



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 3rd February, 2016**, Rooms 3 & 4 - 17th Floor, City Hall.

Members Present: Councillors Jonthan Glanz (Chairman), Lindsey Hall (Vice-Chairman), David Boothroyd and Judith Warner

Also Present: Tasnim Shawkat (Monitoring Officer), Joanna Meagher (HR), Steve Mair (City Treasurer), Martin Hinckley (Head of Revenue and Benefits), Paul Dossett (Engagement Lead, Grant Thornton), Elizabeth Olive (Engagement Manager, Grant Thornton), Mo Rahman (Planning and Performance Manager), Damian Highwood (Evaluation and Performance Manager), Moyra McGarvey (Tri-borough Director of Audit, Fraud, Risk and Insurance), Moira Mackie (Internal Audit Manager) and Reuben Segal (Senior Committee and Governance Officer)

1 MEMBERSHIP

1.1 It was noted that there were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 Councillors Glanz, Hall and Warner declared in relation to the Managed Services Programme that they were customers of BT.

2.2 Councillors Warner and Boothroyd declared with reference to the report on maintaining high ethical standards at the City Council that they were Members of the Council's Standards Committee.

3 MINUTES

3.1 **RESOLVED:** That the minutes (Public and Exempt versions) of the meeting held on 2 December 2015 be signed as correct records of proceedings.

4 MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

- 4.1 The Committee considered an annual report which provided an overview of the arrangements in place and actions taken to maintain high ethical standards throughout the authority.
- 4.2 Tasnim Shawkat, Monitoring Officer, informed the committee that to comply with current legislation the Members Code of Conduct was in the process of being updated. This was being taken forward with input from the independent persons on the Council's Standards Committee. Members of the Council would be consulted on a final draft prior to submission for adoption by the Full Council. Once completed bite-size briefing sessions on the new code would be offered to all councillors. The committee was also informed that at the request of the Council's Standards Committee a member development programme was being put together on a range of topics to update members' professional standards.
- 4.3 The Committee asked whether staff declarations of interest and receipt of gifts and hospitality was disclosable under the Freedom of Information Act (FOI). Miss Shawkat advised that while such information is in principle disclosable each FOI request is considered on its own merits. She explained that each directorate is responsible for holding a register of pecuniary and personal interests for staff in their area of responsibility. The Council did not publish this information for public inspection and there is no statutory requirement to do so. She was also not aware that any other local authority did this. She had not come across any FOI's of this nature since taking over as the Council's Monitoring Officer. Martin Hinckley, Head of Revenue and Benefits, clarified that the Council had received such requests previously which it had responded to but had redacted the names of both the officers that had been offered the hospitality and those that had offered it.
- 4.4 Members commented that the Council was entering into ever more partnerships often with the private sector to fund services or schemes, such as public realm improvements. The committee asked about the ethical governance processes covering such arrangements. Miss Shawkat advised that such partnerships and joint ventures still have to go through the procurement process and the rules for engaging with partners are the same as that for dealing with potential contractors. Schemes are progressed through legally binding contracts. Those not covered by strict contracts such as public health provision will likely involve service level agreements.
- 4.5 The Committee asked about the processes governing Tri-Borough contracts and issues of sovereignty. Miss Shawkat explained that initially there were a number of Tri-Borough procurement and single contracts. However, given the complexity legal services now advise the 3 councils to enter into framework agreements, which set out the overarching requirements of the contract, and include template terms and conditions. Each Council can then call off their own contracts, with the terms agreed according to its needs and ability to enforce them individually.
- 4.6 With reference to the reporting of ethical governance complaints, Members asked whether the outcomes of calls or referrals were ever shared with those that had made them. Mr Hinckley advised that when the Council had

responsibility for investigating housing benefit fraud it used to provide feedback to those that had reported the matter. Last year responsibility for investigating this was transferred to the Department for Work and Pensions (DWP). The Council does receive feedback from the DWP on referrals although these are not shared with callers that have reported the alleged fraud. However, Mr Hinckley highlighted that many of the calls received on the fraud and whistleblowing hotline are anonymous.

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

5 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT (AUDIT 2014/15)

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

5.2 There was only one claim/return audited by KPMG in relation to the 2014-15 financial year and this related to Housing Benefit subsidy. The committee noted that KPMG had no recommendations to raise for members consideration. This was the third successive year that there had been no recommendations.

5.3 There were only two minor issues identified, neither of which affected the amount of the Council's claim.

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

6 GRANT THORNTON ANNUAL AUDIT PLAN 2015/16

6.1 The Committee considered the external audit plan which outlined the work that Grant Thornton propose to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2015/16. The plans are based upon Grant Thornton's risk based approach to audit planning.

6.2 The committee welcomed Paul Dossett, Engagement Lead, and Elizabeth Olive, Engagement Manager, Grant Thornton, to the meeting. Mr Dossett explained that he is responsible for the sign off of the audit of the Council's accounts. He had experience in auditing local authority accounts since 1986 and had worked in 13 London boroughs to date. Miss Olive explained that she was leading on the day-to-day delivery of the audit. She had experience of auditing the accounts of other London boroughs as well as large county councils.

6.3 Mr Dossett and Miss Olive were asked whether they felt confident given the challenges presented by the Managed Services Programme (MSP) that the audit of the accounts could be produced within the Council's set timetable. Mr Dossett stated that putting the issue of MSP aside Grant Thornton would be very comfortable with the timetable. He advised that to achieve the required

deadline Grant Thornton would need to manage and focus its attention on the external factors associated with MSP. Miss Olive explained that as part of the Audit Plan Grant Thornton would undertake a range of testing including taking transactions through key control systems. Testing of the council's controls had been undertaken and Grant Thornton had concluded that all of the Council's controls were effective. Assurance of BT's controls and arrangements was still awaited.

- 6.4 The Chairman informed the committee that given the sensitivities around local authority finances he had asked for the text relating to materiality to be refined to provide a clear context for the concept of materiality and definitions such as trivial. Miss Olive explained that the page had been revised to reflect that materiality and 'trivial' would be determined as a proportion of the gross revenue expenditure of the Council and against the whole statement of accounts respectively.
- 6.5 The Committee asked for an explanation of the significant risks identified in the plan and whether they were in the Council's control. Mr Dossett explained that the significant risk around fraudulent transactions and management override of controls were standard risks in all local authorities. With regard to the valuation of property, plant and equipment he explained that risks existed around valuation accuracy. Grant Thornton would meet with the council's valuers to discuss their methodology and review their expertise, objectivity and the completeness of their process. If they had any concerns Grant Thornton would undertake its own valuation and discuss the results with the Council.
- 6.6 Mr Dossett was asked whether the valuation of property included the Council's housing stock. He was asked whether the review would include checking whether the disposal of housing stock had been properly marketed prior to sale. Mr Dossett confirmed that the audit would include reviewing a sample of assets that had been sold and checking whether the relevant governance processes of the Council had been followed.
- 6.7 Members commented that property values in central London had increased significantly over the last few years. However, the Council values its assets on a rolling basis over a 5 year period. Mr Dossett was asked whether the audit would include undertaking a revaluation of a sample of properties to validate the value of Council assets? Mr Dossett confirmed that this was the intention and would identify any issues generally.
- 6.8 The committee raised concern about instances where social housing tenants in receipt of housing benefit had been able to purchase their Council flat under the Right to Buy provisions without the need of a mortgage or had been able to raise a substantial deposit. As a consequence, Members asked Grant Thornton to review and test the protocols on 'Right to Buy' provisions.

6.9 The City Treasurer reminded the committee that the accounts since 2008-09 had not been signed off by the Auditor due to outstanding objections. As of last week objections raised in relation to the accounts between 2008-09 and 2011-12 had been resolved and these had been signed off. An objection to the 2012-13 accounts had been received on Monday and was being investigated. The Council intended to provide Grant Thornton with a response to this objection next week to potentially enable the remaining 3 years to be signed off. Mr Dossett informed the committee that from 2015-16 legislation provides an auditor with much greater flexibility on dealing with objections. Whereas previously an auditor was duty bound to consider an objection it can now make a judgement and decide not to investigate, such as where the issues raised are trivial or vexatious.

6.10 **RESOLVED:** That the plan be noted.

7 FINANCE (PERIOD 9) AND PERFORMANCE BUSINESS PLAN (QUARTER 3) MONITORING REPORT

7.1 Steven Mair, City Treasurer, provided an overview of the Council's financial position as at period 9 as set out in the report. The Committee was informed that the general fund had projected to underspend by £3.497m by the year-end. He advised that at the current time the projected underspend had increased to £4-5 million by the year-end. The gross projected outturn for service area capital expenditure was £93.482m against an approved gross budget of £188.308m. This was due to slippage on a number of schemes. The unspent sum would be carried over into the following financial year. There was also an underspend in the HRA capital budget due to slippage on the major works budget as well as an underspend on the housing renewal/regeneration budgets.

7.2 The City Treasurer was asked whether there was likely to be any risk to capital projects that had not progressed that required external funding to be spent by a particular deadline. He advised that the Council maintains a schedule that sets out all the funding arrangements for each capital project and this is monitored.

7.3 The City Treasurer clarified that any underspend in the Council's general fund would be added to the Council's general reserves.

7.4 Members asked the City Treasurer about the high level of temporary cash balances. He explained that the Council was looking to extend the term of some of its financial products in light of the current low interest rates. He advised that the Council was earning a modest 0.6% on cash balances. In accordance with the Council's Treasury Management strategy opportunities to improve returns whilst following a risk aware approach would be investigated to assist the Council in meeting its savings requirements over the next few years.

7.5 Following the government's announcement that local authorities can take a four-year funding settlement to 2018/19, the committee asked the City Treasurer whether the Council was likely to take up the offer. He advised that

no decision had been made on this which would be a matter for the Council's executive. The Council was yet to anticipate what such a settlement would mean.

- 7.6 Damian Highwood, Evaluation and Performance Manager, Strategic Performance Team, introduced the remainder of the report which outlined of the progress made against the performance management framework between April and December 2015. The committee considered the major achievements and challenges, performance issues against internally set 2015-16 targets and where key performance needed to be improved.
- 7.7 The Committee was disappointed to note that overall satisfaction with the Council dipped slightly in 2015 from the previous year. Members wished to know the reasons behind the dip particularly around parking and environmental services - noise, environmental health, parks and open spaces. The committee questioned whether the budget reductions had caused satisfaction to slip and whether there is a relationship between budget changes, changes in service performance and resident satisfaction.
- 7.8 Mr Highwood reported that the 2015 results were largely similar to the City Survey results in 2013. The results of the 2014 survey were unusually good. It was unclear why there had been a spike in satisfaction levels last year. This could have been due to the sample of residents interviewed. The committee felt that a sample of 1,000 residents amounting to 50 people per Ward was inadequate to reliably reflect the views of those living in the City. Members were informed that 4-5 years ago the Council canvassed a larger sample of 3000 residents. The committee asked whether the Council analysed the results by Ward. Mr Highwood advised that information was broken down to a ward level. However, this was for internal use and was not published.
- 7.9 The Committee was disappointed to note that the quality of life from Adult Social Care survey results were lower than peer boroughs. It requested more detail on the reasons for this.
- 7.10 With reference to the changing demographics analysis set out in the report, Mr Highwood explained that the next census would take place in 2021. It would be conducted online and there would be fewer resources from central government to support it. However, the Office for National Statistics would provide support for areas such as Westminster which were hard to count. The government had indicated that it was interested in replacing the census after 2021 with an administrative process. The committee asked what further insight can the Council produce to support the accuracy of Westminster's population figure in light of the 2021 Census being the last, and being replaced by an administrative approach?
- 7.11 Mr Highwood stated that while the Council was clear about the difficulties in accurately counting Westminster's population and why previous census results were inaccurate it was less clear how this could be overcome using administrative data sets. He stated that using GP registrations was flawed as many young people, students and those who do not live full-time in the city

will not necessarily register with a local GP. There were similar problems in using council tax or electoral roll registration. He advised that given the implications of the proposed changes for Westminster the Council had submitted a response to the government's consultation and was hoping to participate with the Royal Borough of Kensington and Chelsea and the London Borough of Camden in an investigation of why the demographic data from the census is often at odds with actual population figures.

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

7.13 **ACTION:**

Finance

1. Provide the committee with details of the Parliamentary Southern Estate capital project.
2. Is the Council still funding the hub in New Zealand house?
(Action for: Steve Mair, City Treasurer/Greg Ward, Director of Economy and Infrastructure)

Performance

1. City Survey Results 2015 - provide a note on how reliable the City Survey results are. What are the reasons behind some results slipping in 2015? What local insights can the survey provide?
2. In future provide the committee with the City Survey Results at the same time as the annual corporate complaints review to determine whether there is a link between service satisfaction levels and the number of complaints received by Department.
3. Adult Social Care Survey Results - why were Westminster's results lower than peer boroughs? Are there any issues with the way that the survey is conducted?
4. Include alongside future performance data on rough sleeper numbers the number of foreign nationals sleeping rough so that changes on overall numbers from the previous quarter can be assessed.
5. What are the responsibilities of the Council for Unaccompanied Asylum Seeking Children between 18 and 25 years of age? What numbers are involved and what are the financial implications of this?

6. What further insight can the Council produce to support the accuracy of Westminster's population figure in light of the 2021 Census being the last, and being replaced by an administrative approach?

(Action for: Damian Highwood/Mo Rahman, Strategic Performance Team)

8 INTERNAL AUDIT MONITORING REPORT

- 8.1 The Committee considered a report that set out the key outcomes from the internal audit work carried out in the reporting period (November to December 2015).
- 8.2 The Committee noted the Internal Auditor's opinion that the Council's internal control systems based on the areas reviewed were generally effective, with no limited assurance audits issued. Since the last report to Members two audits had been completed (Freedom Passes and Business Intelligence, neither of which identified any key areas of concern).
- 8.3 With regards to the audit undertaken on Freedom Passes officers were asked whether they had detected as part of their review examples of fraudulent applications. Officers were referred to the fact that there had previously been examples of individuals making fraudulent applications for the purposes of committing identity fraud. Moira Mackie, Internal Audit Manager, stated that the service was not aware of such activity but explained that this did not form part of the review. She explained that when the Royal Borough of Kensington and Chelsea (RBKC) was appointed to administer the Disabled Person's Freedom Passes Scheme on behalf of the City it spent time cleansing the data to determine where passes were no longer valid or required and could be deactivated. The committee was informed that RBKC is able to validate home addresses in applications for their borough by cross-referencing against Council tax information. However, RBKC is currently unable to cross match Westminster applications against Westminster's Council tax information as it does not have an automatic ability to access the data which is held by Capita. The committee has asked the Internal Audit Service to look at how this situation can be overcome to enable more efficient cross checking of applications.
- 8.4 The committee was informed that although no key controls testing had been undertaken by internal audit work on the Council's key financial systems due to the ongoing implementation of the Managed Services Programme, the finance service had undertaken an extensive range of testing of systems transactions.
- 8.5 This testing had been undertaken, amongst others to mitigate the risks associated with the new system and had identified a range of issues which have been reported to the Managed Service Provider for correction and substantive resolution. Internal Audit had reviewed the testing undertaken and is working with the Finance service to follow up on the actions taken to resolve the issues identified.

- 8.6 In the period under review, two follow up audits were undertaken (College Park Special School and QEII Special School) which found that the implementation of recommendations was good with 100% of high and medium priority recommendations implemented or being implemented at the time of the review.
- 8.7 At the committee's meeting in December 2015 members were informed of a no assurance audit report that was issued following a review of the controls in place over user logins across the Tri-Borough. The committee was informed that progress on implementing the recommendations made to address the weaknesses identified in the current system were still being progressed. A follow-up review would be undertaken during the first 6 months of 2016/17 to validate the progress.
- 8.8 **RESOLVED:** That the results of the internal audit work carried out during the period be noted.
- 8.8 **ACTION:** Given the extensive sharing of data between the Council and other organisations the committee has requested a paper on data security including potential risks and the measures in place for the prevention of the loss of data. (**Action for: Moira Mackie, Internal Audit Manager**) (NB: an audit of Security Incident and Data Management has been included in the draft Internal Audit Plan 2016/17)

9 INTERNAL AUDIT PLAN 2016/17

- 9.1 The Committee reviewed a draft of the internal audit plan for 2016/17 as set out in Appendix 1 to the report.
- 9.2 The Internal Audit Plan had been developed to reflect the changes in the Council's structure and to ensure that the audit work addresses key risks during a period of change and general financial constraints. The Audit Plan included sufficient audit coverage to enable the Internal Audit Service 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.
- 9.3 With Reference to the report on maintaining high ethical standards at the City Council, the Committee was informed that the internal audit plan included a review of compliance by service areas with the requirements of the Council's code of ethics.
- 9.4 The Committee provided comments on the draft plan and suggested some areas of inclusion in the scope of some of the auditable areas.
- 9.5 In relation to the audit of the Housing Benefits (Academy) IT System which is outsourced to Capita, officers were asked whether this could include reviewing

whether processes exist to check that private sector tenants are entering into tenancies which are met by their local housing allowance.

- 9.6 Members asked whether the proposed review of governance arrangements with partners would include the relationship with and responsibility of members as well as officers of the Council. Officers confirmed that this would be covered within the scope of the audit.
- 9.7 The Committee welcomed the audit on lessee charges commenting that this had long been an area that lessees had raised complaints about. Members asked whether there was an opportunity to provide lessees with more advanced notice of charges. Officers informed the committee that City West Homes had made improvements in this area and that it was also improving the programming of works and how these were being communicated to lessees. It had also retained surveyors and was making better use of them in assessing and producing robust programmes.
- 9.8 The Committee noted that the last audit on gas servicing, which was included in the plan, had been undertaken in 2010/11. Since then a range of new legislation had been introduced not just in relation to gas servicing but also for other utilities including electricity which landlords had a duty to comply with. The committee expressed concern about the risk of claims against the Council if it was non-compliant with such requirements as a landlord and asked that this be raised with CityWest Homes.
- 9.9 Support was expressed for the proposed review of Tenant Management Organisations (TMOs) in light of the limited assurance report issued in 2015.
- 9.10 **RESOLVED:** That the draft internal audit plan 2016/17 be noted.

10 WORK PROGRAMME

- 10.1 **RESOLVED:**
1. That the agenda items for 12 May meeting be agreed.
 2. That the responses to actions arising from the meetings on the 2 and 10 December 2015 be noted.
- 10.2 **ACTION:** Contact Tri-borough officers to seek a response to the chairman's suggestion to his counterparts about holding a joint meeting on MSP. (**Action for: Reuben Segal, Committee & Governance Services**)

The Meeting ended at 8.47 pm

CHAIRMAN: _____

DATE _____

