



City of Westminster

Audit and Performance Committee Report

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| Date: | 18 July 2024 |
| 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 |
| Report Author: | Clare O’Keefe, Lead Policy and Scrutiny Advisor, cokeefe@westminster.co.uk |

1. Executive Summary

1.1. This report summarises the work of the Audit and Performance Committee (“the Committee”) over the municipal year 2023-2024.

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 2023-2024 as set out in the recommendations made in the Review of Effectiveness report of 18 July 2024 (Appendix 2).

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.
- 4.3. In spring 2024 the Committee undertook another review of its effectiveness. A summary of this is set out in section 7 of this report and the full report is set out in Appendix 2.

5. Foreword by the Chair – Councillor Aziz Toki

- 5.1. I would like to recognise 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 and constructive scrutiny of audit activity, risk, regulatory frameworks, the accounts and performance monitoring.
- 5.2. The good work of the Committee also relied on the officers who prepared the reports and 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, which was agreed at its meeting of 23 February 2023, with only minor changes throughout the year.
- 6.2. The Committee had the following Councillors on its membership, in addition to an Independent Member (see section 8):
- Cllr Aziz Toki (Chair);
 - Cllr Paul Fisher (Member);
 - Cllr Alan Mendoza; and
 - Cllr Jessica Toale (Member).
- 6.3. The Committee met on the following dates in the municipal year 2023-2024:
- 24 July 2023;
 - 6 September 2023;
 - 24 October 2023;

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

- 28 November 2023; and,
- 27 February 2024.

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 2023-2024 municipal year.

6.6. The Committee is able to feed into the work programme throughout the year and has continued to monitor the action tracker at each meeting of the Committee.

7. Review of Effectiveness

7.1. One recommendation was outstanding following a review of Effectiveness of the Committee which was undertaken in 2019. This recommendation was to consider using the CIPFA Knowledge and skills Framework for Audit Committees to identify any topics for future briefings which would assist the work of the Committee.

7.2. In spring 2024, the Director of Audit, Fraud, Risk and Insurance, the Head of Internal Audit and the Lead Policy and Scrutiny Advisor facilitated a workshop with the Committee which focused on the CIPFA Self-assessment of Good Practice, including the Knowledge and Skills Framework. The self-assessment considered:

- The Audit and Performance Committee purpose and governance
- The functions of the Committee
- Membership and support
- Effectiveness of the Committee

7.3. After this assessment was completed, a report was produced (Appendix 2) which includes a plan of further actions which will be monitored throughout the year.

7.4. The self-assessment provided assurance to the Committee that it was performing its role in line with CIPFA's best practice whilst highlighting some areas where improvements could be made.

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 do 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 Audit and Performance 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. Mark Maidment first attended the meeting of the Audit and Performance Committee on 24 July 2023 and the Committee has benefitted from his extensive local government knowledge and expertise in financial services.

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 2023/24 Internal Audit Plan at its meeting in February 2023 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. The Committee reviewed the 2024/25 Internal Audit Plan at its meeting in February 2024 and similarly was assured that it provided the necessary coverage of the Council's key systems and processes.

11. Cumulative Assurance

- 11.1. The Committee received the draft Annual Governance Statement (AGS) in July 2023, 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 2022/23 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 2022/23.

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, and covers headline achievements, key pressures and risks, and the status of a suite of Key Performance Indicators monitored by the Council. Midway through the year, the Committee started to receive information on strategic risks, with information of impact, mitigation and associated risks provided.

- 12.2. Over the year the Committee received four quarterly reports which were reviewed at the relevant meeting and the Committee had the opportunity to ask questions to relevant senior officers. On occasion the Committee requested further details on areas of under-performance, risk or where more information was required, and responses were provided. As per its Terms of Reference, the Committee can refer matters to Policy and Scrutiny for further investigation and the Committee did so on two occasions. The first referred to the Local Government and Social Care Ombudsman and referring the Council's results to Policy and Scrutiny for further investigation, and the Committee also stated that the relevant Policy and Scrutiny Committee should consider the issue of customer services failing to meet Key Performance Indicators.
- 12.3. The 2023/24 financial year reporting concludes with a yearend report due in July 2024 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 the Committee 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 higher Cost-of-Living driven by high inflation over the past 12 months and higher interest rates, the effects of which still impact residents.
- 13.3. Over 2022/23 Internal Audit commenced a review of the Council's risk management arrangements. The findings and recommendations in this report have been assessed and improvement actions implemented where necessary during 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 October 2023 (half-year status report) and July 2024 (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 2022/23 which included a progress report from Grant Thornton (the Council's External Auditor) in July 2023 and Grant Thornton's final opinion and Audit Findings Report submitted to the Committee on 28 November 2023.
- 15.3. Although Westminster have up to date audited accounts there is an issue in the wider sector with a significant backlog in the publication of audited accounts in local government. To clear the backlog DLUHC launched a consultation in February 2024 to set a series of statutory backstop dates, by which point authorities have to publish their audited financial statements.
- 15.4. Despite these issues the Committee was pleased to note that lessons have been learnt for the future accounts and that the teams at Grant Thornton and the Council work well together.
- 15.5. 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.
- 15.6. 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 2024, the Committee understood that, in the calendar year 2023, the Monitoring Officer considered three complaints put forward against Councillors alleging a breach of the Members' Code of Conduct. In drafting this report, a review was undertaken on that number and the committee is asked to note that the correct figure for 2023 was one councillor complaint and not three. The Monitoring Officer, or her deputies, considered the complaint and the evidence provided. The complaint was not referred to the Standards Committee for a hearing.
- 16.2. Furthermore, the Committee was informed that ethical standards are included in the Members' Development Training Programme. In May 2023, further Code of Conduct training was held along with updated training on the Member/Officer Protocol.

17. Conclusion

- 17.1. Over the 2023/24 municipal year, the Audit and Performance Committee has consistently provided thorough and insightful examination of the Council's governance systems and financial reporting mechanisms.
- 17.2. The Committee will maintain its role of evaluating and scrutinising risk management at both the corporate and departmental levels, ensuring the adoption of clear best practices across the Council. Additionally, the Committee will uphold the highest standards of internal control and hold accountable those responsible for any identified shortcomings in these standards.

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 2023/24

Appendix 2 – Review of Effectiveness

BACKGROUND PAPERS

None other than previously published Committee documents.

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

Appendix 1 – Audit and Performance themes of discussion in 2023/24

External Audit

- Audited Accounts and Final Statement of Accounts
- External Audit Certification of Claims and Returns Annual Audit of the 2021/22 Housing Benefit Claim
- Review of Draft Statement of Accounts 2022/23
- External Audit Plans

Internal Audit, Risk and Fraud

- Annual Report on Internal Audit and Internal Control 2022/2023
- Internal Audit Plan 2024-25
- Internal Audit Progress Reports
- Counter Fraud End of Year Report 2022/2023
- Mid-Year Counter Fraud Report

Finance, Revenue and Capital

- Quarterly Finance Monitors
- Treasury Management Strategy Outturn 2022/23
- Treasury Management Strategy Mid-Year Review

Performance Management

- Quarterly Performance Reports
- Contract and Supplier Performance Report
- General Procurement Update
- Corporate Complaints Annual Report

Ethical Standards

- Ethical Standards Report

Audit and Performance Committee's Effectiveness

- Annual Report of the Audit and Performance Committee