



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 24th July, 2023**, Rooms 18.01-03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Paul Fisher, Alan Mendoza, Jessica Toale and Aziz Toki (Chair).

**Independent Persons Present:** Mark Maidment.

**Also Present:** Stella Abani (Director of Economy and Skills), Jake Bacchus (Director of Finance), Joanne Brown (Public Sector Audit Partner, Grant Thornton), Angela Flahive (Head Safeguarding Review and Quality Assurance), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Jeffrey Lake (Deputy Director Public Health), Moira Mackie (Head of Internal Audit), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Mo Rahman (Head of Strategy and Performance), Neetu Singh (SFM Accounts and Capital), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Gareth Wall (Bi-Borough Director of Integrated Commissioning), Sarah Warman (Strategic Director of Housing and Commercial Partnerships) and Claire Weeks (Head of Operational People Services).

#### 1 MEMBERSHIP

- 1.1 The Committee welcomed Mark Maidment to the membership of the Committee as an Independent Person.
- 1.2 The Committee noted that there were no apologies.

#### 2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

#### 3 MINUTES

- 3.1 The Committee approved the minutes of its meeting on 23 February 2023.

### **3.2 RESOLVED:**

That the minutes of the meeting held on 23 February 2023 be signed by the Chair as a correct record of proceedings.

## **4 MATTERS ARISING AND WORK PROGRAMME 2023/2024**

4.1 There were no matters arising since the previous meeting.

4.2 The Committee noted that there may need to be an extraordinary meeting after its meeting on 24 October 2023 to review the Audited Accounts and Final Statement of Accounts. The Committee understood that this may be necessary due to the meeting on 24 October already having a number of substantial items scheduled, and it would also safeguard against any delays by the external auditors or resulting from national context.

### **ACTION:**

4.3 That a range of dates for the extraordinary meeting will be shared with the Committee.

## **5 22/23 YEAR END PERFORMANCE REPORT**

5.1 The Committee received an overview of the 2022/23 Year End Performance Report from Mo Rahman (Head of Strategy and Performance). The Committee understood that the report covers the fourth quarter of the year 2022/23 and included the main achievements, issues and challenges reported by directorates and also set out, via Key Performance Indicators (KPIs), how the Council is performing against its targets. The Committee noted that housing management performance will be looked at closely over the next reporting year and the data which will be sent to the housing regulator will also be shared with the Committee.

5.2 The Committee was disappointed that 24 KPIs failed to meet the yearend target, which is slightly increased from last year. The Committee suggested it would be helpful to receive a summary of key targets which have been missed at the outset of the report. The Committee also stated that some of the KPIs can be difficult to monitor if timeframes are not clear and ambiguity around whether issues will be reported back to the Committee.

5.3 The Committee queried the missed yearend targets which were deemed 'of most concern' and the rationale behind this. The Committee was informed that this definition concerned being consistently offtrack quarter on quarter and a clear area of focus for the directorates to improve on. The Committee raised concern that Children's Services had three missed yearend targets which were deemed 'of most concern' (percentage uptake of free early education funded placements for 3- and 4-year-olds, percentage of care leavers (aged 17-24) in Education, Employment or Training and percentage of children achieving a Good level of development). The Committee noted that whilst some of the data should be considered in the context of lowering birth rates and census data not corresponding with current data, improvement

plans are in place to address the areas, which includes dedicated resources for care leavers. The Committee was informed that it would receive an in-depth written response on the improvement plans. The Committee noted that the other issues 'of most concern' had improved since the last quarter.

- 5.4 The Committee also raised whether the targets set for directorates such as Children's Services are unrealistic. The Committee welcomed ambitious targets, especially when understanding that Children's Services performs better than other boroughs, but there seemed a lack of confidence whether the targets are actually achievable. The Committee was informed that the targets since the quarter four reporting period had been adjusted so they are based on current data and there have already been improvements in quarter one. The Committee was pleased to note that a rationale for KPI target setting would be provided. The Committee highlighted that there was confusion regarding the school-related missed KPIs and the mitigations for these in the report, notably numbers 1 and 3 (percentage of children achieving a Good level of development and percentage of schools rated by Ofsted as good or outstanding), where the commentary does not include tangible mitigations. It was confirmed that the Committee will receive an adjusted commentary for those KPIs.
- 5.5 The Committee was provided with feedback on the next stage of the Mental Health Reablement Service which detailed that it has worked effectively as a pilot so far and is one of the few services of its type in the country. The Council hopes to extend the pilot and is primarily looking for it to be delivered and funded by the NHS with ongoing input from the Council.
- 5.6 The Committee noted the backlog of stage two complaints in the Housing Service and enquired about the timeframe for dealing with this as well as improving response rates in the future. The Committee was informed that complaints is a key priority area and there is a programme of work to ensure that the backlog is cleared, the quality of responses are good and learning of complaints will be embedded in the service. The Committee was pleased to note that since the yearend report was compiled, the responsiveness of complaints has significantly improved.
- 5.7 The Committee queried whether the Council has responsibility for those tenants living in temporary accommodation outside of the borough who suffer from damp and mould in their homes. The Committee understood that it is the Council's responsibility and is developing a damp and mould policy for its own housing stock, which has been discussed with the Cabinet Member, with consultation due imminently and best practice in mind. A damp and mould policy for temporary accommodation is also being drafted but has not been presented to the Cabinet Member yet. The Committee was advised that both policies will be submitted to a future Committee meeting.
- 5.8 The Committee noted that temporary accommodation is a clear risk to the Council and enquired about the Council's approach to mitigate this. The Committee was informed that temporary accommodation is the single biggest issue in terms of cost and managing demands, with an overspend of £8 million in 2022/23 and over 3,000 families needing temporary

accommodation. This is due to a combination of overarching pressures, including: demand increase, unit costs and supply. The Committee noted that mitigations can go some way to help the situation but there is a long way to go to bring the issue back in hand and officers are actively working to manage this.

- 5.9 The Committee expressed concern about the degrees of sensitivity concerning the missed targets, especially when considering the '226 Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety'. The Committee noted that the performance of this service areas was now in line to meet targets but more information on this specific target will be provided to the Committee. The Committee also requested more information on the missed target regarding number of Homes in Multiple Occupation (HMO).
- 5.10 The Committee queried the aspirations put forward by the People Services directorate which include 30 percent of Global Majority and 50 percent of women employees in senior leadership roles. Whilst the report notes that the yearend targets were missed, the Committee was informed that the targets were hoped to have been achieved and there is a great deal of work being done both internally and externally to achieve these targets. During the response being given, the Committee noted that there were technical difficulties so a written response was requested.
- 5.11 The Committee raised concerns regarding the new risk highlighted that the Council may not be able to deliver all Climate Action Plan commitments if additional funding could not be found. The Committee enquired whether anything needed to be done to support the range of climate action programmes. The Committee noted that there are key things to undertake to meet the 2030 and 2040 targets and the entire capital programme was carbon assessed as part of the budget setting process for 2023/24 to help quantify the issue. The Committee also understood that there is a Climate Emergency Delivery Board which has oversight of the main climate action programmes and scrutinises the project management of these. Furthermore, there is also a Change Board which is attended by the Executive Leadership Team and serves as an escalation point where programmes failing to meet targets are examined.
- 5.12 The Committee understood that the Pimlico District Heating Unit is huge part of the challenge, especially in terms of understanding the funding required, and a huge part of the solution to achieving climate commitments. The Committee was informed that an outline business case for this is being drafted; the Committee recommended that this be presented to the relevant Policy and Scrutiny committee as soon as practicable. The Committee noted the lack of progress made on the mitigation of this risk, especially in terms of sourcing funding. The Committee was informed that resourcing for officers to seek funding is being explored in a way that extends existing roles in the same funding-finding space to ensure that this exercise is cost effective and adds value.

## **RESOLVED:**

- 5.13 That the Committee noted the performance updates at Quarter Four.

## **ACTIONS:**

- 5.14 That future quarterly Performance Reports will include a summary of key targets which have been missed at the outset of the report.
- 5.15 That the Committee will receive in-depth written response from Children's Services on the improvement plans for the three missed yearend targets deemed 'of most concern' (percentage uptake of free early education funded placements for 3- and 4-year-olds, percentage of care leavers (aged 17-24) in Education, Employment or Training and percentage of children achieving a Good level of development)
- 5.16 That the Committee will receive a written response on the rationale behind Children's Services KPI targets.
- 5.17 That the Committee will receive an adjusted commentary on the missed KPIs for Children's Services, especially points 1 and 3 (percentage of children achieving a Good level of development and percentage of schools rated by Ofsted as good or outstanding).
- 5.18 That the Committee will receive the draft damp and mould policies when they have been developed.
- 5.19 That the Committee will receive details on the '226 Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety' missed target.
- 5.20 That the Committee will receive information on the missed target concerning number of HMO.
- 5.21 That the Committee will receive a written response on the missed yearend targets for 30 percent of Global Majority and 50 percent of women employees in senior leadership roles and the positive action to achieve these.
- 5.22 That the outline business case for the Pimlico District Heating Unit be presented to the relevant Policy and Scrutiny committee as soon as practicable.

## **6 YEAR END FINANCE REPORT**

- 6.1 The Committee received a summary of the 2022/23 Year End Finance Report from Jake Bacchus (Director of Finance). The Committee was informed that the paper was approved by Cabinet in July and is brought to the Committee for noting.
- 6.2 The Committee was pleased to note that the General Fund, despite challenges in 2022/23, including inflation being at a 40-year peak, ended the year with an underspend of nearly £3 million. The positive movement has been driven by continued improvement to commercial waste income, beyond what was already a reasonable assumption, as well as interest earnings. The Committee noted that the £11 million overspend on inflation will be passed through the Medium-Term Financial Plan (MTFP) budget for the next year.
- 6.3 The Committee understood that the Housing Revenue Account (HRA) budgeted a net nil borrowing requirement on the 2022/23 capital programme

and ended the year with a surplus of £5 million which is mainly attributed to the Greater London Authority (GLA) grant in respect of the Ebury regeneration having a positive impact on interest earnings.

- 6.4 The Committee was informed that in terms of capital, the Council continues to face challenges in terms of slippage, which is primarily attributed to delays, including delays in the electric waste fleet delivery, but those delays have been resolved. In terms of the HRA, slippage occurred in respect of Ebury due to the ambitious timescales which have since been reviewed.
- 6.5 The Committee remarked on the overspend in Children's Services and whether it was likely to be a recurring issue. The Committee was informed that it will continue to be a financial challenge, especially considering the demand for Short Breaks and Special Education Needs (SEN) transport which has not abated post-COVID. The Committee was pleased to note that work was ongoing on SEN transport and a review of Short Breaks has been commenced by Children's Services. The Committee also queried the Council's experience compared to other local authorities and noted that benchmarking on Short Breaks data will be shared with the Committee.
- 6.6 The Committee also commented on the difficulty when facing the challenge of homelessness and the burgeoning costs associated with this. The Committee understood that the Homelessness Prevention Grant has not been factored into the MTFP because the funding is not guaranteed for the future and therefore it is more appropriate to view it as a grant to support a one-off investment. The Committee noted that a London-wide response is necessary to tackle the issue of homelessness.
- 6.7 The Committee queried whether there are plans in place to boost income streams in areas such as Major Planning Applications and parking. The Committee understood that since COVID-19, the planning income streams have not recovered and additional pressures have been put into the 2023/24 MTFP as a result of the challenge. The Committee noted that this appears to be a long-term trend and queried whether there would be any substantial changes to planning policy to reflect this. The Committee was informed that national policy drives planning policy and the Committee would receive information on this, including timeframes and fees. The Committee also highlighted that it would be useful to receive information on what constitutes as 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these to help monitor the levels.
- 6.8 The Committee noted that in terms of boosting income for parking, this is moving in a positive direction which is reflected in the assumptions in the MTFP as it is hoped that the adverse variance would probably reduce somewhat in 2023/24 because of an increase in activity. The Committee was pleased to note that income from pay-for-parking, residents' permits and suspensions are increasing. However, the Committee expressed surprise regarding the high level of marshal-issued Penalty Charge Notices (PCNs) which has resulted in the reported overspend being mitigated by the over-recovery and queried the assumptions on this. The Committee requested more information on this additional income activity to determine why more are

being issued and in what areas of the City. This is especially in light of ward Councillors receiving more queries from residents about this.

- 6.9 The Committee raised a query regarding the challenge of inflation and how the Council is meeting this challenge. The Committee noted that it is not known what inflation will be but the 2023/24 MTFP is proactive, rather than reactive, and there is an opportunity to get on the front foot with a series of blended positions.
- 6.10 The Committee requested clarity on the purposes of the Market Sustainability and Improvement Fund and Discharge Fund grants from central government. The Committee understood that the grants are in response to the challenges faced by social care and the NHS which include: who is used to deliver care, the salaries to deliver that care and the fair cost of this. The Committee was informed that the Market Sustainability and Improvement Fund's designated conditions are homecare agencies and registered bed-based care providers. The Discharge Fund focuses on blending how decisions on discharges are processed between the local authority and NHS.
- 6.11 The Committee queried the overspend in the Public Protection and Licensing service and understood that this is due to an overarching review of the service determining that the anticipated savings could not to be achieved without having a detrimental impact on the service. The savings therefore have been brought back into the MTFP. The Committee also requested detail on income shortfalls from a number of income streams including Massage, Street Trading, Advice Giving and Inspection Services.

**RESOLVED:**

- 6.12 That the Committee noted the outturn position for 2022/23.

**ACTIONS:**

- 6.13 That the Committee will receive benchmarking data with other local authorities on Short Breaks and SEN transport costs.
- 6.14 That the Committee will receive information on national planning policy, including any potential changes, timeframes and fees as well as information on other local authorities, especially neighbours to Westminster.
- 6.15 That the Committee will receive definitions of 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these, including the differences between residential and commercial applications.
- 6.16 That the Committee will receive more information on parking income, particularly the issuing of marshal-issued PCNs; why more are being issued and in what areas of the City.
- 6.17 That the Committee will receive detail on income shortfalls from a number of licensing income streams including Massage, Street Trading, Advice Giving and Inspection Services.

## **7 INTERNAL AUDIT ANNUAL REPORT**

- 7.1 The Committee heard an overview of the Internal Audit Report from Moira Mackie (Head of Internal Audit). The Committee noted that audit progress reports are presented to the Committee regularly and this yearend report contains the work that has been completed, with particular reference to the amount of school audits, and those audits which have been completed in the last quarter of the year. The Committee was informed that some of the audits coming through in the last quarter show a few limited assurances but there is confidence that the recommendations will be acted upon.
- 7.2 The Committee understood that the report gives an overview of internal controls and feeds into the Annual Governance Statement, which is part of the accounts, and anything significant is brought out in the accounts.
- 7.3 The Committee was pleased to note that the report gives a positive opinion, with a majority of the audits receiving satisfactory or substantial assurance opinions. The Audit team do not base the opinion only on the audits carried out especially as some services are provided by external entities who have their own controls which the Council is provided assurances on.
- 7.4 The Committee queried how plans are drawn up which aim to mitigate limited assurance levels in service areas and was informed that audit planning is proactive and balanced across risk. The Committee was pleased to note that services engage well and are transparent when identifying challenges or risk. Services feel that the work done by audit is a positive undertaking to improve services and controls, especially after changes to the service is made. The Committee also discussed how the audit outcomes this year is roughly in line with last years, which is positive assurance. The Committee also spoke about the recommendations which come with the various audit levels.

### **RESOLVED:**

- 7.5 That the Committee noted the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment and considered whether there are any areas the Committee would like to explore further.

## **8 COUNTER FRAUD END OF YEAR REPORT**

- 8.1 The Committee received a summary of the Counter Fraud End of Year Report from Andy Hyatt (Tri-Borough Head of Fraud). The Committee understood that the report provides an overview of activities that have been undertaken by the Fraud team and the figures and narratives provided in the report highlight that activity undertaken aligns with the Council's Anti-Fraud and Corruption policy.
- 8.2 The Committee noted that despite tenancy fraud being an ongoing risk, there have been some good successes last year and the number of properties recovered has increased. Moonlighting is an emerging fraud risk which has been seen across other local authorities; the Committee was pleased to note



that it has not been identified in the Council but officers are monitoring and undertaking activities to counteract this specific risk including working across London. Overall, the Committee noted, assurance is provided as the Fraud team are doing as much as possible with limited resources to emphasise the perception of being detected to deter fraud being committed.

- 8.3 The Committee enquired about the new risk of moonlighting and what specific procedures are in place at the Council to capture instances of this and deter the activity. The Committee noted that policies are in place to ensure that officers are giving 100 percent of their time to the Council, especially senior officers who are not expected to have second jobs, whereas in other local authorities, fraudsters have circumvented the controls. The Committee also understood that the Council is in negotiation with a number of the main agencies and staff providers across London with whom it is connected, as well as the London Fraud Hub, to compare data with the aim of identifying anomalies and therefore potential fraudsters. The Committee requested a copy of the policy and procedures aimed at identifying potential fraudsters, in collaboration with various agencies, including the London Fraud Hub.
- 8.4 The Committee requested clarity on the Council's actions to deter those who may be tempted to engage in tenancy fraud. The Committee was informed that a large part of this is increasing the perception of detection and having a presence in the community; officers go out into the borough, knock on doors and undertake as many visits and resident checks as possible. The Committee noted however that this is resource intensive and the Fraud team are working with Housing Services to target specific areas of the City. The Committee also understood that it is not only about finding fraud but also providing assurance by checking if a tenant is living at the address they are meant to; the team do receive positive feedback from residents by doing this. The Committee noted that press releases are also an effective and positive way of deterring fraud.
- 8.5 The Committee queried how often the Whistleblowing policy is revised and whether there are feedback loops for staff members to feed into the policy. The Committee was informed that the policy comes annually to the Committee and any changes, particularly that to best practice, and member feedback are incorporated into the policy. Furthermore, the policy aims to make it as easy and as safe as possible for staff to report instances in recognition of feedback received and have set up an independent line which protects staff identities.
- 8.6 The Committee raised concerns about the potential for mistakes when investigating tenancy fraud and how officers ensure investigations are proportionate and focus on legitimate cases. The Committee was pleased to note that information is corroborated as much as possible to ensure information is genuine. Furthermore, assurance is also provided by the training of officers, regular case reviews, and the limited number of complaints received by the service. The Committee was informed that positive outcomes include: court case prosecutions, recoveries and interventions.

- 8.7 The Committee was also pleased to note that Westminster is perceived to be a respected local authority in the counter-fraud field. The Committee noted that the Fraud team is undertaking benchmarking across London, especially to determine levels of resources as tenancy fraud is particularly resource intensive.
- 8.8 The Committee understood that the level of fraud investigations is roughly the same as the previous year. The Committee stated that it is useful to have an overview of three years of data and queried the decrease of Right to Buy fraud and the increase in tenancy fraud. The Committee was informed that this is due to applications for Right to Buy decreasing and understood the notional value attributed to this compared to tenancy fraud.

**RESOLVED:**

- 8.9 That the Committee noted the content of the report.

**ACTION:**

- 8.10 That the Committee will receive a copy of the policy and procedures aimed at identifying potential fraudsters, in collaboration with various agencies, including the London Fraud Hub.

**9 REVIEW OF DRAFT STATEMENT OF ACCOUNTS**

- 9.1 The Committee received an in-depth overview of the draft 2022/23 Statement of Accounts paper from Jake Bacchus (Director of Finance). The Committee was informed that the statutory deadline for the 2022/23 accounts reverted back to its pre-COVID position of 31 May. The 2022/23 accounts were published by the Council on 16 June however as the decision was taken to focus on quality to ensure that the accounts felt as true and fair as they could be before publishing. The Committee noted that confidence in this decision was given after the national statement made by the Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) which recognised that quality should override timelines. The Committee was informed that the public inspection period started on 19 June and there has not been any objections to date.
- 9.2 The Committee noted the strengthened balance sheet position for the 2022/23 accounts and that substantial parts of the accounts include: the outturn, a 100+ percent funded position on the pension fund, increased general fund long-term loans due to forward borrowing plans coming into fruition, and phasing out of compensation in the form of Section 31 grants in respect of compensation for loss of business rates earnings during COVID-19.
- 9.3 The Committee was disappointed to note that the 2021/22 accounts opinion could not be signed off at this meeting and requested that a deadline of 31 July 2023 be given. The Committee however understood part of this was due to the sector-wide issue around the pensions triennial valuation, which feeds through into both the 2021/22 and 2022/23 accounts, and the issues with the timing of the report from the actuary, leading to a delayed signing off of the 2021/22 accounts. The Committee noted that the Council received a revised

pensions liability report reference the 2021/22 financial statements and noted that the triennial valuation outcome had not had a material impact on the pension numbers and disclosures in 2021/22. As a result, the external auditors aimed to complete this piece of work by 31 July 2023 in order to sign off on the 2021/22 accounts: resourcing issues had resulted in this not being completed by the time of the meeting. The Committee was pleased to note that the auditor's unqualified opinion still holds, so work still to be undertaken will focus on tidying up and closing off the audit file to be in a position to sign off the 2021/22 accounts by 31 July.

- 9.4 The Committee noted that the external audit sector's resources are a national problem and enquired whether Grant Thornton's resources are robust enough to both close off the 2021/22 accounts and have the 2022/23 accounts ready by the October deadline. The Committee was reassured by Grant Thornton that another manager will be pooled to support the closing off of the 2021/22 accounts to enable the current team to focus on 2022/23 and not have a negative impact on the delivery of this. The Committee raised concerns over the 2022/23 accounts, especially in light of the Council's reputation of always signing off accounts in good time. The Committee was again reassured that an approach will be taken across the Finance and Grant Thornton teams to reduce bottlenecks, by sharing the load as much as possible, and refreshing the substantive process. The Committee noted that one of the main challenges faced is the collection fund which is subject to a 'hot review' to ensure the quality of work submitted to the auditors is as high a quality as possible and give an extra layer of due diligence. The Committee was informed that capital, debtors, creditors and the collection fund are all key areas of focus.
- 9.5 The Committee asked for clarity on the improved funding position in regards to the pension fund as performance across the asset classes in the fund over the year did not seem to reflect this position. The Committee was informed that the net asset overall performance increased mainly as a result of marked outperformance from a diversification of assets into areas including: renewable energy infrastructure, standard infrastructure, private debt and affordable housing. The Committee understood that the Fund's global equities manager had been slow to react post-COVID despite having a stellar performance during the pandemic itself.
- 9.6 Officers stressed that the change in liability valuations resulted from increased interest rates. Interest rate fluctuation leading to significant volatility in valuations contrast with relatively predictable pensions cash outflows into the future. The Committee was informed that the current methods of liability valuation were the best applicable in terms of the actuarial approach.
- 9.7 The Committee also raised the issue of risks in the accounts and referred to significant borrowing and the prudence of the Minimum Revenue Position (MRP) policy. The Committee understood that the MRP is continually reviewed. The forward borrowing schedule includes two loans drawn down which will have increased long-term borrowing, has been blended across the general fund and HRA, and helps to fund the capital programme. The Committee was pleased to note that the Council is confident in its ability to

repay loans principal and interest as well as the MRP provision. Furthermore, the Council is confident that it is applying the MRP regulations in the way they are meant to be applied.

- 9.8 The Committee put on record that the accounts are presented well and clearly and commended the team of Finance officers at the Council for this.

**RESOLVED:**

- 9.9 That the Committee approved the draft 2022/23 statement of accounts subject to the public inspection period and the external audit currently underway.
- 9.10 That the Committee approved the draft Annual Governance Statement included in the statement of accounts subject to the public inspection period and the external audit.

**ACTION:**

- 9.11 That the external auditor be given a deadline of 31 July 2023 for the 2021/22 accounts to be signed off.

**10 EXTERNAL AUDITOR'S AUDIT PLAN**

- 10.1 The Committee received a brief introduction of the External Auditor's Audit Plan from Jake Bacchus (Director of Finance). The Committee understood that this is an extension of the previous item (Item 9) and noted that it is Grant Thornton's approach to providing a good quality audit in good time, with all the fullness of the sign off process due in October.
- 10.2 The Committee heard a fuller summary of the paper from Joanne Brown (Public Sector Audit Partner, Grant Thornton). The Committee accepted the apology from Grant Thornton for the lateness of the paper. The Committee understood that the paper contained the audit plan for the financial year 2022/23 and documents a combination of responses Grant Thornton have received from management to support the audit planning and process, including key areas of judgement within the accounts. The Committee noted that in terms of the pension fund audit, they are still in the process of concluding this planning; this plan will be produced in early August and Grant Thornton intend to carry this out as soon as possible so they will be in a position to sign both Council and pension fund audits in October.
- 10.3 The Committee was also informed that the plan sets out Grant Thornton's responsibilities as auditors and sets out the Council's responsibilities which includes the production of the financial statements, the quality of working papers as well as the information to support the accounts.
- 10.4 The Committee noted that the plan highlights the approach to setting the materiality at a group and council level as well which includes specific audit risks and the planned response to those risks. The Committee was informed that the key risks include: management override of controls, valuation of investment property, valuation of land and buildings and valuation of pension

fund net liability. The Committee also noted that all of the risks from the prior year have been pulled through and, this year, also includes the valuation of the collection fund with no other significant changes.

- 10.5 The Committee queried why the materiality of the Council had changed and how this was calculated. The Committee understood that maximum materiality is 1.5 percent of gross expenditure. Grant Thornton reflected that the level of risk and complexity of the Council in comparison to other audited bodies meant it would not be appropriate to continue at the same level of materiality, leading for it to be lowered to 1.3 percent. The Committee noted that overall materiality and performance materiality is reflected upon annually.
- 10.6 The Committee stated that knowledge of collection funds is niche and held a detailed discussion on Grant Thornton's levels of expertise and confidence of their judgments in this area. The Committee noted that collection funds is a high risk area and Grant Thornton follow up directly with experts who model this and the underlying data for collection funds. The Committee understood that officers at the Council did not have views that differed from the experts brought in by Grant Thornton for the 2021/22 accounts and who, having undertaken this exercise, now have a better understanding of the subject area. The Committee was pleased to note that this subject area is not underestimated in its complexity and methodology and issues are discussed early on.
- 10.7 The Committee raised a query on the contract held with Grant Thornton and understood that the Council contracts with Public Sector Audit Appointments (PSAA), a subsidiary of the Local Government Association, every five years and are assigned an audit firm by the PSAA. The Committee noted the positive history with Grant Thornton but did state the risks in a positive relationship and queried whether the Council can contract outside of the PSAA and requested further information on this.
- 10.8 The Committee expressed concern again on the resourcing issues faced by Grant Thornton, especially in regard to the 2022/23 accounts. The Committee noted that Grant Thornton have a resourcing plan and team in place to comfortably deliver the 2022/23 audit in time for the October deadline; that team is of sufficient experience, capability and has the benefit of continuity of working with the Council. The Committee asked if officers had identified a main contributing factor for any potential delay to the audit and was informed that it would likely be the collection fund provision but that communication between both the Council team and the team at Grant Thornton was key. The Committee noted that the Director of Finance expressed a particular request that the methodology to be used by Grant Thornton for reviewing the collection fund be the subject of early discussion with officers.

**RESOLVED:**

- 10.9 That the Committee approved the 2022/23 audit plan for Westminster City Council.
- 10.10 That the Committee considered the audit risk assessment for Westminster City Council.

10.11 That the Committee noted Grant Thornton will present the Pension Fund audit plan and risk assessment at the next Committee date.

**ACTION:**

10.12 That the Committee will receive information on the Council's contracting with the PSAA for an audit firm and alternative approaches.

**11 ANNUAL REPORT OF THE COMMITTEE**

11.1 The Committee received an overview of the report from Clare O'Keefe (Lead Policy and Scrutiny Advisor) who informed the Committee that the Annual Report of the Audit and Performance Committee is a new initiative born out of the 2019 Review of Effectiveness which recommended that the Committee should consider providing an annual report to Full Council on its work and performance during the year.

**RESOLVED:**

11.2 That the Committee approved the content of the report.

The meeting ended at 20:58.

**CHAIR:** \_\_\_\_\_

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