



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 18th May, 2015**, Rooms 1A & 1B - 17th Floor, City Hall.

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

Also Present: Steve Mair, City Treasurer, Andrew Sayers (KPMG), Grant Slessor (KPMG), Chris Harris, Audit Manager (Baker Tilly Ltd), Moira Mackie, Senior Manager (RBKC) and Reuben Segal, Senior Committee and Governance Officer

1 MEMBERSHIP

- 1.1 It was noted that Councillors Jonathan Glanz and Jacqui Wilkinson had replaced Councillors Jean-Paul Floru and Judith Warner.
- 1.2 In the absence of Councillor Floru a chairman need to be appointed for the meeting. Councillor Hall nominated Councillor Glanz and after putting this to a vote it was:

RESOLVED: That Councillor Glanz be appointed Chairman for the meeting.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Glanz declared that he is a governor of St Joseph's Catholic Primary School, Maida Vale.
- 2.2 Councillor Hall declared that she is a governor of St George's School, Maida Vale.
- 2.3 Councillor Wilkinson declared that she is a governor of Chelsea Community Hospital School which has a site at St Mary's Hospital, Paddington.

3 MINUTES

- 3.1 Councillor Hall requested that paragraph 4.3 of the minutes be amended to clarify a concern that she had raised regarding the prevention and detection of

housing benefit fraud. This related to the fact that at meetings of the Discretionary Housing Payment Advisory Panel the majority of cases before the panel involved examples where tenancies are paid for in cash. She asserted that the absence of a clear paper trail of payments could potentially fuel money-laundering by landlords while for tenants there would be a loss of protection under the law. She also commented that she could not recall receiving an officer response to the committee's suggestion that the verification framework for housing benefit applications should be amended to address this and asked that this be recirculated.

- 3.2 **RESOLVED:** That the minutes of the previous meeting held on the 4th February 2015 be signed by the Chairman as a correct record of proceedings subject to amending paragraph 4.3 as set out above.
- 3.3 **ACTION:** Recirculate the officer response regarding amending the verification framework for housing benefit applications to address issues raised by committee members regarding fraud prevention.

4 FINAL ANNUAL ACCOUNTS 2014-2015

- 4.1 The Committee had before it the final Statement of Accounts for 2014-15. The Chairman announced that the notice of the meeting as well as the publication of the papers did not meet the statutory deadline. He explained that he had considered it beneficial to move the meeting forward from its original date of the 21st May in order to sign off the accounts at the earliest opportunity as this would enable the Outturn report for 2014/15 which is being presented to Cabinet on 1st June to be approved. The papers for the Cabinet meeting were due to be published on Thursday and could include reference to the Committee's decision on the final accounts. Members of the Committee had had the benefit of reviewing a draft version of the accounts towards the end of April. The final papers were circulated at the earliest opportunity once the external Auditors had completed the necessary work to be able to report to Members the findings from the Audit and Audit Adjustments to the accounts. The Chairman therefore advised that he considered the meeting and its papers to be matters of urgency and agreed to accept them as such for the special circumstances outlined.
- 4.2 Steve Mair, City Treasurer summarised the key headlines as set out in the report, which were as follows:
 - The revenue outturn showed an underspend of £2.830m against budget.
 - The capital programme had an underspend of £19.55m against Capital Review Group (CRG) forecast. Slippage of £13.856m was identified within the programme.
 - There had been a range of improvements in the accounts and accounting year on year covering presentation, accuracy, better inclusion of information and improved accounting.

- That it would not be confirmed until it is estimated in December 2015 but it is highly likely that subject to the committee approving the accounts at the meeting this will make Westminster the first Local Government Body to publish its accounts for 2014/15; the Council will have achieved the earliest close by any Local Government Body for 70 years and will have exceeded the performance of over 80% of the FTSE 100 (including the top 5 FTSE 100 companies).
- The achievements had arisen from the financial management transformation programme. By submitting the accounts ahead of schedule, the Finance team had increased its capacity to support services to achieve the challenging financial savings and pro-actively provide financial expertise on key initiatives.

- 4.3 The Chairman invited Andrew Sayers, Partner, KPMG, to comment before inviting the committee to ask questions. Mr Sayers informed the committee that the quality of the accounts had improved in comparison to the previous year. This has been achieved through the work of staff at the Council and also KPMG and he expected this to improve further in future.
- 4.4 The Committee then asked questions on the final accounts to which the City Treasurer provided responses. Many of the queries were matters of accounting presentation and he undertook to review them when preparing next year's accounts.
- 4.5 Members asked the City Treasurer what further improvements in financial management could the Committee expect to see in the coming year. He advised that as part of the Council re-structure the Finance team would be fully staffed by July; Staff would be rotated to develop and maintain expertise; There would be a CIPFA training programme provided to staff to enable more officers to deal with accounting issues; A Risk Register and Communications Plan would be developed through which lessons would be shared and consideration would be given to producing a summary set of accounts which would be useful for those not trained in reading corporate accounts.
- 4.6 The Committee congratulated the City Treasurer and the Finance team for their hard work and their achievements on behalf of the Council.
- 4.7 **RESOLVED:** That the 2014/15 accounts be approved.
- 4.8 **ACTION:** Provide the Committee with further reports over the course of the year on how the finance department is delivering continuous improvement in financial management (Action for Steve Mair, City Treasurer).

5 KPMG ANNUAL GOVERNANCE REPORT

- 5.1 The Committee received a report from the Council's external Auditors, KPMG, on the key issues identified during the audit of the Council's financial statements (Council and Pension Fund for the year ending 31 March 2014).
 - 5.2 Mr Sayers introduced the report. He advised that KPMG expected to issue an unqualified audit opinion on the authority's financial statements and the funds financial statements as contained both in the authorities Statement of Accounts and the Pension Fund Annual Report. The draft audit findings report submitted to the committee had identified seven audit adjustments in the authority's financial statements with a total value of £93m of which the authority had adjusted four. The authority subsequently decided to adjust for all items. He advised that as a consequence the report before the committee would be updated in a final version issued. The accounts had been updated to reflect all of the adjustments.
 - 5.3 It was Mr Sayer's view that the authority had invested and planned carefully for the accelerated year end timetable and that overall the process had improved significantly compared to the prior year. The improved levels and robustness of the quality assurance process was evident from the fewer errors in the accounts identified during the audit compared to the prior year. The Council's underlying financial systems were deemed to be effective overall. Mr Sayers confirmed that KPMG had complied with all requirements on objectivity and independence.
 - 5.4 With regard to key financial statements audit risks, in addition to those risks highlighted in KPMG's Audit Plan 2014/15 for the authority, a further significant risk relating to revenue and capital grants had been identified. This reflected the prior year adjustment that had been identified by KPMG in relation to capital grants. KPMG had reviewed both areas and concurred with the authority's treatment and disclosure.
 - 5.5 KPMG concluded that the authority had made proper arrangements to secure the economy, efficiency and effectiveness of the use of resources and it was intended to issue an unqualified value for money opinion. As in the prior year the value for money opinion would include a report by exception in relation to procurement matters as it was felt that there was still further work required to embed improvements in this area. It was expected that this would be achieved during 2015/16.
 - 5.6 The Committee noted that the audit could not be formally concluded and an audit certificate issued as KPMG were still considering two objections which both related to the statement of accounts from 2008/9 to 2011/12. Two further objections had been received but had yet to be accepted. Further information on them had been requested from the objector.
- 5.7 **RESOLVED:** That the report be noted.

The Committee adjourned from 6.44pm – 6.48pm in order to allow the Chairman to sign the Final Accounts.

6 ANNUAL INTERNAL AUDIT AND COUNTER FRAUD MONITORING REPORT

- 6.1 The Committee received a report that set out the key outcomes from the Internal Audit and Counter Fraud work in 2014-15.
- 6.2 The Committee noted the work carried out by the Council's Internal Audit & Counter Fraud contractor, Baker Tilly Risk Advisory Services LLP (Baker Tilly) found that, in the areas audited, internal control systems were generally effective with 88% of the audits undertaken receiving a positive assurance opinion. This was an improvement on the previous financial year where the percentage was 83%. The internal control framework was therefore considered to be improving and the Council was found to be effective, in most areas, at implementing recommendations where problems were found. There were a few areas where control improvements were required and compliance with agreed systems could be improved. In each case, action plans were in place to remedy the weaknesses identified. These would be followed up by the internal audit team until they are completed.
- 6.3 The committee was pleased to note that there had been an improvement in internal control systems from the previous year. Officers were asked how the council's performance compared with Tri-borough partners and other London local authorities. In response, the committee was informed that whilst most councils would receive a positive assurance the number of audits receiving a positive opinion would be closer to 70% making Westminster's score exceptionally good. In response to questions on the limited assurance provided in respect of Tri-borough Managed Services the committee was informed that the six recommendations for potential improvement which had been agreed with management had been addressed. Some, related to the management of projects and plans, were limited to learning lessons while others involved making changes to ensure the successful implementation and operation of the programme. Further audits would be undertaken to examine the operation of the programme now that it has gone live.
- 6.4 With regard to counter fraud work, the committee noted that Housing Benefit investigations carried out by the Baker Tilly team resulted in nineteen prosecutions and twenty-nine "Cautions" or "Administrative Penalties" during 2014/15 which related to overpayments and fines totalling nearly £550,000. Although the sanctions achieved were lower than in 2013/14 (ten prosecutions and eighty-two "Cautions" or "Administrative Penalties"), the transfer of the service to the Department for Work & Pensions (DWP) at the end of February 2015 had an impact on the outcomes that were achievable during 2014/15.
- 6.5 Investigations into the misuse of disabled parking badges remained consistent with two prosecutions in both 2013/14 and 2014/15.
- 6.6 Officers were asked how the transfer of housing benefit fraud investigations to the DWP was working and what implications there were for the council.

Members were informed that at the request of the chairman a briefing note was being prepared which would be circulated to all members of the committee.

- 6.7 With regard to housing benefits, Members asked why there had only been 48 sanctions during the year from a total of 429 investigated cases as well as about the recovery action of the £550,000 of overpayments. Officers explained that many of the allegations of fraud received were of insufficient quality to achieve a sanction. Priority was placed on investing resources on pursuing cases where sanctions could be achieved to deliver the best outcomes for the Council. Moreover, the number of cases that could be pursued was impacted by the transfer of the service to the DWP before the end of the financial year. Of the 385 cases that were not pursued some of the claims would have been cancelled while others would have been referred back to the council's contractor to undertake visits and further checks. The recovery of overpayments would be achieved through either the raising of a debt, clawing back monies from benefit payments or in certain circumstances, where the individual has assets, through legal action. The council's contractor Capita has responsibility for recovering overpayments.
- 6.8 Members also queried why there were only two prosecutions for the misuse of disabled parking badges given the level of complaints that councillors understand are received. Officers advised that to achieve a successful prosecution an individual has to be caught using a disabled parking badge fraudulently which is a labour intensive activity. CCTV evidence can be used but is subject to statutory limitations around the use of surveillance while automatic number plate recognition (ANPR) would only be used as part of a pro-active exercise involving a police investigation. In response to further questions officers advised that the council does try to provide feedback to those who report fraudulent activity, however, many of the allegations received are made anonymously.
- 6.9 Members asked whether the council was still receiving referrals from members of the public regarding housing benefit fraud and whether these were being passed on to the DWP? The committee was informed that a message had been placed on the council's fraud hotline directing people to the DWP while the website had also been updated.
- 6.10 **RESOLVED:** That the report be noted.
- 6.11 **ACTION:** Provide the committee with copies of detailed monthly reports on the performance of the internal audit and antifraud contract during 2015-16 and the outcomes achieved. (Action for: Moira Mackie, Senior Audit Manager)

7 LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

- 7.1 The Committee received a report on the implications for the Council of the Local Audit and Accountability Act 2014. It noted that one of the main provisions would be the requirement to establish new arrangements for the

audit of local authority finances. The Act changed the process for appointing and removing local authority Auditors but did not alter anything fundamental in the way local authority finances were audited, nor changes the principles intended to ensure proper stewardship of public funds. The Committee noted the processes required and expected timelines to select and appoint a local Auditor panel.

- 7.2 The Act also introduced some miscellaneous provisions covering Council meetings and publicity, local authority publicity, Council tax referendums and the ability of Auditors to reject an objection the Auditor considers frivolous or vexatious or where the cost of investigation would be disproportionate to the sums to which the objection relates.

RESOLVED:

1. That the Committee noted the changes heralded by the Local Audit and Accountability Act 2014.
2. That the Committee recommended that the City Treasurer in consultation with the Cabinet Member for Finance and Corporate Services prepares any necessary reports to ensure that an appropriately constituted Auditor Panel is created in preparation for the time when the Council needs to appoint its own auditor (expected to be by December 2016 or 2019, following an appropriate tender process)

8 WORK PROGRAMME

- 8.1 The Committee considered and agreed the proposed Work Programme for 2015-16 municipal year.

RESOLVED:

1. That the Work Programme for 2015-16 municipal year be agreed subject to the inclusion of an item on the implications to the Council's HRA of the Government's requirement of local authorities to sell off their top third most expensive housing as it becomes vacant and the inclusion of any issues arising from the Queen's Speech. .
2. That the responses to actions arising from the previous meeting be noted.

The Meeting ended at 7.19 pm

CHAIRMAN: _____

DATE _____

