



CITY OF WESTMINSTER

MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 18th July, 2024**, Rooms 18.06-07, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

**Independent Person Present:** Mark Maidment.

**Also Present:** Gerald Almeroth (Executive Director of Finance and Resources), Claire Barrett (Interim Director of Assets, Investment and Standards), Nick Byrom (Strategic Performance Manager), Lyndsey Gamble (Head of Strategic Finance), Janine Gray (Head of Revenue and Benefits), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Nick Halliwell (Audit Partner, Grant Thornton), Debbie Jackson (Executive Director of Regeneration, Economy and Planning), Moira Mackie (Head of Internal Audit), Frances Martin (Executive Director of Environment and Communities), Matt McGurk (Interim Head of Cyber Security), Gurpreet Muctor (Chief Technology and Data Officer), Sarah Newman (Bi-Borough Executive Director of Children's Services), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Sophie Shore (Director of Strategy and Intelligence), Rikin Tailor (Director of Finance), 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 Kaori Yamamoto (Research and Insight Lead).

#### **1 MEMBERSHIP**

- 1.1 The Committee noted that Councillor Jessica Toale sent apologies and that Councillor Sara Hassan was attending as substitute.

#### **2 DECLARATIONS OF INTEREST**

- 2.1 The Committee noted that there were no declarations of interest.

#### **3 MINUTES**

- 3.1 The Committee approved the minutes of its meeting on 27 February 2024.

**RESOLVED:**

- 3.2 That the minutes of the meeting held on 27 February 2024 be signed by the Chair as a correct record of proceedings.

**4 MATTERS ARISING AND WORK PROGRAMME 2024/2025**

- 4.1 The Committee noted the work programme set out in the Committee's report.

**5 EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL AUDIT 2022/23**

- 5.1 The Committee received a brief overview from Janine Gray (Head of Revenue and Benefits) who informed the Committee that the annual report of the Housing Benefit Subsidy claim for 2022/23 was a successful audit with no significant changes to the claim.

**RESOLVED:**

- 5.2 That the Committee noted the External Audit Certification of Claims and Returns Annual Audit 2022/23.

**6 23/24 YEAR END PERFORMANCE REPORT**

- 6.1 The Committee received an introduction from Nick Byrom (Strategic Performance Manager) and noted that the report covers the period from January to March 2024 as well as the year end outturn data for overall performance.

- 6.2 The Committee queried the outcome of the CQC inspection of Adult Social Care and if there were any emerging areas of concern that the Council should address. The Committee noted that officers are aware that it is a positive outcome but are awaiting the final conclusions and that there are a series of steps to go through until the report can be published.

- 6.3 The Committee recognised the increase in activity to improve the Council's housing repairs service and queried whether the improvement work is having a positive impact, especially for vulnerable tenants. The Committee was informed that there is a plethora of proactive work being undertaken, increased engagement with internal and external parties as well as a new programme which aims to improve relations with residents, especially those who are vulnerable, as well as understanding of properties. The Committee noted that there is a year-on-year increase in volume of repairs and cost of repair activity and asked if improvements to the service can be afforded. The Committee understood that there have been significant regulatory changes which has emphasised the need to resource-up, but the service is mindful that growth and investment has to be managed responsibly alongside controls and processes.

- 6.4 The Committee identified the missed target in relation to uptake of free early education for 3- and 4-year-olds and queried what makes this challenging in

Westminster and what is being done to boost numbers benefiting from this offer. The Committee noted that previous performance indicators used the 2011 census data, and the upgrade to the 2021 census data means that whilst positive inroads are being made, the target has not quite been achieved. However, using the updated data means a better opportunity to understand what the more accurate numbers are. The Committee was informed that there are providers in the City which are not taking the offer up, so the service is targeting them to ensure that they are receiving what they are entitled to.

- 6.5 The Committee acknowledged the Council's Stage 2 complaints performance has been consistently below target, and asked what the reasons are and the mitigations. The Committee noted that the poor performance is fully acknowledged across the Council and there are positive actions being taken, including a restructured housing complaints team, new processes, tighter controls and, as a result, the backlog has reduced significantly. The Committee understood that keeping complaint numbers down by getting things right at the outset is key. The Committee requested more details on the progress of housing complaints in the next quarterly Performance Report.
- 6.6 The Committee reflected that the City Survey results in some key areas are lower than last year and asked what has caused this. The Committee was informed that the survey was robust and some analysis had been undertaken into why the results, whilst positive, were lower than last year. The Committee queried why four of the core services were at a five-year low despite being high relative to other London authorities. The Committee also questioned how the data for the City Survey is collected and was informed that there are face to face interactions via door knocking and is a very careful representative sample of the City; the Council works with an independent organisation to facilitate this.
- 6.7 The Committee asked about Temporary Accommodation and the Council's management of pressures relating to this. The Committee noted that the housing context continues to be challenging with the highest ever figures for those who are presenting as homeless. The Committee understood that the service is maximising prevention and concentrating on supply, but demand pressures are continuing. The Committee was pleased to note the stronger governance controls and levels of activity particularly around acquisitions but recognise that demand is continuing to be a significant pressure and stated that it would like to see a separate report on this at its next meeting on 5 September.
- 6.8 The Committee queried the ReportIt upgrade and subsequent trial, and whether there had been any feedback gathered from users after the initial positive feedback relating to the reduced times to report and categorise. The Committee was informed that there had been a significant amount of engagement with users across the City to codesign the upgrade and the service will look to gather feedback from users in due course. The Committee was pleased to note that in the last four months, ReportIt usage had overtaken phone calls to the Council and the FixMyStreet app. The Committee requested that feedback on ReportIt should be provided in due

course, particularly in relation to that of noise complains which tend to be more complex to resolve.

**RESOLVED:**

- 6.9 That the Committee noted the performance updated at year-end.
- 6.10 That the Committee indicated any areas where they require more information or clarification.

**ACTIONS:**

- 6.11 That the Committee will receive a separate report on Temporary Accommodation at its meeting on 5 September, and officers from the Housing, Strategy and Intelligence and Finance teams will work jointly on this.
- 6.12 That the Committee will receive feedback on ReportIt in due course, particularly in relation to that of noise complains which tend to be more complex to resolve.
- 6.13 That the Committee will receive more detail on the progress on housing complaints in next Performance Report at its meeting on 5 September.

**7 Q4 FINANCE MONITOR**

- 7.1 The Committee received an overview of the Q4 Finance Monitor from Rikin Tailor (Director of Finance) who set out the outturn headlines. The Committee understood that once interest rates reduce, the ability to offset other costs with interest earnings will reduce and cost pressures will need to be balanced in other ways and queried how this would be achieved. The Committee noted that interest rates are reducing over a longer period than anticipated but that the Medium-Term Financial Plan (MTFP) bases its assumptions on those rates reducing eventually.
- 7.2 The Committee questioned the Children's Services overspend and the actions being taken to prevent the overspend in the future. The Committee was informed that the overspend derives largely from a lack of income from health colleagues; this has been and will continue to be flagged as a risk, especially if there is no adequate resolution. The Committee understood that there are significantly more families with no recourse to public funds and the Council has never had a budget to support these families, the cost of care placements is rising as is the number of Looked After Children. The Committee was pleased to note there are ongoing conversations with health partners, placement providers and the West London Alliance.
- 7.3 The Committee queried whether there is a plan regarding the sustainability of libraries and why there was increased security costs. The Committee was informed that library staff had seen rising instances of abusive behaviour and subsequently felt unsafe; training is ongoing with library staff. The Committee also recognised that income targets post-COVID19 have been challenging and questioned what action the Council is going to take in the face of rising

costs. The Committee noted the service as a whole would be examined to find savings to mitigate increased costs that areas such as the new OFSTED regulatory framework for 16–17-year-olds have added pressure to. The Committee was pleased to note that whilst there are extra service demand pressures included in the MTFP base budget and that savings would have to be found in future years, the service constantly reviews how it can provide the most efficient way to provide as much support to children and families as possible.

- 7.4 The Committee identified the significantly higher volumes of work for repairs and maintenance which has led to an overspend of £4m in the Housing Service. The Committee requested that the next Performance Report will include more details on the repairs situation.
- 7.5 The Committee stated that many residents are grateful for the opportunity to receive a payment plan for major works and questioned how the Council manages this service. The Committee was pleased to note that the Council has the best repayment terms across London and that a provision for longer term borrowing has been built into the Housing Revenue Account (HRA) but traditionally take up of this service is low and the majority of bills are paid within a short period but that officers do monitor this closely. The Committee also held a discussion on managing contractors and reducing competition.
- 7.6 The Committee noted that there is a significant variance in parking penalty notice charges and queried the source of this increase as well as general trends in income for emissions-based charging and requested more information on this. The Committee also queried the underspend in Temporary Accommodation acquisitions and was informed that there is an allowance built in if more acquisitions than anticipated become available, and there is significant market research undertaken in this area to look at supply chains as well as a reprofiling of the Capital profile.

#### **RESOLVED:**

- 7.7 That the Committee noted the revenue outturn position for 2023/24.
- 7.8 That the Committee noted the capital outturn position for 2023/24.

#### **ACTIONS:**

- 7.9 That the Committee will receive more detail on the progress on repairs in next Performance Report at its meeting on 5 September.
- 7.10 That the Committee will receive information in relation to the significant variance in parking penalty notice charges as well as general trends in income for emissions-based charging.

## **8 DRAFT STATEMENT OF ACCOUNTS**

- 8.1 The Committee received an overview of the Draft Statement of Accounts from Rikin Tailor (Director of Finance). The Committee was pleased to note that the

Council met the statutory deadline for the publication for the Accounts and that the Council's net asset position has remained fairly stable.

- 8.2 The Committee raised a question on long-term debt as well as the entities included within this and due diligence.

### **RESOLVED**

- 8.3 That the Committee approved the draft 2023/24 statement of accounts subject to the public inspection period and the audit currently underway.
- 8.4 That the Committee approved the draft Annual Governance Statement included in the statement of accounts subject to the public inspection period and the audit.

### **ACTION**

- 8.5 That the Committee will receive information relating to long-term debtors in the 2023/24 statement of accounts.

## **9 EXTERNAL AUDITOR'S AUDIT PLAN**

- 9.1 The Committee received an overview of the External Auditor's Audit Plan and understood that it remains largely consistent with previous years. The Committee noted the materiality of the different accounts and the positive position the Council is in regarding early sign off.
- 9.2 The Committee was pleased to note that the audited accounts will largely be complete in October and ready for submission to the Committee in November. The Committee was informed that the audit plan was robust and Grant Thornton will prioritise the Council's audit and ensure the resource is in the right place for those areas considered high risk. The Committee welcomed the knowledge that Grant Thornton work well with the Council's team and there is positive feedback both sides.
- 9.3 The Committee raised the fact that fees have increased significantly and questioned whether this reflected more resources dedicated to the Council's audits and could guarantee a completed audit within the timeframe. The Committee noted that the fees are set by Public Sector Audit Appointments Limited. Fees during the last contract period were considered too low to incentivise firms to uptake such large audits. The Committee was informed that Grant Thornton has a team of highly experienced individuals dedicated to its accounts.
- 9.4 The Committee held a discussion on entities such as Westminster Homes and Grant Thornton's role in auditing and providing assurance on these.

### **RESOLVED:**

- 9.5 That the Committee approved the 2023/24 audit plans for both Westminster City Council and the Pension Fund.
- 9.6 That the Committee considered the significant risks identified by Grant Thornton in the audit plans.
- 9.7 That the Committee noted that the Pension Fund audit plan is draft at this stage and if there are any material changes to the plan this will be presented at the next meeting.

## **10 TREASURY MANAGEMENT STRATEGY OUTTURN 2023/24**

- 10.1 The Committee received a summary from Phil Triggs (Tri-Borough Director of Treasury and Pensions) which included the year-end balances for borrowing and cash, the composition of the cash investment portfolio, treasury yield for the year, details of the external loans portfolio and Westminster's compliance levels with treasury limits and the prudential code.
- 10.2 The Committee noted that the cash investment portfolio had a lower than usual commitment to UK local authorities, which is reflective of Westminster's due diligence and consideration of counterparty, taking into account the difficult situation many local authorities currently face. The Committee questioned whether, if something were to change in national government and more support would be given to local authorities, this would change the Council's approach to the local authority sector. The Committee was informed that, while counterparty risk is minimal because no local authority has ever defaulted on a loan, the cautious approach is a result of Westminster's approach to reputation risk.
- 10.3 The Committee raised a question on interest rates decreasing and how this is built into the MTFP, as well as forward loans coming through resulting in a reduction in the year end net cash balances.

### **RESOLVED:**

- 10.4 That the Committee noted the Annual Treasury Management Final Outturn 2023/24.

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

- 11.1 The Committee received an introduction from Andy Hyatt (Tri-Borough Head of Fraud) and noted the slight increase in the number of cases processed and how the values included in the report are notional.
- 11.2 The Committee queried whether there have been any major challenges faced by the service to achieve positive outcomes. The Committee noted that tenancy fraud is an area of high risk and cost and has implications on Temporary Accommodation supply. The Committee was informed that this year an increased number of properties have been recovered and positive relationships in the community and housing providers have been built. The Committee noted that two-thirds of properties have been recovered by key

surrender, but the remaining third are often held up by slow court possessions.

- 11.3 The Committee posed the legitimacy of all staff and councillors receiving training to educate about fraud risk and prevention and setting this out in the Strategy. The Committee was pleased to note that raising awareness is on the agenda for the fraud service as preventing fraud is everyone's responsibility.
- 11.4 The Committee queried if benchmarking across local authorities is undertaken by the service and was informed that it works closely with the Local Authority Fraud Investigators Group and the London Fraud Hub which are informal ways of benchmarking and officers can discuss emerging risks. The Committee queried lessons which have been learned from past fraud incidents.
- 11.5 The Committee recognised that there will be emerging future challenges and queried what is anticipated and how the Council is preparing. The Committee noted that a significant challenge is Temporary Accommodation, and the service is doing its utmost to tackle tenancy fraud to reduce misused property, so it is available for those who need it.
- 11.6 The Committee held an in-depth discussion on the cost-benefit analysis for pursuing employees who commit fraud and were pleased to note that whilst investigating and pursuing criminal prosecutions for small amounts of fraud are not necessarily a good use of resource, that resource is there if it is needed, and controls are constantly improved. The Committee stated that instances of fraud should be transparent, and action should be taken wherever possible. The Committee also raised concern about employees committing recurring fraud across multiple local authorities and noted this is an area of weakness which the service is hoping to reduce by looking into joining the CIFAS which may help to improve controls and protect the Council as well as other local authorities.
- 11.7 The Committee queried fraud within the procurement process, including that within the procurement chain with sub-contractors. The Committee noted that the further down the chain fraud is committed, the more challenging it is to identify but the procurement team are alert to the risks and have the right controls in place to try to prevent fraud. The Committee was also informed that corporate fraud investigations are conducted by the internal fraud service, and that the National Fraud Initiative database may become less useful considering the London Fraud Hub will move to quarterly reporting.

**RESOLVED:**

- 11.8 That the Committee noted the content of the report and the Counter-Fraud and Corruption Strategy 2024/27.



## **12 ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE**

- 12.1 The Committee noted that the Annual Report of the Audit and Performance Committee summarises the work of the Committee over the last municipal year. The Chair thanked colleagues who sit on this committee for their commitment as well as the officers who regularly provide reports to this committee.
- 12.2 The Committee noted that the annual report this year also includes a summary of the review of effectiveness and subsequent plan of action which has already begun and will be monitored by this Committee.

### **RESOLVED:**

- 12.3 That the Committee approved the report; and
- 12.4 That the Committee agreed the report would be forwarded to Full Council for information.

## **13 CYBER SECURITY**

- 13.1 The Committee received an overview from Gurpreet Muctor (Chief Technology and Data Officer) which set out how the Council is being kept secure through continuing investment, different methods of security and monitoring.
- 13.2 The Committee queried the root causes of the 20 percent of users who are not compliant with their training and was informed that training levels are monitored through the system and there are repercussions for those who are not compliant, and the appropriate channels are used.
- 13.3 The Committee inquired about the 24/7/365 Security Operations Centre and was informed that it is an external undertaking with a vast number of different capabilities which provides an end-to-end service for the Council. The Committee asked whether the service has enough investment to mitigate attacks if they increase in number and was pleased to note that there is a continuing drive to keep the Council safe and keeping controls up to date.
- 13.4 The Committee noted that a majority of attacks originate in China or Russia and questioned whether this number has increased because of Council activity, and if the Council engages with consultants who understand the Council's exposure. The Committee noted that the service can identify where the attacks are from and have increased monitoring during sensitive periods as well as commission specialist partners where it needs to. The Committee also discussed the involvement of state entities in attacks.
- 13.5 The Committee advised caution regarding the sophistication of attacks and recognised that everyone in the organisation should understand the risks as awareness is often as important as the technical controls. The Committee was pleased to note that the Council works across London and also has a robust

emergency preparedness programme in place as well as runs different scenarios throughout the year across the Council.

**RESOLVED:**

- 13.6 That the Committee noted the report and fed back as required.

**14 INTERNAL AUDIT ANNUAL REPORT**

- 14.1 The Committee received an introduction from Moira Mackie (Head of Internal Audit), who summarised the work that has been undertaken in the last year as well as the control environment and risk processes.
- 14.2 The Committee was pleased to note that the Council's governance, risk management and control arrangements are adequate and questioned whether the Council having a 14 percent 'limited' assurance level is a typical figure for a local authority. The Committee was informed that it is, however, it is sometimes difficult to say as numbers can be skewed by larger more complex audits compared to lots of smaller less complex audits.
- 14.3 The Committee noted that the number of high priority recommendations is quite low across the programme but was assured that those numbers are appropriate, and attention is focused where it needs to be considering that some areas are looked at frequently and some areas it takes a while to get to the right place.

**RESOLVED:**

- 14.4 That the Committee noted 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.

**15 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972**

- 15.1 The Chair moved and it was

**RESOLVED:**

That under Section 100 (a) (4) and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following Item of Business because it involves the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information) and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**16 INTERNAL AUDIT EXEMPT REPORT**

- 16.1 The Committee received an overview from Moira Mackie (Head of Internal Audit) and Gurpreet Muctor (Chief Technology and Data Officer) of the O365 Configuration Review. The Committee noted that the settings had not been configured appropriately and there is complexity around it being a shared tenancy. The Committee was pleased to note that recommendations are already being addressed and plans are in place for the longer-term ones.
- 16.2 The Committee held detailed discussions on conditional access, access to servers, data mitigation, clear protocols, reporting, the size of the cyber security function, key performance indicators, lessons learned and controls.

**RESOLVED:**

- 16.3 That the Committee noted the findings of the internal audit and considered whether there are any areas the Committee would like to explore further.

The meeting ended at 20:36

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

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