



City of Westminster

Audit and Performance Committee Report

Date:	24 July 2023
Classification:	For General Release
Title:	Annual Report of the Audit and Performance Committee
Wards Affected:	All
Financial Summary:	There are no direct financial implications arising from this report, which considers the annual report of the Audit and Performance Committee.
Report of:	Councillor Aziz Toki, Chair of the Audit and Performance Committee Gerald Almeroth, Executive Director of Finance and Resources Pedro Wrobel, Executive Director of Innovation and Change
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1. Executive Summary

1.1. This report summarises the work of the Audit and Performance Committee (“the Committee”) over the municipal year 2022-2023.

2. Recommendations

2.1. That the report be received and approved by the Audit and Performance Committee; and

2.2. That the report be forwarded to Full Council for information.

3. Reasons for Decision

3.1. That the Audit and Performance Committee review the work it has undertaken in the municipal year 2022-2023 as set out in the recommendations made in the Review of Effectiveness report of 2 May 2019.

4. Background

4.1. The Audit and Performance Committee is separate from the executive functions and helps to raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.

4.2. In spring 2019, a number of reviews were undertaken by the Executive Director of Finance and Resources and Director of Audit, Fraud, Risk and Insurance which focused on the effectiveness of the arrangements for finance, audit and governance¹. One of the recommendations arising from this review to enhance the Committee's effectiveness was to consider providing an annual report to Council on its work and performance during the year.

5. Foreword by the Chair – Councillor Aziz Toki

5.1. I would like to acknowledge the dedication of the Councillors who have been Members of the Audit and Performance Committee this past year and commend them on their commitment to robust, constructive, challenge.

5.2. The success of the Committee also relied on the officers who prepared the reports, those who attended meetings of the Committee to present and answer questions posed by Members.

6. Committee Activity

6.1. The Committee accomplished its programme of work, agreed at the beginning of the municipal year.

6.2. The Committee had the following Councillors on its membership, which changed as a result of the local election in 2022:

- Cllr Aziz Toki (Chair);
- Cllr Tony Devenish (Member until January 2023);
- Cllr Paul Fisher (Member);
- Cllr Alan Mendoza (Member since January 2023); and
- Cllr Jessica Toale (Member).

6.3. The Committee met on the following dates in the municipal year 2022-2023:

- 27 June 2022;
- 21 July 2022;

¹ [Review of Effectiveness.pdf \(westminster.gov.uk\)](#)

- 7 September 2022;
- 31 October 2022;
- 29 November 2022; and
- 23 February 2023.

6.4. The meetings were quorate on each occasion. The Executive Director of Finance and Resources, the Director of Finance and the Shared Services Director for Audit, Fraud, Risk and Insurance and/ or the Head of Internal Audit attended each meeting, along with other executive directors in respect of specific items on each agenda.

6.5. Appendix 1 refers to the themed topics which were considered during the 2022-2023 municipal year.

6.6. The Committee developed a work programme and has continued to use the action tracker which are both reviewed at each meeting of the Committee.

7. Review of Effectiveness

7.1. As mentioned, in spring 2019, a number of reviews were undertaken by the Executive Director of Finance and Resources and Director of Audit, Fraud, Risk and Insurance which focused on the effectiveness of the arrangements for finance, audit and governance.

7.2. The review focused on effectiveness in the following areas:

- The Role of the Chief Financial Officer (S151);
- The Role of the Head of Internal Audit;
- Compliance with the Public Sector Internal Audits Standards (PSIAS);
- The Role of the Audit and Performance Committee.

7.3. After this assessment was completed, there were three specific recommendations presented to the Committee for consideration to enhance effectiveness:

1. consider the merits of including to a provision to co-opt independent members to the Committee.
2. consider providing an annual report to Council on its work and performance during the year.
3. consider using the CIPFA Knowledge and Skills Framework for Audit Committees self-assessment to identify any topics for future briefings which would assist the work of the Committee.

7.4. The implementation of the recommendations was postponed during the COVID-19 pandemic but in the last municipal year the Committee has successfully completed recommendations 1 and 2, with discussions planned for recommendation 3 in the autumn of 2023/24.

8. Independent Committee Member

8.1. In September 2022, Full Council agreed to the appointment of an Independent Person of the Audit and Performance Committee to strengthen the workings of the committee in its role as a key internal financial control mechanism.

8.2. An Independent Person does not have a vote in the same way as members of the committee and are a part of the committee in an advisory and consultative manner. Independent Persons are non-councillors who are suitably qualified with experience in the area of audit/governance and bring specialist knowledge and insight to the workings and deliberations of the committee to provide:

- An effective independent assurance of the adequacy of the risk management framework.
- Independent review of the Council's financial and non-financial performance.
- Independent challenge to, and assurance over, the Council's internal control framework and wider governance processes.

8.3. The recruitment was led by the Chair of Audit and Performance, the Chair of General Purposes and a nominated Opposition Group Member. This group was advised by the Director of Finance, the Monitoring Officer and the Head of Governance and Councillor Liaison.

8.4. The Committee is pleased to have an Independent Person included in its membership, especially one with extensive local government knowledge and expertise in financial services.

8.5. At the time of writing, the Independent Person is due to attend their first meeting of the Audit and Performance Committee on 24 July 2023.

9. Internal Audit and Fraud Service Delivery Models

9.1. The Council's Internal Audit and Corporate Anti-Fraud service is managed by the Shared Services Director for Audit, Fraud, Risk and Insurance. The service is hosted by the Royal Borough of Kensington and Chelsea (RBKC) as part of a Shared Services Agreement, across three councils, which has been in place since April 2015.

9.2. Audits are predominantly undertaken by an in-house team supplemented by ad-hoc support from the service's delivery partners Mazars and PwC, including undertaking reviews in specialist areas.

- 9.3. The Corporate Anti-Fraud Services (CAFS) provides a complete, professional counter-fraud and investigation service for fraud attempted or committed against the Council. All CAFS work is undertaken in line with appropriate legislation and through the powers and responsibilities set out in the financial regulations section of the Council's Constitution. CAFS ensures the Council fulfils its statutory obligations under the Local Government Act 1972 to protect public funds and effectively prevent and detect fraud and corruption.

10. Internal Audit Plan

- 10.1. The Committee reviewed the 2022/23 Internal Audit Plan at its meeting in February 2022 and was satisfied it provided sufficient coverage of the Council's key systems and processes. The Audit Plan identifies audits for the next three months in detail, taking into account key risks and priorities, whilst keeping the remaining nine months more flexible. The plan is then revisited each quarter to confirm the following quarter's work includes sufficient audit coverage to enable an overall annual opinion to be reached on the Council's control framework.
- 10.2. During the year the Committee received regular reports on the progress against the Plan and on the outcomes from the individual audits undertaken. As a result, the Committee was satisfied that the Plan was substantially completed by the year end, in line with recognised good practice.
- 10.3. The Committee was updated on the outcomes of follow up work and noted that operational managers were taking appropriate actions to bring about the required improvement in controls.

11. Cumulative Assurance

- 11.1. The Committee received the draft Annual Governance Statement (AGS) in July 2022, along with the draft annual accounts. The AGS established that there were no significant gaps in the Council's compliance with CIPFA/SOLACE's *Delivering Good Governance in Local Government* Framework.
- 11.2. At the year end, Internal Audit provide the S151 Officer, the Executive Leadership Team and the Audit and Performance Committee with an opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements. The Annual Report on Internal Audit's work and the Council's internal control arrangements for 2021/22 confirmed that overall satisfactory control arrangements and procedures are in place across the Council, with the majority of audits receiving a positive assurance opinion in 2021/22.

- 11.3. In line with good practice, officers held training sessions with members on the annual accounts to ensure that the technical aspects of Local Government accounting were understood by all Committee members. This training will be complemented by the addition of an independent member in 2023/24 to further increase insight into the accounts.

12. Performance Management

- 12.1. The Audit and Performance Committee has a role to scrutinise the performance of the Council as set out in the Terms of Reference. To fulfil these responsibilities the Committee receives a Quarterly Performance Report that provides an overview of how the Council is performing. At the start of 2022/23 the Committee Chair approved the format of the report which covers key achievements, key issues and risks and the status of a suite of Key Performance Indicators monitored by the Council.
- 12.2. Over the year the Committee received four quarterly reports which were reviewed in at the relevant meeting. Committee Members are to ask questions to relevant officers. On occasion Committee Members requested further details on areas of under-performance or risk and responses were provided. There were no issues that Committee felt required further scrutiny at any of the other dedicated Policy and Scrutiny Committees over the year.
- 12.3. The 2022/23 financial year reporting concludes with a yearend report that presents the cumulative positive Key Performance Indicators. Information is also supplied on the direction of travel of these Indicators compared to the previous year where available, so that Members can see where improvement has been made or performance has slipped.

13. Risk Management

- 13.1. Part of the Governance Framework of the Audit and Performance Committee includes the requirement to monitor the effective development and operation of risk management in the Council. The Committee receives updates on top risks from services each quarter as part of the Quarterly Performance Report.
- 13.2. To supplement the management of risk the report also featured a section on current operational and strategic challenges each quarter. This section allows for more contextual narrative around some of the prevailing threats to delivery of council outcomes or services to residents in our operating environment at the time; such as the Cost-of-Living Crisis driven by high inflation and increasing interest rates that are still prevailing in the UK economy now.

- 13.3. Over 2022/23 Internal Audit commenced a review of the Council's risk management arrangements. The findings and recommendations in this report will be assessed and improvement actions implemented where necessary over the 2023/24.

14. Fraud Updates

- 14.1. The Audit and Performance Committee's Terms of Reference require that the Committee receive reports on internal and external fraud investigated by the Council. Outcomes of fraud investigations are reported to the Committee twice a year, with reports presented to the Committee in November 2022 (half-year status report) and July 2023 (full-year status report). Several investigations in the year have been focused on housing applications and illegal sub-letting, and the misuse of disabled parking badges.

15. Statement of Accounts and External Audit

- 15.1. The Committee's Terms of Reference state that the Committee should review the annual statement of accounts and approve them for publication. In doing so, the Committee should consider whether the appropriate accounting policies have been followed and whether there are concerns from the financial statements that need to be brought to the attention of the Council.
- 15.2. As part of this role, the Committee received reports on the Statement of Accounts for 2021/22 which included a progress report from Grant Thornton (the Council's External Auditor) in October 2022 and Grant Thornton's final opinion and Audit Findings Report submitted to the Committee on 23 February 2023.
- 15.3. It should be noted that, for the first time, the Council encountered delays to finalising its audit opinion. This was due to factors out of the Council's control which include the long-standing national issues around the Financial Reporting Council requirement for increasing substantive testing in audits and workforce capacity issues at the audit firms. This was further exacerbated by technical issues that impacted across the sector nationally, namely, accounting for infrastructure assets and pension revaluations.
- 15.4. The Committee welcomed the positive feedback by Grant Thornton that the accounts and supporting papers required only minimal adjustments and that nothing of major concern had been discovered, with minor action points to consider in next year's audit.
- 15.5. The Committee also received regular reports on the Council's Treasury Management activity.

16. Member Conduct

- 16.1. In accordance with its Terms of Reference, the Audit and Performance Committee receive an annual report which details the efforts made to maintain high ethical standards at the Council². In February 2023, the Committee understood that, in the calendar year 2022, the Monitoring Officer considered three complaints put forward against Councillors alleging a breach of the Members' Code of Conduct. The Monitoring Officer, or her deputies, considered each of the complaints and the evidence provided. On three occasions it was felt that the complaint did not warrant formal investigation.
- 16.2. Furthermore, the Committee was informed that ethical standards are included in the Members' Development Training Programme. All Councillors attended the Code of Conduct Training held during May and June 2022, and in June 2022 a note on good decision making was circulated to all Members and follow-up sessions took place with the Monitoring Officer.

17. Conclusion

- 17.1. Over the 2022/23 municipal year, the Audit and Performance Committee has persistently offered a focused and adept scrutiny of the Council's governance systems and financial reporting mechanisms.
- 17.2. The Committee will continue to oversee and question the handling of risk at both the corporate and departmental levels, guaranteeing the implementation of evident best practices throughout the Council. The Committee will also ensure the continual maintenance of the highest standards of internal control and bringing to account those responsible for any areas where the standard has been perceived to be insufficient.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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APPENDICES

Appendix 1 – Audit and Performance themes of discussion in 2022/23

BACKGROUND PAPERS

² [Maintaining High Ethical Standards at the City Council Annual Report 23 Feb 2023.pdf \(westminster.gov.uk\)](#)

None other than previously published Committee documents.

Appendix 1 – Audit and Performance themes of discussion in 2022/23

- Audited Accounts and Final Statement of Accounts
- Revenue and Capital Outturn 2021/2022
- Quarterly Finance Monitors

- Treasury Management Strategy Outturn 2021/22
- Treasury Management Strategy Mid-Year Review

- External Audit Update
- External Audit Certification of Claims and Returns Annual Audit of the 2020/21 Housing Benefit Claim

- Annual Report on Internal Audit and Internal Control 2021/2022
- Internal Audit Plan 2023-24
- Internal Audit Progress Reports
- Review of the Internal Audit Charter

- Counter Fraud End of Year Report 2021/2022
- Mid-Year Counter Fraud Report
- Review of Anti-Fraud Policies

- Update on Performance Management and Quarterly Performance Reports

- Contract and Supplier Performance Report
- General Procurement Update
- Corporate Complaints Report

- Ethical Standards Report