



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 23rd April, 2018**, Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Ian Rowley (Chairman), Lindsey Hall, Judith Warner and David Boothroyd

Also Present: Steve Mair (City Treasurer), Dave Hodgkinson (Assistant City Treasurer), Jake Bacchus (Head of Corporate Finance), Phil Triggs (Tri-borough Director of Treasury and Pensions), Paul Dossett (Partner, Grant Thornton), Paul Jacklin (Senior Manager, Grant Thornton), Laurelin Griffiths (Manager, Grant Thornton), Cathy Mullins (Head of Evaluation and Performance), Mo Rahman (Evaluation and Performance Analyst), Mike Boyle (Bi-Borough Director of Integrated Commissioning, Adult Services), David Hughes (Director of Audit, Risk, Fraud and Insurance), Moira Mackie (Senior Audit Manager) and Reuben Segal (Committee and Governance Services)

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations made.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting on 1 February 2018 be signed by the Chairman as a correct record of proceedings.

4 DRAFT ANNUAL STATEMENT OF ACCOUNTS AND OUTTURN 2017 - 18

4.1 The Committee considered the draft Annual Statement of Accounts for the 2017/18 financial year in accordance with the requirements of the Accounts and Audit Regulations 2015.

4.2 Steve Mair, City Treasurer, provided the Committee with a detailed commentary of the key sections of the financial statements. The Committee noted the information and asked a number of questions on the contents. Members reiterated its previous concerns regarding the underspend in the

Council's capital programme against budget as well as the capital variances in the HRA against budget. The City Treasurer advised that these issues were being addressed through new processes for overseeing the capital programme. Members noted that £10m of the net variance in the operational designation in the capital programme related to the use of capital receipts to reduce the pension fund deficit. Members suggested that it would be helpful to classify this differently for clarity. The City Treasurer undertook to look at how this information could be displayed in future years.

- 4.3 The City Treasurer informed members that the statutory public inspection period for the accounts will take place between 2 May and 14th of June 2018. The accounts will be presented for formal sign off at a meeting of the committee on or shortly after 15 June 2018.
- 4.4 The Committee noted that the accounts were closed immediately after the year-end and the draft financial statements were sent to the auditors in advance of their audit visit on 3 April 2018. The Council welcomed the news that it has maintained its position as not only the first local authority in the UK to produce its accounts but also completing the closedown and audit process more promptly than any other major organisation, private, public or voluntary in the country.
- 4.5 The City Treasurer informed the committee that the setting of such a challenging timeframe not only sets the Council apart from all other organisations but also allows financial management resources to be quickly focussed on supporting services in concentrating on the future rather than the past. A significant service transformational benefit also accrues through the setting of aspirational closure timeframes as it enforces fundamental review of process and procedures, and drives best practice.
- 4.6 The draft Accounts included the Council's 2017/18 Annual Governance Statement (AGS). This statutory document provided an overview of the City Council's governance arrangements and reflected the issues identified by Internal Audit during 2017/18 as well as significant issues that have been identified for 2018/19 and the planned action to address them. The report also provided Members with an update on the progress made implementing recommendations following the identification of three key areas for improvement in last year's Annual Governance Report.
- 4.7 **RESOLVED:** That the 2017/18 Draft Annual Accounts be noted.
- 4.8 **ACTIONS:**
1. The committee would like a report to be submitted to a future meeting on the HRA capital programme underspend.

(Action for: Steve Mair, City Treasurer/Barbara Brownlee, Executive Director for Growth Planning and Housing)

5 DRAFT AUDIT FINDINGS REPORT 2017 - 18

- 5.1 The Committee received a report from the Council's external Auditors, Grant Thornton, on the key findings arising from their audit of the Council's financial statements (Council and Pension Fund) for the year ending 31 March 2018.
- 5.2 Laurelin Griffiths, Manager, Grant Thornton, introduced the audit findings report in relation to the Council's accounts. She stated that Grant Thornton anticipated issuing an unqualified audit opinion subject to outstanding queries being resolved. It also anticipated issuing an unqualified value for money conclusion. Subject to the completion of further testing it had not identified any issues in relation to the significant audit risks.
- 5.3 In relation to the Council's financial statements, the audit had identified four recommendations relating to the valuation of investment properties and balance-sheet codes which contained balances that had not moved for number of years (medium risk) and over- accruals and misclassification of a number of investment properties (low risk). Action plans for addressing these recommendations had been developed.
- 5.4 Ms Griffiths further stated that the audit had identified three material adjustments in relation to Council's accounts.
- 5.5 It was noted that the Council had implemented the recommendations of the ISA260 report 2016/17 although the auditors considered that in relation to the Council's financial statements there are still some issues in relation to accruals and the Council's year end procedures. This was being addressed.
- 5.6 Paul Jacklin, Senior Manager, Grant Thornton introduced the audit findings report for the City of Westminster Council Pension Fund. Grant Thornton anticipated issuing an unqualified audit opinion subject to outstanding queries being resolved. It also anticipated issuing an unqualified value for money conclusion. Subject to the completion of further testing it had not identified any issues in relation to the significant audit risks.
- 5.7 Grant Thornton had raised governance issues at the London Collective Investment Vehicle (CIV) as a significant matter for discussion with management. Grant Thornton were satisfied that the London CIV does not make investment decisions on behalf of the Pension Fund, that the valuation of the investments within the London CIV are fairly stated and that control reports produced by the relevant fund managers demonstrate appropriate processes and controls that would prevent and detect any material misstatement in the investment balances.
- 5.8 Mr Jacklin advised that there were no recommendations relating to the Pension Fund and actions to address prior year recommendations had been implemented. The Audit had identified one material adjustment to the accounts.

5.9 Members suggested in relation to the London CIV that the report includes a breakdown and commentary of the economic exposure of the different instrument vehicles to provide an accurate picture of risk.

5.10 **RESOLVED:** That the audit findings report from Grant Thornton in respect of the Council's 2017/18 financial statements and the City of Westminster Pension Fund be noted.

6 QUARTER 3 PERFORMANCE BUSINESS PLAN MONITORING REPORT

6.1 Cathy Mullins, Head of Evaluation & Performance, introduced the contents of the Quarter 3 performance report which presented detailed results of the period April to December 2017 against the 2017/18 Business Plans. The report provided explanations and commentary in respect of outstanding and poor performance including details of remedial action being taken where appropriate.

6.2 The report also consisted of the top achievements and challenges at the end of the quarter; an organisational health scorecard consisting of a diagnostic summary of some of the key measures of organisational efficiency and effectiveness; principal risks and uncertainties to the Council and a featured insight on the key findings from the WCC City Survey 2017.

6.3 Members asked about the methods the Council uses to obtain in depth opinions from residents on its services. Cathy Mullins explained that the Council does not just rely on the City Survey. Information is gathered through a suite of city intelligence reports from different sources. She further explained that an engagement software tool will be adopted that ensures that the information is regularly updated and remains relevant.

6.4 The Committee noted that the key performance indicators marked for attention in the quarter predominantly related to services within Adult Social Care and Children Services where the Council has statutory responsibilities for vulnerable people. The committee has previously flagged up missed targets as a concern and has questioned senior officers on some of these at its recent meeting. The committee intends to review the End of Year Performance for these and other service areas at its meeting on 16 July.

6.5 ACTIONS:

1. Third Quarter Performance Challenges and risks - the committee would like to be provided with further information about the risks and issues in relation to the reduction in funding for 2018/19 to the annual TfL grant for the development and maintenance of the Westminster Highway Network.
2. Key Performance Indicators for Attention - City Management and Communities - Public Protection and Licensing:

The committee would like more detailed service commentary on the challenges around the removal of Category 1 hazards from residential

dwellings which pose a serious and immediate threat to people's health or safety.

3. City Survey - Provide the committee with a note on the City Survey's objectives, what it does and does not cover and how it is compiled including the methodology and sample base;
4. Managed Services - The committee would like a summary of the services to be provided by the Hampshire Partnership and any additional arrangements that the City Council is putting in place for services not included, an update on the transition arrangements from BT Managed Services and details about the implementation including training to be provided to staff.
5. Adult Services and Public Health - Members would like further information about the implications of the Clinical Commissioning Group partners' decision to give notice on continuity of funding for older people's hub services.
6. Responsible Procurement Briefing - Provide the committee with a note on the monitoring arrangements to ensure that the added value set out in contracts is being delivered.

(Action for: Cathy Mullins, Head of Evaluation and Performance/Mo Rahman, Evaluation and Performance Analyst)

7 UPDATE ON HOME CARE SERVICES WITHIN THE CITY OF WESTMINSTER

- 7.1 Following concerns raised at the last committee meeting regarding an internal audit of Tri-Borough Homecare members received a report that outlined the current commissioning approach to the provision of home care services within the City of Westminster. Whilst the service had received a satisfactory assurance review the audit had identified a number of areas for improvement which the committee wished to raise with senior officers of the directorate.
- 7.2 Home care is a key service to enable people who need care and support to remain living as independently as possible in their own homes. In Westminster around 1000 people per week are receiving this service. Approximately 60% of the service is delivered through 5 main 'block' contracts. Residents have the right to choose who provides their care and the remaining 40% of the service is delivered through a number of spot contracts.
- 7.3 The report explained the role of the Care Quality Commission (CQC), the national regulator for these services, and provides the Committee with information on CQC's rating of the performance of local home care providers. The report also provided information on any Safeguarding alerts or complaints that have been received on local home care providers.

- 7.4 Mr Boyle, Bi-Borough Director of Integrated Commissioning, Adult Services, reported that further to the information set out in the report the CQC had not been able to re-inspect Vincentian Care Plus in mid-April as intended. However, they had undertaken an inspection of spot home care provider Bluebird Care which it had rated outstanding. Mr Boyle provided some context around the CQC ratings. He explained that only 2% of all health and social care services in England have received an outstanding rating with 60 to 70% receiving a good rating and the remaining requires improvement. The CQC had in 2016 raised the rating threshold making it hard to achieve the highest rating.
- 7.5 The Committee asked questions about a range of issues including how vulnerable residents choose who they may receive care from, who does the initial assessment and whether all carers have received a DBS check.
- 7.6 Mr Boyle explained that the initial inspection as to whether a resident is in need of adult social care is undertaken by a social worker. Half of all referrals are for people who have been discharged from hospital. There is a greater emphasis now on supporting people to live independently in their own homes whereas in the past residents would have remained in hospital. Members reported that some residents had raised concerns regarding the depth and quality of initial assessments. Mr Boyle undertook to raise this with the relevant team. He explained that if a resident lacks the capacity to make an informed choice about their care someone appointed can assist them to pick an appropriate provider.
- 7.7 With regards to DBS checks, Mr Boyle explained that about 18 months ago there had been significant delays by the external authority responsible for providing DBS clearance. Some potential carers had to wait up to 8 months to receive a certificate resulted in people not being able to take up positions leading to staffing issues. To mitigate this providers paired staff awaiting clearance with those who had already been cleared to undertake double handed visits, where such need identified in care packages was increasing, so that anyone who had yet to receive a DBS clearance did not have unsupervised access to clients.
- 7.8 The Committee then turned its attention to the performance of the currently commissioned providers. Mr Boyle was asked about the safeguarding alerts. He explained that this meant that somebody had potentially been placed at risk because, for instance, they had not received their medication at the appropriate time.
- 7.9 Mr Boyle explained that nationally, and across London, the home care market is fragile. Directors across London recently commissioned an external review of the market and the conclusions were that margins are very tight, recruitment and workforce development is challenging, and there is little or no scope for achieving savings by reducing the hourly rate paid to home care providers.

- 7.10 Given the negligible profit margins of providers the committee considered that there should not be any attempt by the Council to reduce costs for this service as there are no realistic opportunities to realise financial savings while the impact on provider viability could lead to potentially significant risks to vulnerable people and consequently reputational damage to the authority. Members commented that provider viability needs to be considered as part of the future commissioning process. They also commented on the challenges of recruiting staff and suggested that greater emphasis should be placed on trying to recruit more directly from local colleges. Mr Boyle agreed that greater emphasis should be placed on establishing Home Care as an entry-level vocation into other types of health and social care roles. He advised that directors across London do not see any scope for saving on the hourly rate paid to carers. The London Living Wage has recently increased and the City Council will look at how it can fund the uplift for block providers whose carers are paid at this standard.

8 INTERNAL AUDIT MONITORING 2017 - 18 PROGRESS REPORT (JANUARY TO MARCH 2018)

- 8.1 The Committee received a report that set out the work carried out by the Council's Internal Audit Service in the reporting period (January to March 2018).
- 8.2 The committee noted the Internal Auditor's opinion that, in the areas audited, internal control systems were generally effective with 12 positive assurance reviews (substantial or satisfactory) being issued in the period, although three limited assurance reports had been issued as follows: Corporate Services (HR) - Shared Services, Corporate Services (HR) - Payroll Absence Management and Corporate Services Supplier Resilience.
- 8.3 Three follow up reviews were completed in the period. The implementation of recommendations had been effective with the majority (87%) of recommendations fully implemented at the time of review.
- 8.4 In reviewing the list of audits completed in the year to date the committee noted that a number of services that had received a limited assurance related to contracts within Adult Social Care. Moira Mackie, Senior Audit Manager, advised that the Internal Audit Service had discussed with Procurement Services how improvements in contract management can be achieved. She explained that Procurement Services had developed a Contract Management Framework to ensure that large contracts were being managed effectively.
- 8.5 **ACTION:** The committee is due to consider an annual review of contracts management at its meeting on 16 July where it would like further information on how Procurement Services is working to ensure that large contracts are more effectively performance managed by the authority. (**Action for: Anthony Oliver, Chief Procurement Officer**)

9 WORK PROGRAMME AND ACTION TRACKER

9.1 **RESOLVED:** That the responses to actions from the last meeting be noted.

The Meeting ended at 8.27 pm

CHAIRMAN: _____ **DATE** _____