



City of Westminster

Audit and Performance Committee Report

Date:	23 February 2023
Classification:	General Release
Title:	2021/22 Annual Accounts
Wards Affected:	All
City for All Summary	The accounts detail the Council's financial performance for 2021/22. Included in audited accounts is the Narrative Report and Annual Governance Statement.
Financial Summary:	This report presents the audited Statement of Accounts and Pension Fund report for the Council for the financial year ended 31 March 2022 and the external auditor's reports
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

- 1.1 The Audit and Performance Committee reviewed the draft statement of accounts at its meeting on 21 July 2022. Since then, the Council's external auditors Grant Thornton have undertaken their audit of both the Council's accounts and Pension Fund. Grant Thornton took a progress report to Audit and Performance Committee on 31 October 2022 and can now report their final opinion and Audit Findings Report (AFR) to the Committee.
- 1.2 The Council had a public inspection period of the accounts from 14 July to 24 August 2022. There were no objections raised during this inspection period.
- 1.3 The Audit Findings Report sets out the changes made to the accounts since the draft set of accounts were published in July 2022. Where

relevant, the AFR also notes where the changes were presented to previously to Committee in October 2022.

1.4 The changes to both sets of accounts are outlined as follows:

- Appendix 1 – main accounts: C: Audit Adjustments
- Appendix 2 – pension fund: A: Audit Adjustments

2. Recommendations

2.1 That Audit and Performance Committee notes the unmodified (i.e., unqualified) opinion of both the Council's accounts and pension fund report.

2.2 That Audit and Performance Committee considers the findings outlined in Grant Thornton's Audit Findings Reports (AFR) of both the Council's Statement of Accounts and Pension Fund report (Appendices 1 and 2, respectively).

2.3 That Audit and Performance Committee approves the revised 2021/22 Statement of Accounts for the Council and the Pension Fund report.

2.4 That Audit and Performance Committee delegates any residual matters relating to the audit of the accounts and Pension Fund report to the Section 151 Officer.

3. Background

3.1 The Accounts and Audit (Amendment) Regulations 2021 state that the draft accounts must be published by 31 July 2022, with Council's accounts sign-off by external audit by 30 November 2022.

3.2 Westminster City Council has a record of meeting these audit deadlines with an unqualified opinion. However, for the first time, the Council has encountered delays to finalising its audit opinion, which have been due to events outside its control.

3.3 As previously reported to Members, there was the long-standing national issue with accounting for Infrastructure Assets. The government issued a statutory override to temporarily deal with the valuation problem, which was legally ratified on 25 December 2022. By the end of November 2022 audit deadline, only 12% of English local authorities had received an audit opinion on their 2021/22 accounts, while more than 160 bodies are still awaiting audit opinions for both 2020/21 and 2021/22.

3.4 Other well documented issues have been a combination of the FRC requirement for increasing substantive testing in audits, and workforce capacity issues at the audit firms and in local authority finance teams.

- 3.5 The statements are submitted here with “unmodified” opinions, which is the first stage of the certification process. The term unmodified is the equivalent of unqualified and can be read as a set of accounts that are a true and fair assessment of the Council’s finances. The next steps after this will be for Grant Thornton to finalise the following:
- Value for Money (VfM) assessment
 - Whole of Government Accounts (WGA)
- 3.6 Grant Thornton will report their findings of the Value for Money (VfM) assessment within 3 months of the accounts sign-off. The WGA group instructions were issued later than planned by the National Audit Office (NAO), so this work is now anticipated to be completed in March/April 2023. As there were no objections on this year’s accounts, the certification can be issued once the VfM and WGA assurance is given.
- 3.7 The draft accounts and outturn position for 2021/22 were presented to the Committee on 22 July 2022. The audit process is intended to ensure that there are no material misstatements in the accounts and the audit is directed towards forming and expressing an opinion about the financial statements that they provide a true and fair view. Testing undertaken across the across all aspects of the accounts has increased significantly this year. A progress report on the substantive items was presented to this Committee on 31 October 2022. Grant Thornton confirms in its AFR that the changes reported in October have been made to the final accounts. These items were:
- changes to the business rates appeals provision in the collection fund (Page 166 of Appendix 3: Audited Statement of Accounts)
 - changes to accounting treatment of the pension upfront payment (Page 118 of Appendix 3: Audited Statement of Accounts)
 - accounting changes to Financial Instruments note (Pages 89-92 of Appendix 3: Audited Statement of Accounts).
- 3.8 The audited accounts provide further assurance of the Council’s strong financial position and that its resources provide resilience against the uncertainty of the post-pandemic financial landscape and gives some medium-term protection against any changes in core funding arising from future local government settlements. Reclassification of earmarked reserves fall under s151 officer delegated responsibilities and reflect the Council’s resource requirements to fund the capital programme and manage risk.

Main Accounts (AFR Appendix 1)

3.9 During the audit process some adjustments have been made to the statement of accounts and these are outlined in the Audit Findings Report (AFR) Appendix 1: C Audit Adjustments. These adjustments have had no impact on the bottom line and only impact the supporting disclosure notes. The key findings are:

- the accounting changes that have impacted the “bottom line” are the changes made in respect of business rates appeals and the pension upfront payment (as noted in paragraph 3.7). These were both reported to the Committee in October 2022
- The total appeals provision was separated into short-term and long-term provision. This recognises the short-term part of the appeals provision that is expected to be utilised within the next twelve months
- A £2.495m adjustment to Asset Held for Sale value and an equivalent revaluation adjustment was required to reflect the sales value of a development to include affordable housing as well as private sales. This is an accounting adjustment with no “bottom line” impact to the Council’s General Fund
- infrastructure assets - following the statutory override in late December, the audit work undertaken has found that the Council’s accounting approach for these assets is reasonable and the disclosures in the accounts are not materially misstated
- recommendations arising from the audit of the 2020/21 accounts have all been addressed. These are outlined in Appendices B and C of the accounts AFR.

3.10 Appendix 1: A of the AFR (page 30), has noted some minor action points to consider in next year’s audit. This action plan is reduced from prior years.

Pension Fund report (AFR Appendix 2)

3.11 The Pension Fund’s Annual Statement of Accounts for 2021/22 were prepared and ready to be submitted to the Council’s external auditors for external audit on 13 May 2022.

3.12 The Pension Fund AFR is outlined in Appendix 2: Audit Findings Report (Pensions) 2021/22. As part of the 2021/22 audit process, the external auditors undertook additional testing to gain assurance that the Pension Fund accounts reflected a true and fair view of the financial transactions of the Fund during the year. This included additional work surrounding the investment balances, pensions administration data migration and the transition to a new actuary. The audit opinion at page 28 is unqualified, reflecting the high standard of reporting within the Pension Fund.

3.13 Within Appendix 2: A, the Action Plan (page 20) sets out some recommendations for the Pension Fund. However, these are considered to have minimal effect on the financial statements. Management has submitted responses to these recommendations, as shown within the AFR, and will implement changes where appropriate. The Pension Fund Audit Report also includes audit amendments noted in Appendix 2: B, Audit Adjustments (page 23). Given these amounts were well below the materiality threshold, no changes were made to the Pension Fund Statement of Accounts.

4. Objections

4.1 The auditors have not received any objections in relation to the 2021/22 statement of accounts.

5. Conclusion

5.1 Grant Thornton are expecting to issue unqualified opinions on both the main accounts and pension fund, subject to completion of final review points noted in both AFRs.

5.2 Final certification will be given once the Value for Money assessment and Whole of Government Accounts are audited. The accounts themselves can be formally approved at the 23 February 2023 Audit and Performance Committee.

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

Jake Bacchus jbacchus@westminster.gov.uk

BACKGROUND PAPERS:

Appendix 1: Audit Findings Report (Council) 2021/22

Appendix 2: Audit Findings Report (Pensions) 2021/22

Appendix 3: Audited Statement of Accounts 2021/22

Appendix 4: Audited Pension Fund report 2021/22