



City of Westminster

Shareholder Committee

Meeting or Decision Maker:	Shareholder Committee
Date:	6 December 2021
Classification:	General Release
Title:	Appointment of Auditors
Wards Affected:	All
Company Affected:	Westminster Builds - Formally: <ul style="list-style-type: none">• Westminster Housing Investments Ltd - 11413846• Westminster Housing Developments Ltd - 11417174
City for All/Policy Context:	Good governance of council-owned companies
Key Decision:	No
Report of:	Debbie Jackson, Executive Director of Growth, Planning and Housing

1. Executive Summary

- 1.1 Westminster Builds (WB) comprises two legal entities which are wholly owned and controlled by the Council – Westminster Housing Investments Limited and Westminster Housing Developments Ltd. To the extent that an audit is either required by legislation or requested at the Council's own direction, the entities require an auditor to be appointed.
- 1.2 An audit is an independent assessment of the true and fair statement of the annual accounts and of the financial standing and probity of the entity being audited. The approval of the appointment of the auditor is a responsibility of the newly formed Shareholder Committee in order to maintain independence from the Board of the company which oversees the operational activities which are subject to audit.
- 1.3 The auditor for WB for the financial year ending 31 March 2022 is proposed to be Cooper Parry Group Limited, who have undertaken the audit of WB for the financial years ending 31 March 2020 and 31 March 2021.

2. Recommendations

- 2.1 That the Shareholder Committee ratifies the appointment of Cooper Parry Group Limited to be the auditor for Westminster Housing Investments Limited and Westminster Housing Developments Limited for the year ended 31 March 2021.
- 2.2 That the Shareholder Committee approves the appointment of Cooper Parry Group Limited to be the auditor for Westminster Housing Investments Limited and Westminster Housing Developments Limited for the year ended 31 March 2022.

3. Reasons for Decision

- 3.1 The subsidiaries require an auditor to be appointed in order to satisfy the statutory requirement for audit and the Council's need for reassurance that the subsidiaries' financial reporting and controls meet the same high standard that the Council expects from its own operations.
- 3.2 The appointment of the auditor in advance of the coming year end ensures that the audit process can be planned and implemented smoothly in order that the deadlines for submission of final audited accounts to Companies House can be met.

4. Background, including Policy Context

- 4.1 Cooper Parry Group Limited are the auditors of the joint venture entity Luton Street Development Limited, in which Westminster Housing

Investments Limited has a 60% stake. The close involvement and complexity of the contracts which govern the deal mean that there is an advantage and efficiency in having the same auditor in place for the WB entities.

- 4.2 The audit of the 31 March 2021 accounts has completed with all matters arising addressed and the accounts have now been finalised for the WB Board to approve and file with Companies House. The Shareholder Committee, being newly formed, is requested to give retrospective approval to the appointment of the auditors for these accounts. The accounts will then be filed at Companies House before the deadline of 31 December 2021.
- 4.3 At the same time, the Committee is requested to approve the reappointment of Cooper Parry Group Limited as auditors for the impending 31 March 2022 year end accounts so that the upcoming audit can be planned and progress smoothly
- 4.4 There is no direct policy context other than that the entities are key in the delivery of affordable housing and major regeneration plans of the Council which support the objective of Vibrant Communities and will not be able to continue support this without auditors and audited accounts being in place.

5. Financial Implications

- 5.1 The appointment of auditors to the subsidiary companies should be approved by the Shareholder Committee.
- 5.2 Without audited accounts, the entities will be unable to submit their accounts to Companies House, tax returns to HMRC and will face fines and potentially being dissolved if these are not completed.

6. Legal Implications

- 6.1 An auditor of a private company must be appointed for each financial year of the company, unless the directors reasonably resolve otherwise on the grounds that audited accounts are unlikely to be required.
- 6.2 An auditor of a private company may only be (a) appointed by the members; (b) appointed by the directors; (c) deemed re-appointed; or (d) (in certain limited circumstances) appointed by the Secretary of State for Business, Energy, Innovation & Skills.
- 6.3 Given that the initial appointment of the Cooper Parry Group Limited was made by the directors of the respective companies, deemed re-appointment is not appropriate and the respective members of the companies (being the Council for WHIL; and WHIL for WHDL) need to consent in each case by way of an ordinary resolution to their appointment.

- 6.4 If this process is followed this year, the auditors will then be automatically re-appointed for following years provided no steps are taken to remove them, or unless they refuse to act.
- 6.5 Under the governance structure approved by Cabinet at their meeting on 12 July 2021, it is intended that a Memorandum of Understanding (MOU) is put in place between the Council and each of its subsidiaries. This MOU will set out, amongst other things, a number of decisions relating to the subsidiary that would need shareholder approval (“Reserved Matters”). The intention is for such Reserved Matters to be delegated to the Shareholder Committee to consider on behalf of the Council.
- 6.6 Currently, there is no MOU in place with the Westminster Builds entities, and so there is no legal requirement for the Shareholder Committee to approve these appointments as a Reserved Matter. However, it is in line with the proposed governance arrangements which are in the process of being established for the Shareholder Committee to consider this matter and to take a decision on the recommendation as set out in this report.
- 6.5 The responsibility to ensure that the auditors are appropriate appointees and to ensure that all appropriate measures are taken in relation to their appointment rests with the members of WHIL (i.e. the Council) and WHDL (i.e. WHIL) themselves. In each case, that will require the passing of a written resolution of the members of each company making the appointments. These will be circulated separately.

7. Carbon Impact

- 7.1 There are no carbon implications associated with this report.

8. Consultation

- 8.1 None required.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Steve Muldoon, Director of Commercial & Financial Management

APPENDICES

None

BACKGROUND PAPERS

- None