

# The Audit Findings for the City of Westminster Pension Fund

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**Year ended 31 March 2016**

May 2016

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12 May 2016

Dear Members of the Audit and Performance Committee

**Audit Findings for City of Westminster Pension Fund for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of City of Westminster Pension Fund, the Audit and Performance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management and presented to the May 2016 Pension Board.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

**Elizabeth Olive**  
Engagement Lead

**Chartered Accountants**

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	5
2. Audit findings	8
3. Fees, non-audit services and independence	21
4. Communication of audit matters	23
<b>Appendices</b>	
A Action plan	25
B Audit opinion	26

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Fees, non audit services and independence**

**04. Communication of audit matters**

## Purpose of this report

This report highlights the key issues affecting the results of the City of Westminster Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

The Act details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

The pension fund is covered by these provisions as a result of its relationship with the administering authority, Westminster City Council. However in practice the use of these powers in relation to a pension fund is rare and we have not identified any reporting issues in 2015/16.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 22 March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- reviewing the annual report
- finalising our testing on investments, journals, IAS19 disclosures (due end of May) and contributions
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation (to be dated as the audit opinion date – planned for 15 July) and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements for the Council and Pension Fund on 9 April 2016 which makes them the first draft set of 2015/16 Local Authority financial statements. Officers requested that the audit commence on 18 April to enable them to finalise the accompanying working papers.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

## Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes the Pension Fund Annual Report.

We understand that the annual report will be ready for audit in advance of the formal signing date in July 2016 so anticipate issuing the consistency statement at the same time as the audit opinion.

## Key audit and financial reporting issues

### Financial statements opinion

We anticipate providing an unqualified opinion on the Fund's financial statements. We have not identified any adjustments affecting the Fund's reported financial position. The draft financial statements for the year ended 31 March 2016 recorded net assets available for benefits during the year of £1,066m; the audited financial statements show the same figure.

The key messages arising from our audit of the Fund's financial statements are:

- We have worked with the Council to achieve an early audit sign-off. The Council submitted its accounts to us on 9 April 2016, nearly three months ahead of the required statutory deadline of 30 June 2016
- The quality of the working papers and documents supporting the balances within the financial statements were of a good standard
- We received a high level of co-operation and support during the course of our audit
- We have recommended one minor adjustment to improve the presentation of the financial statements which has been corrected in the final version of the financial statements

Further details are set out in section two of this report.

## Controls

### Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

The finance team has worked hard during the financial year to ensure that the information in the new General Ledger is as accurate as possible. They have implemented a number of controls to mitigate the risks arising during the year.

## Findings

We draw your attention in particular to control issues identified in relation to:

- Seven cross entity journals for Westminster Pension Fund have been posted during 2015/16 (these balance across the Council/Pension Fund ledgers)
- Fund manager income and expenditure and change in market value not being posted to the ledger but was correctly recorded in the accounts – management expenses totalling £2.5m and investment income totalling £8.5m, Change in market value £6m
- foreign domiciled pensioners have not been circularised to confirm that they are entitled to their pensions.

Further details are provided within section two of this report.

## Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## The way forward

Matters arising from the financial statements audit have been discussed with the City Treasurer and the finance team.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the City Treasurer and the finance team.

We propose to hold a debrief meeting with the finance team after the accounts are signed off to discuss how the lessons learnt from this audit.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. Without the dedication of the finance team we would not have met the tight deadline to deliver the audit.

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Fees, non audit services and independence

04. Communication of audit matters

## Audit Findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan presented to the Audit Committee. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £9,891k (being 0.9% of net assets). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial in the context of a reader of the whole statement of accounts and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £494k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have not identified any items where we decided that separate materiality levels were appropriate.



# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including this Council as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Although we rebutted the risk of revenue recognition for 2015/16, our audit work included tests designed to ensure that revenue was materially fairly stated. Our audit testing has not identified any material issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• review of entity controls</li> <li>• testing of journal entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of significant management over-ride of controls. However, our review of journal controls and testing of journal entries has identified a weakness in the system in that cross entity journals can be raised across the Council and Pension Fund.</p> <p>We have set out our findings in greater detail in the Internal Controls section (page 17).</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Managed services partnership</b></p> <p><i>Risk of incomplete transfer of data from the old system to the new system</i></p>	<ul style="list-style-type: none"> <li>We have gained an understanding of the Council's relationship with the managed service provider for the service issues currently being faced in delivering the expected contractual commitments for the council</li> <li>Review of the testing carried out by the finance team to date to gain assurance over the accuracy of transactions being made by BT</li> <li>We have reviewed the latest service provision arrangements to ensure that the Council has sufficient information to prepare the financial statements in line with the planned closedown and audit timetable of April and May 2016</li> <li>Discussions with Internal Audit to review the work completed and assurance level planned for the Head of Internal Audit opinion</li> <li>IT audit review of the general controls in operation in the financial ledger and overall IT control environment. IT assurance over the completeness of the ledger</li> <li>We carried out substantive testing of all items in the financial statements that are greater than tolerable error set for the Pension Fund accounts. The main focus was on the journal testing and contributions</li> </ul>	<p>The Council has proactively managed the system and service delivery issues throughout the 2015/16 financial year. Officers of the Council, including the pension fund finance team, have regularly visited the British Telecom (BT) offices to ensure that improved system controls are implemented and BT staff have the required knowledge about Local Authority accounting. Senior officers from BT have met regularly with Council management and have attended special meetings of the Audit &amp; Performance Committee (A&amp;PC) to update Those Charged With Governance on progress being made to improve service delivery for the year end.</p> <p>The Council identified that there were significant issues with the transactional processing in the system and undertook extensive appropriate sample checking to ensure corrective action was taken by BT. In addition, they took action to mitigate the key error areas by performing manual processes locally for monitoring the financial information during the year. The finance team reviewed 16 key financial transactional / processing areas during November, February and April to cover the full financial year. The level of errors in the transactional testing by year end had significantly reduced due to the enhanced control environment after the November testing had been fed back to BT. Due to the work of officers to give the s151 officer (City Treasurer) confidence in the data in the general ledger, the Council were able to deliver the draft accounts in line with their ambitious closedown timetable.</p> <p>Internal Audit carried out a review of the finance testing and concluded that a robust process had been followed. The Head of Internal Audit Opinion is "the Council's governance, risk management and internal control systems in the areas audited were adequate with the exception of those areas detailed as 'amber' and 'red' all of which have been reported to A&amp;PC".</p> <p>Management acknowledges in the Annual Governance Statement that there is the likelihood of error remaining in the general ledger and that further work is needed in 2016/17 to ensure service provision is at the required level.</p> <p>Our information technology (IT) colleagues have carried out assurance work over the completeness of the transactions in the ledger with BT and Council officers. We obtained assurance that the 2015/16 ledger was complete which enabled us to select samples for testing.</p> <p>Our audit work has not identified any significant issues in relation to the managed services risk. We have identified internal control weaknesses in relation to journal procedures and reported these in the Internal Control section of this report (page 17).</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Investment Income</b></p>	<p>Investment activity not valid. Investment income not accurate. (Accuracy)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.</li> <li>• Completed a predictive analytical review of investments income.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Investment purchases and sales</b></p>	<p>Investment activity not valid. Investment valuation not correct.</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.</li> </ul>	<p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment values – Level 2 investments</b>	Valuation is incorrect. (Valuation net)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.</li> <li>• Tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices.</li> <li>• We have reviewed the latest AAF 01/06 or ISAE 3402 audited reports on internal controls, published by the respective investment managers and Custodian.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Contributions</b>	Recorded contributions not correct (Occurrence)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>• Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.</li> </ul>	Our audit work to date has not identified any significant issues in relation to the risk identified.
<b>Benefits payable</b>	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Testing over completeness, accuracy and occurrence of benefit payments.</li> <li>• Tested a sample of individual pensions in payment by reference to member files.</li> <li>• Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified except that the fund has not circulated pensioners domiciled abroad to confirm that they are still eligible. We have concluded that there could not be a material misstatement as a result of the control weakness but have raised a recommendation in the Internal Control section of this report (page 17).

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Member Data</b></p>	<p>Member data not correct. (Rights and Obligations)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• Testing over the annual reconciliation and verifications with individual members.</li> <li>• Sample tested changes to member data made during the year to source documentation.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified except that the fund has not circulated pensioners domiciled abroad to confirm that they are still Members. We have concluded that there could not be a material misstatement as a result of the control weakness but have raised a recommendation in the Internal Control section of this report (page 17).</p>

## Significant matters discussed with management

	Significant matter	Commentary
1.	Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.	<p>We have discussed the implementation issues of the general ledger and the mitigating actions taken by management in our monthly liaison meetings with the finance team.</p> <p>We have set out our conclusions of the management response to the risks identified in the system during the financial year against the Managed Services significant risk on page 10.</p>

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	The Council's policy for Contribution and Investment income is set out in Note 3 a-c Fund Account – Revenue Recognition.	The revenue recognition policy appears to be consistent with the Code of Practice of Local Authority Accounting and the findings from our audit of the financial statements	● Green
<b>Judgements and estimates</b>	Key estimates and judgements disclosed in the notes to the accounts include: - pension fund liability	We reviewed the key estimates and judgements made by management within the material notes to the accounts. For the disclosures listed, we concluded they appear to be consistent in all material aspects with the guidance set out in the Code of Practice of Local Authority Accounting.	● Green
<b>Going concern</b>	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed officer's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green
<b>Other accounting policies</b>	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	The Fund's accounting policies are appropriate and consistent with previous years.	● Green

**Assessment**

● **Red** Marginal accounting policy which could potentially attract attention from regulators

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● **Amber** Accounting policy appropriate but scope for improved disclosure

● **Green** Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation will be requested for the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to fund managers, custodian and the bank. This permission was granted and the requests were sent and were returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We are currently waiting for the draft annual report to be prepared. We anticipate being able to review this before the audit opinion is due to be issued in July 2016 and will therefore be able to issue the consistency statement at the same time.</li> </ul>



# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for the three significant risks and other risk areas (Investments, Contributions, Benefits Payable, and Member Data) as set out on pages 9 to 13 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	● Amber	<ul style="list-style-type: none"> <li>Management Expenses of £2.5m and Investment Income £8.5m incurred/received by Fund Managers and change in market value of £6m has been correctly recorded in the financial statements but not recorded in the Agresso ledger.</li> </ul>	<ul style="list-style-type: none"> <li>All income and Expenditure incurred/received by Fund Managers should be recorded in the Agresso Ledger before the financial statements are prepared</li> </ul>
2.	● Amber	<ul style="list-style-type: none"> <li>Pensioners domiciled abroad have not been circularized for over two years to confirm that they are still eligible for their pensions.</li> </ul>	<ul style="list-style-type: none"> <li>All pensioners domiciled abroad should be circularized at least annually to confirm that they are still eligible for their pensions</li> </ul>
3.	● Amber	<ul style="list-style-type: none"> <li>The Agresso accounting system allows for journals to be posted so that the debits and credits are not equal within the Westminster Pension Fund ledger. Seven such journals totaling £15k were identified and corrected by the finance team. The journals balanced over the Council/Pension Fund general ledgers as the system allows for journals to be posted across the three councils / pension funds.</li> </ul>	<ul style="list-style-type: none"> <li>Journals should be prevented from being posted across the Council/Pension Fund Agresso Ledgers</li> </ul>

**Assessment**

- Red Significant deficiency – risk of significant misstatement
- Amber Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Adjusted misstatements

There are no adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Unadjusted misstatements

There are no adjustments identified during the audit which we request be processed, but which have not been made within the final set of financial statements.

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification Note 9 - Investment Income	29  2,000	Pooled investments-unit trusts and other managed funds  Pooled property investments	The descriptions and values were incorrectly disclosed in the note. This has been amended to correctly align the £ value with the investment type.
2 Misclassification Note 14a classification of Financial Instruments	732	Creditors	Reclassified from loans and receivables to financial liabilities at amortised
3 Disclosure Note 14c	12,275  (1,061)	Loans and Receivables  Financial Liabilities at amortised cost	Financial instruments carried at fair value note amended to include loans & receivables & financial liabilities at amortised
3			
4			
5			
6			

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## Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

**03. Fees, non audit services and independence**

04. Communication of audit matters

We confirm below our final fees charged for the audit and Confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit Plan £	Actual fees £
Pension fund scale fee	21,000	21,000

### Fees for other services

Service	Fees £
<b>Audit related services</b>	<b>Nil</b>
<b>Non-audit services</b>	<b>Nil</b>

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices



# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<ul style="list-style-type: none"> <li>All income and Expenditure incurred/received by Fund Managers should be recorded in the Agresso Ledger before the financial statements are prepared.</li> </ul>	Medium	Agreed – will be implemented from 1 April 2016.	1 April 2016 Tri-borough Director of Treasury and Pensions
2	<ul style="list-style-type: none"> <li>All pensioners domiciled abroad should be circularized at least annually to confirm that they are still eligible for their pensions.</li> </ul>	Low	We will review the policy for ensuring continuity eligibility for pensions during 2016-17. We are unlikely to opt for full circularisation as other options for identifying deceased members are available e.g. matching to death registers in the UK. Targeted circularization e.g. overseas residents will be considered.	2016/17 Tri-borough Director of Treasury and Pensions
3	<ul style="list-style-type: none"> <li>Journals should be prevented from being posted across the Council/Pension Fund Agresso Ledgers.</li> </ul>	High	The standard journal process has built in controls which prevent cross entity posting. The issues experienced in year were as a result of the requirement to use a separate process to bypass the system performance issues. This was only in place for 5 weeks and has since been removed. The Council monitored transactions throughout this process which resulted in these items being identified and amended appropriately.	Already in place – MSP/BT

# Appendix B: Audit opinion

**We anticipate we will provide the Fund with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTMINSTER CITY COUNCIL**

We have audited the pension fund financial statements of Westminster City Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the City Treasurer and auditor**

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the pension fund financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or

materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the pension fund financial statements**

In our opinion the pension fund financial statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the pension fund financial statements.

Elizabeth Olive  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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15 July 2016



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