

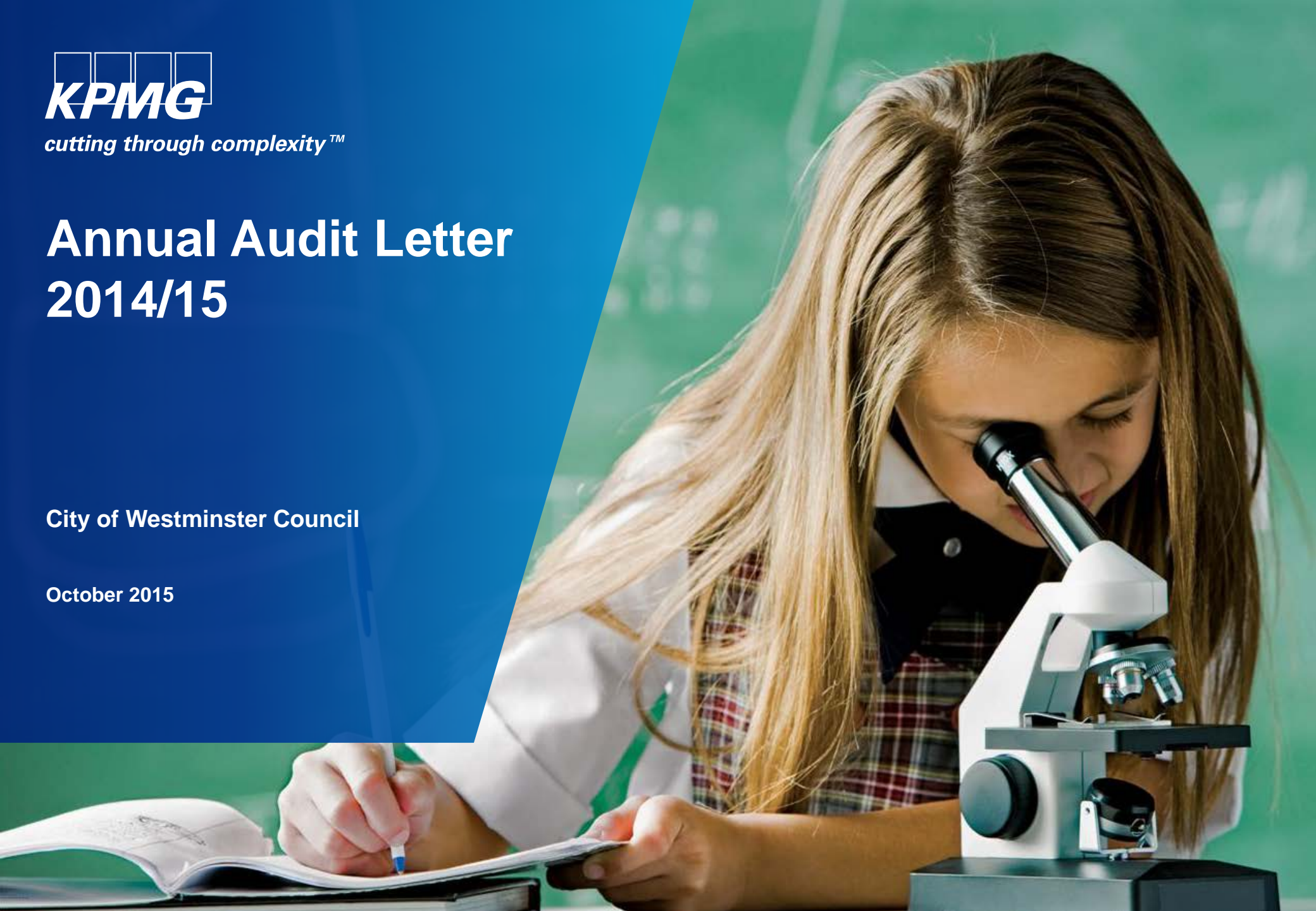


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Annual Audit Letter 2014/15

City of Westminster Council

October 2015



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. 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 engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of City of Westminster Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 18 May 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p> <p>Our audit report included a Report by Exception highlighting weaknesses in particular for contract letting, contract variations and formalising contract documentation. These weaknesses were identified from our work considering the objections to the Authority's accounts for the 2008/09 to 2011/12 financial years. While we note the Authority has made further improvements in this area in year there is still further work required to embed the improvements across all areas of procurement activity.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 18 May 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.</p>
Financial statements audit	<p>The Authority worked to an accelerated closedown timetable this year with the aim of having an audited set of accounts by 21 May 2015. We agreed with officers that a draft set of financial statements would be made available for audit on 16 April 2015 along with supporting working papers and that the draft financial statements would be made available for public inspection at the same time. Draft financial statements were provided to audit on this date with working papers being provided over the following week.</p> <p>The Authority invested and planned carefully for the accelerated year end timetable and overall the process has improved significantly compared to the prior year. The improved levels and robustness of the quality assurance process in operation is evidenced from fewer errors in the accounts identified during the audit compared to the prior year.</p> <p>We identified 7 audit adjustments other than those which were trivial. The Authority amended for all of these matters.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>
Pension fund audit	<p>There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>

We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

High priority recommendations	<p>We raised one high priority recommendation as a result of our 2014/15 audit work. This is detailed in Appendix 1 together with the action plan agreed by management.</p> <p>This recommendation relates to the need for further work to be conducted to embed arrangements to address procurement weaknesses identified through our work in response to a number of objections raised by a local elector in previous years.</p>
Certificate	<p>We are currently considering an objection to a prior year's financial statements. This means that we are not yet able to issue our certificate.</p>
Audit fee	<p>Our fee for 2014/15 was £278,126, excluding VAT. This includes the fee for the audit of the Pension Fund. Further detail is contained in Appendix 3.</p>

Appendix 1: Key issues and recommendations

This appendix summarises the high priority recommendations that we identified during our 2014/15 audit, along with the Authority's response.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

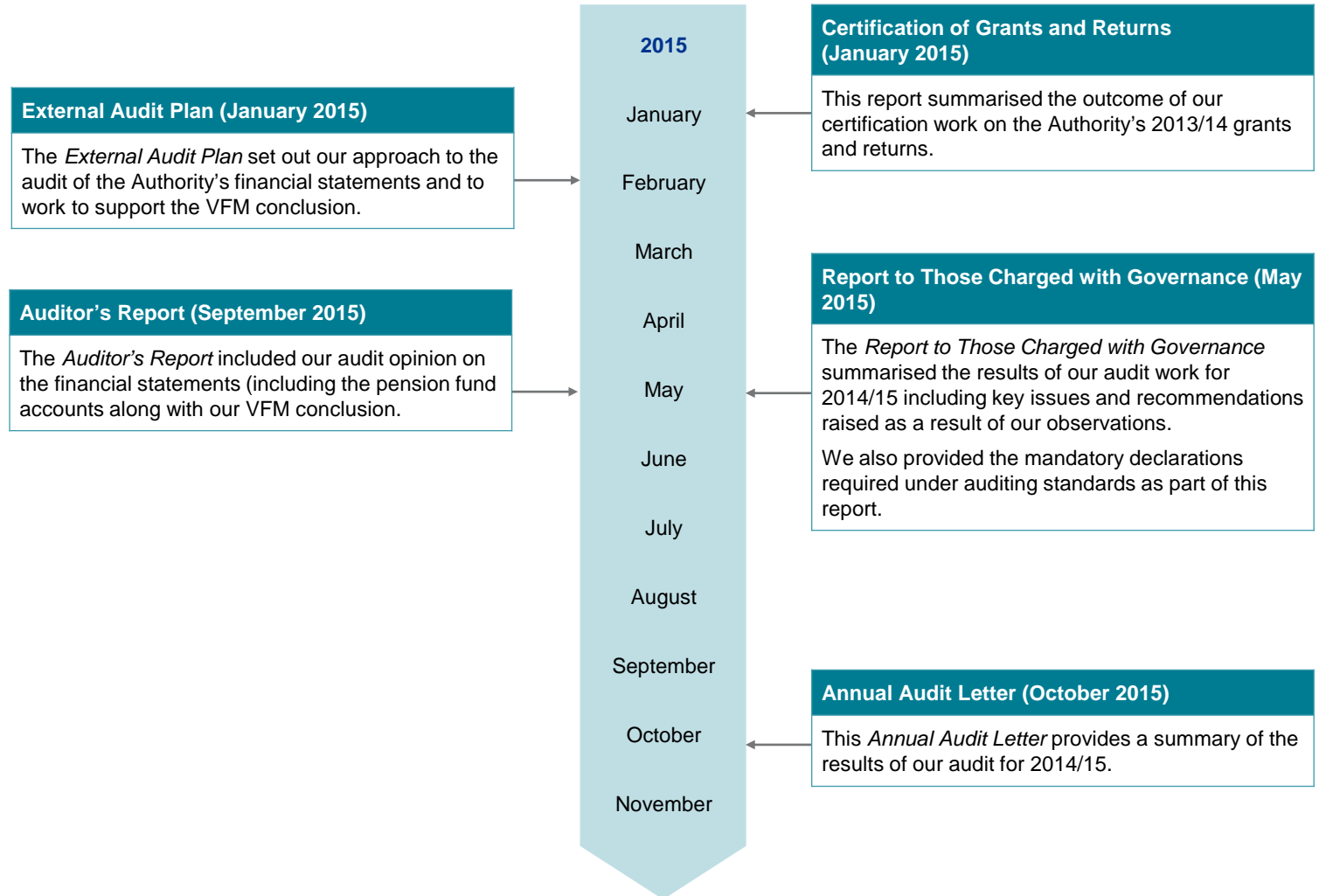
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Procurement</p> <p>We have again included a report by exception with our VFM conclusion with regard to weaknesses identified in respect of procurement. Weaknesses were identified in previous years through our work in response to a number of objections raised by a local elector. Whilst the Authority has taken action to address the weaknesses identified, testing carried out in 2014/15 suggests that the improvements are not embedded across all areas of the Council and some instances of non compliance with the Procurement Code are still being identified. Weaknesses identified in 2014/15 include contracts being extended without provision in the contract to do so and the contracts register not being up to date and/or including incorrect items.</p> <p>The Authority should consider the results of in year testing and take remedial action to ensure that there is timely procurement in advance of contract expiry and more accurate data recording in future years.</p>	<p>Accepted</p> <p>The Council is proactively tackling this issue including arranging for internal audit to undertake further compliance reviews on the procurement process during the 2015/16 financial year while the Procurement team will also be undertaking regular reviews of the contracts register so that anomalies/errors/omissions are identified at an early stage and resolved within the financial year.</p> <p>Chief Procurement Officer 31/03/2016</p>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted through high priority recommendations.

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £257,126. This compares to a planned fee of £247,625. The increased fee reflects technical and logistical matters that arose during the course of the audit.

Our final fee for the 2014/15 audit of the Pension Fund was in line with the planned fee of £21,000.

Certification of grants and returns

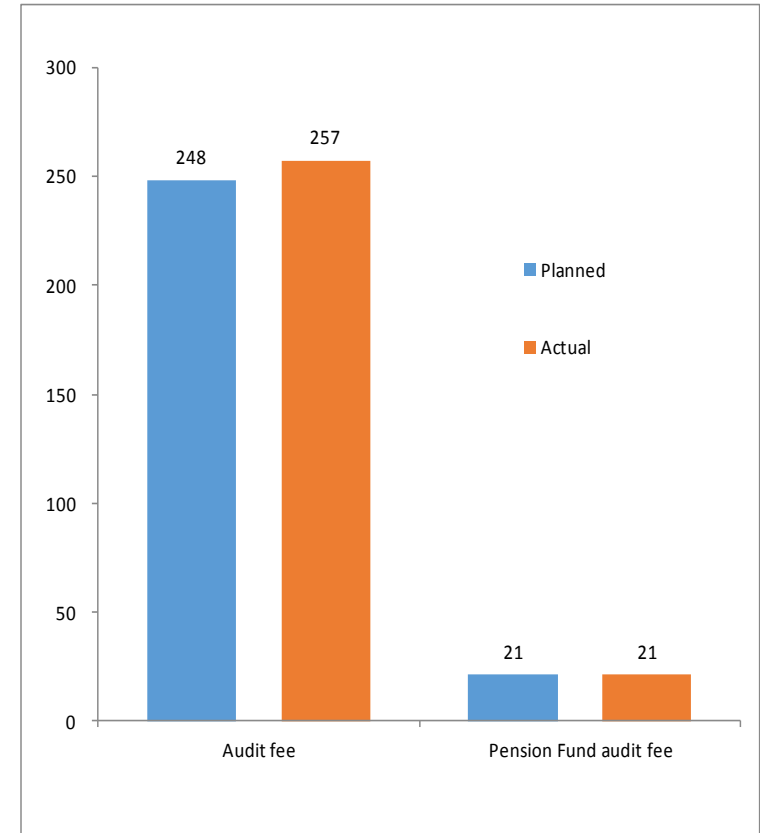
Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

Where additional costs are incurred as a result of work being required on ongoing objections these are billed at cost. The amounts billed in 2014/15 amounted to £19,990.

We did not charge any additional fees for other services.

External audit fees 2014/15 (£'000)





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