Appendix 1

Grant Thornton

The Audit Findings for Westminster City Council

Year ended 31 March 2021

20 September 2021

Contents

Your key Grant Thornton team members are:

Joanne Brown
Key Audit Partner
T: 0141 223 0848
E: joanne.e.brown@uk.gt.com

Laurelin Griffiths
Senior Manager
T: 0121 232 5363
E: laurelin.h.griffiths@uk.gt.com

Ciara Donnelly
Audit Incharge
T: 020 7728 2889
E: ciara.eg.donnelly@uk.gt.com

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management prior to being presented to the Audit and Performance Committee.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Westminster City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 22. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement at the time of writing this report. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, the wording of which is included in Appendix E, or material changes to the financial statements, subject to the outstanding matters listed on page 6.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report in November 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work is underway and an update is set out in the value for money arrangements section of this report.

1. Headlines

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Auditor's Annual Report in November 2021, and our work on the Council's Whole of Government Accounts (WGA) return which will likely take place in December 2021.
Significant Matters	As disclosed in Note 3 to the Group Accounts, the Council has determined that the Luton Street Development LLP, which had been consolidated as a subsidiary of Westminster Housing Investments Limited (a subsidiary undertaking of the Council), should have been treated as a joint venture of Westminster Housing Investments Limited. The Council have included a Prior Period Adjustment in the group accounts to address this. In addition, as part of our audit procedures we challenged the fact that the Property, Plant and Equipment disclosure (Note 18c) included the write out of a number of assets with £nil net book value (NBV) but with gross book value (GBV) of £221m. Following our challenge, management have confirmed that these write offs were the result of a data cleansing exercise, and a number of these assets should have been written out of the financial statements in previous years. A Prior Period Adjustment has been made within Note 18c to better reflect the timings of these assets ceasing to be used by the Council. We did not encounter any significant difficulties or identify any other significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to being presented to the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks; and
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that there were material balances within other entities within the Council's group, on which audit procedures would need to be completed. These procedures were completed by the audit team alongside the audit of the Council.

We have had to alter our audit plan, as communicated to you in June 2021, to reflect significant risks in relation to elements of the Council's income and expenditure as a result of the impact of the Covid-19 pandemic. Further detail on these changes is set out on page 12.

2. Financial Statements

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Performance Committee meeting on 29 September 2021, as detailed in Appendix E. These outstanding items include:

- Completion of detailed testing of the source data use to prepare a sample of the council's investment property valuations;
- Completion of detailed testing of a sample of expenditure transactions after the end of the financial year to ensure that these were recorded in the correct year;
- Completion of our testing of the Council's pension liability, including receipt and consideration of assurances from the audit of the Pension Fund;
- Resolution of outstanding queries in a number of sample areas, including capital transfers, expenditure, grant income, schools payroll costs, and collection fund income and expenditure;
- Review of disclosure-only elements of the financial statements;
- Resolution of outstanding queries on the Group Accounts;
- Review of the updated financial statements to ensure that expected adjustments have been processed, and that they are internally consistent;
- Final quality checks and senior personnel reviews of the audit work performed;
- Receipt of management's signed representation letter; and
- Review of the final, approved set of financial statements.

We will provide the Committee with an update on these outstanding items at the meeting on 29 September

Acknowledgements

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

As highlighted in our audit plan presented to the Audit Committee in June 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, including remote access of financial systems, and verifying the completeness and accuracy of information produced and provided remotely by the entity.

The finance team have been extremely helpful in enabling us to gain the assurance that we require for our auditor's opinion on the financial statements.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in June 2021.

We detail in the table to the right our determination of materiality for Westminster City Council and the group.

	Group Amount	Council Amount
Materiality for the financial statements	£16,000k	£15,500k
Performance materiality	£10,400k	£10,075k
Trivial matters	£800k	£775k
Materiality for disclosures relating to remuneration of senior officers, due to their sensitive nature	£100k	£100k

2. Financial Statements - significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	**Risk relates to**	Commentary
Management override of controls **ISA (UK) 240**		
Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council (and Group)	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • Identified and tested unusual journals recorded during the year and after the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified any changes to the Council's accounting policies, or to the estimation processes for material estimates in the financial statements. Our detailed testing of individual journal transactions identified as being unusual through our risk-based analysis has not identified any instances of management override. In addition, at the time of writing this report, no instances of management override have been identified through the work performed on the Council's material estimates and judgements. Additional detail on the work performed on the most significant estimates and judgements is included on the following pages of this report.

2. Financial Statements - significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of the pension fund net liability The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	Council (and Group)	We have: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested assurances from the auditor of the City of Westminster Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. Our audit work is ongoing at the time of writing this report, but we have not identified any issues in respect of the valuation of the pension fund net liability. We have not yet received the requested assurances from the auditor of the City of Westminster Pension Fund.

2. Financial Statements - significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling, five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management will need to ensure that the carrying value in the Council's (and group's) financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.	Council (and Group)	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. Our audit work is ongoing at the time of writing this report. We have identified a number of potential issues in respect of the valuations that are currently immaterial, but these will need to be considered in aggregate once our work is complete. In particular, we have considered the indices that the valuer has used in performing the valuation of council dwellings and have noted that the actual indices for February and March 2021 were different to those assumed by the valuer in performing the valuation (extrapolated based on data from earlier in the year). Our own estimate of the value differed to the valuation by circa £22m, but after having challenged this we are satisfied that the difference is largely due to the valuer using more specific indices and is not an indication of error. The valuer has reperformed their calculation based on the most recent data available and has confirmed that, in their view, the potential difference in value would be a £5.4m reduction, which is immaterial to the financial statements. They are happy that their initial valuation remains appropriate, and we do not consider this to be unusual. It is worth noting that, although minor issues have been identified though our detailed testing of the supporting information for the data and assumptions that feed into a sample of the Council's valuations, these are significantly fewer in number and smaller in potential monetary impact than in the previous year's audit. Management have put significant effort into addressing our recommendations from the prior year, as detailed in Appendix B.

2. Financial Statements - significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of Investment Properties The Council revalues its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a valuer to estimate the current value as at 31 March 2021.	Council (and Group)	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; and • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. Our audit work is ongoing at the time of writing this report. We have identified a number of potential issues in respect of the valuations that are currently immaterial, but these will need to be considered in aggregate once our work is complete. At the time of writing this report, we have yet to receive supporting information for 5 of our 20 sample items.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Risks identified subsequent to our Plan	Risk relates to	Commentary
Presumed risk of fraud in revenue recognition **ISA (UK) 240**		
Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Council (and Group)	At the time of our audit planning, having considered the risk factors set out in ISA 240 and the nature of the revenue streams of Westminster City Council, we determined that it was likely that the presumed risk of material misstatement due to the improper recognition of revenue could be rebutted. The Covid-19 pandemic had a significant impact on the Council's financial performance, and although we remain satisfied that it is appropriate to rebut this presumed risk for all of the revenue streams of the Council during the year, we do not deem it appropriate to rebut this presumed risk for manually accrued income at the end of the financial year. We have therefore identified the occurrence and accuracy of accrued income transactions, and the existence and accuracy of the related debtor balances, as a significant risk. We have therefore extended our samples for the testing of year-end manual debtor balances to reflect the heightened risk in this area. Our audit work to date has not identified any issues in respect of the Council's revenue recognition.
Risk of fraud in to expenditure recognition **PAF Practice Note 10**		
In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.	Council (and Group)	Having considered the nature of the expenditure streams of Westminster City Council, we did not consider this to be a significant risk for the Council at the time of our planning, however on the same basis as that set out above for revenue, we have identified the completeness of accrued expenditure transactions, and the completeness of the related creditor balances, as a significant risk. We have therefore extended our samples of transactions and payments after the end of the financial year to reflect the heightened risk in this area. Our audit work to date has not identified any issues in respect of the Council's expenditure recognition.

2. Financial Statements – key findings arising from the group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Risks identified	Planned audit approach
Westminster City Council	Yes	Risks set out on pages 8 to 12 of this report	Full scope audit performed by Grant Thornton UK LLP
Westminster Community Homes Limited	No	We have not identified any significant risks of misstatement of the group financial statements, however the following balances are material to the group: • Land and buildings • Deferred grant	Specific procedures have been completed on these balances by Grant Thornton UK LLP.
Westminster Housing Investments Limited	No	At the time of our planning, we had not identified any significant risks of misstatement of the group financial statements, however we noted that the following balances were expected to be material to the group: • Inventories • Borrowings The Council have included a prior period adjustment in the financial statements, due to a correction to the assessed group boundary. This means that inventories are no longer material to the group accounts, and so no work has been performed on this balance.	Specific procedures have been completed on these balances by Grant Thornton UK LLP.
Other entities	No	None	Analytical review performed by Grant Thornton UK LLP.

Work performed	Commentary
Westminster Community Homes Limited	The land and building assets of Westminster Community Homes are valued by Sanderson Weatherall alongside the Council's dwellings, using the same approach. We have considered this alongside our work on council dwellings, with no concerns noted. We have confirmed that the deferred grant has been treated in line with the requirements of the Code of Practice.
Westminster Housing Investments Limited	Work is ongoing to agree the appropriateness of the treatment of the loan from the Council to Westminster Housing Investments Limited.
Other procedures	Our review and reperformance of the Council's consolidation calculations, is ongoing, with no significant issues noted at the time of writing this report. Analytical procedures at a group level have not identified any areas of concern.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment

Land and Building valuations (GF & HRA)
Draft: £690m
Final: £690m
	The Council has engaged Sanderson Weatherall to complete the valuation of these properties. Each year, approximately 20% of assets are subject to a full, formal valuation process on a five yearly cyclical basis. The other 80% are subject to a formal desktop valuation to ensure that the values are updated in line with market movements. There are therefore no properties that are not valued at the 31 March each year.
	Other land and buildings revalued in 2020/21 comprised £186m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in 2020/21 (£194m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end.
	The total year end valuation of Other land and buildings was £690m, a net increase of £14m from 2019/20 (£676m). Management and their valuer have taken into account available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings.
		We have:
		• Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used.
		• Confirmed that there have been no changes to the valuation method this year.
		• Considered the source of the inherent risk associated with the accounting estimate.
		• Analysed the method, data and assumptions used by management to derive the accounting estimate, and validated the sources of the information used by management. In particular, we have:
		  • reperformed a sample of valuation calculations; and
		  • tested the inputs into a sample of valuations to source documentation, with no issues noted.
		• Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular, our own expectation of the valuation of the assets subject to a desktop valuation was £7.2m lower than that provided by the valuer. After having challenged this, we are satisfied that the difference is not an indication of error.
		• Considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment.
		• Confirmed that disclosure of the estimate in the financial statements is considered adequate.
			We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwelling valuations **Draft: £1,562m** **Final: £1,562m**	The Council owns 12,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. In the draft financial statements, the year end valuation of Council dwellings was £1,562m, a net increase of £13m from 2019/20 (£1,549m). The Council's valuer completed a full, formal review and valuation of the dwellings portfolio at 1 April 2018, with a valuation at 31 March 2021 completed based on a desktop review and market indices. Management and their valuer have considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's dwellings.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate, noting some minor differences in, and omissions from, the valuation approach when compared to the prior year. This differences were immaterial to the financial statements. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular we have considered the indices that the valuer has used in performing the valuation and have noted that the actual indices for February and March 2021 were different to those assumed by the valuer in performing the valuation (extrapolated based on data from earlier in the year). Our own estimate of the value differed to the valuation by circa £22m, but after having challenged this we are satisfied that the difference is largely due to the valuer using more specific indices and is not an indication of error. The valuer has reperformed their calculation based on the most recent data available and have confirmed that, in their view, the potential difference in value would be a £5.4m reduction, which is immaterial to the financial statements. They are happy that their initial valuation remains appropriate, and we do not consider this to be unusual. • Confirmed that disclosure of the estimate in the financial statements is considered adequate.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations **Draft: £467m** **Final: £467m**	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. The year end valuation of the Council's investment property was £467m, a net decrease of £32m from 2019/20 (£499m). Management and their valuer have taken into account available market data at 31 March 2021.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Confirmed that there have been no changes to the valuation method this year. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate, and validated the sources of the information used by management. At the time of writing this report, this detailed testing is ongoing, but no issues have been identified to date. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular we have considered movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert, and focussed our detailed testing on those assets where the movement in valuation was outside of our expectations. • Confirmed that disclosure of the estimate in the financial statements is considered adequate.	**TBC** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net Pension Liability **Draft: £705m** **Final: £705m**	Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council's net pension liability at 31 March 2021 is £705m (PY £625m) comprising obligations under both the Westminster City Council Pension Fund Local Government pension scheme and the London Pensions Fund Authority scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.	• We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. • We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Westminster City Council Pension Fund valuation:	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% - 2.05%	●
Pension increase rate	2.80%	2.80% - 2.85%	●
Salary growth	3.80%	3.80% - 3.85%	●
Life expectancy Males currently aged 45 / 65	45: 22.9 65: 21.6	21.9 – 24.4 20.5 – 23.1	●
Life expectancy Females currently aged 45 / 65	45: 25.3 65: 24.1	24.8 – 26.4 23.3 – 25.0	●

- No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.
- There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.
- We have confirmed that the Council's share of the pension scheme assets is in line with expectations.

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	The government has provided a range of new financial support packages to the Council and all local authorities throughout the Covid-19 pandemic, including funding to support the cost of services, and amounts to be paid out to support local businesses. The Council has needed to consider the nature and terms of each of the various Covid-19 measures in order to determine the appropriate accounting treatment, including whether there was income or expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year. The main considerations made by management in forming their assessment were: • Where funding is to be transferred to third parties, whether the Council was acting as a principal or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet • Whether there were any conditions outstanding at year-end, and therefore whether the grant should be recognised as income or a receipt in advance • Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or taxation and non-specific grant income within the CIES	Our work on the Council's grant income is not complete at the time of drafting this report, but to date, no issues have been noted. In particular: • We are satisfied that management have effectively evaluated whether the Council is acting as the principal or agent for each relevant scheme, which has determined whether any income is recognised. • Schemes for which the Council has recognised income include the Business Rates Relief s31 Grant (£361m), Covid-19 Local Authority Support Grant (£20.0m), Covid-19 Income Loss Compensation (£28.0m), and other, smaller grants (£15.7m). We are satisfied from review that this treatment is consistent with the nature and terms of the relevant schemes. • We have evaluated the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this treatment was appropriate. • We have considered management's assessment, for grants received, of whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate. • Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

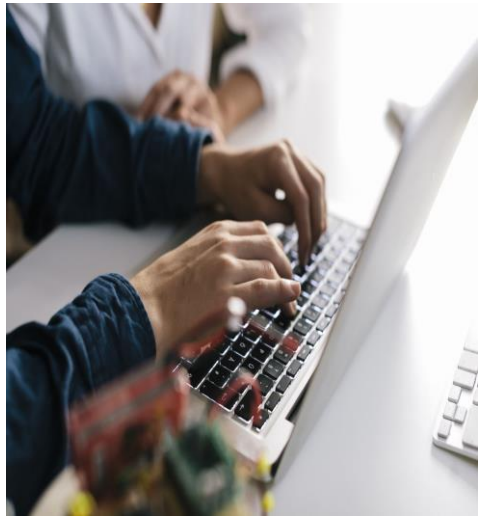
Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provision for business rates appeals **Draft: £102m** **Final: £102m**	The Council are responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. This provision has increased by £42m in 2020/21 due to a significant increase in the number of 'check and challenge' cases.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around unlodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities and previous years. • The disclosure of the estimate in the financial statements was found to be adequate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Minimum Revenue Provision **Draft: £18m** **Final: £18m**	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The MRP charge for 2020/21 was £18.2m, a net increase of £5.2m from 2019/20.	• We are satisfied that the Council's policy on MRP complies with the methodologies permitted in the statutory guidance. • We are satisfied that the MRP has been calculated in line with the Council's policy and statutory guidance. • The Council's policy on MRP was discussed with, and approved by, full council as part of the Treasury Strategy in March 2020. • We are satisfied that the level of increase in the MRP charge is reasonable in the context of the Council's Capital Financing Requirement and financing.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – 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
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the group, the wording of which is included in Appendix F.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank and investment counterparties. This permission was granted and the requests were sent. The majority of these requests were returned with positive confirmation. Where responses were not received we have undertaken alternative procedures to obtain the assurance that we require over these balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management were provided.

2. Financial Statements – other communication requirements

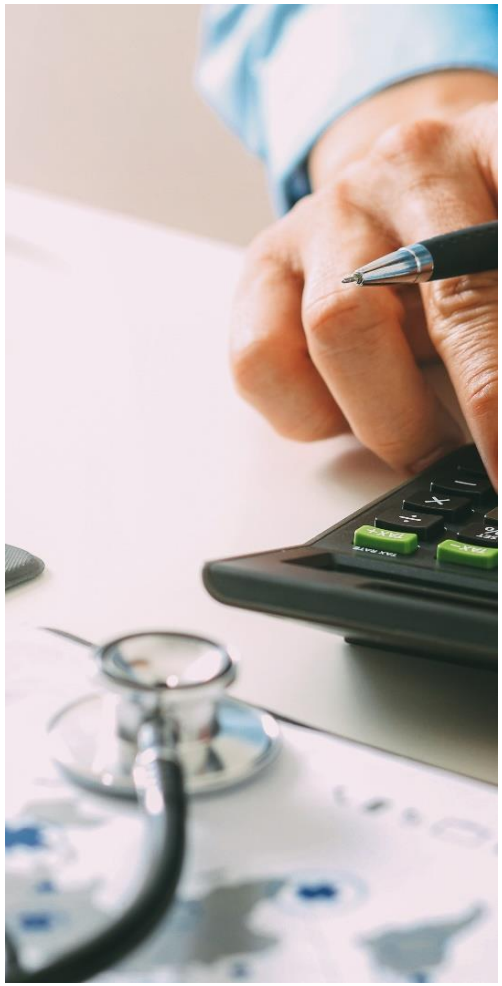
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements – other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect, as detailed in Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have nothing to report on these matters, although our work on the Council's arrangements to secure value for money is ongoing at the time of writing this report.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed and the timelines for this work have not yet been confirmed. We anticipate completing this work in early 2022.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Westminster City Council in the audit report, as detailed in Appendix E, due to the following work being incomplete: • work on the Council's arrangements to secure value for money; and • required procedures on the Council's WGA return.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money (VFM).

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness.
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by November 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we consider whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not yet identified any risks, and our work remains underway.

Nothing has arisen through our VFM work to date that would impact on our planned audit opinion.

4. 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged or commenced from the beginning of the financial year to September 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related services			
Certification of Housing capital receipts grant 2019/20	5,000	For all of these audit-related services, we consider that the following perceived threats may apply: • Self-Interest (because this is a recurring fee) • Self Review • Management	Our team have no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Teachers Pension Return 2019/20	7,700		
Certification of Housing Benefit Claim 2019/20	36,000		
Certification of Housing Benefit Claim 2020/21	35,000		
No non-audit related services			

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Performance Committee.

None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. 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.

Assessment	Issue and risk	Recommendations
Medium	**Provisions for doubtful debts / credit loss impairments** Our testing has identified that elements of the Council's provisions and allowances in respect of the Collection Fund have been calculated based on the same assumed percentage for a number of years. We are satisfied that this does not give rise to a material misstatement in the financial statements, but there is a risk that the provisions and allowances are not reflective of the risk faced by the Council.	We recommend that the Council review the calculation of these balances each year to ensure that they remain appropriate. **Management response** This provision estimate relates to court costs and not general bad debt or appeals provisions, which have been reviewed this year in light of Covid-19. The Council feels that its provision for court costs remains appropriate and prudent in 2020/21 and will review again in the new year.
Low	**External audit planning inquiries** We note that full and complete responses to our planning inquiries were not received until August 2021. Planning inquiries are an important part of our risk assessment process, and this delayed engagement impacted on our work. We have not experienced similar issues in previous years.	We recommend that management engage fully with our planning process in future years to enable audit efficiency. **Management response** Responses were collated from across the Council and follow on queries were discussed with Grant Thornton. Further management review was built in as it was the first time this information had been requested, time was taken to ensure responses were accurate and meaningful. Next year responses should not have changed significantly and this work will be completed in a timely manner.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Westminster City Council's financial statements in previous years, which resulted in a number of recommendations being reported in our 2019/20 Audit Findings Report. We have followed up on the implementation of our recommendations below.

Assessment
- ✓ Action completed
- X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Quality control (2019/20)** The draft financial statements provided for audit in 2019/20 contained a number of fundamental misstatements which a robust management review may have identified and corrected. This resulted in the audit process being more complex and time consuming than anticipated, due to the high number of issues arising during the course of our work. We recommended that management ensure sufficient time is built into the closedown processes to enable a robust management and quality review to be completed prior to the financial statements being submitted for audit. In previous years we have also recommended that management reconsider their close-down timetable, to allow for contingency and for further quality control checks to be performed.	The financial statements provided for audit for the 2020/21 year were of an improved quality, demonstrating a more thorough management review. This process was built into the Council's closedown timetable, and we will discuss timings for the next year's audit with Management to continue to allow for these processes.
✓	**Uncertainties regarding treatment of HRA dwelling additions (2019/20)** When responding to audit challenge in 2019/20, there was some confusion regarding whether 65 dwellings acquired in year had been disclosed as part of the HRA dwellings addition balance. Had this been an omission, it would have been material to the financial statements. During the course of the audit there were also multiple iterations of the calculation of the gains and losses on these assets. Where management cannot confirm that the financial statements are consistent with supporting records, there is a risk that there are other, related balances and transactions that are omitted. We recommended that management ensure that a reconciliation between the disclosure note, the general ledger and the Council's asset register and related records is in place going forward.	Management have employed a permanent resource in post and have performed reconciliations in year. We have not identified any issues regarding the treatment of HRA dwellings additions.
✓	**Issues in supporting property data (2019/20)** During detailed testing of inputs into the valuations of the Council's HRA assets, we noted inconsistencies between the data provided to the valuer and supporting documentation available, including details on property ownership shares and the letting status of properties. In addition, a significant proportion of the supporting documentation available was several years old, and the Council did not perform regular checks over the data held. Although we gained sufficient assurance that these issues did not lead to a material issue in the 2019/20 financial statements, there is a risk that incorrect data will lead to errors in valuations and so we recommended that the Council implement a process for ensuring that the data held by the Council and passed to the valuer for the basis of their property valuations remains accurate.	Management have provided supporting evidence for a sample of property ownership shares tested within our work on the HRA this year. We have not identified any significant issues as a result of this work.

B. Follow up of prior year recommendations

Assessment
✓ Action completed
X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ (TBC)	**Valuations of assets transferred between categories within Property, Plant and Equipment and Investment Property (2019/20)** Where assets are transferred between categories, these should be revalued at the date of transfer within the existing category, using the relevant valuation basis of the existing category. At the end of the year, all assets should be subject to appropriate valuation procedures based on their category at the balance sheet date. We have noted instances of assets being revalued on the wrong basis prior to transfer, and of assets not being subsequently valued at year end. An adjustment was made in 2019/20 relating to a material asset that was treated incorrectly in the draft accounts. We recommended that Management put appropriate checks in place to ensure that such transactions are correctly accounted for, and avoid similar errors arising in future years.	The Council reviewed all assets reclassified in-year, to ensure that any changes of use that might affect the valuation were identified. We have not identified any similar issues during our audit procedures this year, although this work is ongoing at the time of drafting this report.
✓	**Use of blended indices for valuations (2019/20)** For operational assets that were subject to desktop valuation in 2019/20 (approx. 80% of the portfolio), indexation was applied using a blend of indices for retail and office properties. The assets in question comprise a wide range of building types, including schools and other specialist assets, and therefore this approach may lead to inaccurate valuations of the assets in question. We satisfied ourselves that the potential impact of alternative indexation on the 2019/20 financial statements was not material, but recommended that management review **the** approach used for desktop valuations for future years, as a more tailored indexation may be more appropriate.	An updated approach to indexation has been taken for 2020/21, whereby the valuer has applied office and industrial indices to such assets, and residential indices to other assets such as care homes and nurseries. When applying our view of alternative indexation to the 2020/21 portfolio, we have gained sufficient and appropriate assurance over the appropriateness of this approach.
✓	**Valuations of disposed assets (2019/20)** We noted during our testing in 2019/20 that the Council calculated the gains and losses on disposals of assets within the HRA based on their valuations as at 1 April 2018 rather than the updated 31 March 2019 valuations. We satisfied ourselves that the impact of this on the 2019/20 financial statements was trivial, but this may not have been the case, and a much larger error would have been possible as a result of this issue and so we recommended that checks be introduced to ensure that the correct data is used for such calculations going forward.	The Council have completed a reconciliation of capital receipts and disposal costs during the year. We have not identified any similar issues during our audit procedures this year.

B. Follow up of prior year recommendations

Assessment
✓ Action completed
X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Useful economic lives of assets (2019/20)** From review of the Council's fixed asset register in 2019/20, we identified that there were 639 assets with a gross book value of £193m which had no remaining useful economic life at 31 March 2020. The net book value of these assets was £nil, so they have no impact on the primary statements, however this may be indicative that either: • there are assets in the fixed asset register that no longer belong to the Council; or • the useful economic lives assigned to these assets were not appropriate. In addition we noted that the Council wrote out a number of duplicate assets during the 2019/20 year. We recommended that the Council complete a full review of assets with no useful economic life remaining and take appropriate action based on their findings.	The Council have completed a review of these assets during 2020/21 and have now written a number of these assets out of the fixed asset register and the financial statements. Following our challenge, management have confirmed that a number of these assets should have been written out of the financial statements in previous years. A Prior Period Adjustment has been made within Note 18c to better reflect the timings of these assets ceasing to be used by the Council.
✓	**Capital transactions (2019/20)** Through our audit testing we identified that the Council records all capital transactions on 31 March each year, rather than being recorded at the actual transaction date. Management should consider whether this is appropriate given the issues that we noted regarding capital accounting. Recording transactions at the correct point in the year may help address some of our findings.	Having considered this, the Council's view is that changing its policy in this regard would create a significant amount of extra work for very limited added benefit. We have not identified any material issues arising from this approach.
✓ (TBC)	**Related party transactions and declarations (2019/20)** Our work on the Council's disclosure of related party transactions in 2019/20 identified that one return was not received for a senior officer in post at year end, and four returns were not received for individuals who had left during the year or were on long term leave. We also identified 7 interests that were not disclosed by members. There is a risk that the Council has related parties that they are not aware of. We recommend that a process is introduced to ensure that relevant information is obtained from all staff, including those who leave the organisation during the year, and that consideration is given to the completeness of the declarations made in future.	The Council have adapted the leavers form for senior officers in order to capture information when individuals leave the organisation. In addition, companies house searches will also be completed to check that members have disclosed all interests. Our work in this area is ongoing at the time of drafting this report.

B. Follow up of prior year recommendations

Assessment
✓ Action completed
X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ (TBC)	**Property leases (2019/20)** For 2 of the 22 items that we sampled as part of our work on the valuation of Investment Properties in 2019/20, we identified that the Council had no lease agreements in place, and the leases in question had expired in 2018. Management should ensure that lease agreements are in place for all properties, to ensure that they have assurance over the recoverability of rental income.	The Council aims to renew all leases prior to lease completion dates. However, it can be best practice to continue existing lease arrangements and leave the tenants to hold over under the terms of the existing lease at a higher rent. We have not identified any material issues arising from this approach, although this work is ongoing at the time of drafting this report.
✓	**Capital programme reporting (2019/20)** Monthly monitoring reports are presented to the Executive Leadership Team, members of Cabinet and the Capital Review Group. These reports explain the reasons for slippage at a very high level. The reports would be strengthened by enhancing the detail to explain the slippage, including explanations as to whether the slippage was caused by matters within the Council's control or by a third party delivering the scheme. The reports should include the explicit actions that the Council are taking to bring the project back on track or to prevent further slippage, including how the Council is actively managing any third parties.	Further detail now forms part of the monthly monitoring report presented to Capital Review Group. We have no further concerns in this area.
✓	**Bank account reconciliations (2018/19)** At the time of our 2018/19 audit, the Council were unable to fully reconcile the cash position per the General Ledger to their bank balance. There is a risk that unreconciled items are masking other issues in the Council's financial records. Following the implementation of the Council's new finance system in the previous financial year, the process and system controls have been embedded within the financial system. Since November 2019 the bank account has been reconciled on a regular basis, with appropriate review. While the Council has fully reconciled the cash position for the main bank accounts, there was one account that remained unreconciled at the end of 2019/20, with an unexplained variance of £11.6k.	The Council continues to reconcile the bank account with appropriate review on a regular basis. We have not noted any instances of unreconciled amounts at 31 March 2021.

B. Follow up of prior year recommendations

Assessment
✓ Action completed
X Not yet addressed

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Land and building split assumptions for the purposes of depreciation (2018/19)** During our work on the movement in the Council's HRA balances in previous years, we noted that the Council estimate the value of the land element of the HRA for the purposes of depreciation. The estimate used has remained the same for a number of years, with no formal reassessment. We identified that the Council have assumed the split of land and buildings for other operational properties too, not just the HRA. In addition, we identified multiple properties in the fixed asset register that were not appropriately split between land and buildings for the purposes of depreciation. We recommended that formal consideration should be given each year to the appropriateness of the split of land and buildings elements for the purposes of depreciation charges.	Checks were carried out as part of the year-end accounts preparation. The Council confirmed that their approach was reasonable for land and buildings for the 2020/21 year. In addition, work has been completed to ensure there are no properties in operational without a land/building split for the purposes of depreciation. We have not identified any specific issues during our audit procedures this year.
✓	**Classification of properties between Investment Properties and Operational Properties (2017/18)** A number of investment properties were reclassified as operational property, plant and equipment during the 2017/18 valuation process. Our testing identified one further asset that was classified incorrectly. We found further issues with the classification of properties in 2018/19 and 2019/20. A review of investment properties should be performed each year to ensure that all investment properties are correctly classified.	As part of the prior year audit, the Council checked all HRA investment properties to ensure income received was being coded to the HRA. This review has been completed again for 2020/21. We have not identified any similar issues during our audit procedures this year.
✓ (TBC)	**Cut-off of expenditure (2016/17)** In previous years' audits, our sample testing of creditor balances and payments post year end identified items that did not follow the Council's guidance. Although we were satisfied that this was not indicative of a material misstatement in the financial statements, we recommended that all budget managers follow the Council's accruals guidance when preparing the year end position.	As accounts are prepared with an element of estimation and at a point in time, there is a risk that some transactions are not accrued. Grant Thornton have previously flagged this as a risk due to the Council closing their accounts quickly. Last year the accounts were produced by 30 April. A sample of the transactions for the first two weeks in April were tested internally to understand if material accruals had been missed. This risk is reduced in 2020/21 as the accounts have been prepared a few weeks later and a larger sample can be taken, over a longer period (4 weeks instead of 2 as in previous years). Our work in this area is ongoing at the time of drafting this report.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusted misstatements have been identified for the year ending 31 March 2021 at the time of drafting this report.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Performance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Our testing of the Council's property revaluations identified an error in the treatment of the revaluations in the financial statements. The size of the error has been confirmed at £2.8m, but the exact impact of the adjustment is yet to be confirmed.	TBC	TBC	Immaterial to the financial statements
Overall impact	**£TBC**	**£TBC**	

C. Audit Adjustments

Misclassification 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.

Disclosure	Detail	Adjusted?
Property, Plant and Equipment Note 18b	Management identified an error whereby the value of assets held at historic cost in Note 18b for land and buildings included a small number of investment properties that had been transferred to land and buildings in year but not valued at an operational value by the valuer until after the preparation and publication of the draft accounts. Management therefore confirmed that the value of assets held at historic cost in Note 18b was overstated by £1,720k, and the value of assets valued at 31 March 2021 was understated by the same amount. The accounts have been amended appropriately.	✓
Investment Properties Note 20	Management identified an error in the Investment Properties disclosure note, and have therefore moved £1,746k from the 'purchases' line to the 'subsequent expenditure' line in the note to correct this.	✓
Leases Note 25	Work performed on the assets that the Council holds under finance leases identified that their value in Note 25 was overstated by £17,851k. The Council have amended the accounts to reflect the correct balance of £103,811k, per the Fixed Asset Register.	✓
Various	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and user understanding.	✓

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Unrecorded liabilities			
We tested a sample of 92 items from the first two months of 2020/21 back to supporting information. Of these, 6 items related to the 2019/20 year but had not been recognised, and for 1 item the Council were unable to identify which period the invoice related to.			Error was an immaterial estimate based on the result of an extrapolation
The errors identified were extrapolated over the population tested, giving an extrapolated error of £5,803k.			
We note that included in the payments made early in 2020/21 were a significant number of Covid-19 business rate grants. We had not identified any issues with these items during our testing – 27 of the 92 items tested were grants. We were unable to accurately identify these grants in our population in order to exclude them from our extrapolation, however we considered that there was a risk they would skew the extrapolation results. If we excluded all transactions of £25k and £10k as an approximation for this population, the errors identified would have extrapolated to £7,296k, which we considered to be the maximum potential impact of the issues identified.			
The potential impact of this on the financial statements would have been as follows:			
Increase expenditure	7,296		
Increase creditors (accruals)		(7,296)	
We note that some of the expenditure would have been capital in nature, so the whole adjustment would not have impacted on the CIES.			
Valuations of Investment Properties			
The Council's valuer was unable to provide supporting calculations for one valuation of £145k. Although this item on its own is below our clearly trivial threshold, if this valuation were 100% incorrect, the extrapolated error would be approximately £2,649k:			Error was an immaterial extrapolation based on a worst case scenario
Recognise loss on revaluation in CIES	2,649		
Decrease the value of Investment Property		(2,649)	
For a number of the assets that we sampled (7 of 22) we identified issues when corroborating the inputs into the valuations, such as assumed rental incomes and assumed lease periods, to supporting information.			
We determined that the maximum possible impact of this on the financial statements would be as follows:			
Recognise loss on revaluation in CIES	8,330		
Decrease the value of Investment Property		(8,330)	
Overall impact	**£18,275k**	**(£18,275k)**	

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£213,004	£TBC
Total audit fees (excluding VAT)	**£213,004**	**£TBC**

The fees reconcile to the financial statements as follows:

- fees per financial statements £143,004 (PSAA Scale Fee)
- proposed additional fee 2020/21 £70,000 (subject to PSAA approval)
- total fees per above £213,004

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
• Certification of Pooling of Housing Capital Receipts return 2019/20	£5,000	£5,000
• Certification of Teachers' Pensions return 2019/20	£7,700	£7,700
• Certification of Housing Benefits claim 2019/20	£36,000	£36,000
• Certification of Housing Benefits claim 2020/21	£35,000	£TBC
Total non-audit fees (excluding VAT)	**£83,700**	**£TBC**

E. Audit opinion

Our proposed audit opinion is included below. We anticipate we will provide the group with an unmodified audit report.

Independent auditor's report to the members of Westminster City Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Westminster City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Accounts, Notes to the Housing Revenue Account Statement, Notes to the Collection Fund Statement and Notes to the Group Accounts. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

E. Audit opinion

In auditing the financial statements, we have concluded that the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Executive Director of Finance and Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Executive Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director of Finance and Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, set out on page x, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Performance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

E. Audit opinion

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit and Performance Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Performance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that altered the Authority's financial performance for the year;
  - potential management bias in determining accounting estimates, especially in relation to:
    - the calculation of the valuation of the Council's land and buildings; and
    - accruals of income and expenditure at the end of the financial year.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director of Finance and Resources has in place to prevent and detect fraud;
  - journal entry testing, with a particular focus on significant journals at the end of the financial year which impacted on the Authority's financial performance;
  - testing of how management made the significant accounting estimates in respect of property valuations and challenging assumptions and judgements made by management in making these estimates;
  - substantive procedures to confirm the appropriateness of income and operating expenditure with a particular emphasis on transactions recorded close to and after 31 March 2021;
  - challenging assumptions and judgements made by management in making year end income and expenditure accruals; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations and fraud included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuations of the Authority's land and buildings land and buildings, investment property and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector;
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation;
    - guidance issued by CIPFA, LASAAC and SOLACE;
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement

E. Audit opinion

- disclosures and business risks that may result in risks of material misstatement.
- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Westminster City Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2021. As the Authority has not prepared the Pension Fund Annual Report at the time of this report, we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

F. Management Letter of Representation

Dear Sirs

Westminster City Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Westminster City Council and its subsidiary undertakings, Westminster Community Homes Ltd, WestCo Trading Ltd, Hub Make Lab PLC, Paddington Recreation Ground charity and Westminster Housing Investments Group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, council dwellings, and investment properties, the valuation of defined benefit net pension liabilities, and allowances for credit losses and impairments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council

F. Management Letter of Representation

and group and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to liquidate the group and Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Performance Committee at its meeting on 29 September 2021.

G. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Dear Councillor Rowley, Chair of Audit and Performance Committee as TCWG

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Joanne Brown

Partner

Grant Thornton

grantthornton.co.uk