



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 23rd February, 2023**, Rooms 18.01 - 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

**Also Present:** Gerald Almeroth (Executive Director for Finance and Resources), Jake Bacchus (Director of Finance), Joanne Brown (Grant Thornton), Nick Byrom (Strategic Performance Manager), Matt Dean (Grant Thornton), Debbie Jackson (Executive Director for Growth Planning and Housing), Sarah Newman (Bi-Borough Executive Director of Children's Services), Moira Mackie (Head of Internal Audit), LeVerne Parker (Chief Solicitor and Monitoring Officer), Anna Raleigh (Director of Public Health), Jack Robinson-Young (Committee Clerk), Jonathan Rowing (Head of Parking), Rikin Tailor (Head of Corporate Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Lee Witham (Director of People Services), Pedro Wrobel (Executive Director of Innovation and Change)

### 1 MEMBERSHIP

1.1 There were no changes to the membership.

### 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 29 November 2022.

### 3.2 RESOLVED:

That the minutes of the meeting held on Tuesday the 29th of November 2022 be signed by the Chair as a correct record of proceedings.

## **4 QUARTERLY PERFORMANCE REPORT**

- 4.1 The Executive Director for Innovation and Change, Pedro Wrobel, introduced their report summarising the Councils performance and progress at the end of quarter three 2022/2023. They informed the Committee that some of the Key Performance Indicators (KPIs) varied and may not have aligned directly to the reporting cycle, primarily with regard to Public Health KPIs.
- 4.2 Their report covered the headline achievements of the Council, insight highlights, pressures and risk as well as KPIs by directorate.
- 4.3 The Strategic Performance Manager Nick Byrom informed the Committee that the city-wide survey was now complete and had yielded positive results. This was conducted by a third-party company and all data is requested through a strict standard. Data sampling is done to reflect the socioeconomic spread of Westminster residents and is only considered complete if every metric for representation has been met. Questions are kept uniform throughout the years this has been undertaken to ensure comparisons drawn are accurate.
- 4.4 The Committee asked if there was anything of particular concern or to be highlighted within the results of the City Survey. Pedro Wrobel, the Executive Director for Innovation and Change replied explaining they are now going through the results and the next set of analysis but did alert the Committee to a wider point that the results were a marked improvement than previous years, and this may be from a post-pandemic bout of optimism which was to be noted for next year's results. The Executive Director for Innovation and Change also commented that the environmental indicators did not seem to be where they had expected to be. The Committee welcomed this, whilst understanding that there may have been inflated rise in results from the removal of government restrictions, and also requested more information on the survey as a whole.

### **ACTION**

That the Committee will be provided with a further top-level briefing on the City Survey from the Strategic Performance Manager.

- 4.5 The Committee asked Sarah Newman the Executive Director of Bi-Borough Children's Services and Debbie Jackson, the Executive Director for Growth, Planning and Housing about mould and damp in homes arising from the death of a child from a respiratory condition. The Executive Director for Growth, Planning and Housing informed the Committee of the work underway to ensure the Council is fully responsive to the issue of mould and damp in residents' homes, and that a further update will be provided to future meetings of the Committee. The Executive Director of Bi-Borough Children's Services informed the Committee that information and signposting was dispatched to all primary care settings.

### **ACTION**

That the Executive Director for Growth, Planning and Housing to provide further detail for a future meeting on the Council's response to mould and damp in residents' homes.

- 4.6 The Committee asked the Executive Director of Bi-Borough Children's Services what can be done from the high caseload numbers mentioned within the report. In reply, the Committee were informed that where caseloads become too high there can be an investment in recruiting more social workers. Where caseloads see a short spike, temporary staff are used as a short-term relief.
- 4.7 The Committee asked of the Executive Director of Bi-Borough Children's Services what the next steps would be from the funding coming from the Mayor of London for Free School Meals, as this was already being provided by Westminster City Council. The Executive Director of Bi-Borough Children's Services explained that this money can now be used to extend the offer wider.
- 4.8 The Committee asked the Executive Director of Bi-Borough Children's Services if there was a timeline for the proposed amalgamation of two primary schools and was informed that there is a timeline being led by the board of governors, with an expectation to be completed later this year.
- 4.9 The Committee asked Officers present if any of the top-level risks outlined in the report had seen a significant increase upward. The Strategic Performance Manager informed the Committee that there were no significant or quick rises.
- 4.10 The Committee asked the Executive Director for Growth, Planning and Housing how to ensure that there was no dip in service levels again for housing management services. In reply, the Committee was reassured that resources and systems had been altered accordingly.
- 4.11 The Committee asked the Executive Director for Finance and Resources why data showed that there was a four-day delay in delivering on financial benefits and commented that this was particularly worrying given the current cost-of-living crisis. The Executive Director explained that this was due to a combination of processing changes in current claims and new claims, but this was at a normal level.

4.12 **RESOLVED**

That the Committee noted the performance updates.

**5 ETHICAL STANDARDS REPORT**

- 5.1 LeVerne Parker the Chief Solicitor and Monitoring Officer was present before Committee and gave apologies for Parveen Akhtar Director of Law and Governance explaining that they had come to Committee in their place.

- 5.2 The Ethical Standards Report was presented to Committee, outlining how the Annual Report was conducted in line with the Terms of Reference and how ethical governance applies to all Westminster City Council employees, including staff and contractors, and Members.
- 5.3 The Committee asked about the Member/Officer Protocol and whether this had been agreed, and it was confirmed to the Committee that this had been agreed.
- 5.4 The Committee asked for more information on the details on staff disciplinary cases. The Director of People, Lee Witham, explained that the spike seen after lockdown restrictions were lifted is unwanted but has been seen across the board in local government. Since this period, new cases are at pre-lockdown levels, further showing this to be a time-limited spike due to restrictions being lifted. The Committee asked if the full report on the staff survey could be brought to Committee, and the Director of People confirmed they would present this to a future Committee.

#### **ACTION**

That the Director of People to bring the full report on staff survey results to Committee.

- 5.5 The Committee asked about the background on the recruiting of the three independent members of the Council. The Chief Solicitor and Monitoring Officer informed the Committee that these three roles are advertised for publicly and then appointed by the Standards Committee.
- 5.6 The Committee praised Officers present and those who had worked on reclaiming lost Pension funds. The Committee asked if the Councils anti-fraud and corruption statement reflected the lessons learned from the investigation. The Chief Solicitor and Monitoring Officer informed the Committee that this will be reviewed and shared with the Committee.

#### **ACTION**

That the review of the Councils anti-fraud and corruption statement will be shared with the Committee by the Director of Law and Governance.

- 5.7 The Executive Director for Finance and Resources informed the Committee that their teams constantly look to update their processes and learn from past mistakes with regular reviews to identify potential issues as soon as possible.
- 5.8 **RESOLVED**

That the Committee noted the 2021/22 Annual Report and actions taken to maintain high standards of ethical governance throughout the Council.

## **6 INTERNAL AUDIT PROGRESS REPORT**

- 6.1 The Head of Internal Audit, Moira Mackie, introduced their report outlining the work included in the 2022/23 Internal Audit Plan as at the end of January 2023. They informed the Committee that four audits have been finalised with a further twelve at a draft report stage. They reassured the Committee that sufficient internal audit work has been planned.
- 6.2 Turning to the report, the Committee was informed that the Audit plan for 2022/23 was reviewed by this Committee back in February 2022. To ensure that the Annual Audit Plan is more responsive to changing risks, it has been developed as a '3 plus 9-month plan'. This revised plan is reported to this Committee on a quarterly basis and significant changes will be highlighted.
- 6.3 The Committee asked what lessons had been learnt to safeguard Council funds from those who may want to reappropriate them for other means. The Head of Internal Audit explained that multiple people in different roles are involved in, or overseeing, the processes where previously trust was placed with one individual. In addition, at the time of the fraud, the audit trail was paper based with the evidence lost or missing from the Council's records made backtracking considerably more difficult than the current digital approach.
- 6.4 The Committee asked why there was a difference in the £371,714 reclaimed as compensation for losses and were informed by the Head of Internal Audit that this was due to the cost applied by the Court Service when processing the compensation claim.
- 6.5 The Committee enquired about the lift response times which were not being met as identified in the Lift Maintenance review, and why there had been a poor performance response. In reply, the Head of Internal Audit explained that the contractor was experiencing a shortage of suitably qualified staff, but the service is keen to maintain their existing targets.

### **6.6 RESOLVED**

That the Committee had considered the results of the internal audit work carried out during this period.

## **7 INTERNAL AUDIT PLAN 2023-2024**

- 7.1 The Committee were presented with the Internal Audit plan for 2023/24 by the Head of Internal Audit which included the Strategic Audit Plan and the draft Annual Audit Plan.
- 7.2 The Committee were informed that the Strategic Audit Plan identified the significant, persistent risks the Council faces and the business areas to be covered by internal audit over a 5-year period.

- 7.3 The Committee were informed that the draft Annual Audit Plan is prepared following consultation with Directors and Heads of Service and considers the Councils corporate and department risks and priorities.
- 7.4 The Committee asked when a full Annual Plan could be brought, as there was only a draft before the Committee. The Head of Internal Audit, Moira Mackie, replied informing the Committee that this will be shared with the Committee through Council Officers at the earliest opportunity. The Executive Director of Finance and Resources explained that it is important to take a risk-based approach but to also balance the flexibility of moving events and the Annual Plan will be regularly reviewed throughout the year and reported to the Committee within the progress report.
- 7.5 The Committee asked the Head of Internal Audit how our internal audit function was resourced, and if this was appropriate given the challenges facing local government. In reply, the Committee was informed that there is enough resource to meet these challenges and being a shared service with Kensington & Chelsea Council allows for productive comparisons and learning opportunities.
- 7.6 The Committee noted that there was a large risk on development projects and that this should be taken into account by all going forward. The Director of Finance Jake Bacchus agreed and said this was a particularly poignant observation detailed in the plan given the high levels of inflation.
- 7.7 The Committee asked if there was an obligation for internal audits, and in reply the Committee were informed that the service is provided on behalf of the S151 Officer, the Executive Director of Finance and Resources, who oversees the Internal Audit Plan for the Council. Further to this, the Committee asked if there is a peer review or outside expertise brought in to scrutinise the work of Internal Audit. The Head of Internal Audit replied explaining that the Council does work with partner providers and has a peer review of processes from independent reviewers.

7.8 **RESOLVED**

That the Committee reviewed the Strategic Audit Plan, as set out in Appendix 1, and considered the persistent risks.

That the Committee also reviewed the early draft of the Annual Audit Plan, as set out in Appendix 2, and commented on the audit work to be undertaken and specific audit risks for the coming year.

**8 Q3 FINANCE MONITOR**

- 8.1 The Committee were presented with a monitoring report that summarised the 2022/23 Q3 financial position as at 31 December 2022, with the forecast for the remainder of the year. This forecast was based on activity trends and analysis to date.

- 8.2 The Committee were informed that the forecast revenue outturn at the end of Q3 had a projected overspend of £3.043m, 1.7% of next budget, compared to the previous overspend of £5.762m at Q2. This was a favourable movement of £2.719m.
- 8.3 The Committee asked what the remaining expose for the rest of the year from inflation might be, and the Director of Finance replied informing the Committee that over the quarter, the large contracts that the Council operators have not had negotiations start and are now in the risk register.
- 8.4 The Committee asked what the potential impact from any further rises in the Bank of England interest rate could be. The Director of Finance explained that it was clear from the figures within Q2 that temporary accommodation has been a challenge, also due to the fact the as a Borough, Westminster is an expensive place to reside. The Executive Director for Growth, Planning and Housing also added that with every living agreement coming to an end, there is an increase in rates.
- 8.5 The Committee asked why there had been a delay in some of the major contracts and noted that 7% of projects accounted for 70% of spending. The Executive Director for Growth, Planning and Housing answered in reply and explained that these projects span multiple years making the accuracy of them hard to define. Turning to a specific project, the Lisson Arches, the Committee asked why there had been such a delay. The Executive Director for Growth, Planning and Housing informed the Committee that this project had specific construction issues and aside from the usual difficulties of materials, supply and labour, inflation had been a challenge in of itself.
- 8.6 The Committee asked if inflation pressures on budgetary concerns were of a concern themselves. In reply, the Director of Finance informed the Committee there are reserve funds for times such as these and mitigations in place as ever.
- 8.7 The Committee asked why there had been a decline in the number of residents registering a domestic vehicle, Jonathan Rowing the Head of Parking informed the Committee that this is an ongoing trend for residents choosing not to have a vehicle in Westminster and a full report will be available at the next Committee meeting.

## **ACTION**

For the Head of Parking to bring a report to the next Committee detailing the current and previous history of residents registering a domestic vehicle.

- 8.8 The Committee asked why Major Planning Applications are continuing to fall, with smaller applications increasing. The Executive Director for Growth, Planning and Housing informed the Committee that this began after the pandemic and has had a budgetary affect. Major Planning Applications are a

significant source of income for the Council, in light of their slow down, the next annual budget has been adjusted appropriately.

**8.9 RESOLVED:**

That the Committee noted the current monitoring and forecast position at Q3 for 2022/23.

**9 AUDITED ACCOUNTS AND FINAL STATEMENT OF ACCOUNTS**

- 9.1 The Executive Director for Finance and Resources introduced the report, alongside Grant Thornton, to inform the Committee that since the meeting at 21 July 2022 there has been an audit of the Council's Accounts and Pension Fund. The Committee was informed that there had been a public inspection period of the accounts from July to August and there were no objections raised during this period.
- 9.2 The Executive Director for Finance and Reform informed the Committee that this report would not normally come this late, but there had been issues which had now been resolved. Work on these issues, particularly around the balance sheet valuation of highways infrastructure since 1994, had been undertaken with Grant Thornton.
- 9.3 Joanne Brown from Grant Thornton, the Council's external auditor, addressed the Committee explaining that the external audit is in its concluding stages. Within this, they conclude and set out their approach against risks and a note on the necessary adjustments for the accounts. Since papers for this Committee were dispatched out to Committee Members, there has been work completed on a number of issues, but none needed to be urgently drawn to the attention of the Committee.
- 9.4 Speaking to the issues that had been worked on but not included within papers in time for Committee, representatives from Grant Thornton informed the Committee that there had been accounting adjustments arising from better information, and that the infrastructure asset accounting work now means that the Council is using its infrastructure asset override. The Director for Finance spoke to this issue and informed the Committee that this dates back to 1994 and has no real impact on how we operate with finances but does affect the overall reporting.
- 9.5 The Committee asked of Grant Thornton how they could improve their timeframe on reporting in order to avoid a delay again. In reply, the Committee was informed that this has been discussed internally but local government finances have become more complex every year and few Councils have as good a record in publishing as Westminster does.
- 9.6 The Committee asked for the prescribed fee and if there was a fixed number of working hours to be dedicated to Westminster. Grant Thornton representatives replied and explained that there is a pre-arrangement in place



for the fee paid and this can then be amended as needed, for example, in the situation where issues occur, and finances need to be confirmed at a later date.

- 9.7 The Committee asked how Grant Thornton keeps a focus on the public attention that local government accounts attract. In reply, representatives present at Committee from Grant Thornton informed the Committee that this work does attract attention and is specialist. As such, staff are trained for a particular skill set and Grant Thornton endeavours to plan for the future. Where a staff member may be coming to retirement, for example, the use of hierarchy planning ensures that new personnel are brought up to speed to ensure minimal disruption.
- 9.8 The Committee asked what the Financial Reporting Council's (FRC) substantive testing involved. The Director for Finance explained that generally they look to place additional risks on accounts, specific to Westminster, this means a focus on Business Rates. As Westminster has the highest value NNDR collection in the country, the FRC placed a specific risk on the accounts auditing process for this.
- 9.9 The Committee was pleased to see that there had been minimal errors and that nothing of major concern had been discovered, despite the accounts being complex and lengthy. The Committee asked how long Grant Thornton had been auditing Westminster Council's accounts. Representatives from Grant Thornton replied informing the Committee that they were appointed for a fixed five-year term, of which this is the second year. At the end of this term, the account is passed on to ensure a fresh look at the accounts from a new team.
- 9.10 With regard to the pension fund, Grant Thornton representatives informed the Committee that some pensions records from the 1980s had proven challenging in sourcing, given the timespan since then and having to work with paper-based records. Work on this area is due to be completed shortly.

9.11 **RESOLVED:**

That the Committee noted the unmodified opinion of both the Council's accounts and pension fund accounts.

That the Committee had considered the findings outlined Grant Thornton's Audit Findings Reports of both the Council's Statement of Accounts and Pension Fund accounts.

That the Committee approved the revised 2021/22 Statement of Accounts for the Council, and the Pension Fund accounts.

That the Committee delegated residual matters relating to the audit of the accounts and Pension Fund accounts to the Section 151 Officer.

## **10 WORK PROGRAMME**

10.1 The Work Programme was presented to Committee, detailing the draft schedule for 2023/24 and the agenda items for the next two meetings to be held in May and June of this year.

10.2 The Work Programme also detailed the Terms of Reference included within Appendix 2 and the Action Tracker in Appendix 3.

### **10.3 RESOLVED:**

That the Committee agreed the agenda items for the upcoming meetings to be held on 24 May 2023 and 24 July 2023 as set out in Appendix 1.

That the Committee had considered the future Work Programme for 2023/24.

The meeting ended at 20:56.

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