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Objection update 2013/14

City of Westminster Council

30 June 2014



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in connection with this
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If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the appointed engagement lead to the Authority. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their contact number is 0303 444 8330.

This document summarises the objections decided in 2013/14 and the progress made with the remaining two objections.

Scope of this report

This report summarises the objections completed during 2013/14. At the start of the year we had seven objections outstanding relating to the Authority's accounts from 2008/09 to 2011/12. We received a further objection during the course of the year. We have decided six of the eight objections. Work is on-going on the two remaining objections.

Completed objections

A summary of the completed objections is shown over page. In all cases the auditor has decided not to issue a Public Interest Report or apply to the Courts for a declaration that an item of account is contrary to law. However some weaknesses were identified from our work on the objections and these are reported to bring them to Members' attention.

Action taken to address the weaknesses identified

We are aware that the Council has taken action to improve its procurement function. This includes a number of new appointments to strengthen the team and the implementation of the 'Procurement and Commercial Foundations Programme. Additionally in January 2014 a new Tri-borough procurement solution called capitalEsourcing was launched which should improve contract management, the management of the procurement pipeline and help ensure a consistent improved approach to procurement.

Impact on the VFM conclusion

When completing our work on the VFM conclusion, we are required to consider matters coming to our attention having regard to our Code responsibilities. In isolation the weaknesses identified by our work on the objections are not significant enough as to impact on our value for money conclusion and many are historic. However, taken together they demonstrate weaknesses in the Authority's arrangements for managing risks and maintaining a sound system of internal control in

respect of procurement. This was noted in our VFM conclusion in 2012/13 through inclusion of a Report by Exception. Whilst we note that the Authority has made improvements in this area, there is still further work required to embed the improvements across all areas of procurement activity. Consequently our audit report in 2013/14 will continue to include a Report by Exception highlighting these weaknesses.

On-going objections

There are two on-going objections relating to the pay by phone contract and the debt recovery contract. The auditor has provided his provisional views on the pay by phone contract but the objector provided additional information in May 2014 which is currently being analysed.

On the debt recovery contract, we have been seeking to understand fully the focus of the objection. The objector provided further documents on 28 April 2014 clarifying his objection and providing a number of supporting documents, which are currently being analysed.

Previous year recommendations relating to objections

Previous ISA 260 reports have included a recommendation that the Authority review its arrangements for responding to auditor challenge enquiries. Last year we noted that whilst the arrangements had been reviewed, delays in providing full responses to audit queries continued. We have seen some improvement in the quality and timeliness of responses to auditor challenge enquiries. It is important that this continues as timely and thorough responses are essential to enable us to decide the objections within reasonable timescales and in a cost effective manner.

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

Brief description of the objection	Decision	Findings / Weaknesses identified
<p>Liberata contract – no notice of award published in the OJEU in breach of EU law. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.</p>	<p>Objection decided 9 December 2013.</p> <p>Auditor did not issue a public interest report.</p>	<p>Our work in this area confirmed a breach of Regulation 32 of the Public Contract Regulations 2006.</p>
<p>Extension of Sharpe Pritchard contract – contract extended beyond that allowed for within the provisions of the contract. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.</p>	<p>Objection decided 16 January 2014.</p> <p>Auditor did not issue a public interest report.</p>	<p>Our work in this area highlighted that the transparency of reporting to Members could be clearer. The Cabinet Member Report dated 30 June 2011 is titled, 'Variation and extension of contract with Sharpe Pritchard for the provision of contract formation'. However this was essentially a new contract with Sharpe Pritchard. The Council was also unable to locate the Deed extending the contract.</p>

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

Brief description of the objection	Decision	Findings / Weaknesses identified
<p>Approval of budget virements – objector has asked for a PIR on the basis that budget movements (virements) in 2010/11 were not approved by a Cabinet member and that officers breached the Council’s governance procedures in not seeking political approval. Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2010/11.</p>	<p>Objection decided 21 January 2014.</p> <p>Auditor did not issue a public interest report.</p>	<p>Auditor decided that the matter raised with him was not of such significance to warrant a public interest report and that there was no value in investigating the matter further, considering that the costs of such investigations falls upon the Council’s tax payers.</p>
<p>Objection relating to the expenditure in relation to the licensing of sex shops. Objection was accepted in January 2014 and relates to 2010/11, 2011/12 and 2012/13.</p>	<p>Objection decided 21 January 2014.</p> <p>Auditor did not issue a public interest report or make an application to the courts.</p>	<p>The Auditor decided that it was not appropriate for him to carry out any further work in this area. The factors considered in reaching this decision included whether there was a wider public interest in the issues raised, the costs of dealing with the matter, and that there has been detailed consideration of this Council function by the Courts and that broad guidelines had been set down for the future.</p> <p>The Auditor concluded that KPMG’s further involvement was not warranted in terms of the public interest arising from these matters, particularly given the costs involved in pursuing this.</p>

Summary of completed objections 2013/14

This schedule provides a summary of the objections decided in 2013/14 and the weaknesses identified.

Brief description of the objection	Decision	Findings / Weaknesses identified
<p>Hays contract – no legal deed of extension exists.</p> <p>Objection was accepted by previous auditor (Audit Commission) on 22 October 2012 and relates to 2011/12.</p>	<p>Objection decided 14 February 2014.</p> <p>Auditor did not issue a public interest report or make an application to the courts.</p>	<p>Our work in this area found that there were excessive delays in formalising the contract documentation and that the contract had been extended beyond that allowed for in the original contract.</p>
<p>Parking enforcement contract – approval of expenditure and invoicing for items not in the contract.</p> <p>Objection accepted by previous auditor (Audit Commission) on 20 June 2012. Objection relates to 2010/11.</p>	<p>Objection decided 19 February 2014.</p> <p>Auditor did not issue a public interest report or make an application to the courts.</p>	<p>Our work on this objection identified weaknesses with the decision making process and the transparency of reporting to Members. The Council confirmed that under its internal procedures, officers had discretion to agree an interim variation to the contract but did not do so. Moreover it is not clear why the eventual reports to Members did not clarify that the additional resources had already been deployed. Additionally it would have been better if there had been a formal report to Gate, or a peer review meeting, with a resulting recommendation to the Strategic Director before the Strategic Director decision to extend the ramp down.</p>



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