officers why there were higher numbers of prosecutions in some inner London local authorities such as Southwark, Wandsworth and Hackney compared to Westminster. David Whitehouse Hayes, Counter Fraud Manager, explained that the number of prosecutions

undertaken by the Council varied per annum. Some forms of prosecution were more complex and lengthy. The counter fraud service had been tasked by the lead member for Counter Fraud to focus on these types of cases to create a greater disruption on fraud relating to subletting. To obtain a more accurate picture on housing benefit fraud prosecutions the committee asked for a summary of prosecutions undertaken by the Council and the money recovered over the last few years.

The Meeting ended at 8.20 pm

CHAIRMAN: _____

DATE _____



City of Westminster

Audit and Performance Committee Report

Date:	4 February 2015
Classification:	General Release
Title:	Maintaining High Ethical Standards at the City Council
Wards Affected:	All
Financial Summary:	N/A
Report of:	Head of Legal and Democratic Services and Monitoring Officer.
Author:	Reuben Segal Senior Committee and Governance Officer Email: rsegal@westminster.gov.uk

1. Executive Summary

- 1.1 This annual report to the Audit and Performance Committee is submitted in accordance with the Committee's following term of reference:

"To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services".

The Head of Legal and Democratic Services also serves as the Council's Monitoring Officer which is a statutory appointment under the provisions of Section 5 of the Local Government and Housing Act 1989. One of the roles of the Monitoring Officer is to advance good governance and ensure the highest standards of ethical behaviour are maintained through the effective discharge of his statutory duties.

- 1.2 'Ethical governance' lies at the very heart of the way in which an organisation is run, how its business is transacted and how its decisions are taken. The imperative for ethical behaviours and practices to underpin and guide the actions of an organisation has arguably never been more important. This is especially the

case for local authorities whose primary objectives are to deliver the highest standard of local services for its residents and to do so in a timely, transparent and accountable manner. When public services are heavily scrutinised and public opinion is formed not only on what we do but how we do it, ethical governance needs to be at the forefront of our approach.

- 1.3 At the City Council we recognise that ethical governance is not simply a matter for the 'decision-makers at the top' but is applicable to all those who work for or in conjunction with the organisation – our elected Members, our staff and our contractors are all expected to adhere to the highest standards of conduct and behaviours. In this context the report will detail how we maintain ethical governance in each case.

The areas covered this year's report are the following:

- Tri-Borough Internal Audit Service;
- Ethical governance complaints monitoring
- Ethical governance at Member-level;
- Ethical governance in relation to staff and service areas
- Ethical governance in relation to the Council's contractors and procurement.

2. Recommendations

- 2.1 That the annual report and actions taken to maintain high standards of ethical governance through-out the authority be noted;
- 2.2 That the Committee suggest any areas of ethical governance which have not been addressed in this report, for inclusion in the next annual report; and
- 2.4 That the report be circulated to all Members of the Council for information with a covering letter from the Chairman of the Committee.

3. Tri-Borough Internal Audit Service

- 3.1 In December 2013 the proposal to create a Tri-borough Fraud and Audit Service was formally ratified. A key aim of the service is to review policies and procedures across all three Councils to identify best practice in respect of corporate governance and promote a culture of zero tolerance in respect of fraud, corruption and mismanagement. Anti-fraud training has already commenced within Tri-borough service areas and online training is also now available to all staff.

How Ethical Governance Complaints are dealt with

- 3.2 The Council's Anti-Fraud, Bribery and Corruption Strategy, which was approved by the Cabinet Member for Finance and Customer Services in April 2013, states

that if fraud, corruption or any misconduct directed against the Council (or directed at others by staff and contractors of the Council) is suspected, this should be reported through the freephone Fraud and Whistleblowing hotline or the anonymous 'Report a Fraud' facility on the Council website. Investigators will then consider the merits of investigation and will communicate the intended action so that reported complaints are clearly responded to and acted upon. There is also the option of referring concerns directly to Internal Audit in cases where it is inappropriate or not possible to inform a line manager; or when a line manager has been informed and has taken no action. Officers and staff should not attempt their own investigations as the Fraud Team will identify a course of action and decide the reporting process. The types of allegation that has been received in the past include:

- Financial irregularity resulting in loss or expense to the Council;
- Failure of staff or contractors to perform the duties for which they are paid;
- Undertaking work or entering into an arrangement which is not within the remit of the role.

In the first nine months of 2014/15, approximately 500 calls had been received on the Fraud and Whistleblowing hotline and 100 referrals received through the 'Report a Fraud' facility. The majority of these referrals relate to possible fraud in respect of Housing Benefit payments, the abuse of residents' or disabled parking badges and housing sub-letting and are made by members of the public.

3.3 The Tri-Borough Director of Audit and Fraud will decide who will conduct the investigation and when/if referral to the police is required. The Team will regularly report to the Tri-Borough Director of Audit and Fraud on the progress of the investigation and will also:

- Ensure that other relevant parties are informed where necessary e.g. Human Resources will be informed where an employee is a suspect;
- Ensure that the Council incident and losses reporting systems are followed; and
- Ensure that any system weaknesses identified as part of the investigation are followed up with management or Internal Audit.

4. Ethical Governance Complaint Monitoring

4.1 As part of the arrangements in place for maintaining high ethical standards throughout the Authority, in March 2007 the Standards Committee endorsed a definition of what constitutes an ethical governance complaint so that Departments can identify and refer any ethical governance complaints to the appropriate persons, and consistently record such complaints.

The definition of an ethical governance complaint as endorsed by the Standards Committee is as follows:

“An alleged breach of the high standards of ethical conduct set out in the codes of conduct for officers and Members”

- 4.2 One of the roles of the Tri-Borough Internal Audit Service is to investigate allegations of fraud, bribery and corruption, therefore it is not appropriate for such ethical governance complaint issues to be investigated under the Council’s normal complaints procedure. However, if such a complaint is raised in this way the complainant will be advised that the matter will be referred to the Fraud Investigation Team to take the appropriate action.
- 4.3 The Corporate Complaints Team is a distinct service to that of the Fraud Investigation Team and is based within the Strategic Finance Department. The team has overall responsibility for the management and development of the Corporate Complaints procedure and for the compilation of the Annual Complaints Review. The Annual Complaints Review heard by the Committee at its meeting on 26 November 2014 did not provide any comment on any complaints which meet the definition of an ethical governance complaint as none were recorded by the service areas for the financial year 2013/2014. Complaints related to service delivery as opposed to alleged breaches of the high standards of ethical conduct expected of those working for the Council.
- 4.4 As part of monitoring ethical governance complaints service areas are reminded on a quarterly basis what constitutes an ethical governance complaint, and they are also asked if any ethical governance complaints have been dealt with under the Council’s complaint procedure. The Council’s complaint database has also been amended to enable this category of complaint to be recorded on the system. It is not unusual for Departments to report that no ethical governance complaints have entered the complaints procedure and as already explained it is a matter of general practice that allegations of this nature are usually referred to Internal Audit for investigation as appropriate.

5. Ethical governance at Member-level

- 5.1 Confidence in local democracy is essential to an open and effective relationship between residents and their local authority and this can only be achieved when those serving their communities adhere to – and can be held accountable for – the high standards expected of them. The residents of Westminster have a right to expect honest and ethical behaviour from their elected representatives and, in turn, the City Council has a responsibility to ensure that its Members are aware of and understand what these ethical standards are. These standards are set-out in the Members’ Code of Conduct.

- 5.2 In accordance with the provisions of the Localism Act 2011 a new Members' Code of Conduct was adopted by the full Council in June 2012. This Code explains that Members have a commitment to behave in a manner that is consistent with the 'Seven Principles of Public Life' (also known as the Nolan Principles) when acting as a representative of the City Council. The Code also provides more detailed guidance relating to the conduct expected of Members during the course of their service to the Council including the requirements to: champion the needs of residents; exercise independent judgement; value colleagues and Council staff and engage with them in an appropriate manner. The Code further details requirements relating to the registration and declaration of interests and actions to be taken in the case of potential conflicts of interest. Notably, the Code also includes the new statutory requirements regarding the disclosure of Disclosable Pecuniary Interests.

Ethical Governance Training, Support and Advice

- 5.3 To ensure all Members were informed of (and fully understood) the implications of the new Code and their obligations as City of Westminster Councillors, the Head of Legal and Democratic Services held a number of training sessions for Members on the new Code of Conduct and associated requirements shortly after its implementation. Aside from this structured training, Members are always encouraged to contact the Head of Legal and Democratic Services to discuss any queries relating to any part of the Code. Professional advice and support is also provided for Members on behalf of the Head of Legal and Democratic Services by the Senior Governance Officers who manage and attend every formal Member-level meeting of the Council. This ensures that, when partaking in Council business or considering any formal decision (whether in public or in private session) Members have ready access to professional advice to enable them to take part in business legitimately and appropriately.
- 5.4 Following the local elections in May 2014 the Head of Legal and Democratic Services (Monitoring Officer) held three Code of Conduct training sessions (two in June and one in July) as part of the Member induction programme, which achieved a very good attendance rate. Members were also advised that further one-to-one sessions would be arranged for any Member who either could not attend the scheduled sessions or wished to receive further advice. A number of Members have taken up this offer and one-to-one sessions have since been held upon request. This is a standing invitation and Members are advised to contact the Head of Legal and Democratic Services at any time if they require advice relating to matters relating to their conduct or interests.
- 5.5 These recent sessions combined (the scheduled sessions and one-to-one training) achieved an **attendance rate of 98%**, which is a vast improvement on

the 2012 rate. The Member who has not yet received training has been contacted to ensure training can be arranged at the earliest opportunity.

Publicity and Access to Ethical Governance Information

- 5.5 The Members' Code of Conduct and each individual Member's Register of Interests form is published on the Council's website in accordance with the publicity requirements of the Localism Act and is readily available to view online. For those who do not have access to the internet, these documents can be viewed at City Hall by prior arrangement.
- 5.6 No issues have arisen to date during the course of Council business (or which have been brought to the Monitoring Officer's attention by other means) regarding any Member's non-compliance with the new Code. Since the implementation of the new Code Members have been conscientious to ensure the requirements relating to the registration, declaration and disclosure of interests in all circumstances have been maintained – whether partaking in business at formal meetings or taking an Executive decision in a Cabinet Member capacity.

Complaints against Members Procedure

- 5.7 The Committee will recall that the Localism Act abolished the previous prescribed arrangements for dealing with complaints against Members (enforced under the Standards for England regime). The City Council subsequently took advantage of the provisions of the Localism Act to establish our own fit-for-purpose complaints procedure which reflected a robust but streamlined (less bureaucratic) approach to the consideration and determination of complaints. The agreed procedure for dealing with complaints against Members is published on the Council's website, along with information detailing exactly how a member of the public can submit a complaint and who they can contact for advice in this respect.
- 5.8 Since the implementation of the new procedure very few complaints have been received. Each complaint has been thoroughly considered by the Monitoring Officer on the basis of the information set out in the complaint form or submitted with the complaint. In accordance with legal requirements the City Council's Independent Person has been consulted on each complaint. Following this consultation, a decision was taken in each case that a formal investigation was not merited. Whilst complainants must be confident that complaints are taken seriously and dealt with appropriately, investigating a complaint involves spending public money as well as the cost of officer and Member time. Therefore the Council takes a proportionate approach to the issue of whether or not a complaint merits investigation, bearing in mind the sanctions which can be imposed if a Member is found to be in breach of the Code, and the costs to the Council (and to the public) of undertaking an investigation.

5.9 Historically, the City Council has received few complaints against Members. However, where serious complaints have been received in the past an investigation and hearing has been conducted as necessary and Members have been held accountable for their actions. Where issues have arisen relating to conflicts of interest during the course of Council business, these have been dealt with appropriately and transparently in accordance with the professional advice provided to Members. In these respects we are satisfied that a high standard of ethical governance is promoted, enforced and maintained.

6. Ethical Governance in relation to staff and service areas

6.1 The public is entitled to expect the highest standards of conduct from all Westminster City Council employees.

6.2 The law, the Council’s constitution, code of governance, terms and conditions of employment, policies and procedures all bear on the way council employees carry out their duties. The main provisions are summarised in the council’s code of conduct for employees. The employee guide to the Code of Conduct details source documents such as HR Policies where more comprehensive information can be found

6.3 Breaches of the Code may result in action under the Council’s disciplinary code. The Code is published on the council’s intranet and forms part of corporate induction for all new starters

Human Resources

Details of Staff Disciplinary Cases and Whistleblowing issues

6.4 Details of Staff Disciplinary Cases and Whistleblowing issues throughout the authority, categorised by issue, are set out below. Details of all cases are monitored by HR who review these and flag up any issues arising. The level of disciplinary cases is regarded as normal in an organisation the size of the City Council and is a reduction from the previous financial year.

An overall three year trend:

	2011-2012		2012- 2013		2013-2014		Trend
	Closed	Open	Closed	Open	Closed	Open	
Disciplinary	28	3	35	3	19	8	Ⓔ = Decrease

- The council concluded 19 disciplinary matters in the 2013/2014 financial year.
- 4¹ of these were in schools, 15² of these were in non-schools departments.
- There were 8 cases opened in 2013/2014 financial year which remained open going into the new financial year, 1 case within Schools and 7 within non-schools departments. Out of those 7 cases that were open only 1 remains open to date.
- The outcome of those disciplinary matters were:

Departments								
<u>Outcome</u>	No Case to answer	Not Blameworthy	Formal Oral Warning	Formal Written Warning	Final Written Warning	Dismissal	Other*	<u>Total</u>
<u>Closed Cases</u>	3	0	0	4	5	3	0	15

Schools								
<u>Outcome</u>	No Case to answer	Not Blameworthy	Formal Oral Warning	Formal Written Warning	Final Written Warning	Dismissal	Other*	<u>Total</u>
<u>Total</u>	1	1	1	0			1	4

There were two whistleblowing matters raised via the HR department. Both of these matters were not upheld.

Staff Declarations of Interest and Receipt of Gifts and Hospitality

- 6.5 The council requires all employees to disclose any interests which may conflict with their public duty by completing a Declarations of Interests Form. The council also requires all employees in specified designated³ posts to complete a

¹ Cases concerned issues such as “undermining trust and confidence” and “bringing the school into disrepute”, serious breach of health and safety, inappropriate language and unprofessional behaviour, bullying, child protection allegations, breach of ICT/ acceptable use policy, breach of staff code of conduct

² Cases concerned “undermining trust and confidence” and “bringing the council into disrepute”, allegations of child protection / safeguarding concerns, insubordination, fraud, punctuality and absenteeism, inappropriate behaviour at work, theft, sending inappropriate communications.

It should be noted that in relation to the schools data this is in relation to only those schools that buy into the Westminster Council’s HR Service and does not represent all schools across the borough. At present there are 22 schools out of 42 that buy into Westminster Services be it HR only, payroll only, or both.

*Resignations, compromise agreement, case handed to other HR provider,

³ **Designated Posts**

- all posts at Band 5 or above level or their non-Reward equivalent
- any post referred to on a Directorate / Unit Scheme of Delegation for contract purposes; and

Declarations of Interests Form on taking up the post, on any change in personal circumstances and on the general declaration completion date which occurs every 3 years. The next general declaration completion date is 1 April 2016.

- 6.6 EMT members or their nominated officer will use the information on Declaration of Interests Forms to compile and maintain a register of pecuniary and personal interests for their area of responsibility. Each EMT member will review their register and consider whether any steps need to be taken to avoid conflict when relevant employees complete and resubmit forms. The register is not available for public inspection and there is no statutory requirement to make them available. However, subject to any exemptions which may apply, information contained within the register will be disclosed in accordance with the Freedom of Information Act 2001.
- 6.7 Every endeavour is made to keep the registers up to date but the onus is on employees to ensure that their registration details are accurate and up to date. Information will be maintained and held on the register during the employees' employment and for six years thereafter. In addition to completion of the declaration of interests form, employees must also declare any interests at meetings as appropriate. Failure to disclose such interests may lead to disciplinary action under the council's policies.

Staff Receipt of Gifts and Hospitality

- 6.8 The council also provides managers and employees with guidance as to when they can legitimately receive or give Gifts and Hospitality during the course of their duties. Without exception all gifts and hospitality given and received, whether accepted or declined, must be entered in the designated corporate register immediately after the offer is made. Given that the council is a public body it is essential that all such items are recorded in an easily accessible and efficient way. To this end, an online Gifts and Hospitality Register has been implemented and been used since 19 December 2006. The corporate Gifts and Hospitality register is maintained and reviewed by the designated monitoring officer on a regular basis. This is currently the Audit Manager.

7. Ethical Governance guidance and safeguards in relation to the Council's contractors and procurement

- 7.1 The Council's Procurement Code sets the mandatory rules on behalf of Westminster City Council which must be followed during the conduct of all procurement and contracting activity. The Code ensures that each area of strategic and commercial procurement is rigorously governed to ensure good

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- any other post as determined by the Strategic Executive Board (SEB) member or their nominated officer where the post holder has a significant involvement in contract matters or other work which requires a high level of transparent probity.

procurement business practices, whilst minimising risks and adverse implications to the Council's reputation or non compliance to legal requirements. The Code is underpinned by the fundamental principle that *"the highest standards of probity and ethical governance are maintained and adhered to at all times"*. In addition, section 3 and appendix B of the Procurement Code make specific reference to the Code of conduct and employee guide, Anti fraud and bribery and the Local Government Act 1972 – Section 117 Disclosure by officers of interest in contracts.

Gate Review

- 7.2 The City Council has a Gate Review process which must be followed by all officers, and which demands a formal 'go/no go' decision to be taken at two key stages:

Gate 1: Examines the proposed strategy and tender evaluation criteria.

Gate 2: Examines the proposed contract award and implementation plan.

Peer Reviews are to be led by Nominated Authorised Officers for Operational spend (£10k to £100k) and Strategic spend (>£100k). A Peer Review ensures that officers are not acting alone when making decisions about contract awards, and it ensures that due process has been followed. The Gate Review Panel provides additional rigour for Strategic spend.

- 7.3 All participants in a procurement exercise are expected to declare whether they have a personal interest in any proposed contract or in any company or other organisation bidding for a proposed contract by completing a 'Declarations of Interest' form and signing it. The declaration must be made at the time when bidders are selected or short-listed from a response to an advertisement or, in exceptional cases, where a single supplier is chosen. The form is part of the Category Management process for Strategic spend.

CapitalSourcing

- 7.4 During the Committee's discussion of a previous report Members raised concerns about the Council's vulnerability in respect of staff being largely unmonitored in their dealings with external contractors. The launch of a new electronic sourcing solution called 'capitalSourcing' across Tri-Borough from January 2014 increased transparency and monitoring around procurement activities. The capitalSourcing solution contains a module on contract performance which enables Tri-Borough to apply standard high level performance measures for all contracts and more detailed relationship management data for strategic suppliers and key contracts. This means that all tendering and requests for quotes are carried out online. Advertising, evaluations and contract awards will be conducted using the system and contract awards will be automatically moved into the contracts management module. This solution

provides far greater visibility of our procurement activities, gives a robust audit trail, management information and enables a far more efficient process. Workflows ensure that approvals are obtained at the appropriate stages of the procurement process.

7.5 Safeguards during procurement exercises: Examples

- 7.5.1 The following is listed as an example of safeguards which are followed. During a recent procurement exercise, a project team member who was managing contracts as part of Supplier Relationship Management had day-to-day contact with contractors. Tweets were exchanged between the team member and a contractor, which were available for anyone to see. This team member was due to sit on the evaluation panel for the re-let of a contract. However, a letter from an unknown person who had seen the tweets was sent to Westminster City Council via a solicitor, and it was suggested that there was a conflict of interest as the contractor in question would be bidding for the new contract. The situation was investigated and, although there was no substance to the suggestion in the letter, the team member was not included on the evaluation panel as a safeguard to any allegations that the outcome of the competitive procurement exercise had been influenced unduly.
- 7.5.2 Managed Services:
Measures were taken when dealing with the Managed Services Provider (MSP) contracts to avoid conflicts of interest. However, no conflicts of interest occurred and Lot 1 was awarded to BT.
- 7.5.3 Customer Services:
Measures were also taken when dealing with the Customer Services contracts to avoid conflicts of interest – for example, Serco submitted a bid but there was a clear segregation of responsibilities
- 7.5.4 Parking Services:
In respect of Parking Services, the existing contract for the provision of the systems and back-office processing performed by Serco expires in November 2014 and the provision of Parking and CCTV Enforcement performed by NSL expires in June 2014. The City Council prepared to re-procure these services to ensure that effective provision is in place to ensure continuity of service and that it continues to adhere to the Network Management Duty placed on it by the Traffic Management Act 2004. Baker Tilly provided gateway support to Westminster City Council to ensure that the procurement complies with EU Procurement Rules. An audit of the Parking contracts re-let was also carried out.
- 7.5.5 Aggresso:
There will be closer alignment with finance in the policies and implementation of the new Purchase to Pay “P2P” system and associated controls.

Complaints from unsuccessful bidders

- 7.6 The Strategic and Commercial Procurement team do not currently keep a log of instances/examples where they have been challenged by an unsuccessful bidder. However, the Category Management Toolkit is being reviewed between January 2014 to March 2014 and a process step to facilitate the recording of such data will be included. In addition, the refresh of the Procurement Code (due to be published in January 2014) will include a statement to address this issue to ensure that all supplier challenges for unsuccessful bids will be logged, and reviewed in the Gate Review Panel meetings.

8. Conclusion

- 8.1 This report provides the Committee with an overview of the arrangements in place across the Council to maintain high standards of ethical governance and highlights the work which has been undertaken in this respect during the 2013/2014 municipal year. As detailed in this report, action has been taken to ensure the Council is fully compliant with legislation relating to ethical governance and to ensure Officers' and Members' responsibilities in this context are communicated accordingly. Appropriate systems are in place to facilitate the reporting of ethical governance complaints and defined mechanisms and procedures exist to ensure any such complaints are dealt with in the correct way. The Monitoring Officer, supported by the Governance Working Group, will continue to oversee a programme of work to ensure that all key service areas with responsibility for functions relating to ethical governance are observing their responsibilities and working to maintain high standards.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Reuben Segal, Senior Committee and Governance Officer

Legal and Democratic Services

Email: rsegal@westminster.gov.uk

BACKGROUND PAPERS:

- Anti-Fraud, Bribery and Corruption Strategy
- Member's Code of Conduct
- Arrangements for Dealing with Complaints alleging a Breach of the Members' Code of Conduct
- Monitoring Officer Protocol
- Localism Act 2011



City of Westminster

Audit and Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	3rd February 2015
Classification:	General Release
Title:	Quarter 3 (April - December 2014) Performance and Finance Report
Better City, Better Lives:	Report provides assurance against key BCBL projects and initiatives
Key Decision:	Review and challenge Officers on the contents of the report
Financial Summary:	Period 9 (December 2014) finance position reported
Report of:	Steven Mair, City Treasurer Julia Corkey, Director of Policy, Performance and Communications

1. Executive Summary

This report provides the quarter two (April – December 2014) update to the Audit & Performance Committee on the City Council's financial position, delivery against the 2014/15 Business Plans and Better City, Better Lives projects and initiatives.

2. Recommendations

- Committee notes the content of the report
- Committee indicate any areas of the report that require further investigation
- Committee highlights any new emerging risks that have not been captured

3. Reasons for Decision

To inform Members of how the City Council is delivering on its key objectives, hold Officers to account and steer improvement activity where necessary.

4. Background, including Policy Context

Report sets out how the City Council is delivering on the Better City, Better Lives vision and Medium Term Savings Plan.

2014/15 FINANCIAL YEAR OUTTURN REPORT AS AT P9

Key Messages for Projected 14/15 Outturn:

Revenue

At Period 9, the Council is projecting a potential overall **deficit to Budget of £0.28m**, before the impact of planned management action. This is significantly reduced from Period 8 by £1.24m. The major adverse variance is in Housing, while nearly all other Services are forecasting to end the year better than budget. Opportunities to mitigate the residual shortfall to budget, such as bringing forward savings proposed under Medium Term Planning continue to be actively examined.

Capital Expenditure

The total projected outturn for capital is £65.34m, a £0.15m overspend against the approved CRG forecast. This reflects a CRG approved increase of £0.75m in Corporate & Commercial Services for ICT expenditure leaving a net reduction of £0.48m. This reduction is within Growth, Planning and Housing and relates to projects that will slip into 15/16.

SECTION 1: REVENUE PROJECTED OUTTURN

1. Operating Budget

The Council set an operating budget of c£211m of expenditure. The projected outturn (at P9) against this budget is a £0.28m deficit which is due to an adverse movement within Housing, offset by favourable variance across most other Service Areas (see Table 2 which reports budgets, projected outturn and variances by Service Area).

2. Service Area Revenue Projected Outturn

The adverse variance of £0.28m to budget (see Table 2 below) is made up of the following:

- Unfavourable variances (overspends) to budget within:
 - Housing where the service is reporting an overspend to budget of £3.4m. Homeless numbers remain high and securing suitable accommodation within the central government set TA subsidy level remains challenging. Costs exceed budget relating to procurement of accommodation; the use of specialist units for households who are required to live in adapted accommodation in borough lead to the use of high cost units; and high numbers of legal challenges prevent the use of cheaper out of borough properties for most households.

Table 1 – Homeless numbers

Homeless numbers	01/04/14	31/12/14
Private Sector Rented	1,338	1,458
Bed and Breakfast	190	183
Self-contained Accommodation	398	381
Housing Association Leased (no cost)	326	308
HRA Properties (temp use)	38	38
Total	2,290	2,368

- Favourable variances (underspends) to budget as follows:
 - City Management & Communities shows a favourable variance to budget of £1.20m, which can be attributed to increased income from traffic management orders (£0.7m, covering road closures for road works, the use of cranes for accessing a building site etc) and temporary structures (£0.4m, relating to scaffolding and hoarding on or over the highway) within Public Protection & Licensing, an increase in commercial waste income, and lower Transportation expenditure.
 - Corporate & Commercial Services are forecasting a favourable variance of £1.07m. This is due to underspends in Customer contracts, Procurement salaries and running costs, underspends within Legal & Democratic Services as well as a reduction in expenditure in Revenue & Benefits.
 - Policy, Performance & Communication are forecasting a favourable variance of £0.35m. This arises from increased income from external communications trading and Public Realm funding, as well as salary underspends.

Table 2 – P9 Forecast Outturn by EMT Directorate

Directorate	P9 FULL YEAR ANALYSIS			Vs Previous Period		Better / Worse / Unchanged
	Budget	Projected Outturn	Projected Variance	Previous Period Variance	Current Vs Previous Period Movement	
	£000	£000	£000	£000	£000	
Adults Services	80,834	80,752	82	80	1	Better
Children's Services	40,380	40,380	0	0	0	Unchanged
Growth, Planning & Housing	29,298	32,431	(3,133)	(3,134)	0	Unchanged
City Management & Communities	16,596	15,401	1,195	872	324	Better
Corporate & Commercial Services	25,695	24,621	1,074	273	802	Better
Policy Performance & Communication	7,472	7,122	350	270	80	Better
Chief Of Staff	711	656	55	55	0	Unchanged
City Treasurer	10,376	10,275	101	67	34	Better
SERVICE AREA TOTAL	211,362	211,637	(276)	(1,517)	1,241	Better
Government Funding	231,396	230,188	(1,209)	(1,209)	0	Unchanged
Corporate Income	1,000	1,000	0	0	0	Unchanged
Total Funding / Income	232,396	231,188	(1,209)	(1,209)	0	Unchanged
Less: Corporate Financing	23,125	21,916	(1,209)	(1,209)	0	Unchanged
Corporate Financing	209,272	209,272	0	0	0	Unchanged
Net Surplus/(Deficit)	(2,090)	(2,366)	(276)	(1,517)	1,241	Better

SECTION 2: CAPITAL EXPENDITURE PROJECTED OUTTURN

For 2014/15 the projected outturn for Service Areas as at Period 6 is £64.24m which is £6.72m above the approved budget. (See Table 3 which reports budgets, projected outturn and variances by Service Area).

In September Property presented their new 5 year strategy to CAB/EMT outlining expenditure plans. The projected outturn for 2014/15 includes the £17.82m for Cavendish Square Gardens and Underground Car Park and a further £3.84m in development opportunities.

Property is projecting an outturn of £6.43m which is £4.99m below the 2014/15 Approved Budget. The reduction is due to a number of movements, primarily the revised profiling (and delay until subsequent years) of City Hall refurbishment and landlord's responsibility costs.

Following the temporary suspension of the Marylebone Library scheme the projected outturn has reduced by £9.69m against the 2014/15 Approved Budget. The revised project is due to be presented to Gate 1 shortly.

Table 3 – Capital Expenditure Projected Outturn by Service Area

	P9 YTD Analysis			P9 Full Year Analysis			2014/15	Prior Period
	Forecast Net £000	Actual Net £000	Variance Net £000	Forecast Net £000	Projection Net £000	Variance Net £000	Budget Net £000	Projection Net £000
All Areas								
Adult Services	696	21	675	933	750	183	933	750
Children's Services	3,818	2,545	1,273	3,042	3,042	(0)	4,713	3,042
Growth, Planning & Housing	30,074	34,388	(4,314)	45,606	44,094	1,512	26,677	44,577
City Management & Communities	5,866	929	4,936	7,152	6,855	297	17,197	6,855
Corporate & Commercial Services	2,797	7,826	(5,030)	3,750	5,594	(1,844)	3,000	4,844
City Treasurer	5,000	0	5,000	5,000	5,000	0	5,000	5,000
TOTAL	48,250	45,709	2,541	65,483	65,336	147	57,521	65,068
Contingency	0	0	0	0	0	0	0	0
Self financing	0	0	0	0	0	0	0	0
Development Opportunities	0	0	0	0	0	0	0	0
OTHER TOTAL	0	0	0	0	0	0	0	0
TOTAL (NET)	48,250	45,709	2,541	65,483	65,336	147	57,521	65,068

SECTION 3: FINANCE STRATEGIC PROJECTS

At Period 9 the status of Finance Strategic projects is as follows:

Finance/HR Managed Services Programme – This remains the key strategic project for the Council's Finance and Human Resources Teams who are continuing to work, in conjunction with Tri-Borough colleagues, the Service provider BT and Programme Managers PWC, towards a successful go-live on 1st April 2015. The first phase of Business Testing took place before the Christmas break. Issues raised during this initial phase were addressed over the Christmas break by BT and the second phase has now started. This Business Testing is scheduled to be completed by early February where the solution it is required to be signed off by the Councils as being "fit for purpose". At this point the project moves into its final

implementation stage of when training and transition of service delivery takes place. Work is on-going to ensure continuity of supply from affected outsourced suppliers until go-live and through the transition.

Medium-Term Financial Planning/Strategic Planning – Work on the MTP is being added into the Council Tax Report which is to be presented to Cabinet on 23rd February and Full Council on 4th March for formal approval.

Annual Accounts Plan - The Annual Accounts project continues apace and work is progressing toward implementing improved business as usual processes to facilitate the more efficient production of the Council's annual accounts in 2014/15. By applying project management methodology, enhancing the Council's technical expertise and implementing rigorous quality assurance techniques, we will be assuring the production of the annual accounts in May 2015.

KEY MESSAGES:

Corporate Health

- The **2014 City Survey** is now complete and shows the Council has been able to increase many reputation measures, some to record highs. Satisfaction with the way the Council runs the city currently stands at 87%, up 2% on 2013. Three quarters of residents (76%) agree the Council offers good value for money (up 5% on 2013). Furthermore, over three quarters of residents (77%) say they feel informed about services and benefits (up 9% on 2013).
- Both the cost and number of **Temporary Agency Contractors (TACs)** continue to increase. The total cost for the rolling year to the end of December was £17.92M well above the £12M target for the year. The total number of TACs at the end of December was 313, just above the target of 300.
- **Savings programme** - At the end of December, a significant number of savings plans are in place to deliver on the £24.27M savings target for the year. To date, 70% of plans have either been completed or are being implemented to deliver £16.87M and 28% of plans are in place to deliver £6.79M. However there are no plans in place to deliver £612K of the savings target.

Key Service Updates

- In partnership with Central London Boroughs Westminster agreed a ground breaking, £11m **employment pilot** with Government to support nearly 4,000 long-term unemployed residents with health conditions.
- There has been a continued increase in **the number of people admitted into residential and nursing care as a rate per population**. The increasing demographic pressures and people presenting with high and complex needs are impacting on delivery. The increase in cognitive impairments has added a particular pressure. A three borough placement panel has been set up so colleagues can discuss alternative provision options and provide challenge as necessary.
- Since April 2014 forty-seven (68%) of the sixty-nine **children or young people requiring foster placements have been placed with Tri-B foster carers** compared to 83% (90 of 108) in 2013/14. Recruitment of foster carers remains a challenge for the Children’s Service. The Service has produced a detailed recruitment plan and additional work is underway to improve performance.
- As part of this **Better Care Fund plan**, the Council developed a single, coordinated Community Independence Service across the Tri-borough area, which will ensure more people can be cared for at home rather than needing to spend time in hospital. This area of service will see a further £1.1m investment in the coming financial year.
- Completion of the **University Technical College** has been delayed and is now expected by December 2016. This follows a risk appraisal of enabling works which are no longer viable due to cost and risks of undertaking prior to the determination of the main planning application. University Technical College member organisations will be consulted on options to open in 2016 in temporary accommodation, and to defer opening until 2017 or pursue other options.
- The new contracted **Parking Service** is now fully operational with NSL. The City Council has also put a **new customer centre contract** in place with a shift away from face-to-face/telephone contact to online.

SECTION 1: CORPORATE OVERVIEW

1.1 Progress against corporate objectives and outcomes (Better City, Better Lives)

There are a total of 67 Priority Projects and Activities which are linked to the Better City, Better Lives ambitions, of these, two have been completed and a further 61 are on track to be delivered in 2014/15. However, the remaining four projects are at risk are:

- **80% of children in foster care are placed through the Tri-B Fostering and Adoption Service**
Since April 2014 forty-seven (68%) of the sixty-nine children or young people requiring foster placements have been placed with Tri-B foster carers. Recruitment of foster carers remains a challenge for the Children's Service. A paper was provided to the Audit and Performance Committee in September 2014 which outlined the reasons behind the historical low recruitment numbers and the remedial actions in place to increase recruitment. The Service has produced a detailed recruitment plan and additional work is underway to focus efforts on areas that yield more success in terms of recruitment such as actively advertising in the West London area and supporting activities such as community based marketing stands and local open days.
- **Deliver 60 housing specialist housing units for older people at Darwin House**
Following the review on the recent consultation on the Clinical Commissioning Group project, there were a number of concerns raised by the local community therefore a decision was made to put the project on hold in order to allow Council Officers to have a conversation with key stakeholders on the way forward. The position will be reviewed again in the next few months.
- **Licensing Protocol - Prepare to implement a licensing fee system based on cost recovery**
The Licensing Protocol project is working to implement a licensing fee system based on greater cost recovery. There have been delays to the implementation of the licensing fee system as the Service considers implications of the Hemming case possible legal, financial and reputational risks around this project. The Licensing Service continues to contribute to income generation and cost recovery areas of work including training of businesses and delivering pre-application advice for licensing. This has helped towards the cost recovery of the service and reduced enforcement costs.
- **Public realm improvements to retail environment of the Queensway area**
The public realm improvements to Queensway have been delayed due to concerns expressed by the Cabinet Member. A detailed project plan is now being developed with a completion date scheduled for 2016.

1.2 Corporate Health Indicators

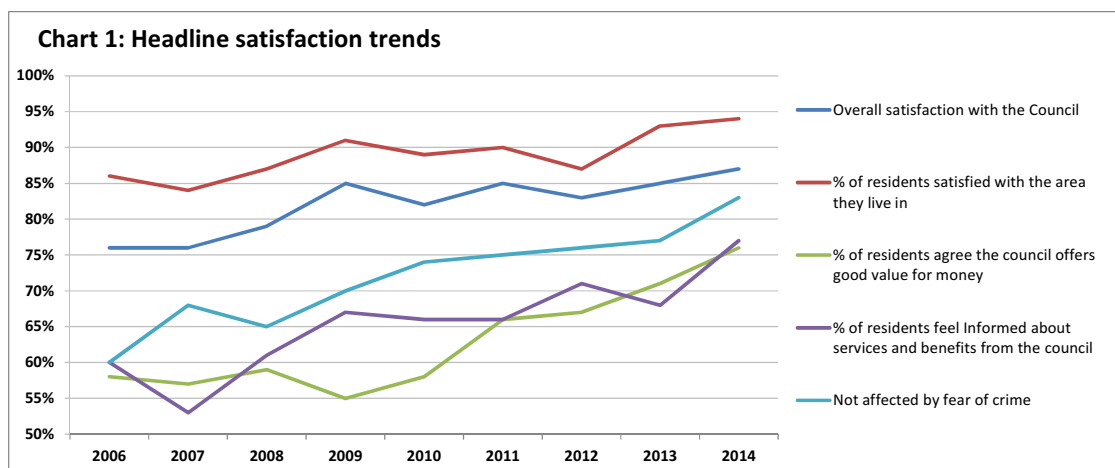
Overall the organisation is performing well against the corporate health measures, 16 (81%) are on target to fall within target levels for 2014/15. There has been particularly strong performance against the reputation and customer measures, with the handling of customer contacts, response times of stage two complaints and resident and staff satisfaction with the Council all meeting or exceeding target levels.

Two of the workforce measures have not been met. The total cost of agency staff has increased this quarter to £17.9M compared to £17.1M reported in the last quarter, exceeding the target of £12M. Particular areas of concern are Corporate Services whose costs have increased the most. Staff turnover has decreased this quarter to 11.85% from 12% in quarter two however this is still higher than the target level of 11.5%. This indicates an increase in staff leaving the business voluntarily which could be attributed to a wider upturn in the jobs market or the recent restructure announcements.

Measure	2013/14 Position	2014/15 Target	Quarter 3 Position (YTD)
Workforce (*2014 Staff Survey)			
1. Sickness absence days per employee (YTD)	5.5 days	6 days	5.76 days
2. Staff turnover as a proportion of workforce (YTD)	11.2%	11.5%	11.85%
3. Cost of Agency Staff to the council (YTD)	£15.1m	£12.0m	£17.92m
4. Overall staff perceptions of the Council as being positive*	66%	> 66%	67%
5. Staff agree the Council is an equal opportunities employer*	76.8%	> 76.8%	78%
6. Staff agree they feel informed about what is going on in the Council*	59%	> 59%	59%
Reputation (2014 City Survey)			
7. Overall satisfaction with the Council	85%	> 85%	87%
8. Residents satisfied with the area they live in	93%	> 93%	94%
9. Residents agree the council offers good value for money	71%	> 71%	76%
Customer (*2014 City Survey)			
10. Residents feel Informed about services and benefits from the Council*	68%	> 68%	77%
11. % of stage 2 complaints response completed within 10 working days	76%	70%	77%
12. Resident feel the Council is helpful when you contact it*	65%	> 65%	68%
13. Total customer calls answered in 20 seconds by the Council	N/A	80%	94%
14. Total customer calls answered in 60 seconds by the Council	N/A	95%	97%
Finance (Source Period 9 Finance Report)			
15. Variance between budget and actual spend (- Under, + Over spend)	-£0.6M	Balanced Budget	+£0.28M
16. Total savings achieved or on track to be achieved for 2014/15	£26.6m	£23.3m	£16.87M

1.3 City Survey 2014 Headlines and Results

- Satisfaction with the Council is at a record high of 87%. This is a two percent increase on 2013.
- Satisfaction with Westminster as a place to live remains very high, with over nine in ten (94%) saying they are satisfied with the area. This is in-line with the result from 2013 (93%).
- Three quarters of residents (76%) agree the council offers good value for money. This is a five percentage point increase on 2013.
- Over three quarters of residents (77%) say they feel informed about services and benefits, a rise of nine points since 2013 and the highest result recorded to date. Residents also now feel better informed about plans for their local area (75%, up from 63% in 2013).
- Residents continue to feel safe in Westminster. Over nine in ten (96%) feel safe in general where they live and over four in five (83%) feel safe after dark.
- Fear of crime continues to fall, currently at 16%, a drop of six percentage points since 2013.
- Expectations on council services remain high. Four in five residents think services will get better (27%) or stay the same (54%) over the next 12 months. Only three percent think services will get worse. This is a risk the council will need to manage over the coming 12 months, pending medium term planning.



Note: The City Survey is conducted via face-to-face in-home interviews. 1,019 residents aged 16 or over were interviewed between 11- 30th September 2014.

SECTION 2: SERVICE DELIVERY BY EMT DIRECTORATE

2.1 Growth, Planning and Housing

2.1.1 Key Service updates

- Together with partners the City Council is working to support **residents into employment**:
 - In partnership with Central London Boroughs Westminster agreed a ground breaking, £11m employment pilot with Government to support nearly 4,000 long-term unemployed residents with health conditions.
 - The number of residents supported into paid employment opportunities continues to rise with 453 reported at the end of December, exceeding the target of 300 for the year.
 - Through our successful Families and Communities Employment Service programme we have supported 68 Westminster residents into work.
 - To date, the Help Enterprise project has worked with 76 residents in temporary accommodation to become self-employed.
 - The Council has taken on 18 apprentices and 14 interns since April 2014.
 - The Council began its Universal Support pilot in October 2014. Working in partnership with the DWP we are working to resolve the issues at the root of people's barriers to employment.
- **Development Planning** targets for the determination 'major' and 'minor' applications and appeals are being met. There is a significant improvement on quarter two for 'major' applications which has increased by 9% in quarter three to exceed the target by 7%. The percentage of 'other' applications processed within the required time scales is currently underperforming at 75% against a target of 80%. However, since quarter two there has been an improvement of 8% in quarter three indicating an improving trend in performance
- **The hostels decant programme** – The renegotiation of existing hostel management contracts and the decommissioning of two uneconomical hostel services is now complete. This allowed all supported housing savings of £950k to be delivered in full, along with a further £700K of in-year savings. Achieving the supported housing savings has been a key deliverable for the Housing Service for the last two years. Dean Street and Greek Street hostels have been closed and the residents moved on into more independent, better quality and cost effective accommodation.
- **Rough Sleepers** - At the official street count on the 26 November 2014, 265 people (including foreign nationals) were seen rough sleeping in the City. The general rough sleeper (those whom the Council is able to assist) figure of 83 is within the target level of 100. However, the remaining 182 people are from A10 countries who we are unable to accommodate and support. The City Council is lobbying hard with central government for the need for national solutions to this increase in rough sleeping linked to economic migration from Europe.
- At the end of December 2014, the **investment portfolio** has delivered gross income improvement of £2m, compared to the same period last year. In total £21.1M of gross income has been delivered so far this year compared to £28.7M last year. To reach this year's income target a further £8.5M will need to be achieved by year end which is subject to the progress of property sales and acquisitions, which reduce and increase rent income respectively.

- A five year business plan has been completed for the **investment portfolio** which aims to deliver £7m of savings over three years and £20m over the five year business plan period. The service was also set a target to find an additional £480,000 of gross revenue this year. As at the end of quarter three approximately £900,000 of gross revenue growth has been achieved. The team faces considerable challenges over resource and delivery of the five year business plan which includes several large projects.

2.1.2 Key Service performance Indicators

The table below provides an assessment of the key indicators selected for Growth, Housing and Planning Services. Service commentary has been provided for all 'Off Track' indicators. Additional analysis can be undertaken on request from Committee Members.

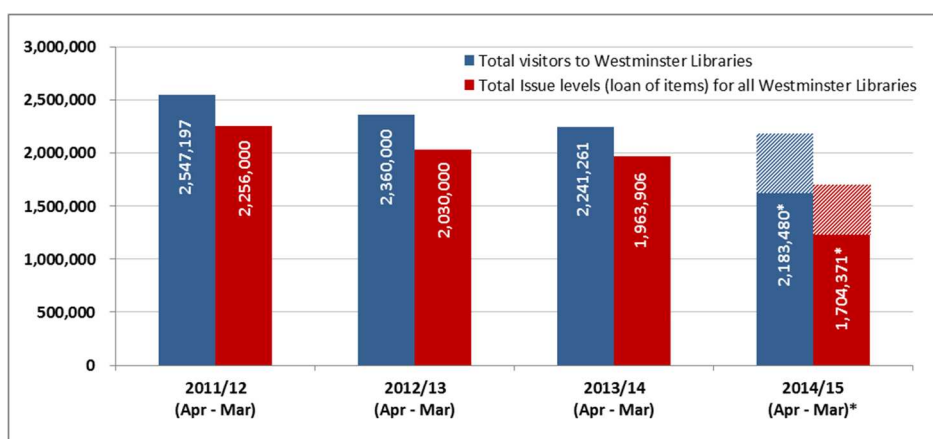
Performance Indicator	2013/14 Performance	2014/15 Target	Quarter 3 position	Status ¹	Direction of Travel ²
Housing Services					
1. Households prevented or relieved from becoming homeless through active homelessness casework or discharged into private sector.	607	525	377	Off Track	∅
Service commentary: Homelessness levels remain very high combined with a continued loss of private rented sector tenancies, out of borough placement being challenged and the Government's subsidy levels.					
2. Number of affordable homes delivered	108	478 by 2016/17	97	On Track	∅
Service commentary: Exchange of contracts for 2 Ashbridge Street in Churchill Gardens has taken place. The redevelopment of this site will provide over 30 intermediate affordable homes. In addition, a number of Section 106 sites are at planning submission stage. If approved, they will deliver 150 affordable homes in Westminster. The Service expects bulk of the affordable housing supply to be delivered in 15/16.					
3. Rough sleeper numbers to be maintained below 100	85	Less than 100	83	On Track	∅
4. Tenant Satisfaction with services provided by landlord	90%	79%	84%	On Track	∅
5. Number of households in temporary accommodation.	2,283	Less than 2,550	2,372	On Track	↔
Property Services					
6. Increase the total income generated from the Council's investment portfolio by 3%	£28.7m	£29.6m	£21.1M	Off Track	∅
Service commentary: The rate of income achieved may increase further as more rent reviews are agreed. It is also subject to the progress of property sales and acquisitions, which reduce and increase rent income respectively.					
7. Investment Portfolio - achieve capital receipts target	N/A	£12.5M	£0.9M	Off Track	N/A
Service commentary: Year on year comparisons are irrelevant due to the variable nature of the timing and quantity of capital receipts. Further disposals are expected near the end of this financial year or early in 2015/16. These will be used to fund the acquisition of other properties to enhance further the value and the income-generating potential of the investment portfolio.					
8. Investment Portfolio – keep the number of void properties below 4%	2.68%	Less than 4%	1.9%	On Track	∅
Planning Services					
9. % of Other Applications determined within 8 weeks	70%	80%	75% (1,146 of 1530)	Off Track	∅
Service commentary: Additional staff members are being appointed by externally funded stakeholders in order to address this issue and bring performance back on track. There has been a continued improvement since quarter 2 of 67%, performance is continuing to improve and is anticipated target will be achieved by year end.					
10. % of Major Applications determined within 13 weeks	78%	60%	67% (6 of 9)	On Track	∅
11. % of Minor Applications determined within 8 weeks	69%	65%	68% (532 of 781)	On Track	↔
12. % of Planning Appeals determined in favour of WCC	TBC	66%	77% (31 of 40)	On Track	N/A
Economic Development					
13. Total number of residents supported into paid employment opportunities for 14/15 from all programmes monitored by the Work and Skills Board	623	300	452	On Track	↔

Status¹ – Achieved, target level met. On Track, target level will be met by year end. Off Track, target level is at risk of not being met by year end.
Direction of Travel² - ∅ Improving on last year's position. ↔ No change, same as last year's position. ↘ Deteriorating on last year's position.

2.2 City Management and Communities

2.2.1 Key Service updates

- The new contracted **Parking Service** is now fully operational with NSL. The Business Processing & Technology contract commenced on 1st November 2014, the service is now operating as expected with further improvements to the self-serve web portal expected to be implemented over the next few months. The People & Resources contract, which introduced a total marshalling approach, continues to be positively received by members of the public. The Service has already seen a positive shift in customer attitude and behaviour supported by a significant reduction in the volume of complaints and high level of parking compliance (98.75%) reported within Westminster.
- The new **transportation** contracts started on 1st April 2014 and were mobilised over the early part of the year and continues to progress well. The Transportation indicators for street lights are performing well. The percentage of lights out for the quarter was 1%, well below the target of 4%. The average performance against response times for lighting priorities is 91% against a target of 98%. This is slightly down on the previous quarter due to problems with new customer contact centre processes on priority calls. The performance against response times for highways priorities is 92% against a target of 98%. This is a significant improvement on the quarter two figure of 81%.
- Visits to **Westminster libraries** have declined slightly during 2014/15 and it is expected at the year end there will have been fewer visits overall than in 2013/14. For the most part this is attributable to the relocation of one of the busiest libraries (Marylebone) into a smaller, temporary site at Mackintosh House, pending the reprovision of the library on Luxborough Street. Charing Cross, another busy library, was also closed for a month for redecoration. Another key indicator, the loan of items, is also declining. This is due to format shift as customers borrow fewer physical books and other media and move to digital and online formats. Although overall Westminster is on trend in comparison with available national data, seven of the ten lending libraries are currently defying the trend and exceeding their targets. The site managers are tasked with delivering promotions and campaigns in local communities to promote library use which should mitigate some of the challenges in both these indicators. Work on promoting the Westminster libraries extensive online and digital offers will take place in early 2015/16.



*The 2014/15 figure presented in the chart above is the projected end of year position. The actual figure reported for the period Apr – Dec 2014 is 1,637,610 total library visits and 1,278,278 library issues. The actual full year position will be available in April 2015.

- **Create volunteering opportunities** - 175 sports volunteers were recruited up until the end of quarter three, up 91 on quarter two and exceeding the full year target of 100.

- **Active Queens Park Project** - Planning issues for the redevelopment of both the Moberly and Jubilee sites have been resolved. The redevelopment of the entire Moberly site and the development of the affordable housing on the Jubilee site will commence in April 2015. The development will deliver 40% increase in sporting provision for the Queens Park area and will provide a £20m sports centre at Moberly, a £2m community sports facility at Jubilee site, a new Multi-Use Games Area at St Augustine's School and twelve replacement affordable homes on the Jubilee site.
- **Westminster Mile 2015** - An ambitious target of over 8,000 participants has been set for the Flagship Westminster Mile event next year with a strong focus on promoting participation from children and families. Initial discussions with the event sponsors (BUPA) have taken place with a view to expanding the 'activation zone' in Green Park to be much larger and attractive to participants to spend more time at the event during the day. Uptake for the event to date has been extremely positive and remains well ahead of 2014 levels. Last year the Westminster Mile officially became the largest one mile event in the world, with 5,800 registrants.

2.2.2 Key Service performance Indicators

Performance Indicator	2013/14 Performance	2014/15 Target	Quarter 3 position	Status ¹	Direction of Travel ²
City Management Services					
1. Average performance against response times for all highways priorities	New indicator	98%	92%	Off Track	N/A
2. Average performance against response times for all lighting priorities	New indicator	98%	91%	Off Track	N/A
Service commentary: The performance against response times for highways and Lighting priorities is 92% and 91% respectively against a target of 98%. This is an improvement on the Q2 figure but is suffering with problems with the customer contact centre in prioritising calls. It is anticipated performance will be back on track from quarter four.					
3. Improved street environmental cleanliness through the proportion of street surveyed for Detritus, Litter, Graffiti and Fly-posting that falls below grade					
- Detritus that falls below grade	1%	3%	3.16%	On Track	↔
- Litter that falls below grade	4%	5%	4.84%		
- Graffiti that falls below grade	2%	3%	1.51%		
- Fly-posting that falls below grade	0.1%	1%	0.32%		
4. Satisfaction with Westminster City Council's Parks and open spaces	92%	84%	97%	On Track	∅
5. The yearly proportion of waste sent for recycling and recovery, rather than to landfill.	95%	90%	97%	On Track	∅
6. To maintain the low monthly average of missed waste collection complaints per 100,000	New Indicator	5 per 100,000	4.7 per 100,000	On Track	N/A
7. Maintain levels of overall Customer Satisfaction with the Parking Service	87%	87%	84%	On Track	↔
8. Improved parking compliance levels	99.00%	98.70%	98.75%	On Track	∅
9. Days of disruption saved on the road network as a result of collaborative working	70 days per quarter	100 days per quarter	408 days	On Track	∅
10. Number of employees in business equipped with skills and knowledge to help them contribute to the safety and compliance of businesses in Westminster	New Indicator	800 by year end	1,069	Achieved	N/A
11. Pest Control Customer Satisfaction levels	90%	90%	100%	On Track	∅
12. Customer Satisfaction rates with Home Improvement Agency (HIA)	93%	90%	90%	On Track	↔
Community Services					
13. Number of visits to the Council's sports and leisure facilities	3,521,410	3,592,700 by year end	3,592,700	Achieved	∅
14. Visitors to Westminster libraries as a proportion of the target	2,241,261	100% (2,241,261)	72% of target (1,637,610)	On Track	↔

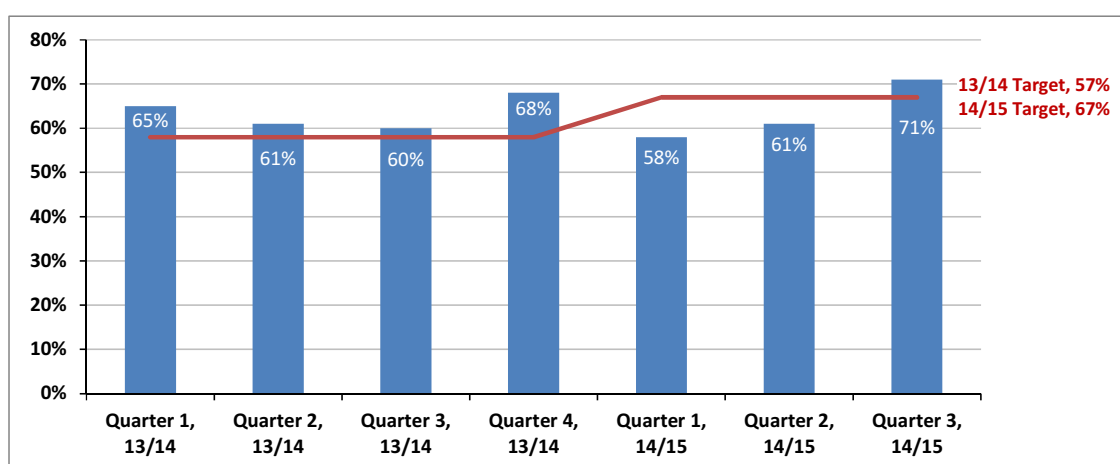
Status¹ – Achieved, target level met. On Track, target level will be met by year end. Off Track, target level is at risk of not being met by year end.

Direction of Travel² - ∅ Improving on last year's position. ↔ No change, same as last year's position. ⚠ Deteriorating on last year's position.

2.3 Tri-borough Children's Services

2.3.1 Key Service updates

- **Sir Simon Milton Foundation - developing the new University Technical College (UTC).**
Completion of the University Technical College has been delayed and is now expected by December 2016. This follows a risk appraisal of enabling works which are no longer viable due to cost and risks of undertaking prior to the determination of the main planning application. University Technical College member organisations will be consulted on options to open in 2016 in temporary accommodation, and to defer opening until 2017 or pursue other options. With our partners including the Sir Simon Milton Foundation, the University of Westminster and Network Rail, this year we have completed the demolition of the old building and have progressed plans for a high quality UTC with input from employers and the local community.
- **80% of children in foster care are placed locally through the Tri-B Fostering & Adoption Service.**
Since April 2014 forty-seven (68%) of the sixty-nine children or young people requiring foster placements have been placed with Tri-B foster carers compared to 83% (90 of 108) in 2013/14. Recruitment of foster carers remains a challenge for the Children's Service. A paper was provided to the Audit and Performance Committee in September 2014 which outlined the reasons behind the historical low recruitment numbers and the remedial actions in place to increase recruitment. The Service has produced a detailed recruitment plan and additional work is underway to focus efforts on areas that yield more success in terms of recruitment such as actively advertising in the West London area and supporting activities such as community based marketing stands and local open days.
- **The target to reduce the proportion of young people coming into care aged 14-17 years** has been impacted by an increase in the number of Unaccompanied Asylum Seeking Children and the number of secure remands in response to the Pimlico Metropolitan Police activity. At the end of December 2014, forty-six (62%) of the seventy-four children or young people were reported to be coming into care, the lowest level recorded since the start of this year. However, the target to achieve 54% remains a challenge. Further analysis is being undertaken by the Service to determine if any of the new these entries into care could have been anticipated, and the findings of this will be available in quarter four to inform future work.
- At the end of December 2014, 133 (71%) care leavers were in education, employment and training. The highest level reported since quarter one of 2013/14.



2.3.2 Key Service performance Indicators

The table below provides an assessment of the key indicators selected for Children's Services. Service commentary has been provided for all 'Off Track' indicators. Additional analysis can be undertaken on request from Committee Members.

Performance Indicator	2013/14 Performance	2014/15 Target	Quarter 3 position	Status ¹	Direction of Travel ²
Tri-borough Children's Services					
1. Percentage of young people coming into care aged 14-17 years (based on total entries to care reported)	54%	54%	62% (46 of 74)	Off Track	↔
Service commentary: This indicator has been negatively impacted by the increase in the number of unaccompanied asylum seeking children and the number of secure remands in response to the Pimlico Metropolitan Police activity. Further analysis of the data is being undertaken to determine if any of these new entries into care could have been anticipated, and the findings of this will be available in Quarter 4 to inform future work.					
2. Percentage of children requiring foster care being placed with Tri-borough foster carers	83%	80%	68% (47 of 69)	Off Track	↘
Service commentary: Since April 2014 forty-seven (68%) of the sixty-nine children or young people requiring foster placements have been placed with Tri-B foster carers. At the end of December 2014 of the cases referred to Fostering Placements Service seven (1 from November and 6 from December) were ongoing which may improve the current annual performance rate should these children be placed with Tri-B carers.					
3. Number of foster carers recruited	TBC	20	8	Off Track	↘
Service commentary: Recruitment of foster carers remains a challenge for the Children's Service. To date only eight foster carers have been recruited against a target to recruit 20 by April 2015. The Service has produced a detailed recruitment plan and additional work is underway to focus efforts on areas that yield more success in terms of recruitment such as actively advertising in the West London area and supporting activities such as community based marketing stands and local open days.					
4. Percentage of children subject to a child protection plan for the 2nd or subsequent time	6.1%	5%	3% (3 of 100)	On Track	∅
5. Number of Looked After Children in Westminster	176	179	193	On Track	↘
6. Percentage of children in care with three or more placement moves	9.5%	Less than 10%	4.7% (9 of 193)	On Track	∅
7. Percentage of children in care in the same placement for at least 2.5 years	81%	81%	82% (54 of 66)	On Track	↔
8. Percentage of re-referrals to social care	17%	Less than 10%	9% (118 of 1,361)	On Track	∅
9. Percentage of care leavers who are in education, employment and training	67.9%	67.0%	71% (113 of 160)	On Track	∅
10. Percentage of care leavers who are in suitable accommodation	92.3%	92%	96% (133 of 139)	On Track	∅
11. Percentage of families on the Troubled Families Programme who will have resolved their offending, anti-social behaviour and poor school attendance	40%	50%	51% (329 of 640)	On Track	∅
12. Number of places in education, employment and training for young people after they complete their GCSEs	99%	100% (1,522)	99% (1,506 of 1522)	On Track	∅
13. Percentage of primary pupils achieving Level 4+ in Reading, Writing and Mathematics at KS2	79%	79%	85%	Achieved	∅
14. Percentage of Westminster's pupil who achieved at least 5 A*-C grades at GCSE including English and Mathematics in 2014	70%	Improve on last year	70%	Achieved	↔

Status¹ – Achieved, target level met. On Track, target level will be met by year end. Off Track, target level is at risk of not being met by year end.
Direction of Travel² – ∅ Improving on last year's position. ↔ No change, same as last year's position. ↘ Deteriorating on last year's position

2.4 Tri-borough Adults Services

2.4.1 Key Service updates

- There has been a continued increase in **the number of people admitted into residential and nursing care** as a rate per population. The department is committed to supporting people safely in the community where appropriate (see table 1 below), however increasing demographic pressures and people presenting with high and complex needs are impacting on delivery. The increase in cognitive impairments has added a particular pressure. A three borough placement panel has been set up so colleagues can share experiences of similar cases, discuss alternative provision options and provide challenge as necessary.

Table 1: Supporting people in the community

	2013/14, Year end	Q1, 2014/15	Q2, 2014/15	Q3, 2014/15	Movement over 14/15
Permanent admissions of older people to residential and nursing care homes, per 100,000 population	472	144	192	345	∅ Increasing
Number of people supported in residential care - permanent placements (snapshot)	270	275	274	271	⊖ Reducing
Number of people supported in nursing care - permanent placements (snapshot)	235	234	235	228	⊖ Reducing
Number of people supported at home (snapshot)	3,953	4,125	4,197	4,351	∅ Increasing

- At the end of November, 340 (32%) of the 1,042 **known carers have received an assessment or review** by the Service to ensure they receive the appropriate level of support. This compares to 65% in 2013/14. Assessing and reviewing carers is closely monitored by the department on a monthly basis. While progress has been made, dedicated resources have now been allocated to this area of work. The department will continue to monitor this measure over the next quarter and is committed to its target for 100% of carers to have an assessment or review.
- The Service is making the necessary preparations to ensure compliance with the **new Care Act requirements**. Assessment and support planning tools were piloted and tested in December 2014. A training programme is now in place which will cover aspects of the new social work practices, prioritisation of people wellbeing, new duties in practice such as personal budgets and carer's assessments. Work is currently ongoing to establish a communication plan for all stakeholders.
- At the end of quarter three, results show 574 (up 70 on last quarter) people had successfully **quit smoking through NHS Stop Smoking Service** (21% of the full year target). To increase numbers a new service provider has been appointed. During quarter three, the new provider increased the number of advisors to support smoking quitters and set targets for GP clinics to increase smoking quitters.
- The City Council has successfully commissioned new healthy weight services which will see £1m invested in helping children and families maintain a healthy a weight. To date 393 adults and children have attended the obesity prevention programmes. We anticipate exceeding the target of 570 set for the year.

2.4.2 Key Service performance Indicators

The table below provides an assessment of the key indicators selected for Adults Services. Service commentary has been provided for all 'Off Track' indicators. Additional analysis can be undertaken on request from Committee Members.

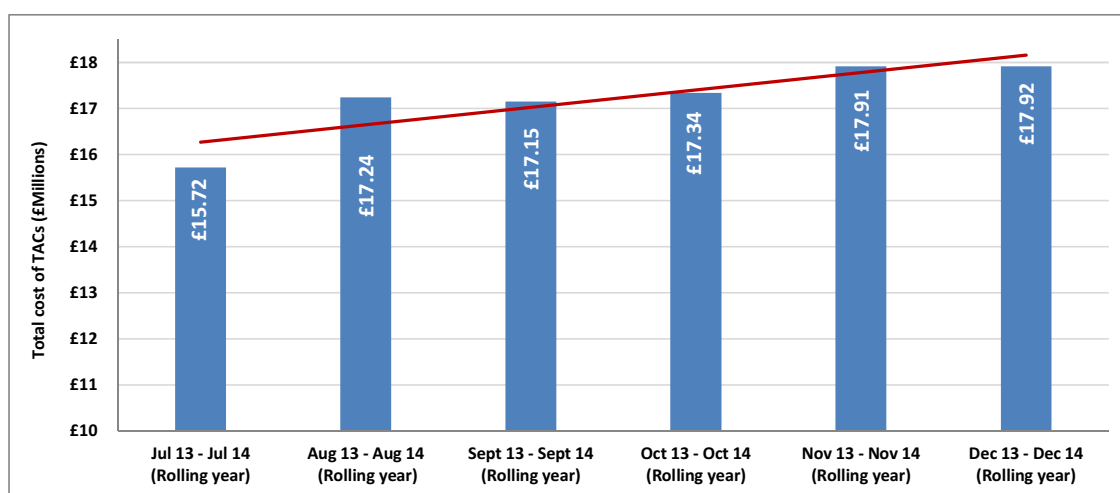
Performance Indicator	2013/14 Performance	2014/15 Target	Quarter 3 position	Status ¹	Direction of Travel ²
Tri-borough Adult Social Care					
1. Permanent admissions of older people (aged 65 and over) to residential and nursing care homes, per 100,000 population	472.7	468.3	345	Off Track	↘
Service commentary: The department is committed to supporting people safely in the community where appropriate, however increasing demographic pressures and people presenting with high and complex needs are a risk to delivery. The overall number of people in placement is stable.					
2. Percentage of known carers who have received an assessment or review	100%	Improve on last year	32% (340 of 1,042)	Off Track	↘
Service commentary: Three care managers will be working on assessing carers between now and the end of the financial year. This will have a significant impact on performance which will be closely monitored by the department over the coming months. This measure is cumulative and will increase month on month.					
3. Number of people supported in residential care - permanent placements (snapshot)	270	<270	271	On Track	↔
4. Delayed Transfer of Care from hospital per 100,000, 18+ population (average per month)	225.2	208.1	160.6	On Track	∅
5. Number of people supported at home (snapshot)	3,953	More than 3,953	4,351	Achieved	∅
6. Number of people supported in nursing care - permanent placements (snapshot)	235	Less than 235	228	On Track	∅
7. Percentage of people completing reablement who require a core service (home care, day care, direct payments, meals, residential care, nursing care)	New Indicator	Decrease	32.5% (200 of 615)	N/A	N/A
8. Percentage of people completing reablement who do not require a service	New Indicator	Increase	36.7% (225 of 615)	N/A	N/A
9. Percentage of people with a learning disability (aged 18-64) in employment	7.8%	7.8% by year end	5.08% (26 of 450)	On Track	∅
Public Health					
10. Number of adults and children attending obesity prevention programmes	425	>425 by year end	384	On Track	∅
11. Number of NHS health checks taken up by eligible population	5,260	>5,260 by year end	4,151	On Track	∅
12. Stop Smoking Services – number of 4 week quits	2,722	>2,722 by year end	574	Off Track	∅
Service commentary: To increase numbers a new service provider was appointed in early 2014. During quarter three, the new provider increased the number of advisors to support smoking quitters, undertaken intensive work with GPs and set targets for GP clinics to increase smoking quitters.					
13. Percentage of people presenting with HIV at late stage of infection	20%	20%	19%	On Track	∅

Status¹ – Achieved, target level met. On Track, target level will be met by year end. Off Track, target level is at risk of not being met by year end.
Direction of Travel² - ∅ Improving on last year's position. ↔ No change, same as last year's position. ↘ Deteriorating on last year's position.

2.5 Corporate and Commercial Services

2.5.1 Key Service updates

- Both the cost and number of **Temporary Agency Contractors (TACs)** continue to increase. The total cost for the rolling year to the end of December was £17.92M well above the £12M target for the rolling year. The total number of TACs at the end of December was 313, just above the target of 300. The graphs below show the rolling year total cost of agency staff since July 2014 to present.



TAC usage has been highlighted as an area for urgent action within the business. Addressing these two indicators remains a priority for business areas, with work being done to move TACs to fixed term contracts wherever possible.

- Savings programme** - At the end of December, a significant number of savings plans are in place to deliver on the £24.27M savings target for the year. To date, 70% of plans have either been completed or are being implemented to deliver £16.87M and 28% of plans are in place to deliver £6.79M. However there are no plans in place to deliver £612K of the savings target, although this is a significant improvement on quarter two where £3.3M of savings had no plans in place to deliver.
- Revenue** – At the end December, the Council is projecting a potential overall deficit to Budget of £0.28m against the net budget position of £211.2m for the Council. This is significantly reduced from Period 8 by £1.24m. The major adverse variance is in Housing, while nearly all other Services are forecasting to end the year better than budget. Opportunities to mitigate the residual shortfall to budget, such as bringing forward savings proposed under Medium Term Planning continue to be actively examined.
- The **2014 City Survey** is now complete and shows the Council has been able to increase many reputation measures, some to record highs. Satisfaction with the way the Council runs the city currently stands at 87%, up 2% on 2013. Three quarters of residents (76%) agree the Council offers good value for money, up 5% on 2013. Furthermore, over three quarters of residents (77%) say they feel informed about services and benefits (up 9% on 2013). Residents also now feel better informed about plans for their local area (75%, up from 63% in 2013). There have also been excellent levels of satisfaction with our services; 90% of residents are satisfied with street cleansing, and 83% feel safe in their local area after dark.

- The City Council has jointly-agreed a **Better Care Fund plan** to integrate health and social care for the benefit of residents supported by a pooled budget between the local authority and health partners. As part of this Better Care Fund plan, the Council developed a single, coordinated Community Independence Service across the Tri-borough area, which will ensure more people can be cared for at home rather than needing to spend time in hospital. This area of service will see a further £1.1m investment in the coming financial year.
- The City Council has put a **new customer centre contract** in place with a shift away from face-to-face/telephone contact to online. This has been supported by a new responsive council website that gives us a platform to drive channel shift. The earlier shift away from One Stop Shops to Your One Stop Express terminals in libraries and other council locations is a step many councils have not even managed to achieve yet.

2.5.2 Key Service performance Indicators

Performance Indicator Summary	2013/14 Performance	2014/15 Target	Quarter 3 position	Status ¹	Direction of Travel ²
Tri-borough Corporate and Commercial Services – Human Resources, Treasury and Pensions, Procurement, Revenue and benefits					
1. Total number of agency contractors	345	300	313	Off Track	↔
2. Total cost of agency contractors (£m)	£15.1m	£12.0m	£17.92m	Off Track	↔
Service commentary: Temporary Agency Contractor numbers are starting to deteriorate again, although our current number is close to the target level set for 2014/15 of 300, this increase may be due to the multiple restructures taking place and the current restrictions on recruitment. Once again costs have increase with the rolling year total to the end of December being almost £18 million.					
3. Staff turnover excluding redundancies as a proportion of the workforce	11.2%	11.5%	11.85%	Off Track	↔
Service commentary: Turnover excluding redundancies has decreased this quarter to 11.85% for the rolling year to December but is still higher than the target level this indicates an increase in staff leaving the business voluntarily which could be attributed to a wider upturn in the jobs market.					
4. Sickness absence - rolling year average number of days per employee per month	5.5 days	6 days	5.76 days	On Track	↔
5. Income generated from Investment Portfolio	£4.0m	£4.1m by year end	£2.9m	On Track	↔
6. Percentage of Council Tax collected	96.3%	96.2% by year end	85.9% (Last year 46.8%)	On Track	∅
7. Percentage of business rates collected	98.4%	98.1% by year end	89.1% (Last year 44.6%)	On Track	↔
Westminster Corporate Services – Corporate Finance, Policy, Performance and Communications					
8. Overall satisfaction with the Council	85%	Improve on last year	87%	On Track	∅
9. % of residents satisfied with the area they live in	93%	Improve on last year	94%	On Track	∅
10. % of residents agree the council offers good value for money	71%	Improve on last year	76%	On Track	∅
11. % of residents feel Informed about services and benefits from the council	68%	Improve on last year	77%	On Track	∅
12. Not affected by fear of crime	77%	Improve on last year	83%	On Track	∅
13. Variance between budget forecast and actual spend	£0.6m Underspend	£0 Balanced budget	£0.28M overspend	Off Track	∅
Service commentary: At Period 9, the Council is projecting a potential overall deficit to Budget of £0.28m, before the impact of planned management action. This is significantly reduced from Period 8 by £1.24m. The major adverse variance is in Housing, while nearly all other Services are forecasting to end the year better than budget.					
14. Total savings achieved or on track to be achieved for 2014/15	£26.6m	£24.27m	£16.865M	On Track	∅
15. Number of stage 2 complaints received	119 (Q3 of 2013/14)	Improve on last year	129 received of which 3 upheld	On Track	↔
16. Percentage of stage 2 complaints response completed within 10 working days	76% (Q3 2013/14)	More than 70%	77% (99 of 129)	On Track	∅

Status¹ – Achieved, target level met. **On Track**, target level will be met by year end. **Off Track**, target level is at risk of not being met by year end.
Direction of Travel² - ∅ Improving on last year's position. ↔ No change, same as last year's position. ↔ Deteriorating on last year's position.



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	4 February 2015
Classification:	For General Release
Title:	Internal Audit & Counter Fraud 2014/15 – Progress Report
Wards Affected:	All
Financial Summary:	Appx Value of audited areas included in this report: £105m
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report Author:	Moira Mackie, Senior Manager (Baker Tilly); email: mmackie@westminster.gov.uk Tel: 020 7641 2463

1. Executive Summary

Key outcomes from the Internal Audit & Counter Fraud work in the year to date:

- Audit work carried out by the Council's Internal Audit & Counter Fraud contractor, Baker Tilly Risk Advisory Services LLP (Baker Tilly), since the last report to the Committee found that in the areas audited, internal control systems were generally effective with 80% of the audits undertaken receiving a positive assurance opinion. There are a few areas where control improvements are required and compliance with agreed systems should be improved. In each case, action plans are in place to remedy the weaknesses identified and these will be followed up until they are considered to be complete.
- In addition to the audit work undertaken by Baker Tilly, three audits have been completed in the period in respect of services provided within RB Kensington & Chelsea (RBKC), LB Hammersmith and Fulham (LBHF) and Westminster City Council (WCC). These were in respect of the Meals Service (limited assurance), Mobile Device Security (satisfactory assurance) and Direct Payments (limited assurance). The first two of these audits were undertaken by

the in-house internal auditors at RBKC and last one was undertaken by the contractor to LBHF/RBKC.

- In the period since the last report to the Committee, Housing Benefit investigations have resulted in one prosecution which related to an overpayment of £6.3k.
- General fraud investigation work in the period has resulted in ten housing properties being recovered.

2. Recommendation

That the Committee consider and comment on the internal audit and counter fraud work carried out during the period.

3. Background, including Policy Context

Baker Tilly Risk Advisory Services LLP (Baker Tilly) is the Council's appointed internal audit and counter fraud specialist. Detailed reports on the performance of the Internal Audit and Anti-Fraud contract and the outcomes of the work undertaken by Baker Tilly are presented monthly to the Section 151 Officer. These can be made available to the Committee on request. Some of the audits in the annual plan are undertaken on a tri-borough basis by either Baker Tilly, the external contractor to RBK&C/LBHF or RBK&C's in house audit team. These audits are managed by the Tri-Borough Director of Audit. The Audit & Performance Committee are provided with updates at each meeting on all RED or AMBER RAG limited assurance audits issued in the period.

4. Internal Audit Opinion

As the provider of the internal audit service to Westminster City Council, Baker Tilly are required to provide the Section 151 Officer and the Audit & Performance Committee an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

Our opinion is that at the time of preparing this report, the Council's internal control systems in the areas audited in the year to date were adequate with the exception of those areas detailed as "amber" (paragraphs 5.1 1 & 5.1.2 below). This is a positive opinion which means that the Council generally has effective internal control systems with 80% of the audits issued in the period receiving a positive assurance opinion.

In the above context we stress that:

- This opinion is based solely upon the areas reviewed and the progress made by the Council to action our recommendations;
- Assurance can never be absolute neither can our work be designed to identify or address all weaknesses that might exist;
- Responsibility for maintaining adequate and appropriate systems of internal control resides with council management, not internal audit;
- We have not placed reliance on other agencies' work in carrying out our audits.

Follow up reviews confirmed that the implementation of “fundamental” (high) and “significant” (medium) recommendations has generally been consistent.

Appendix 1 to this report contains a summary of the performance indicators for the internal audit and fraud investigation service;

Appendix 2 to this report details of the schools audited during 2014/15; and

Appendix 3 contains a Glossary of Terms and additional information.

5. Audit Outcomes

5.1 Since the last report to members ten audits have been completed, eight of which did not identify any key areas of concern:

- Grosvenor Agreement (satisfactory assurance, Green RAG)*;
- Housing Capital Expenditure – Project Management (satisfactory assurance, Green RAG)*;
- Welfare Reform (satisfactory assurance, Green RAG)*;
- Parking Bay Sensors (satisfactory assurance, Green RAG)*;
- Tachbrook Street Nursery (substantial assurance, Green RAG);
- Portman Early Childhood Centre (substantial assurance, Green RAG);
- Tri-borough – Public Health Procurement (satisfactory assurance, Green RAG)*;
- Tri-borough – Mobile Device Security (satisfactory assurance, Green RAG)*.

*Further information on these areas is contained in the Glossary in Appendix 3

Two limited assurance audits were issued in respect of the contract management of the Home Meals & Frozen Food Service and Direct Payments to Clients. The findings of these audits are summarised in paragraphs 5.1.1 and 5.1.2 below:

5.1.1 Home Meals & Frozen Food Service – Contract Management (Amber)

An audit of the contract management of the Home Meals & Frozen Food Service was undertaken by the in-house audit team at RBKC. This service was jointly

commissioned by a team of procurement specialists from the Tri-borough councils and the London Boroughs of Hounslow, Haringey and Richmond. A five year Framework Agreement for the provision of the service was awarded which commenced in April 2013. All service users contribute to the cost of the meals provided with the contribution set independently by each tri-borough council. Each council is invoiced monthly for the cost of the meals provided less the service user's contribution.

A review of the contract management arrangements in place has been undertaken. Two high and ten medium priority recommendations have been made all of which were accepted by management for implementation by December 2014. A follow up review is due to be undertaken before the end of March, to confirm the implementation of the recommendations.

Recommended improvements to the contract monitoring arrangements included:

- Ensuring the service provider is monitored against the key performance indicators contained in the call off contracts;
- Ensuring that the contractor led customer survey is undertaken in line with the contract and that it continues to meet the councils' needs;
- Implementing a pro-active contract monitoring regime which includes compliance with contract conditions such as confirming Disclosure & Barring Service (DBS*) and employment status for the contractor's staff;
- Periodically reviewing the contractor's insurance arrangements to ensure that they are appropriate for the contract;
- Ensuring that the contractor maintains an appropriate Emergency & Disaster Recovery plan with evidence provided of resilience testing;
- Ensuring that the contractor's data protection arrangements are compliant with the requirements of the contract.

Recommendations were also made to:

- Ensure that there was a standard process for referring service users to the contractor across the tri-borough councils using Frameworki*;
- Review the original 2011 Business Plan associated with original commissioning of services so that it reflects revised costing information as the number of councils using the Framework has expanded;
- Undertake appropriate reconciliations to agree the number of meals ordered to the number invoiced by the contractor;
- Ensure that contracts or orders under the Framework have been formally drawn up and sealed where appropriate.

5.1.2 Direct Payments (Amber)

An audit of the existing Direct Payments process and the management of the project to implement a new Direct Payment system has been undertaken by the

internal audit providers to LBHF (Mazars). A Direct Payment (DP) is a cash payment to a service user instead of providing a service to the client. Payment is made directly into a DP user's dedicated bank account or via a pre-paid card. DPs can be used to meet all support needs or mixed with services provided by community services such as the provision of home meals, attendance at day care or home care services. The benefits of a DP for a service user are increased independence, control over their own support arrangements and more flexibility and choice in how and when support is provided.

DPs for Adult Social Care clients are managed differently across the three boroughs by separate teams. RBKC and WCC both have pre-paid cards. However, the current product is not considered to be satisfactory and take up by clients is limited. A new system for DPs is currently being reviewed.

An audit has been completed which was split between:

- reviewing the controls and processes around the current arrangements for managing DP payments to clients which was given limited assurance; and
- reviewing the management of the project for implementing a new system, which was given satisfactory assurance.

Two high and one medium priority recommendations were made to address weaknesses in the current system for managing DPs including:

- Reminding staff that there should be a clear link between the client's Support Plan and the DP made and changes should be updated accordingly;
- Undertaking regular checks of expenditure to confirm that expenditure is appropriate; and
- Reviewing the functionality of the Frameworki system to establish why staff can input orders and authorise them on behalf of another officer.

In addition, five medium and one low priority recommendations have been made to improve the controls within the Project for implementing a new DP system including:

- Formalising the terms of reference for the Project Working Group which should specify that the Group reports to the Project Board;
- Ensuring that Project Highlight Reports to the Project Board consistently and clearly identify relevant information including risks and actions taken to mitigate the risks;
- Implementing an appropriate procedure to record and manage changes;
- Ensuring that the risk and issues log is updated on a regular basis;
- The PID did not identify the controls and contingency plans to manage the risks identified in the PID

*Further information on these areas is contained in the Glossary in Appendix 3

5.2 Implementation of Audit Recommendations

Twelve follow up audits were undertaken in the period (October to December 2014):

Audit	No of Recs Made	No of Recs Implemented
Commercial Waste	23	21
CWH – Financial Accountabilities	7	6
Corporate Property Investment Portfolio	9	8
Westmead/Carlton Dene	9	7
Temporary Accommodation	3	2
Tri-borough Public Health – Financial Accounting	11	10
Tri-borough Public Health – Governance	13	8
St Gabriel’s Primary School	7	7
Robinsfield Primary School	9	9
St Barnabas’ Primary School	12	11
St Mary’s Bryanston Square	18	12
Westminster Cathedral Primary School	14	11
	135	112

Progress is being made on the twenty-three recommendations not yet fully implemented. Follow up audit work in the year to date indicates that the implementation of recommendations was generally good with 95% of high and medium priority recommendations implemented by their due date.

5.3 Performance of the Internal Audit Contractor

The key performance indicators for the internal audit contractor are contained in Appendix 2. As shown by the performance indicators, the recommendations made are accepted and implemented in a timely manner and positive satisfaction surveys received from auditees. Performance in the following areas is still below target but has improved since the last report to the Committee:

- Percentage of audit plan complete;
- Delivery of draft report within 10 days of the exit meeting.

The contractor anticipates that these performance indicators will continue to improve during the next quarter.

6. Anti-Fraud Work Outcomes

6.1 Summary of Housing Benefit Fraud Investigations

6.1.1 Since the last report to Committee, one-hundred and thirty-one investigations have been completed with one successful prosecution.

6.1.2 The table below illustrates the sanctions achieved in the year to date. From a total of three-hundred and sixty-three investigated cases twenty-four sanctions have been achieved with £134.4k in overpaid Housing Benefit identified, of which approximately 34% has been recovered to date. The remaining amounts are subject to continuing recovery action. It has always been the case that recovery has been slow due to the constraints on the action that can be taken, although eventually the majority of the money will be recovered.

Year 2014/15 Sanction	No of Cases	Overpayments/ Fine	Recovered to Date	Recovery Rate	2013/14 Recovery Rate	
Prosecution	9	£90,104	£20,897	23.19%	16.89%	↑ + 6%
Official Cautions	10	£ 19,413	£ 12,250	63.10%	7.87%	↑ + 55%
Administrative Penalties (overpayments & fines)	5	£24,906	£12,068	48.45%	24.92%	↑ + 23%
Totals	24	£134,423	£ 45,215	33.64%	16.76%	

6.1.3 The outcome for the one prosecution case is as follows:

- A benefit claimant living in W2 was sentenced to a 2 year conditional discharge after pleading guilty to two benefit fraud offences in relation to her claims for Housing Benefit and Income Support. The defendant failed to declare that she started work as a sales assistant which had resulted in the claimant fraudulently obtaining £1.3k Housing Benefit and nearly £5k in Income Support. The claimant was also ordered to pay £50 costs.

6.2 Single Fraud Investigation Service (SFIS) - Update

- 6.2.1 The team is working with the Tri-borough Head of Fraud to enable a smooth transition of the Housing Benefit Fraud Investigation Service to the Department for Work and Pensions (DWP) by the 1 March 2015. An engagement workshop has taken place and processes are being implemented to address:
- New referrals;
 - Case migration; and
 - The Management of Housing Benefit/Council Tax Benefit data requests from the DWP post 1 March 2015.

The location of the team with responsibility for investigating the Council's Housing Benefit fraud is expected to be identified shortly.

6.3 Summary of General Fraud Investigations

- 6.3.1 Since the last report to the Committee, thirty-one general fraud investigations were completed:

Type of of Investigation	Oct 2014	Nov 2014	Dec 2014	Total
Housing	4	6	6	16
Parking	6	4	5	15
Totals	10	10	11	31

- 6.3.2 Parking Fraud Investigation Outcomes (October to December 2014):

- Seven residents' parking permits were cancelled;
- One formal was caution issued in respect of disabled badge misuse; and
- A blue and a white disabled badge was recovered from an individual who had moved from Westminster to Hammersmith and Fulham where they had applied for another disabled badge but had failed to surrender the Westminster badges.

6.3.3 Housing Fraud Investigation Outcomes (October to December 2014)

During the period, ten social housing properties have been recovered, eight Council properties and two housing association properties:

- Two-bedroom flat in W2, referred for investigation by an informant. Tenant found to be living in another London borough and keys to the property were surrendered;
- One-bedroom flat on the Soho Estate, referred for investigation by the estate office. Tenant found to be living in the USA. A civil hearing granted possession of the property to the Council;
- Two-bedroom flat in W1, referred for investigation by the estate office. Tenant found to be living in another London Borough and the keys were surrendered;
- Two-bedroom flat in SW1, referred for investigation by the estate office. The tenant believed to be living in Eire and the keys were surrendered;
- One-bedroom flat in NW8, referred for investigation by the estate office. Only contact had been with the tenant's son and the tenant's connection with the property were minimal. The property was surrendered by the tenant's son but civil proceedings were still necessary as he wasn't the legal tenant. Possession of the property was granted to the Council;
- Two-bedroom flat in SW1, referred for investigation by the estate office. The tenant was found to be living in Greece. Civil proceedings resulted in the Council being awarded possession of the property;
- Three-bedroom property in W9, referred for investigation by the estate office. The tenant was found to be living in Sussex in private rented accommodation. The tenant was interviewed and didn't want to surrender the property as they maintained the absence was only temporary. Civil proceedings resulted in the Council being awarded possession of the property. Criminal proceedings are being considered in this case;
- Two-bedroom property in Lisson Grove was referred for investigation by the estate office as they were concerned by an application for succession rights. The deceased tenant's son was questioned and the succession application was withdrawn and the keys to the property returned. Criminal proceedings are being considered in this case;
- Two-bedroom housing association property in W2, referred for investigation following reports from neighbours of subletting. The tenant was found to be living at another property which they own. The tenant was interviewed and surrendered the keys to the property;
- Two-bedroom housing association in W9, referred for investigation by the housing association who suspected it was being sublet. Investigations identified that the tenant had moved to Eire. Civil proceedings resulted in the housing association being awarded possession of the property.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS

Internal Audit Reports;
Monthly monitoring reports.

Performance Indicators & Fraud Outcomes

Internal audit performance:

Performance Indicators	Target	Actual	Comments
Delivery			
Percentage of audit plan completed by 31 December 2014	64%	53%	This is slightly behind target as some audits were not progressed as quickly as they should have been. Additional resource has been provided to address this and the performance has improved and the plan is expected to be completed by the end of March 2015.
Percentage of draft reports issued within 10 working days of fieldwork being completed	90%	77%	Performance was affected by delays in the quality review process due to staff leave but this is improving.
Percentage of audits finalised within 10 days of a satisfactory response	95%	100%	
Quality			
External audit conclude they can place reliance on Internal Audit work (annual)	Yes	Yes	On-going liaison with external audit and key issues discussed to inform their work.
Percentage of jobs with positive feedback from client satisfaction surveys	90%	100%	All scored 3 or above.
Percentage of priority 1 & 2 recommendations accepted by management	95%	100%	
Percentage of priority 1 & 2 recommendations implemented by management	95%	95%	Small number of recs not fully implemented at time of follow up.

Fraud Investigations:

	2014/15 As at Dec 2014	2013/14 As at 31 March 2014
Use of Prevention of Social Housing Fraud Regulations	0	0
Number of Investigators	10	11
Number of professionally accredited counter fraud specialists	9	11
Cost of investigations (excl legal costs)	£411.9k	£692.82k
Number of fraud cases investigated	435	722

School Audits

The internal audit strategy allows for the schools within Westminster to be audited on a three-year cycle. The audit programme has been reviewed by RBKC, LBHF and Westminster with the aim of adopting a common approach to school audits across the three boroughs and a revised programme is being used for school audits at the three boroughs.

During 2014/15, a total of 20 school audits are planned:

- 14 primary schools;
- 4 nursery schools; and
- 2 special schools.

Any school which is given a limited assurance opinion will be reported to the Audit and Performance Committee during the year. Follow up audits are undertaken on all schools where fundamental or significant recommendations have been made, regardless of the assurance opinion given.

The table below shows the schools due to be audited in 2014/15. This will be updated and reported to each meeting of the Committee:

School	Assurance	RAG	No of Recommendations	Follow Up – Recommendations Implemented	Comments/ Further Action
Robinsfield Primary School	Substantial	Green	9	9	n/a
Westminster Cathedral Primary School	Satisfactory	Green	14	8 and 3 in progress	n/a
St Barnabas Primary School	Satisfactory	Green	12	10 and 1 in progress	n/a
Queen's Park Primary School	Substantial	Green	4		
St Mary's Bryanston Square Primary School	Satisfactory	Green	18	12 with 6 in progress	To verify full implementation

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School	Assurance	RAG	No of Recommendations	Follow Up – Recommendations Implemented	Comments/ Further Action
Queen Elizabeth II Special School	Limited	Amber	17		
College Park Special School	Limited	Amber	15		
St Joseph's Primary School	Satisfactory	Green	13		
Our Lady of Dolours Primary School	Substantial	Green	7	None required	n/a
George Eliot Primary School					
St Mary of the Angels Primary School					
Dorothy Gardner Nursery School					
Portman Nursery School	Substantial	Green	7		
Mary Paterson Nursery School					
Tachbrook Street Nursery School	Substantial	Green	7		
St Mary Magdalene Primary School					
Paddington Green Primary School					
St Matthew's Primary School					
St Saviour's Primary School					
St Clement Danes Primary School					

Glossary of Terms & Additional Information

Grosvenor Agreement (Main Report - Paragraph 5.1)

In 2007 the then Leader of the Council agreed 2 reports regarding the proposed Joint Partnership Agreement between the City Council and Grosvenor Limited. The reports set out the details of the joint working between the Council and Grosvenor Limited to implement public realm works in Mayfair and Belgravia through an innovative financing agreement.

The Council planned to invest £10m in three proposed public realm schemes surrounding Grosvenor's holdings. Grosvenor would use this investment to carry out improvements to public streets around its properties which would otherwise not benefit from street improvements with Grosvenor reimbursing the council several years after the work has been carried out.

Three potential public realm schemes were identified, in Mount Street, Duke Street/ Brown Hart Gardens and Elizabeth Street, which were expected to cost in the region of £10million. The cost of each scheme was to be paid by the Council and then repaid by Grosvenor 5 years after the completion of the schemes. Only two schemes were completed under this agreement and due to changes in the financial position of the Council, the Council no longer funds any schemes under the Joint Partnership Agreement.

The table below details the total costs of the only schemes completed under the agreement:

Scheme Name:	Scheme Status:	Total Paid To Grosvenor Ltd:
Elizabeth Street	Completed	£2,762,721.10
Mount Street	Completed	£4,950,653.51
Total Spent:		£7,713,374.61

One medium priority recommendation has been on the timeliness of invoicing Grosvenor Limited. Three low priority recommendations were made which should be considered in future partnership arrangements.

Housing Capital Expenditure (Main Report – Paragraph 5.1)

In 2012, Cabinet approval was obtained for the temporary and permanent relocations of the Marylebone Library as a result of its current location, Old Marylebone Town Hall, being leased to the London Business School from August 2013. A temporary library has been established in Macintosh House on Beaumont Street until spring 2015 when the new permanent library will open on Luxborough Street. The report to Cabinet highlighted capital costs of a minimum of £12.65m which are provided for within the Capital Programme. Approximately £7.40m of the spend will relate to construction, fit out and project costs incurred in the development of the new facility along with an estimate of £5.25m to compensate the Housing Revenue Account (HRA) for the use of its facilities. The second element of the financial impact of this is the cost of providing temporary facilities for the Library, Registrars and subsidiary functions. The revenue costs include £0.7m for fitting out the temporary locations for the Library and other current Council House tenants plus additional charges for the rental of a temporary library location for a minimum of 2 years.

This project is being managed by CityWest Homes (CWH) on behalf of the Council and a review was undertaken on the processes in place to manage the Marylebone Library project. Four medium priority recommendations have been made to address the following weaknesses:

- Formal evidence had not been retained to demonstrate that the Project Initiation Document (PID) was appropriately approved;
- Key performance indicators, to enable the effective monitoring of City West Homes, were not included in the PID.

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- A payment was made to a supplier, which differed to the purchase order by £500;
- Costs had been accounted for as revenue expenditure and not capital expenditure.

Welfare Reform (Main Report – Paragraph 5.1)

In 2012 the Welfare Reform Act set out significant changes to welfare benefits. The main changes being:

- Local Housing Allowance (LHA);
- Housing Benefit and Social Sector Under-Occupancy;
- Universal Credit;
- Local Council Tax Support.

Due to the scale of these reforms it is important that the Council monitors and responds to how the welfare reform changes have impacted on the various services that the Council provides as well as on residents in the borough. An audit was undertaken to review the Council's plans for monitoring and assessing the impact of changes in the welfare system and it was noted that:

- A Welfare Reform Working Group has been established which meets every quarter to give updates on Local Housing Allowance (LHA), Housing Benefit and Social Sector Under-Occupancy, Universal Credit and Local Council Tax Support Scheme;
- Supporting information such as statistics, key changes and data matches is provided as part of these meetings;
- Minutes from the previous meeting are reviewed at every meeting;
- Where actions or queries are raised these are generally followed up in subsequent meetings; and
- Reports are provided to senior officers/Members as and when required.

The Welfare Reform Working Group is led by the Executive Director for Growth, Planning & Housing with representation from the following areas:

- Communications;
- Supporting People & Homelessness;
- Benefits;
- Policy;
- Housing Needs;
- Public Health; and
- Business Intelligence.

It was recommended that the Welfare Reform Working Group should establish a risk register in which they should identify, document assess and manage the risks that the Council faces. It was also recommended that an action plan/log should be established by the Working Group to ensure that agreed actions are assigned to a responsible officer in a timely manner.

Parking Bay Sensors (Main Report – Paragraph 5.1)

In response to the significant demand for limited kerbside parking the Council undertook a trial using parking bay sensors in 2012, to ensure that all parking spaces within the borough were being utilised. The trial enabled users to access live data on available parking spaces, using a downloadable app for smartphones, which was directly linked to the parking bay sensors. The trial used 180 sensors covering 5 areas. Following the success of this trial a report was submitted to Cabinet in May 2013, which detailed the Council's Bay Sensor Strategy. In October 2013, a further report was submitted to Cabinet seeking approval to award the Bay Sensor Solution. The total 5 year (3+2) contract value for phases 1 and 2 is £2.2k.

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Phase 1:

This covers the West End (which has approx. 3,000 paid for parking bays) and results from this phase would be analysed and used to identify and areas of weakness or improvement before moving onto Phase 2.

Phase 2:

Using the analysis from the results of Phase 1, the scheme will be expanded to the rest of the Borough on a street by street basis. This stage is predicted to commence in March 2015, however, it is very much dependent on the outcome of the benefits review of Phase 1.

From this review of the control framework, the Parking Bay Sensors project is robustly managed and being delivered in accordance with the project plan. Two medium and one low priority recommendations have been raised to address the following:

- The need to develop a working relationship between the Council and the various third party providers in order to ensure that all works undertaken are communicated and managed effectively;
- A performance management framework was required which should be used to monitor the contractor's performance.

Tri-borough – Public Health Procurement (Main Report – Paragraph 5.1)

In April 2013 local authorities became responsible for Public Health and with it a key role in improving the health and wellbeing of their local population, working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. The total value of Public Health contracts, is in the region of £66.9m. The vast majority of the active contracts and associated payments being made are to providers which were originally commissioned by the NHS. Due to the importance and needs of the service they have predominantly been re-let under direct award arrangements in order to maintain the service. Therefore, they were exempt from the requirements set out in the Procurement Code. Approval for this was sought from Cabinet. Cabinet signed off on the Forward Plan which stated that it would be completed by 2016/17 under the 3-year pathway.

The review established a number of good practices were in place with two Medium priority recommendations:

- To ensure that the contracts register which is part of the procurement system (CapitalEsourcing) was reviewed for completeness and accuracy; and
- To ensure that contracts have been signed by the relevant Director prior to being sent for archiving.

These recommendations were accepted by management for implementation by December 2014.

Tri-borough – Mobile Device Security (Main Report – Paragraph 5.1)

A high level review of the current and future mobile working environments across Tri-borough was undertaken. Currently all three boroughs have different approaches regarding the use of mobile devices and are at various stages in terms of developing a coordinated approach across Tri-Borough. Due to planned changes in the service delivery model for Tri-borough, it is unlikely that a fully aligned and common approach for the use of mobile devices and security will be achieved until 2016 when a single ICT delivery model should be implemented.

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The audit examined the current approaches to mobile device management and in particular security of data and information accessed via mobile phones, tablets, Blackberry's, iPad's and Windows 8 tablets. Laptops were not within the scope of this review.

Four Medium priority recommendations were made to address identified weaknesses all of which were accepted by management for implementation by April 2015:

- An appropriate and specific IT security policy covering mobile device usage for Tri-Borough work should be drafted and communicated to all users;
- An appropriate Mobile Device Asset Management process should be in place across Tri-borough to ensure all mobile devices are registered and traceable;
- Appropriate security settings for mobile devices should be enabled preventing the ability to download documents / attachments directly to the device or only enabling these to be opened and saved within a secure content locker; and
- An appropriate Mobile Device Management solution should be in place across Tri-borough for every device used to process sensitive and confidential data.

Home Meals & Frozen Food Service (Main Report – Paragraph 5.1.1) & Direct Payments (Main Report – Paragraph 5.1.2)

Frameworkki: The summaries for the above reports (paragraphs 5.1.1 and 5.1.2 above) both include reference to Frameworkki. Frameworkki is a case management system which is used by Adult Social Care and Children's Service. Information from Frameworkki is also used to update other systems such as financial management systems so it is essential that information entered onto Frameworkki is accurate and kept up-to-date.

Disclosure and Barring Service (DBS): The summary for Home Meals and Frozen Food Service refers to the need to ensure that the contractor's staff have been checked with the Disclosure and Barring Service (DBS). The National Disclosure Barring Service (DBS) was formed in 2012 by merging the functions of the Criminal Records Bureau (CRB) and the Independent Safeguarding Authority (ISA) under the Protection of Freedoms Act 2012.

As with the CRB checks in the past, certain roles within the Council require a DBS check to be undertaken. These roles tend to be those working with children or vulnerable adults and an appropriate process needs to be in place within the Council to ensure DBS checks are undertaken. Where an external contractor is fulfilling a role which involves working with children or vulnerable adults, the requirement for the contractor's staff to have DBS checks should be included in their contract and compliance should be reviewed as part of the contract monitoring arrangements.

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City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	4 February 2015
Classification:	For General Release
Title:	Internal Audit Plan 2015/16
Wards Affected:	All
Financial Summary:	The audits covered in this report cover the whole of the Council's budget.
Report of:	Steven Mair, City Treasurer (Section 151 Officer)
Report Author:	Moira Mackie, Senior Manager; email: mmackie@westminster.gov.uk Tel: 020 7641 2463

1. Executive Summary

The Internal Audit Plan has been reviewed to reflect the changes in the Council's structure and to ensure that our audit work addresses key risks during a period of change and general financial constraints. The Audit Plan includes sufficient audit coverage to enable us to provide an overall opinion on the Council's control framework and is sufficiently flexible to allow for additional reviews to be added in areas where support and/or advice may be required.

2. Recommendation

That the Committee review the internal audit plan for 2015/16 as set out in Appendix A and consider:

- Does the plan cover the organisation's key risks as they are recognised by the Members of the Audit & Performance Committee?
- Does the plan reflect the areas that the Members of the Audit & Performance Committee believe should be covered as priority?

- Are the Members of the Audit & Performance Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual plan?

3. Background, including Policy Context

- 3.1 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, 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.

There has been a gradual improvement in the number of audits receiving a positive assurance opinion from 70% in 2009/10 to more than 80% in 2013/14. A description of each level of assurance is shown below:

Assurance Opinion	Positive or Negative	Description
Substantial	Positive	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and no material errors or weaknesses were found.
Satisfactory	Positive	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	Negative	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance	Negative	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

- 3.2 A draft Internal Audit Plan for 2015/16 has been prepared following discussions with Senior Managers at the Council. Balancing audit resources across the Council's activities takes into account change, priorities and risk with cyclical reviews planned in operational areas across a three-year period. Areas of high risk have been identified and included in the plan as well as cyclical reviews in areas of lower financial risk (eg schools).

- 3.3 The draft Audit Plan is attached as Appendix 1 to this report and this shows the individual audits that are planned across the Council's services for the coming financial year. It should be noted that this plan is an early draft which will be subject to some amendment before the final plan is published in March 2015. In addition, it is recognised that changes in priorities arise during the course of a year and the Audit Plan will be reviewed on a regular basis to reflect these changes.
- 3.4 In previous years, non-compliance with the systems and processes within the key financial systems has been of concern although this has improved gradually since the establishment of the Shared Service Centre. With the implementation of Managed Services in April 2015, there will be significant changes which will primarily affect the key financial systems. Therefore, a number of audits are planned in these areas in 2015/16.
- 3.5 In addition, a number of the planned audits will be undertaken on a Tri-Borough basis with the majority of these being within Adult Social Care, Public Health and Children's Services, although a large number of Tri-Borough audits are also contained within the Corporate Services area of the plan.
- 3.6 The Internal Audit Plan, once finalised, will include sufficient audit coverage to enable an opinion to be reached on the Council's control framework as well as including a contingency allowance for additional reviews in areas where support and/or advice may be required, as agreed with the Council's Section 151 Officer.
- 3.7 We intend to meet with the Council's External Auditor to confirm the scope of the work in the areas of financial control, particularly in areas included in the Managed Services Project, to ensure that they can place their level of reliance on our work in 2015/16.
- 3.8 The Audit & Performance Committee Members are reminded that internal audit is only one source of assurance and through the delivery of our plan, we will not, and do not, seek to cover all risks and processes at the Council. We will however, seek to work closely with other assurance providers, such as External Audit, to ensure that duplication is minimised and a suitable breadth of assurance obtained.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Moyra McGarvey on 020 7361 2389; or Moira Mackie on 020 7641 2463

Email: Moyra.McGarvey@rbkc.gov.uk or mmackie@westminster.gov.uk

ADULT SOCIAL CARE:

Auditable Area & Timing	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Adult Social Care – Governance Planned: TBC	Tri-Borough	High	2013/14 (Satisfactory)	Coverage may include: - Structures; - Delegations; - Info sharing protocols; - Risk management & assurance; - Scrutiny by senior mgmt & Members. (may be some crossover with Public Health Governance)
Community Independence Service (aiming to reduce hospital admissions through intensive reablement programmes) Planned: Q4	Tri-Borough	High	n/a	Coverage may include: - New procedures & controls; - Outcomes & success against established criteria.
Transitions (the move from younger people to adults and the financial risks attached to this) Planned: TBC	Tri-Borough	Medium	n/a	Coverage may include: - Service funding; - Production of plans; - Decision-making.
Continuing Healthcare Funding Planned: TBC	Tri-Borough	Medium	n/a	This is supported by legislation & a national framework. Consider governance issues & how it is managed to achieve the appropriate outcomes.
Programme Management: Customer Journey Planned: TBC	Tri—Borough	High	n/a	Coverage may include: - Programme governance; - Monitoring; - Change control; - Benefits management; - Risk/issues management; - Demand management.
Homecare – Contracts Planned: Q3/4	Tri-Borough	High	2013/14 (Limited)	To include procurement and/or contract management arrangements of key contracts.
Homecare Electronic Monitoring System Planned: Q3/4	Tri-Borough	High	n/a	Review contract monitoring arrangements for new system for monitoring home care providers logging in and out of client homes.
Care Act – Projects (selection to be agreed with the service) Planned: TBC	Tri-Borough	High	n/a	Implementation from 1/4/15. Second phase 2016. Coverage may include: - Service delivery of elements due wef 1/4/15; - Review of key programmes & projects with gap analysis

ADULT SOCIAL CARE:

Auditable Area & Timing	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
				against aspects of the Care Act (second phase).
Mental Health Team Partnerships (West London MH Partnership for LBHF and Central London MH Partnership for WCC & RBKC) Planned: TBC	Tri-Borough	High	n/a	Coverage may include: - Governance arrangements; - Service objectives & planning; - Performance Management & Monitoring; - Financial Management.
Follow up Reviews				Follow up on the implementation of recommendations
Contingency: - Financial Assessments (recharging)	Tri-Borough			Review of system for recharging clients based on financial assessments to ensure income due is collected.
Contingency: - Direct Payments	Tri-Borough			Dependent on the implementation of the new system.
- Information exchange & governance	Tri-Borough			Compliance with information governance framework.
ADULT SOCIAL CARE TOTAL DAYS			TBC	

PUBLIC HEALTH:

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Public Health – Governance Planned: TBC	Tri-Borough	High	2013/14 (Limited)	Coverage may include: - Structures; - Delegations; - Info sharing protocols; - Risk management & assurance; - Scrutiny by senior mgmt & Members. (may be some crossover with Public Health Governance)
Public Health – Business Planning Planned: Q2	Tri-Borough	High	n/a	Scope to include: - Development & approval of plans; - Supporting information; - Links to Corporate objectives and savings targets; - Monitoring and review; - Risk management.
Public Health – Joint Strategic Needs Assessments Planned: Q2/3	Tri-Borough	High	n/a	Scope to include: - Collation of evidence; - Consultation; - Options assessment; - Production of reports; - Delivery of strategies.
Public Health Contracts Two audits planned each of which will review the procurement, commissioning and monitoring of deliverables/outcomes in key areas of Public Health spend (eg Obesity, sexual health, drugs & alcohol abuse). Planned: Q1	Tri-Borough	High	n/a	Scope to include: - Identification of procurement needs; - Compliance with the procurement code; - Commissioning of service; - Monitoring of deliverables & outcomes against objectives; - Reporting & decision-making .
Follow up Reviews				Follow up on the implementation of recommendations
Contingency: - Public Health – Joint Health and Wellbeing Strategies	Tri-Borough		n/a	Scope to include: - Collation of evidence; - Consultation; - Options assessment; - Production of reports; - Delivery of strategies.
PUBLIC HEALTH TOTAL DAYS			TBC	

CHILDREN’S SERVICES:

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Children’s Services – Governance Planned: TBC	Tri-Borough	High	2012/13 (Satisfactory)	Coverage may include: - Structures; - Delegations; - Info sharing protocols; - Risk management & assurance; - Scrutiny by senior mgnt & Members. (may be crossover with Public Health Governance)
Safeguarding Planned: TBC	Tri-Borough	High	2012/13- WCC (Limited)	Review changes in operational processes (Early Years, Single Front Door, Multi-Agency Safeguarding Hub).
Children & Families Act – Implementation of the requirements of the Act Planned: TBC	Tri-Borough	High	n/a	Review key programmes and projects and gap analysis against aspects of the Children & Families Act requirements.
Adoption & Fostering Services Planned: TBC	Tri-Borough	High	n/a	Areas to consider: - Service objectives; - Governance; - Statutory compliance; - Stakeholder engagement/ multi-agency working; - Marketing/ awareness; - Casework; - Data protection; - Assessments; - Financial assessments and controls over payments; - Budgetary control; - Cost apportionment & management.
Leaving Care Planned: TBC	Tri-Borough	Medium	n/a	Areas to consider: - Funding; - Planning & decision making.
Troubled Families (Phase II commences in April 2015 with a significant increase in numbers expected to be included in the Troubled Families Programme) Planned: TBC	Tri-Borough	High	2013/14 (Limited)	Areas to consider: - Identifying and recording families for inclusion; - Qualitative and quantitative Reporting against objectives - Budget management - Management of risk - Retention of records - Verification of collected and reported
School Meals Contract Planned: TBC	Tri-Borough	Medium	2008/09 (Substantial)	Areas to consider: - Commissioning; - Performance; - Monitoring ;

CHILDREN’S SERVICES:

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
				- Reporting.
Procurement or Thematic Contract Management Planned: TBC	Tri-Borough	High		To consider: - Vertical review of one procurement contract; - Contract management.
Schools – see Annexe 1	WCC Only	Low	Various	Schools Audit Programme
Follow up Reviews				Follow up on the implementation of recommendations
Contingency - WCC Only: - School Cash and Bank Arrangements-	WCC Only	Medium	n/a	
*Contingency: - School Funding - Cost & Savings Apportionment	Tri-Borough	Medium	n/a	
Contingency: -Schools Admissions	LBHF Only			
Contingency: -Transformation of Play Services	RBKC Only			Changes to service delivery and funding
Contingency: - School Summer Works/ Asset Strategy	RBKC Only			Areas to consider: - Service objectives; - Stakeholders engagement; - Horizon watching; - Prioritisation; - Governance; - Financial planning & budgetary control; - Work programme & management; - Procurement arrangements & legislative compliance; Management information.
CHILDREN’S SERVICES TOTAL DAYS			TBC	

CORPORATE SERVICES (Incl Legal, Communications, Finance, Corporate IT & HR):

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Tri-Borough Governance, Decision Making & Communications Planned: TBC	Tri-Borough	High	n/a	To consider: - Structure & organisation of boards; - Terms of reference of Boards and decision making; - Reporting to boards.
Partnership Governance (will be undertaken at each of the three boroughs) Planned: TBC	WCC Only	Medium	2007/08 (Substantial)	Coverage to be confirmed.
Legal Services – Governance Planned: Q3	WCC Only	High	n/a	Changes in Legal Services wef April 2015 including trading with other local authorities.
Corporate Recharges Planned Q1	WCC Only	High	n/a	Project in hand to review corporate recharges. Since property recharges are being reviewed in would be appropriate to undertake this in Q1.
Risk Management (will be undertaken at each of the three boroughs) Planned: TBC	WCC Only	Medium	2011/12 (Advisory)	To consider: - Roles & responsibilities; - Risk identification, classification & Evaluation; - Risk Mitigation; - Monitoring & Reporting; - Assurance Framework.
Procurement (sample of procurements – where possible Tri-Borough) Planned: TBC	Tri-Borough	High	Various	Select up to 3 recently let contracts to review: - Strategic assessment & business justification; - Contract strategy; - Market Building; - Delivery/procurement strategy; - Selection off contractors/ service providers; - Procurement and award of contract; - Form of contract and contract conditions.
Contracts Register Planned: Q1	Tri-Borough	Medium	Various	To consider: - Policies & Procedures; - Identifying contracts for inclusion; - Quality of information and completeness of the contracts register; - management reporting.

CORPORATE SERVICES (Incl Legal, Communications, Finance, Corporate IT & HR):

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Staff Performance Planned: TBC	Tri-Borough	Medium	n/a	To consider: - Policies & Procedures; - Review / monitoring processes; - Reporting.
Grants (review of grant returns/ claims) Planned: TBC	Tri-Borough	Medium	Various	Dependent on grant conditions.
NNDR Planned: Q2/3	WCC Only	Medium	2012/13 (Substantial)	Key controls testing.
Council Tax Planned: Q2/3	WCC Only	Medium	2012/13 (Substantial)	Key controls testing.
Housing Benefit Planned: Q2/3	WCC Only	Medium	2012/13 (Substantial)	Key controls testing.
Managed Services - Asset Management Planned: Q3/4	WCC Only	High	n/a as a managed service	System overview and key controls testing.
Managed Services – Income Management Planned: Q3/4	WCC Only	High	n/a as a managed service	System overview and key controls testing
Managed Services – Accounts Receivable Planned: Q3/4	Tri-Borough	High	n/a as a managed service	System overview and key controls testing.
Managed Services – Accounts Payable Planned: Q3/4	Tri-Borough	High	n/a as a managed service	System overview and key controls testing.
Managed Services – General Ledger Planned: Q3/4	Tri-Borough	High	n/a as a managed service	System overview and key controls testing.
Managed Services – Budgetary Control & Financial Management Planned: Q3/4	Tri-Borough	High	n/a as a managed service	System overview and key controls testing.
Managed Services: – Intelligent Client Function Planned: TBC	Tri-Borough	High	n/a as a managed service	To consider: - Governance and oversight structures within the service.
HR – Payroll Planned: Q2/3	Tri-Borough	High	n/a as a managed service	Variable pay elements (overtime, honorariums, shift allowances, weekend working etc)
HR – Recruitment & Selection Planned: Q2/3	Tri-Borough	Medium	n/a	Systems overview & compliance testing.

CORPORATE SERVICES (Incl Legal, Communications, Finance, Corporate IT & HR):

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
HR – Sickness Absence Management Planned: Q2/3	Tri-Borough	Medium	n/a	Systems overview & compliance testing.
HR – DBS Checks Planned: TBC	WCC & LBHF Only	High	2010/11 (WCC, CRB- (Satisfactory))	Systems overview, monitoring and compliance
Internet Monitoring (non technical) Planned: TBC	Tri-Borough	Medium	n/a	Controls over internet usage.
IT – Information Governance/ Data Risk & Loss Prevention Planned: TBC	Tri-Borough		2014/15 (TBC)	Review measures taken to limit data loss and use of third party tools/ external email.
IT – Security Incident Management Planned: TBC	Tri-Borough			Tri-borough arrangements for incident management, sharing of knowledge and lessons learned.
IT – Cyber Security Planned: TBC	Tri-Borough			Approach to cyber security, utilise checklist provided to assess level of compliance.
IT – Managed Services Planned: TBC	Tri-Borough			Various IT audits related to MSP programme
Follow up Reviews				Follow up on the implementation of recommendations
Contingency: - Spot Purchasing	Tri-Borough			To consider: - Analysis of needs; - Contracting; - Purchasing; - Payment; Monitoring of benefits.
Contingency: - Business Intelligence	Tri-Borough			TBC
Contingency: - Section 113 Agreements	Tri-Borough			Application of S113 agreements and reporting on non-compliance.
Contingency: - Corporate Procurement (if established as a shared service)	WCC Only			To consider: - Policy & procedures, structure & organisation; strategy & plans, progress monitoring; reporting on delivery
Contingency: - Registrar Service	WCC Only		2012/13 (Satisfactory)	To consider: - income management
CORPORATE SERVICES TOTAL DAYS			TBC	

GROWTH, PLANNING & HOUSING (Incl Adult Education):

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Planning – Planned: TBC	WCC Only	High		Changes in Planning – Scope to be discussed with the Director of Growth, Planning & Housing.
Property - Investment Portfolio Planned: Q3	WCC Only	Medium	2013/14 (Satisfactory)	New contract with provider wef April 2014. Review of arrangements in place for rent collection & debt management and contract management.
Property - Asset Management & Valuation Planned: Q1	WCC Only	High	n/a	Review controls within the new Tech Forge system to provide assurance on the accuracy and completeness of data.
Property – Total Facilities Management Planned: TBC	Tri-Borough	High	2013/14 (Limited)	To consider: Management of LINK and management of the AMEY contract.
Housing (CWH) – Management of TMOs Planned: Q1/2	WCC Only	Medium	n/a	Effective management of TMOs by CWH.
Housing – Housing Renewal Programme Planned: Q1/2	WCC Only	High	n/a	Review use & accounting for funding affordable housing to provide assurance on compliance with statutory requirements.
Housing (CWH) – Rents Planned: Q2/3	WCC Only	High	2012/13 (Satisfactory)	Key controls testing.
Housing - Procurement of major works Planned: Q2/3	WCC Only	High	2012/13 (Limited)	Review compliance with the procurement code, e-sourcing, S20 requirements.
Housing – Service Charges Planned Q1/2	WCC Only	High	n/a	Review system for identifying and allocating service charges.
Housing - Repairs Service Planned: Q2/Q3	WCC Only	Medium	n/a	Review system controls to ensure that charges to the Council are accurate.
Follow up Reviews				Follow up on the implementation of recommendations
Contingency: - Temporary Accommodation	WCC Only			Review of process and controls over purchase of properties to be used as temporary accommodation.
GROWTH , PLANNING & HOUSING TOTAL DAYS			110	

CITY MANAGEMENT & COMMUNITIES:

Auditable Area	Tri or Single Borough Audit	Risk	Date of Last Audit (Assurance)	Potential Scope
Mayor for London Grant Claim Planned: Q2	WCC Only	Medium	n/a	Qtrly grant claim, review of the grant claim process has not been undertaken previously and the service welcomes a review to provide assurance to the Ccl that the claims are appropriate.
Leisure Services – Procurement Planned: Q2/3	WCC Only	Medium	n/a	A procurement exercise is taking place for the provision of leisure services (go live due spring 2016). It is proposed that a review is undertaken of the procurement strategy to ensure that it is appropriate and compliant with the Council's procurement policy.
Licensing Planned: Q3/4	WCC Only	Medium	2014/15 (Satisfactory)	New fee structure to be introduced – review process for ensuring fees are correct, promptly paid and accounted for.
Parking Planned: Q2/3	WCC Only	High	various	Income reconciliation processes for various income streams to include review of controls in the provider's systems (RingGo) for accounting for the Council's income correctly.
Enforcement - Sanctions Planned: Q1/2	WCC Only	Medium	n/a	Review processes for progressing sanctions resulting from enforcement action.
Road Management Planned: Q2/3	WCC Only	High	n/a	Review of controls in the system for income generated within road management.
Freedom Passes: Q1/2	WCC Only	Medium	n/a	Review of controls in the system for issuing Freedom Passes.
IT – Parking System Planned: Q2/3	WCC Only	Medium	n/a	New parking system introduced in 14/15. Review of application controls.
Follow up Reviews				Fup on the implementation of recommendations
Contingency: - Libraries Procurement				
CITY MANAGEMENT TOTAL DAYS			90	

Annexe 1

Type of School	Name of School	Date of Last Audit	Risk	Last Audit
				Opinion (RAG)
Primary	Edward Wilson	2012/13	Low	Substantial (Green)
Primary	St George's Hanover Square	2012/13	Low	Satisfactory (Green)
Primary	St James' & St Michael's	2012/13	Low	Limited (Amber)
Primary	St Luke's CE	2012/13	Low	Limited (Amber)
Primary	St Peter's Chippenham Mews	2012/13	Low	Substantial (Green)
Primary	St Peter's Eaton Square	2012/13	Low	Satisfactory (Green)
Primary	St Stephen's CE	2012/13	Low	Limited (Amber)
Primary	St Vincent de Paul RC	2012/13	Low	Substantial (Green)
Primary	Soho Parish CE	2012/13	Low	Substantial (Green)
	Schools contingency - advice	On-going	n/a	n/a
			Days	60



City of Westminster

Audit and Performance Committee Report

Decision Maker:	Audit and Performance Committee
Date:	4February 2015
Classification:	General Release
Title:	KPMG Certification of Claims and Returns Annual Audit 2013/14
Financial Summary:	There are no direct financial implications arising from the report.
Report of:	Head of Shared Service Centre
Author:	Martin Hinckley on 0207 641 2611 or at mhinckley@westminster.gov.uk

1. Executive Summary

- 1.1 KPMG annually reviews the grants the City Council claims through a grants certification audit. KPMG require the City Council to communicate the key messages from the grants certification audit with those charged with governance, which at Westminster is the Audit and Performance Committee.
- 1.2 The KPMG report in relation to the financial year 2013/14 is shown at Appendix A.
- 1.3 There are no recommendations that KPMG wish to raise for Members consideration.

2. Recommendations

- 2.1 That the report is noted.

3. KPMG Annual Review

- 3.1 The City Council is responsible for compiling grant claims and returns in accordance with the requirements and the timescales set by central government.

- 3.2 KPMG annually reviews the grants the City Council claims through a grants certification audit. KPMG require the City Council to communicate the key messages from the grants certification audit with those charged with governance, which at Westminster is the Audit and Performance Committee.
- 3.3 There were 2 claims / returns audited by KPMG in relation to the 2013/14 financial year:
- Housing Benefit subsidy
 - Pooling of Housing Capital Receipts
- 3.4 KPMG have not qualified either claim and make no recommendations in this year's report (Appendix A). This compares with 3 recommendations for 2010/11, one for 2011/12 and no recommendations for 2012/13. This continuous improvement is primarily due to the appointment of an officer to act as the Council's Grant Claim Co-ordinator and better in year processes for collecting and recording the information.

4 Financial Implications

- 4.1 It is important that grant claims requirements are complied with as they affect funding sources and funding assumptions in the City Council's business plans.
- 4.2 KPMG did not adjust either of the Council's two claims / returns.
- 4.3 The overall fee for certification of the Council's claims and returns is the same as the indicative fee estimate. (See Appendix A).

5. Legal Implications

- 5.1 There are no direct legal implications arising from this report.

BACKGROUND PAPERS: None

If you have any queries about this report please contact: Martin Hinckley on 0207 641 2611 or at mhinckley@westminster.gov.uk



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Steven Mair
City Treasurer
Westminster Council
Westminster City Hall
64 Victoria Street
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Our ref CoW/Grants/2013/14

12 January 2015

Dear Steve

Certification of claims and returns - annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	Certified value (£)
BEN01 – Housing Benefit subsidy claim	231,077,704
CFB06 – Pooling of Housing Capital Receipts	12,417,635
Total	243,495,339

Matters arising

Our certification work did not identify any issues or errors with the claims/returns, and we certified both the claims/returns unqualified without amendment.

There were no recommendations included in our 2012/13 Certification Annual Report and there are no further matters to report to you regarding our certification work.

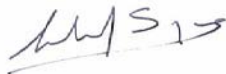
Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £36,906. Our actual fee was the same as the indicative fee, and this compares to the 2012/13 fee for these claims of £35,840.

The details are set out in the table below.

Claim	2013/14 Indicative fee (£)	2013/14 Final fee (£)	2012/13 Final fee (£)
BEN01 – Housing Benefit subsidy claim	33,848	33,848	33,949
CFB06 – Pooling of Housing Capital Receipts	3,058	3,058	1,891
Total	36,906	36,906	35,840

Yours sincerely



Andrew Sayers
Partner

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, who is the engagement lead to the Authority (telephone 0207 694 8981, e-mail Andrew.sayers@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

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City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	4th February 2015
Classification:	General Release
Title:	KPMG Audit Plan for the Council's Financial Statements and the Pension Fund for the financial year 2014/15
Wards Affected:	All
Financial Summary:	Outlines the approach to be taken by KPMG to auditing the Council's Financial Statements and the Pension Fund for the financial year 2014/15.
Report of:	Steven Mair, City Treasurer
Author:	Steven Mair Email: smair@westminster.gov.uk Tel: 0207 641 2904

1. Executive Summary

The external audit plan attached as **Appendix 1** outlines 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 risk based approach to audit planning. They reflect:

- The statutory requirements and proper practices with which the accounts are required to comply;
- A number of key areas of focus which are relevant to the Council's and the Pension Fund's local circumstances; and
- The Council's and the Pension Fund's local risks.

2. Recommendations

That the Committee considers and understands the basis on which KPMG will be undertaking their audit of the Council's Financial Statements and the Pension Fund for the financial year 2014/15.

3. Reasons for Decision

These reports set out the audit framework and approach to be adopted by KPMG for their audit of the Council's Financial Statements and the Pension Fund for the financial year 2014/15.

4. Background, including Policy Context

2014/15 Audit Plans

The Audit Plan outlines the work that KPMG proposes to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2014/15. The report is split into the following key sections:

Introduction. This section sets out the scope, responsibilities and structure of the report.

Headlines. This section identifies the key areas of focus for the audit of the Financial Statements, the Pension Fund as well as for the value for money conclusion.

Our audit approach. This section identifies the key stages of the audit process namely planning, control evaluation, substantive procedures and completion.

Key Financial Statements. This section identifies the areas of focus in preparing the key financial statements, these are Property Plant and Equipment, Cash, Pension Costs and Liabilities and the Enhanced Timetable.

Value For Money (VFM) audit approach. This section identifies the approach to VFM work.

The Audit Team. The KPMG personnel who will be responsible for the audit of the 2014/15 Financial Statements and Pension Fund.

Audit Deliverables. This section identifies the key deliverables which KPMG are to deliver and the related timescales.

Audit timeline. This section highlights the audit timeline leading to the issuing of the audit opinion by 21st May 2015.

Audit Fee. These fees are as proposed by KPMG's are: £247,625 for the audit of the Council's Financial Statements, £21,000 for the Audit of the Pension Fund and £29,880 for the grant claims. There may be an increase in the fee of upto £15,000 to allow for any necessary audit work arising from the audit

5. Financial Implications

There are no direct financial obligations arising from this report.

6. Legal Implications

There are no direct legal obligations arising from this report.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Steven Mair at smair@westminster.gov.uk or 0207 641 2904

BACKGROUND PAPERS

External Audit Plan 2014/15 – KPMG

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cutting through complexity™

External Audit Plan 2014/15

City of Westminster Council

February 2015

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This document describes how we will deliver our audit work for the City of Westminster Council.

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for the City of Westminster ('the Authority') and the City of Westminster Pension Fund ('the Pension Fund'). It also sets out our approach to value for money (VFM) work for 2014/15.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. In particular adjustment may be required to reflect the enhanced accounts and audit timetable.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Annual Governance Statement)*: providing an opinion on your accounts; and
- *use of resources*: concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements of the Authority and the Pension Fund and Value for Money audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks for the Authority and Pension Fund.
- Section 5 explains our approach to VFM work.
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. The remainder of this report provides further details on each area.

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Audit approach	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with Steven Mair (City Treasurer).</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
Key financial statements audit risks for the Authority	<p>We have completed our initial risk assessment for the financial statements audit and have identified the following specific significant risk:</p> <ul style="list-style-type: none"> ■ Accounting for Local Authority Maintained Schools – Accounting for school assets owned by third parties <p>This risk and other areas of audit focus are described in more detail on pages 9 to 11. We will assess these risk areas as part of our interim work and conclude this work at year end.</p>
Key financial statements audit risks for the Pension Fund	<p>Our initial risk assessment for the Pension Fund's financial statements audit has not identified any specific significant risks this year.</p>
VFM audit approach and risk assessment	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage. We are considering a number of objections raised by a local elector and will consider any potential impact of these on the VFM conclusion and keep this under review throughout the audit.</p>
Audit team, deliverables, timeline and fees	<p>We have refreshed our audit team this year with Grant Slessor replacing Sally-Anne Eldridge as the Manager and Satinder Jas replacing Richard Hewes as the Assistant Manager for the audit.</p> <p>The Council is working to an enhanced timetable this year and would like the audit completed by the end of May. This is a key step by the Authority towards developing higher standards of future financial management but provides a significant challenge to officers and auditors in the current year. The Council is planning to produce its draft financial statements for audit in mid April and our audit will start shortly after this date. In order for the enhanced timetable to be met it will be essential that the information required for the audit is provided on a timely basis. We have developed an accounts audit protocol setting out the key deliverables. We intend to carry out the audit of the Pension Fund alongside the main audit.</p> <p>Upon conclusion of our work we will present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>The overall planned fee for the 2014/15 audit is £298,505. This is unchanged from the position set out in our <i>Audit Fee Letter 2014/15</i> and comprises £247,625 for the Authority's audit, £21,000 for the Pension Fund and an indicative fee of £29,880 for the certification of grants claims and returns.</p>

Section three

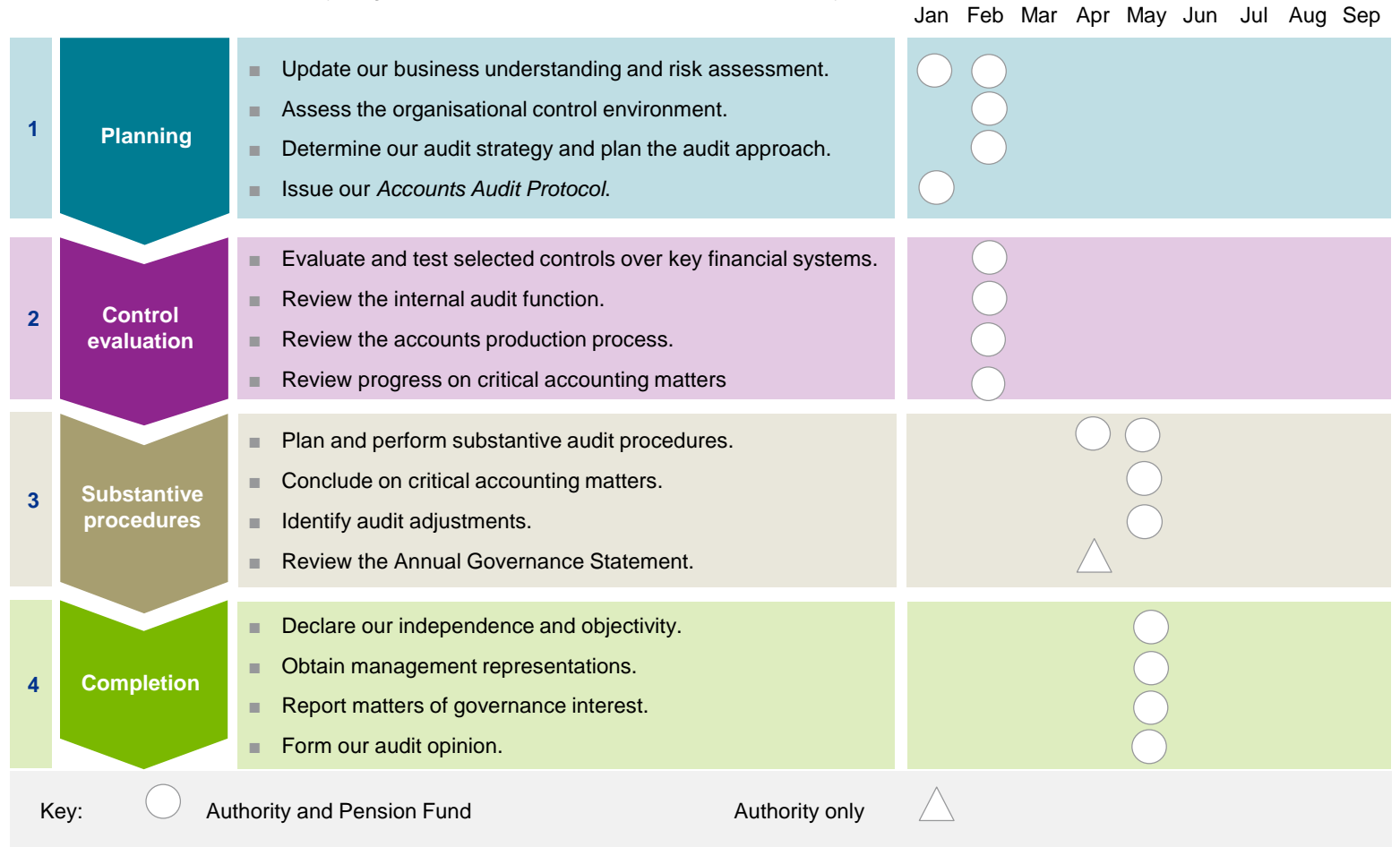
Our audit approach

We undertake our work on your financial statements in four key stages during 2015:

- Planning (January to February).
- Control Evaluation (January to February).
- Substantive Procedures (May and June).
- Completion (June).

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We have summarised the four key stages of our financial statements audit process for you below.



As part of plans for achieving the enhanced timetable the Authority is undertaking a number of hard closes during the year. As part of our audit we will perform work on the period 8 (November) hard close figures.

During January and February 2015 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

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Our planning work takes place between January and February 2015. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation. This is particularly important this year as the Council is working to an enhanced timetable to allow for the early identification of issues and as part of the ongoing improvement in financial management. The plan is for the Council to produce draft financial statements by mid April 2015 and for us to complete our audit by the end of May 2015. The achievement of these deadlines will be challenging for officers and for us.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit. In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

An indicative level of materiality for the Authority's financial statements for 2014/15 is £20m. For the Pension Fund, the corresponding figure is £17m. This is based on the prior year Statement of Accounts and on our understanding of the projected outturn for the current year. This figure is a guide only. The overriding objective is to preserve the true and fair view presented by the financial statements and we will consider any audit differences, individually and cumulatively, in that context.

During January and February we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2014/15.

We work with your finance team and the pensions team to enhance the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Audit and Performance Committee.

Our interim visit on site will be completed during January and February 2015. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority’s key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Hard Close

As part of plans for achieving the enhanced timetable the Authority is undertaking a number of hard closes during the year. As part of the control evaluation stage of our audit we will perform work on the period 8 (December) hard close figures.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

Following our interim visit, if necessary, we will issue an *Interim Report* which will set out any significant findings from our planning and interim work and we will present this to the Audit and Performance Committee Members.

If, as was the case last year, there are only insignificant findings arising from our interim visit, we will present these to the Audit and Performance Committee within our ISA 260 in May 2015.

During April and May 2015 we will be on site for our substantive work on the Authority's financial statements. We will conduct our work on the Pension Fund at the same time.

We will complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report* for the Authority's and Pension fund audits to the Audit and Performance Committee in May 2015.

Our final accounts visit on site has been provisionally scheduled for mid April 2015 but is dependent on the Council producing the draft financial statements for audit in advance of this. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the City Treasurer prior to reporting to the Audit and Performance Committee in May 2015.

Audit adjustments

During our on site work, we will meet with the finance team on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit and Performance Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue in May 2015.

Pension Fund Annual Report

We also issue an opinion on the consistency of the Pension Fund's accounts included in the *Pension Fund Annual Report* with those included in the Statement of Accounts. We will issue this opinion when the Pension Fund annual report is ready for review.

In addition to the financial statements, we also review the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

We are currently considering a number of objections relating to the open years of account at the Council.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Performance Committee. Our deliverables are included on pages 18 and 19.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Performance Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place which, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of February 2015 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

In this section we set out our assessment of the significant risks to the audit of the Authority's and Pension Fund's financial statements for 2014/15 and note other areas of audit focus.

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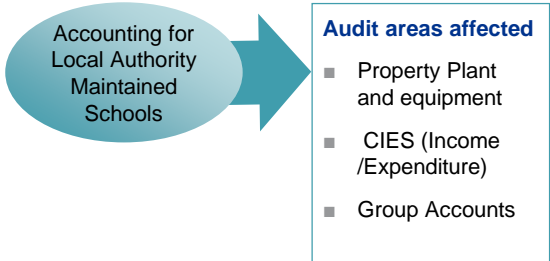
Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures. Appendix 3 includes more detail on our assessment of fraud risk.

Our initial assessment has identified one significant risk that is specific to the nature of the Authority and this is detailed on page 11. Listed below are our other areas of audit focus.

Area of focus	Why	Audit work
Property, Plant and Equipment	The Authority has a significant asset base primarily relating to Council dwellings and Investment property. The potential for impairment/valuation changes makes this balance inherently risky due to the high level of judgement and estimation uncertainty.	<ul style="list-style-type: none"> ■ Reviewing management's assessment of property valuations and impairment calculations. ■ Reviewing the information provided to the valuer by the Authority. ■ Comparing the assumptions made by your valuer to benchmarks and to the assumptions used for 2013/14 for consistency.
Cash	Cash has a pervasive impact on the financial statements and provides comfort for other areas of the financial statements.	<ul style="list-style-type: none"> ■ We will seek bank confirmations over account balances. ■ We will review and test the controls over bank reconciliations.
Pension Costs and Liabilities	Pension valuations require a significant level of expertise, judgement and estimation and are therefore more susceptible to error. This is also a very complex accounting area increasing the risk of misstatement.	<ul style="list-style-type: none"> ■ Reviewing the information provided to the actuary by the Authority. ■ Reviewing actuarial valuation and considering disclosure implications. ■ Comparing the assumptions made by your actuaries to benchmarks and to the assumptions used for 2013/14 for consistency.

Area of focus	Why	Audit work
<p>Enhanced Timetable</p>	<p>In the prior year the enhanced timetable resulted in a higher number of audit adjustments than in prior years. The timetable is further enhanced for the 2014/15 year.</p>	<ul style="list-style-type: none"> ■ We have had a number of early meetings with the finance team and have observed the detailed project plans and quality assurance processes that have been put in place to ensure greater rigour in the preparation of the accounts compared to prior year. ■ We will engage with finance throughout the year to discuss progress against timetable and review our audit strategy accordingly ■ We will feed back proactively on the hard close accounts provided as part of our interim audit including areas for particular year end focus

Key audit risk	Impact on audit
 <p>Accounting for Local Authority Maintained Schools</p> <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Property Plant and equipment ■ CIES (Income /Expenditure) ■ Group Accounts 	<p>Risk</p> <p>LAAP Bulletin 101 <i>Accounting for School Assets used by Local Authority Maintained Schools</i> issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.</p> <p>Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet.</p> <p>Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.</p> <p>Our proposed audit work</p> <p>As part of our audit, we will ensure the Authority is aware of the latest guidance and review the judgements it has made. This will include :</p> <ul style="list-style-type: none"> - Determining whether the Authority has identified all relevant maintained schools within its area and undertaken a review of the agreements underpinning the use of school assets by VA, VC and Foundation schools; and - Considering the Authority's application of the relevant accounting standards to account for these schools and challenging its judgements where necessary.

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance; ■ Financial planning; and ■ Financial control.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

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Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; information from the Audit Commission's VFM profile tool and financial ratios tool; evidence gained from previous audit work, including the prior year report by exception and the response to that work; and the work of inspectorates and other review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

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VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment throughout the year.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment, the only risk we have identified is the number of objections we are currently considering. We will keep the issues raised by a local elector in objections under review for possible impact on the VFM conclusion. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

We have not identified any significant risks relating to our VFM conclusion. We note that there are a number of objections we are currently considering. We will keep these under review and consider the impact, if any, on the VFM conclusion.

In line with the risk-based approach set out on the previous page, we have

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas; and
- concluded to what extent we need to carry out additional risk-based work.

Our initial assessment has not identified any significant risks in relation to our VFM conclusion. We note that there are a number of objections we are considering. We will keep these under review and consider the impact, if any, on the VFM conclusion. Set out below is the other area of audit focus in relation to our VFM conclusion..

Area	Risk	Audit work
Savings Plans	<p>Based on the current medium term financial plan, which covers the period 2015/16 – 2017/18, there is a significant savings requirement over the three year period (£33m per annum in 2015/16 & 2016/17 and £34m in 2017/18). This is on top of the savings achieved between 2011/12 and 2013/14. The savings required for 2014/15 have been identified and early indications are positive.</p> <p>Further savings will be required in 2015/16. Many of these savings requirements are due to be delivered via the Tri borough working arrangements. However, finding additional savings year after year will be a challenge.</p> <p>The Authority will need to continue to manage its savings plans to secure longer term financial and operational sustainability and ensure that any related liabilities are accounted for in its 2014/15 financial statements as appropriate.</p>	<p>Our VFM work will focus on how the Authority is planning and managing its savings plans, specifically that its Medium Term Financial Plan has duly taken into consideration the potential funding reductions and that it is sufficiently robust to ensure that the Authority can continue to provide services effectively.</p>

Your audit team has been drawn from our specialist public sector assurance department. We have refreshed our audit team this year with Grant Slessor replacing Sally-Anne Eldridge as the Manager and Satinder Jas replacing Richard Hewes as the Assistant Manager for the audit.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Andrew Sayers
Partner

“My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit and Performance Committee and Executive Directors.”



Grant Slessor
Manager

“I am responsible for the management, review and delivery of the audit and for quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with Andrew to ensure we add value. I will liaise with the City Treasurer and the Finance Team”



Satinder Jas
Assistant Manager

“I will be responsible for the on-site delivery of our work on the Authority’s financial statements.

I will liaise with the Finance Team and Internal Audit, I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report as appropriate with the Authority's officers prior to publication.

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Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures. 	February 2015
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements. 	May 2015
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report) – Pension Fund	<ul style="list-style-type: none"> ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. 	May 2015
Completion		
Auditor's Report	<ul style="list-style-type: none"> ■ Provides an opinion on the Authority's and Pension Fund accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	May 2015
Whole of Government Accounts	<ul style="list-style-type: none"> ■ Provide our opinion on the Authority's WGA pack submission. 	September 2015

Deliverable	Purpose	Committee dates
Completion		
Pension Fund Annual Report	<ul style="list-style-type: none"> ■ We provide an opinion on the consistency of the Pension Fund annual report with the Pension Fund accounts. 	June 2015
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2015
Annual Report on Grant Certification Arrangements	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our grant certification work for the year. 	January 2016

We will be in continuous dialogue with you throughout the audit.

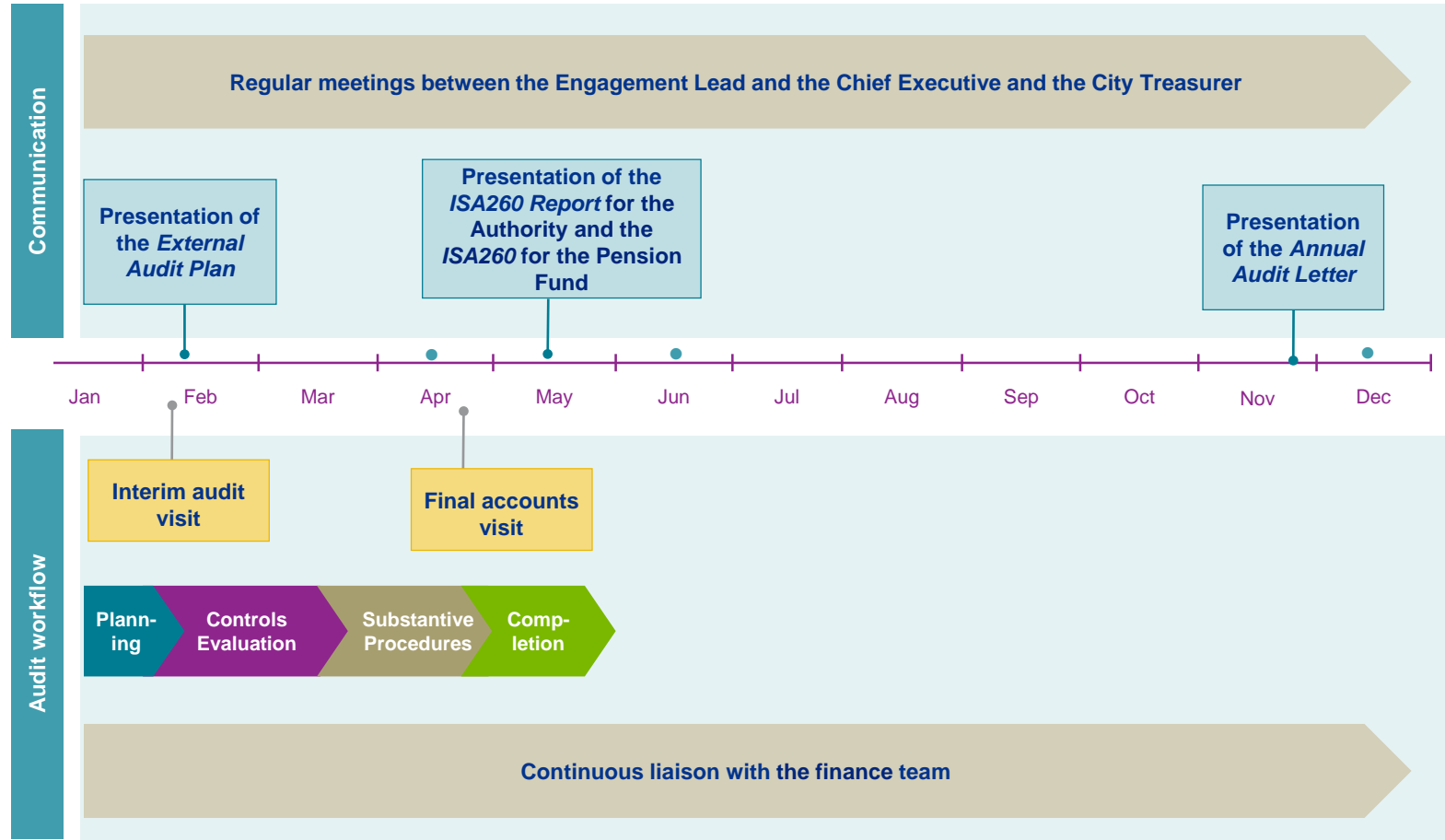
Key formal interactions with the Audit and Performance Committee are:

- February – External Audit Plan;
- May – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team throughout the year.

Our main work on site will be our:

- Interim audit visit during January and February; and
- Final accounts audit during April and May.



Key: ● Audit and Performance Committee meetings.

The main fee for 2014/15 audit of the Authority is £247,625. The fee for our audit of the Pension Fund is £21,000. The fee has not changed from that set out in our *Audit Fee Letter 2014/15* issued in April 2014.

Our audit fee remains indicative and is based on you meeting our expectations of support. In addition adjustment may be required to reflect the enhanced accounts and audit timetable.

Audit fee

Our *Audit Fee Letter 2014/15* presented to you in April 2014 first set out our fees for the 2014/15 audit. These are summarised below. Adjustment may be required to this to reflect the enhanced accounts and audit timetable.

Element of the audit	2014/15 (planned)	2013/14 (actual)
Main audit fee	£247,625	£275,622
Pension Fund audit fee	£21,000	£21,000
Certification of grants and returns	£29,880	£36,906

Our main audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2013/14;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998. We note in this regard that we are currently considering a number of objections that have been raised by one elector for which separate fees will be raised.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the City Treasurer.

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

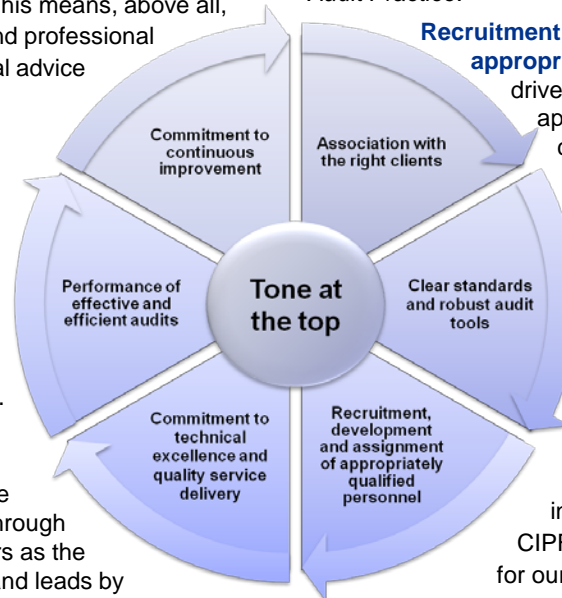
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. Andrew Sayers as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up-to-the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

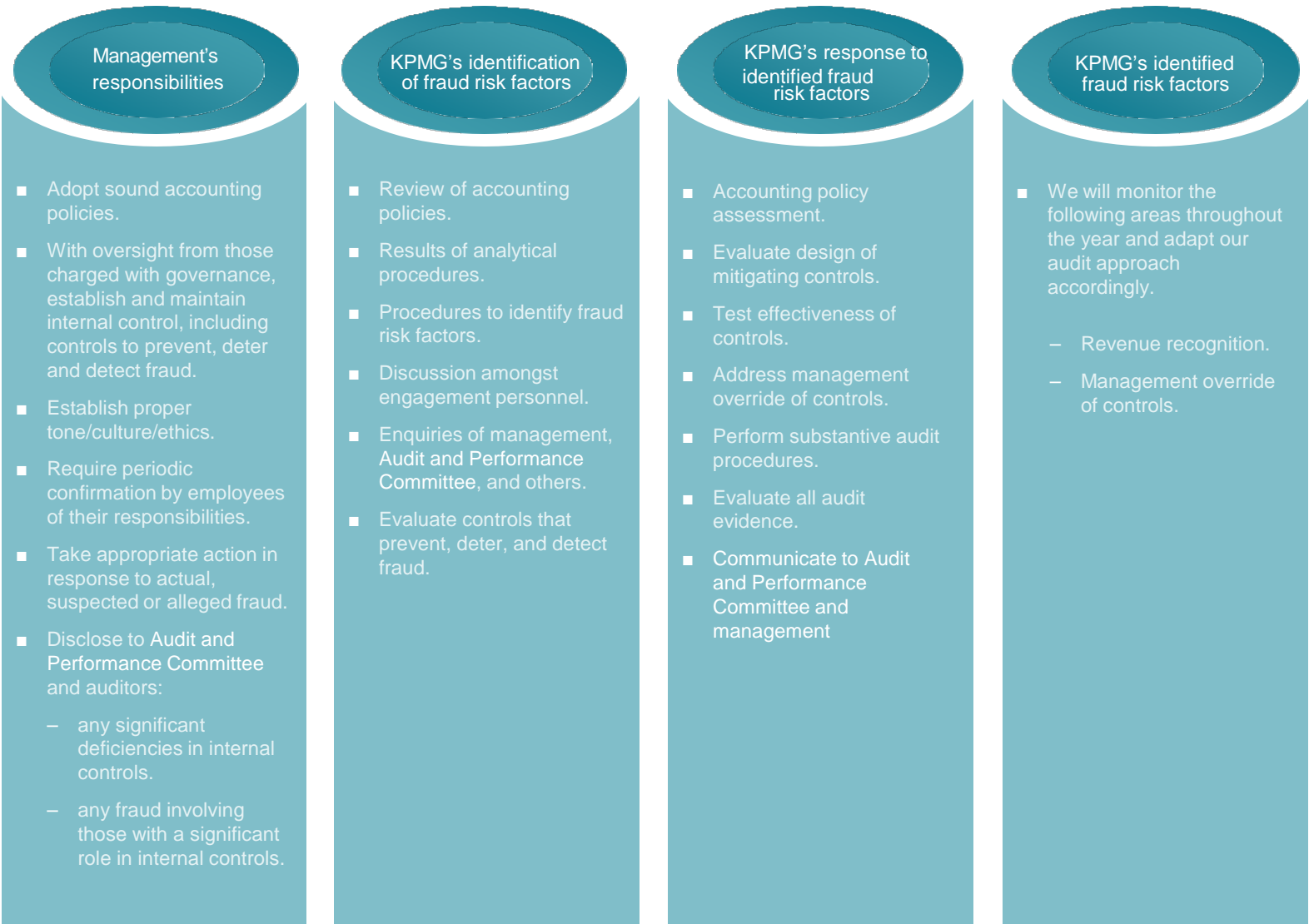
We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

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Appendix 4: Transfer of Audit Commissions' functions

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commissions' regulatory and other functions.

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From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO;
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office; and
- the Commission's counter-fraud function will transfer to the new public sector Counter Fraud Centre established by the Chartered Institute of Public Finance and Accountancy (CIPFA).



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City of Westminster

Audit & Performance Committee Report

Meeting:	Audit & Performance Committee
Date:	4 February 2015
Classification:	General Release
Title:	Work Programme
Wards Affected:	N/A
Financial Summary:	There are no direct financial implications arising from this report
Report of:	Head of Legal & Democratic Services
Report Author:	Reuben Segal, Senior Committee and Governance Officer. Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk

1. Executive Summary

- 1.1 The Committee is invited to review its work programme for the 2014/15 municipal year, attached at appendix 1.
- 1.2 The Committee is also invited to review the actions which arose from the last meeting and the work undertaken in response, as detailed in appendix 3.

2. Recommendations

1. That the Committee agrees its Work Programme attached as at **appendix 1** to the report.
2. That the work undertaken in response to the actions which arose from the last meeting, as detailed in at **appendix 3** to the report, be noted.

3. Choosing items for the Work Programme

3.1 The Committee's Work Programme for 2014/15 is attached at appendix 1 to the report.

3.2 Members' attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached as appendix 2) which may assist the Committee in identifying issues to be included in the Work Programme.

4. Monitoring Actions

4.1 The actions arising from each meeting are recorded in the Action Tracker attached as appendix 3. Members are invited to review the work undertaken in response to those actions.

5. Resources

5.1 There is no specific budget allocation for the Audit and Performance Committee.

6. Approval and modification

6.1 The work programme will be reviewed at each meeting of the Committee and items can be removed or added.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

**Reuben Segal, Senior Committee and Governance Officer
Legal and Democratic Services**

Tel: 020 7641 3160 or email: rsegal@westminster.gov.uk

APPENDICES:

Appendix 1 – Work Programme 2014/15

Appendix 2 – Terms of Reference

Appendix 3 – Committee Action Tracker

BACKGROUND PAPERS:

None

Work Programme 2014/15

Audit and Performance Committee

24 September 2014

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2014-15	The Committee is invited to review its work programme for the 2014/15 municipal year and monitor the progress of the Working Groups.	Reuben Segal
Annual Contracts Review 2013/14	To review of the City Council's contracts, including details of contracts awarded, waivers and performance.	Anthony Oliver
Quarter 1 Finance & Performance Business Plan Monitoring Report	To monitor the budget, contracts, risk and delivery through the quarterly performance plan monitoring report and quarterly reports on service and financial performance. The report will also include details of measures to improve payment performance and debt recovery within the City Council as well as monitoring the write-off position. Officers from the Planning Department to attend to answer questions in relation to current performance indicators.	Steven Mair (Finance) Mo Rahman (Performance)
Internal Audit and Counter Fraud Monitoring Report	To oversee and monitor the success of the annual Audit and Anti-Fraud Service in planning and delivering outcomes and establishing an effective and robust internal	Chris Harris

	control framework.	
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26 November 2014

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2014-15	The Committee is invited to review its work programme for the 2014/15 municipal year and monitor the progress of the Working Groups.	Reuben Segal
KPMG Annual Audit Letter 2013/14	To provide KPMG's assessment of the Council's financial statements and its arrangements to secure value for money in its use of resources.	Sally-Anne Eldridge KPMG
Corporate Complaints 2013/14	To report on the volume and details of complaints received by the Council and CityWest Homes in 2013/14.	Sue Howell
Quarter 2 Finance & Performance Business Plan Monitoring Report	To monitor the budget, contracts, risk and delivery through the quarterly performance plan monitoring report and quarterly reports on service and financial performance. The report will also include details of measures to improve payment performance and debt recovery within the City Council as well as monitoring the write-off position.	Steven Mair (Finance) Mo Rahman (Performance)
Internal Audit and Counter Fraud Monitoring Report	To oversee and monitor the success of the annual Audit and Anti-Fraud Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	Chris Harris

4 February 2015

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2014-15	The Committee is invited to review its work programme for the 2014/15 municipal year and monitor the progress of the Working Groups.	Reuben Segal
KPMG Certification of Claims and Returns Annual Report (Audit 2013/14)	To report the findings from the certification of 2013/14 claims and the messages arising from the assessment of the Council's arrangements for preparing claims and returns and information on claims that were amended or qualified.	Sally-Anne Eldridge KPMG
KPMG Annual Audit Plan 2015/16	To set out the audit work that KPMG proposes to undertake for the audit of the financial statements and the value for money (VFM) conclusion 2015/16.	KPMG
Quarter 3 Finance & Performance Business Plan Monitoring Report	To monitor the budget, contracts, risk and delivery through the quarterly performance plan monitoring report and quarterly reports on service and financial performance. The report will also include details of measures to improve payment performance and debt recovery within the City Council as well as monitoring the write-off position.	Steven Mair (Finance) Mo Rahman (Performance)
Maintaining High Ethical Standards at the City Council	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the Authority	Peter Large
Internal Audit and Counter Fraud Monitoring Report	To oversee and monitor the success of the annual Audit and Anti-Fraud Service in planning and delivering outcomes and	Chris Harris

	establishing an effective and robust internal control framework.	
Internal Audit Plan 2015/16	To review and comment on the draft audit plan for 2015/16	Chris Harris

23 April 2015

Agenda Item	Reasons & objective for item	Lead Officer
Work Programme 2014-15	The Committee is invited to review its work programme for the 2012/13 municipal year and monitor the progress of the Working Groups.	Reuben Segal
Annual Statement of Accounts	To review and comment on the draft and final Annual Statement of Accounts prior to submission to the Cabinet Member for Finance, Resources and Customer Services.	Steve Mair
Quarter 4 (Interim) Finance & Performance Business Plan Monitoring Report	To monitor the budget, contracts, risk and delivery through the quarterly performance plan monitoring report and quarterly reports on service and financial performance. The report will also include details of measures to improve payment performance and debt recovery within the City Council as well as monitoring the write-off position.	Steven Mair (Finance) Mo Rahman (Performance)
Internal Audit and Counter Fraud Monitoring Report	To oversee and monitor the success of the annual Audit and Anti-Fraud Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	Chris Harris

AUDIT AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

CONSTITUTION

4 Members of the Council, 3 Majority Party Members and 1 Minority Party Member, but shall not include a Cabinet Member.

TERMS OF REFERENCE

Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.
2. To consider reports, at regular intervals, which summarise:
 - the performance of the Council's internal audit and anti fraud service provider/s
 - audits and investigations undertaken and key findings
 - progress with implementation of agreed recommendations
3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
4. To consider specific reports as agreed with the external auditor.
5. To comment on the scope and depth of external audit work and to ensure it gives value for money.
6. To liaise with the Audit Commission over the appointment of the Council's external auditor.
7. To comment on the proposed work plans of internal and external audit.

Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.
10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on 'Raising Concerns at Work', the Council's complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.
12. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
13. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
14. To consider the Council's compliance with its own and other published standards and controls.
15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services and the Chief Finance Officer.

Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.
19. To receive the quarterly performance monitoring report and refer any issues which in the Committee's view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.
20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and
21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.

22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.
23. To maintain an overview of overall contract performance on behalf of the Council.
24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.
25. To review and scrutinise the Council's value for money to Council tax payers.
26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.
28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council.

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COMMITTEE ACTION TRACKER

ACTIONS: 26 NOVEMBER 2014

ACTION	OUTCOME	LEAD OFFICER
Work Programme		
1. Re-arrange the workshop on Procurement for the Committee to which all members of the Council are invited from the 4 th December to a date in late January.	The workshop was rearranged for Thursday, 22 January and was attended by 7 councillors. Councillors Floru, Warner, Hall, Adams, Rigby, Burbridge and Williams	Anthony Oliver/ Reuben Segal
2. Add an item to the Work Programme on the future of the Council's Internal Audit and Counter Fraud Service	With the agreement of the chairman a briefing note on was circulated to committee members on 6 January.	Steve Mair/ Moyra McGarvey/ Martin Hinckley
Corporate Complaints Review 2013-14		
3. In future years include, as part of a covering report, a definition of what is deemed to be a corporate complaint and information on how such complaints are received.	Noted	Sue Howell
4. Provide the Committee with a process map that sets out how enquiries coming into the Council lead to the formal 2 stage complaints process.	Information was circulated on the 23 January	Sue Howell
5. Obtain a note from CityWest Homes on whether the forerunner of the new Tenants panel has been established and how it is operating and if not the reasons for this.	Information was circulated on the 23 January	Sue Howell/ CityWest Homes
6. Provide Councillor Boothroyd with a statement on the amount of compensation paid out to families who had been housed in temporary accommodation longer than the statutory limit.	Information was circulated on the 23 January	Sue Howell

Finance and Performance Business Plan Monitoring Report		
7. Requested that future performance reports are abridged and include more analytics of the Better City, Better Lives objectives and service deliverables.	An amended report reflecting the committee's requirements has been included in the agenda for the current meeting	Mo Rahman
8. Obtain a note on the challenges of recruiting foster carers for the Children's Service.	A briefing note incorporating a response on this matter was circulated to the committee on 15 January 2015.	Mo Rahman/ James Thomas
9. Provide Councillor Boothroyd with details of the associated cost to Adults Services as a result of the new Care Act, the number of vulnerable people affected, the category level of care they receive and implications of the delay in implementing the service.	A briefing note incorporating a response on this matter was circulated to the committee on 15 January 2015.	Mo Rahman/ Adult Services
10. Provide Councillor Boothroyd with more information on the planning permission and work programme for the Queen's Park Leisure Centre.	A briefing note incorporating a response on this matter was circulated to the committee on 15 January 2015.	Mo Rahman/ Richard Barker
11. Provide Councillor Boothroyd with information on the Corporate Property portfolio, in particular the costs, income generated and breakdown of portfolio	In addition to information provided in the briefing note referred to above a report on this subject that was considered by the Housing, Finance & Customer Services Policy and Scrutiny Committee at its meeting on 26 January was provided to Councillor Boothroyd.	Mo Rahman/ Guy Slocombe
Internal Audit and Counter Fraud Monitoring		
12. Provide the Committee with a summary of housing benefit prosecutions undertaken by the Council and money recovered over the previous few years.	A briefing note was circulated to the committee on Friday 9 January 2015.	Moyra Mackie David Whitehouse- Hayes

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