The Audit Findings for Westminster City Council

Year ended 31 March 2023

FINAL
7 December 2023

Contents

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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 were discussed with management and the Audit and Performance Committee on 28 November 2023.

Name: Joanne Brown
For Grant Thornton UK LLP
Date: 7 December 2023

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 2023 for the attention of 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 carried out remotely during July-November 2023. Our findings are summarised on Section 2 of this report as well as Appendix B to E. We have raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C. Audit adjustments are detailed in Appendix D and where management have not adjusted for certain identified audit misstatements, these are also detailed in Appendix D of this report.

Our audit of the council’s financial statement is complete, and we have issued an unmodified opinion on the financial statements.

Our work on the Council’s value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council’s arrangements in our Auditor’s Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

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 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. We expect to issue our Auditor's Annual Report by February 2024. 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 . It is important to note that the reporting of the VFM arrangements will be a joint report of the financial years 2021-22 and 2022-23. 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 risk assessment procedures regarding the Council's arrangements to secure value for money has not identified any risks of significant weaknesses in arrangements. However, our work is underway and an update on the value for money arrangements will be provided to the Audit and Performance committee when completed.

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 Annual Auditor's report in February 2024.

Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit. In undertaking our work, for 2022-23 we were also concluding our work on 2021-22 which did lead to an elongated timeline, compared to what was originally planned. Westminster, as a large London Borough has a degree of complexity, in accounting and the subsequent audit work required, which can lead to delays. In addition, notwithstanding that, we have had a period of absence in the audit team which has required work, to be re-documented, for the purposes of our audit file, for 2021-22.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 1% of local government bodies had received audit opinions in time to publish their 2022/23 accounts by the extended deadline of 30 September and the situation has deteriorated since. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their continued support in working with us on the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. For Westminster City Council, we note that the Council has complied with its prudential indicators for external borrowing in the current year and does not envisage difficulties for the future as per the cabinet report- Treasury Management Strategy Statement for 2022/23 to 2026/27.

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 will be discussed with management and the Audit and Performance 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 and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- 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.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

The audit of your financial statements is complete. We have issued an unmodified [unqualified] audit opinion on your 2022-23 financial statements.

The audit opinion is set out in Appendix H of this report.

Acknowledgements

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

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 have been revised due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Westminster City Council and group.

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	£14,500,000	£14,400,000
Performance materiality	£10,150,000	£10,080,000
Trivial matters	£725,000	£720,000
Materiality for Senior Officer's remuneration	£20,000 (per officer)	

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	Commentary	Relevant to Council and/or Group
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In our Audit Plan we reported that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and its subsidiaries, we had determined that the risk of fraud arising from revenue recognition could be rebutted,. Our assessment remains consistent with that reported in our Audit Plan. Although not deemed a significant risk, we have undertaken sufficient audit testing to obtain assurance that revenue disclosed in the financial statements is materially correct.	Group and Council
Risk of fraud related to expenditure recognition PAF Practice Note 10	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Westminster City Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan. Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.	Group and Council
Management override of controls ISA (UK) 240	We have • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its 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 (£84.4m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk.	For this significant risk, we: • 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 evaluate 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; • undertook 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 • obtained assurances from the auditor of the City of Westminster Pension Fund and London Pension Fund Authority 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. We challenged management's assessment of the use of 13 years for the amortisation of upfront payment with our financial reporting specialists. We reviewed the legal advice, the actuary statements, and the Committee papers, as provided to us by the Council. We have determined the amortisation is incorrect under the relevant pension regulations. Therefore, this will be reversed in the 2022-23 accounts [opening balances and the annual amortisation] and corrected in the 2021-22 accounts. The adjustment in total is £80 million impacted. This is detailed in our 2021-22 Annual Audit Findings Report.	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings including Council dwellings	For this significant risk, we: • 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; • wrote 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 will include 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; • focused testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. Testing will also focus on any assets that have had a change in use in the year. • 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. We did have difficulty in obtaining supporting evidence used in the valuation calculations, where information was held for a period, and archived. We note, in this instance three of eight requests were delayed due to the need to access archived files. The archived files were subsequently accessed, and testing concluded.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Investment Properties	For this significant risk, we: • 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 • wrote 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 will include 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; • focused our testing on the yield rates used by the valuer; and • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.	Group and Council
Valuation of Collection Fund Appeals Provision	For this significant risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the provision is not materially misstated and evaluate the design of the associated relevant controls, • reviewed management's expert Analyse Local. • challenged management on the key assumptions used in the Appeals Provision. • performed a sensitivity analysis and reviewed other industry benchmarks to determine the provisions reasonableness. • reviewed the accuracy of the data sent to Analyse Local. There are currently no significant matters to draw to the attention of the Audit and Performance Committee in respect of the identified risk. Adjustments agreed with management are set out in Appendix D.	Council

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwelling valuations Valuations for 2022-23: Draft: £1,624m Expected final figures: £1,624m	The Council owns 12,174 dwellings (as per the valuer's report) 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 £1,624m, a net decrease of £43m from 2021/22 (£1,667m). The Council's valuer carried out a valuation of all council dwellings as of 31 March 2023.	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. • Confirmed that disclosure of the estimate in the financial statements is considered adequate. Our review of the council dwelling valuation estimate has not identified any significant issues. A presentation misstatement was identified in relation of classification of subsidiary properties, the details are set under Appendix B of this report.	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

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

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

Land and Building valuations (GF & HRA)
 	
Valuations for 2022-23:
 	
Draft figures-
GF: £572m
HRA: £98m
 	
Expected final figures-
GF: £572m
HRA: £98m
	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 using indices in accordance with RICS. A small amount (£69m) of very specialized properties are held at DRC and depreciated each year, these are revalued on the five yearly cyclical basis but aren't indexed each year due to their specialist nature.
	
	Other land and buildings formally revalued in 2022/23 comprised £183m 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 2022/23 are not specialised in nature and are required to be valued at existing use value (EUV) at year end.
	
	The total year end valuation for those other land and buildings revalued (formally or on a desktop basis) was £670m. Management and their valuer have considered 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:
		• Undertaken 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.
		• 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.
		• Using market data, we assessed the impact of the valuation of the assets subject to a formal desktop valuation. Our estimation showed that these assets were overstated by £1.9m in total. We also assessed the impact of assets not been formally revalued. We estimated that these assets were £5.6m understated. This gives an overall net impact of £3.7m understatement. After having challenged this, we are satisfied that the difference is not an indication of error.
		
		Based on our assessment, the overall understatement indicates that management has adopted a more conservative approach to valuation of Land and Buildings.
			We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations Valuation for 2022-23: Draft: £505m Expected final figures: £505m	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 £505m, a net increase of £42m from 2021/22 (£463m). Management and their valuer have taken into account available market data at 31 March 2023.	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 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.	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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability

Draft: £84m

Expected final figures: £84m</td>
<td>The Council's net pension liability at 31 March 2023 is £84m (PY £561m) relating to the Westminster City Council Pension Fund and London Pension Fund Authority Local Government Pension Schemes. The Council uses Hymans Robertson and Barnet 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 31 March 2022. Given the significant change in value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £532m net actuarial gain during 2022/23.</td>
<td>

We have assessed the actuaries, Hymens Robertson, to be competent, capable and objective.
We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>3.30%</td><td>3.15% - 3.30%</td><td></td></tr>
<tr><td>Salary growth</td><td>4%</td><td>2.95% - 4%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 65</td><td>22 – 23.2</td><td rowspan="2">The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 65</td><td>24.5 - 26</td><td></td></tr>
</table>

We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
We have confirmed there were no significant changes in 2022/23 valuation method.
We have confirmed that the Council's share of the pension scheme assets is in line with expectations.

</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

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 Council largely acts as the principal and therefore has credited majority of its grants, contributions and donations to the Comprehensive Income and Expenditure Statement. There was one grant (with a value of £3.9m) where the council acted as an agent therefore, the income has not been reflected in the Comprehensive Income and Expenditure Statement.	• 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. However, we noted that the agency was incorrectly classified in the financial statements as 'Energy rebate scheme' rather than 'Household Support Fund' . Management have agreed to make the necessary amendments. Refer to Appendix D for more details. • 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. • We have assessed that management's disclosure of the Council's accounting treatment for grant income in the financial statements is sufficient. Our audit testing identified instances where the council could not provide appropriate supporting documents for a sample of grants classified as 'received in advance'. Management therefore proposed to adjust for these grants. Refer to Appendix D for the audit adjustment. Given the presentational errors identified within Grant income (refer to Appendix D) and the difficult in obtaining sufficient supporting documents for a sample of grants tested. We consider management process as optimistic.	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: £131m Expected final figure: £131m	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.	• 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 un-lodged 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 who use Analyse Local services and previous years. • The disclosure of the estimate in the financial statements was found to be adequate.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
Minimum Revenue Provision Draft: £25m Expected final figure: £25m	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 2022/23 was £25m, a net increase of £7m from 2021/22 (£18m).	• 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 approved by, full council as part of the Treasury Strategy. • 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 the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	ITGC assessment (design and implementation effectiveness only)	● (green)	● (green)	● (green)	● (green)	Management override of controls	N/A – No additional procedures where required.

It should be noted that our audit plan originally included other IT applications (e.g., Academy, Northgate, and Orchard) for the purpose of conducting an assessment of IT general controls. However, subsequent evaluation has led us to conclude that these IT applications are no longer in scope for testing, as they are not utilized in areas where we identified significant risks to the financial statement.

Assessment

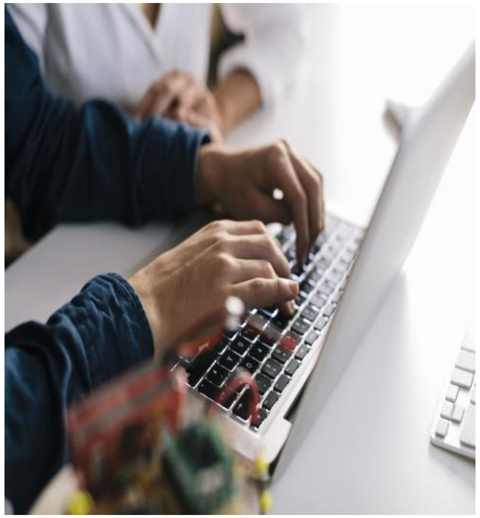
- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

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 other incidents in the period and no other 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, Equal pay liability and reinforced autoclaved aerated concrete (RAAC) . This is set out at Appendix G of this report.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks, financial institutions, property valuers and pension fund authorities . This permission was granted, and the requests were sent. Majority of these requests were returned with positive confirmation, however a few of the requests remain outstanding. Management are following matters up with their relationship managers to ensure requested confirmations are received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Where we have identified issues, this have been communicated to management accordingly. A summary of our findings can be found in Appendix D of this report.
Audit evidence and explanations/ significant difficulties	No significant issues have been noted from the information and explanations requested from management.

2. Financial Statements: other communication requirements

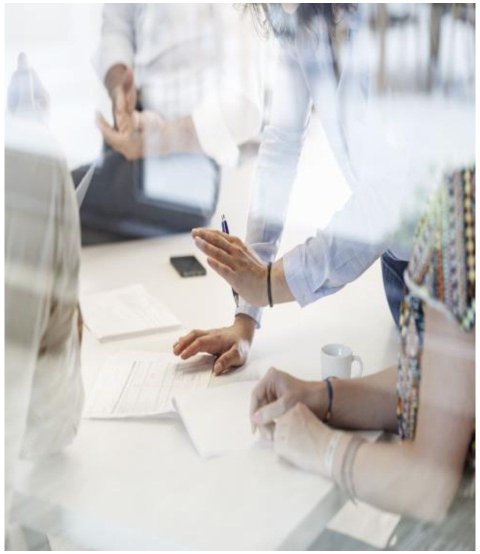
Our responsibility

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. Our audit work is complete, and no inconsistencies have been identified.
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 (AGS) 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. Our audit work on value for money is in progress. To date, we have not applied any of our statutory powers or duties. Any findings related to the AGS are disclosed within Appendix D of this report.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
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. • Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Westminster City Council in the audit report, due to incomplete VFM work.

3. Value for Money arrangements (VFM)

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by February 2024. 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.

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. 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

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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 Grant Thornton International Transparency report 2023.

4. Independence and ethics

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 Council. The following non-audit services were identified, 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			
Certification of Teacher's Pension	10,000	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Housing benefits subsidy	38,500	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £38,500 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Certification of Pooling of Housing Capital Receipts	7,500	-Self-Interest (because this is a recurring fee) -Self review -Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with informed management, however, we will not be performing any management functions as a result of this work. We are satisfied that there is sufficient safeguards in place to mitigate the threats.
Greater London Authority checklist	45,000	-Self-Interest (because this is a recurring fee) -Self review	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total audit fee. We have not prepared any elements of the return and are carrying out work on the information submitted to GLA by the audited body. We are satisfied that there is sufficient safeguards in place to mitigate the threats.

These services are consistent with the Council'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.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified six recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. 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
● Low	**Lack of supporting documents for policies & procedures – Disaster Recovery Plan (DRP).** During our audit of the council's IT environment, we requested for a copy of the disaster recovery plan. We were informed that this service is outsourced to BT, and the disaster recovery plan is included in the service level agreement. Therefore, whilst we acknowledge the existence of a plan, we were unable to verify it.	It is good practice for management to have copies of all key polices and procedures of the council. **Management response** The Digital and Innovation (IT) department accepts this recommendation and will support Grant Thornton during the 2023/24 planning process
● Low	**Cut-off date used for bank reconciliation for monies held with third parties** As part of our audit testing of cash balances held with third parties, we noted that the council requested for third parties to report the cash balances they held on behalf of the council as at the 28th March. This was subsequently recorded in the ledger and used as the closing balance in the financial statements. As a result, our testing identified reconciling differences above our trivial threshold when compared to bank confirmations.	It is good practice for balances that feed into the financial statements to be recorded as at the reporting year-end date - 31st March **Management response** Management would expect normally the change in balances between the 27th and 31st March to be below the trivial threshold but this financial year there were significant receipts between the 27th and 31st March. WCC has agreed with the third-party organisation that they will in future report as at the 31st March which will mean that balances will be recorded as at the 31st March. This will ensure the issue is not repeated in future.

Assessment

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● High	**Declaration of interest forms was not sent to senior management and officers prior to the audit** While conducting our testing of related party transactions, we observed that neither senior management nor officers were asked to provide their year-end declaration of interest for the financial year 2022/23. We note that management subsequently requested for the declaration of interest, we were not able to obtain declarations from 6 Councillors and 1 ELT & 6 senior officer members.	Management should ensure that declaration of interest forms are obtained in line with the Councils practices. **Management response** Management accepts this recommendation and will ensure requests for declarations are issues earlier in the accounts process. This has been the case in the past and 2022/23 was an anomalous oversight.
● High	**Group consolidation** In 2022-23 Management reviewed their approach to the Group accounts and the consolidation process. In undertaking this work it was identified that: • group disclosures had a gap in meeting Code requirements which were updated in the 22-23 accounts [compared to unaudited version] • Differences identified between group closure and the disclosure in the single entity accounts, which should have been aligned prior to publication As a result, there was a movement in the balances and disclosures, in the unaudited accounts to the final accounts. These are captured in Appendix D.	For 23-24 Management should undertake a further review of the group consolidation process, to capture the group position, accurately in the unaudited accounts. **Management response** Agreed, with re-review the process for the 2023-24 accounts.

Assessment

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Westminster Council's 2021/22 financial statements, which resulted in 5 recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommended that the Council performs a review to identify and remove intercompany PPE additions	We have not identified this issue as part of our audit testing in 2022/23, therefore we are satisfied that it has been appropriately addressed.
✓	We recommended that management should limit the number of people having access to the general ledger.	We note the number on unique IDs have reduced from 800 in 2021/22, to 446 in 2022/23. We note that this number, is not a true journals user listing, as it also includes individuals who can post POs. Westminster continue to explore with Hampshire/IBC the ability for them to extract a list, of those who would be considered "true" journals posters, to support the audit in future years.
✓	We identified the Council had not in their closedown process for a number of years been capturing successful Appeals.	We have not identified this issue as part of our audit testing in 2022/23, therefore we are satisfied that it has been appropriately addressed.
x	Management should review the lease register, in advance of IFRS 16, to ensure completeness and the obligations on the Council are all understand, and captured in supporting documentation, to validate whether correct, to treat as a lease, and the type of lease.	This issue still stands in 2022/23, therefore remains a recommendation for management to address.
Partially addressed	Collection Fund Year end procedures. Due to staffing shortages and some gaps in knowledge around the year end closedown procedures, there were some issues noted with key reports required for the collection fund work We also note suspense balances should be investigated and resolved on a timely basis in relation to the Collection Fund.	We note that key reports were made available in 2022/23 audit process. However, there were still suspense balances to be investigated.

Assessment

✓ Action completed

X Not yet addressed

D. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on general fund £'000	Impact on unusable reserve £'000
Misclassification between Cash and Debtors balance Balance sheet, Note 22 - Cash and cash equivalent and Note 27 – Debtors Our audit testing of cash identified that a balance of £4,543k within the overall Cash balance was in fact a debtor balance and should be reclassified accordingly. Management agreed to make the change. This change will subsequently have an impact on the disclosure within the cashflow statement and financial instruments note.	Nil	Dr. Debtors 4,543 Cr. Cash (4,543)	Nil	Nil
Incorrect elimination of the inter-company balances. Group Balance sheet Debtors and Creditor From our reperformance on the Group Consolidation procedures, we identified that the financial statements of Westminster Community Homes disclosed receivable from Westminster Council for £2,236k and a payable amount to Westminster Council for £17,832k. It was noted that the management had eliminated only £12,362k.	Nil	Dr.Payable 3,634 Cr.Receivable (3,634)	Nil	Nil
Incorrect classification of the Inventory held by Westminster Community Homes and the resultant, incorrect adjustment of the accounting policy. From our testing of the group consolidation, we identified that the inventory balance of Westminster Community Homes had been classified as a short-term debtor within the group. On further testing, it was identified that those inventories would be sold to Westminster City Council and thus, would be treated as Dwellings under the Group's accounting policy. To reflect the nature of the asset. The amount of £17m was credited from Trade Debtors and was transferred to Property, plant and equipment.	Nil	Dr. Property, plant & equipment 17,000 Cr. Short-Term Debtors (17,000)	Nil	Nil
Overall impact	**Nil**	**Nil**	**Nil**	**Nil**

D. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on general fund £'000	Impact on unusable reserve £'000
Classification of assets within the group accounts We found assets held for sale amounting to £2.6m in WCC which are to be sold to WHIL. These were classified as Asset held for sale in the Group accounts, since this is an intercompany sale of asset, we recommended management to re-classify these asset to PPE. Management agreed to make the adjustments. - Debit PPE £2.6m and Credit Assets held for sale £2.6m	Nil	Dr. Property, plant and equipment 2,600 Cr. Assets held for Sale(2,600)	Nil	Nil
Reversal of the amortisation of prior year pension upfront payments We have determined the amortisation of prior year pension payment is incorrect under the relevant pension regulations. Therefore, this will be reversed in the 2022-23 accounts [opening balances and the annual amortisation] and corrected in the 2021-22 accounts. The adjustment for 2022-23 accounts is: - Debit Pension reserves £7.9m and Credit to General Fund £7.9milion			Cr. General Fund (7,900)	Dr. Pension reserves 7,900
Overall impact	**Nil**	**Nil**	**(7,900)**	**7,900**

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/issue/Omission	Auditor finding
Narrative report	For fees & charges and grant and contribution – the amount disclosed in narrative report is different from the amount disclosed as per Note 8 Expenditure and Funding analysis. This relates to the Better Care Fund adjustments pertaining to adjustment made to move various income originally included in Government Grants Codes to Fees and charges. In additional changes to be made to the average staff count were identified. We have communicated this to management who have agreed to amend this in the narrative report.

D. 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.

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/issue/Omission	Auditor finding
Note 10b – Other Employees with Remuneration over £50,000 We identified that two employees who earn above £50k were incorrectly excluded from the disclosure.	Our audit testing identified that two employees who earned above £50,000 were not included within note 10b 'Other Employees with Remuneration over £50,000'. We have recommended that management amend this disclosure to include both employees.
Note 13 – Grant Income Classification error of £7.9million between 'Social Care support Grant' and 'Revenue Support Grant'	Our audit testing identified that note 13, '*Social Care support Grant*' was overstated by £7.9m while '*Revenue Support Grant* was understated by the same amount inspection of evidence of grant allocation showed that the Social Care support Grant should be disclosed at £17.2m while Revenue support grant should be disclosed at £39.1m. This has also resulted in a change in the CIES. Gross income within 'Finance and resources' service line has reduced by £7.9m whilst 'Taxation and non-specific grant income' within the CIES has increased by £7.9m
Note 13 – Grant Income Classification error of £3.9million between Covid related grants 'Energy Rebate Scheme' and 'Household Support Fund'	Our audit testing identified that note 13 Covid Related grant 'Energy Rebate Scheme' was overstated by £3.9m whilst Household Support Fund was understated by the same amount.
Note 18b – Other Property, Plant and Equipment – Movement of Balances in 2022/23	Our audit testing identified an error in the recording on Investment properties in Note 18b where the total balance figure (525,064k) was included as one total revalued amount rather than splitting it into additions (20,066k) and revalued assets (504,998k) in year.
Note 18c - Other Property, Plant and Equipment – Movement of Balances in 2022/23 Correction of opening balance for 'other land and buildings'	Our testing of PPE discovered four assets with a total value of £10.5 million which were not included in the opening balance of 'Other Land and buildings' . Management have agreed to amend the 2021/22 accounts. This will subsequently impact the opening balance of Other Land and buildings by £10.5million. Our testing of PPE also identified that construction of the Harrow Road Nursery was completed in early 2021 however it was still sat with Assets Under construction in the 2021/22 accounts. Therefore, the General Fund Opening balance of other land and building is understated by £2m and the General Fund Assets under Construction opening balance is overstated, since the closing positions were corrected by the Council, management is not adjusting the disclosure.

D. 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.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure/issue/Omission	Auditor finding
Note 8 – Expenditure and income analysed by nature We identified a classification error between other service expenditure and employee benefits expenses	Our audit testing identified that expenditure amounting to £17.5m was incorrectly classified as other service expenditure as it related to school payroll expenditure codes, this meant that employee benefits expenses were understated, and other service expenditure overstated. We have recommended that management amend this disclosure.
Note 8 – Expenditure and income analysed by nature – Fees, charges and other service income We identified a classification error between Rent and Other income	Our audit testing identified that Initially Avison Young (property management agent) collects income on behalf of the Council. The report they provide contains both GF and HRA rent income. Under our testing on Fees and charges, we selected a sample pertaining to transfer of Rent Income from GF Code to HRA Code. When rent income report is received from Avison Young (property management agent) the amount is originally credited to Rent Income GF Code which includes both GF and HRA rent income earned in year. This is then moved to HRA Codes at the year end. However instead of drawing down the amount to in the Rent Income GF GL codes it was instead drawn down to Other income. Therefore, there is a classification error wherein Other income is understated and Rent income is overstated by 9.1m, but it stays within Fee & charges income note 8. We have recommended that management amend this disclosure.
Note 25 – Calculation of total minimum lease payments for operating leases.	Our audit testing identified variances between GT recalculation of the total minimum lease payments for operating leases (property leases). The variances are per below: Future minimum lease payments: £905,451 understated Future minimum lease payments receivable: £8,520,016 understated This was due to rounding the remaining lease terms for the leases to whole numbers in their lease payments maturity calculation for property leases. We recommend that management performs the calculation on the accurate lease terms with no rounding of the lease length. Management has not made the adjustment in the final set of annual accounts.
Note 32 – Other Non-Cash adjustments (19,630k) to be split to show more detail.	This line item is to be split out due to the balances being material to meet the requirements in IAS1 (26,954k in the movements in valuation of investment property and -8,360k in contributions to/from provisions.
Note 13 Grant Income Classification error between Grant income and fees and charges income	During our review, we identified a classification error between Fees and charges and Grant Income. After conducting further corroboration of the evidence provided for income amounting to £99,785, we found that this pertained to S106 agreement and should have been classified as Grant Income instead of Fees and charges., we extrapolated the error and found it to be £973,169. A recommendation has been made to the management to adjust the disclosure note.

D. 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.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure/issue/Omission	Auditor finding
Note 17 – Comparative figures for Transfers to/from reserves	Our review of Annual accounts identified that the comparative figures for the Transfers to/from reserves per the CIPFA code were not presented. Management has agreed to the disclosure error.
Note 24 – Capital Expenditure and Capital Financing note overstated	Our audit testing of the Capital Expenditure and Financing (CFR) note identified that it is overstated by £5,252k when compared to the balance sheet. As per Code 4.1.4.35 and paragraph 90 of the Prudential Code, the CFR is derived from the balance sheet and therefore should not have a variance.
Note 35 – Entities Controlled or significantly controlled by the Council	Our audit testing of the related party transactions identified that the income outstanding to Westminster City Council from Westminster Community Homes was incorrectly disclosed as £12,962k when this should have been £17,831k (understated by £4,869k) in addition the creditor balance to Westminster Community Homes was disclosed as nil when this should have been 1,235k (understatement). A recommendation is made to the management to adjust the disclosure.
Note 3 – Estimation uncertainty (Business Rates)	Our review of the note identified that the note • Did not provide the carrying amount of the liability that is in the Council's balance sheet to comply with IAS 1. • Did not explain the nature of the assumptions and the sensitivity of the carrying value to the methods, assumptions that underlying the calculation of the provision to comply with IAS 1. A recommendation was made to the management and management agreed to the make amendments to the note by including the carrying amount of the appeals provision and the Council's share of the same and by including +-5% sensitivity and Council's share of the same.
Group Accounts narrative notes	From our review of the Annual accounts, the following errors were identified with respect to the narrative disclosures of the Group: • The profit/loss figures for the subsidiaries were based on the unaudited financial statements and were amended by management on the receipt of audited financial statements. This meant that the profit for Westminster Housing Investments Limited was understated by £3.6m • The narrative did not disclose the intercompany loan from Westminster City Council to Westminster Housing Investments Limited of £33.62m. • The narrative had not included the nature of the joint venture and the results of the same. • The net worth of the subsidiaries in the Going Concern note was disclosed as £23.328m whereas the correct figure was £21.958m. We acknowledge that some of the points raised above were due to the audited accounts not being available at the time of the drafting of the disclosure.

D. 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.

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/issue/Omission	Auditor finding
Group Cashflow Statement Group Cashflow statement was not in line with the code's requirements.	It was noted that the group cash flow statement started with operating surplus for the year of £114.69m which was the same as the single entity cash flow and hence did not match the group surplus reported in the group Comprehensive Income and Expenditure Statement. The Group cashflow statement had separate line items for the group balances in the current and the prior year. However, the consolidation of a subsidiary requires like items to be combined on a line-by-line basis (Code 9.1.2.38) but this statement included separate lines for the subsidiary's cash flows for operating activities £31.61m, investing activities £1.64m and financing activities £22.32m.
Group Movement in Reserve Statement (MIRS) Group MIRS was not in line with the code's requirements.	From our review of the Group MIRS, the following errors were identified: • the total column for surplus or deficit on provision of services (and hence also total comprehensive income and expenditure) did not agree to the group CIES. • All the columns relating to the authority were unchanged from the single entity accounts and so did not correctly reflect the removal of the intra group income and expenditure to produce an adjusted council position. • The adjustments between the group accounts and authority accounts row was not as per the requirements by the CIPFA group accounts guidance. This should have reflected the value of the intragroup adjustments as impacting on the council and the share of the company reserves, netting to zero. Instead, this reported a Credit to company usable reserves of £10.74m and Debit to company unusable reserves of £7.25m with a net position of £3.49m which was incorrect.
Note 2 – Group Property, plant & equipment Correction for the classification of properties of subsidiaries and inconsistency between Group and single entity disclosure	• From our work over the alignment of the accounting policies of the subsidiaries and the Group, it was identified that disclosure had to be amended to show a separate class of Property, Plant and Equipment as 'Dwellings' instead of 'Council Dwellings' along with disclosing the accounting policy for the same in the Group Accounts, and the notation of the valuation methodology to be updated from EUV-SH to EUV. • Our review also identified inconsistent reporting of 'other movement of depreciation and impairment' note line between single entity and group note, amounting to £2.38m.
Group Balance sheet Presentation of Council's share of Joint Venture net assets	The group balance sheet reported £9.42m as Council's share of the net liability of joint venture, this was reported as positive amount, implying it is an asset. The Code requires the 'investment in joint venture' to be reported in a separate line in the long-term assets section of the balance sheet. Upon recommendation, management has adjusted the presentation to get it in line with the Code.
Financial statements and notes to the accounts (Applicable to the Core & supplementary statements including accompanying notes and the Group accounts)	On review of the draft statements, a number of disclosure amendments have been recommended to management. Management should review the narrative, mathematical accuracy, presentation, and/or prior year disclosures of the notes and consistency of single entity accounts with the Group accounts as discussed. As the amendments are considered trivial, we do not deem it necessary to list the changes made to the notes.

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

To date, our audit testing has not identified any unadjustment misstatements above our trivial threshold to bring to the attention of the Audit and Performance Committee.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors Our testing of Collection fund creditors – specifically 'Westminster's share of business rates prepayments', found that Westminster's share of the business rate prepayments was understated by £1.4million.	-	DR – Cash 1,425 CR – Creditors (1,425)	-	Not material
Grants received in advance Our testing of Grants received in advance - specifically Cabinet Community Infrastructure Levy (CIL), identified an incorrect refund processed amounting to £489,526 extrapolated to £859,976, leading to overstatement of the balance	Cr – Grant Income 860	Dr – Grants received in advance (860)	(860)	Not material
Collection fund Debtors and Creditors Our testing has identified balances within the collection fund debtors and creditors balance which we have been unable to substantiate. Management have provided explanation that these balances largely relate to timing differences and the impact is restricted within collection fund debtors and creditors balances, we recommend that management should investigate these balances for future years. As we are unable to corroborate the reasons for the balances, the double entry impact of these balances is currently unknown therefore we are reporting these balances as unadjusted misstatements. a) Collection fund creditors – Westminster share of Business rate prepayments - £1.4million understatement noted b) Collection fund debtors - Business Rates Supplement – GLA - £1.6 million overstatement noted. c) Collection fund debtors - Westminster Share of Council Tax - Extrapolated overstatement £869k noted				Not material
Estimated Overall impact	860 to (1,096)	(860) to 1,096	236 to 860	Not material

D. Audit Adjustments (continued)

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 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Dr Cash Cr CIES – HB expenditure HB expenditure – difference between accounts and final claim	(773)	773		Timing difference, and not material
NNDR Appeals provision overstatement In our review of the NNDR Appeals Provision management have used a figure that differs from the Analyse Local which gives a difference of 4.4m	(4,400)	4,400	4,400	Based on the 22-23 movement management consider the current provision level appropriate
Other Land and Buildings Understated From our indices review we identified an uncertainty suggesting PPE Other Land and Buildings may be understated by £2,074k	(2,074)	2,074	(2,074)	Difference in indices review not deemed a factual error
Overall impact	(7,247)	(7,247)	(7,247)	

E. Fees and non-audit services

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

Audit fees	Final Fee 2022-23
Fee Per Audit Plan	£231,067
Collection Fund Appeals testing	£7,500
Collection Fund income testing	£15,000
Accounting for audit issues noted in 2021-22	£6,500
Additional testing required for group audit	£16,400
Additional work on leases	£6,500
VFM additional work	£6,000
Review of Pension Prefunding accounting in 2022-23 accounts.	£18,750
Total audit fees (excluding VAT)	**£307,717**

Non-audit fees for other services	Proposed fee	Estimated final Fee 2022-23*
Audit Related Services		
Certification of Teacher's Pension	10,000	20,000
Certification of Housing benefits subsidy	38,500	87,582
Certification of Pooling of Housing Capital Receipts	7,500	20,000
Greater London Authority checklist	45,000	45,000
Total non-audit fees (excluding VAT)	**£101,000**	**£172,582**

**Subject to approval and finalisation of the non-audit service.*

None of the above non-audit services were provided on a contingent fee basis. This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

E. Fees and non-audit services

The table below provides a reconciliation between the Scale Fee agreed by PSAA and the fee per the Audit plan as well as our interim fee proposal

Audit fees	Final fee
Scale fee	**£164,254**
Audit of Group Accounts	£5,260
Additional audit procedures arising from a lower materiality	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£5,260
Additional work on Value for Money (VfM) under new NAO Code	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£6,312
Enhanced audit procedures on journals testing	£3,156
Additional procedures to address other local risk factors	£10,000
FRC response - additional review, EQCR or hot review	£1,500
Enhanced audit procedures for Infrastructure	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£5,000
Total audit fees (excluding VAT) – Per Audit Plan	**£231,067**
Additional Financial statement audit work set out on the previous slide	**£70,650**
Additional VFM work **set out on the previous slide**	**£6,000**
Final Audit fee for 2022-23 (excluding VAT)	**£307,717**

E. Fees and non-audit services

The table below provides a reconciliation between the fee per the accounts and the fee within this report.

Audit and Non-audit fees for 2022-23	As per the 2022-23 Financial statements	As per auditor's report	Auditor's comments
Audit fees			
Scale fee 2022/23	£161,000	£164,254	Trivial difference. Fees within the auditor's report agrees to PSAA contract.
Additional financial statement and VFM audit fees 2022/23	0	£143,463	This is currently not included within the accounts as it is subject to approval by S151 officer at the council and PSAA.
Additional audit fees for 2020/21 audit	£70,000	0	Approved in financial year 2022/23 therefore correctly included within the accounts. This additional fee can be found within the 2020/21 auditors report.
Non- audit fees			
Certification of Housing benefits subsidy 2022/23	£34,000	£87,582	This estimated final fee is not included within the accounts as it is subject to approval and the completion of the non-audit service.
Certification of Pooling of Housing Capital Receipts 2022/23	£6,000	£20,000	This estimated final fee is not included within the accounts as it is subject to approval and the completion of the non-audit service.
Certification of Teacher's Pension 2022/23	£12,000	£20,000	This estimated final fee is not included within the accounts as it is subject to approval and the completion of the non-audit service.
Greater London Authority checklist 2022/23	0	£45,000	This estimated final fee is not included within the accounts as it is subject to approval and the completion of the non-audit service.
Total Audit & non-audit fees (excluding VAT)	**£283,000**	**£480,299**	

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square,
London
EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Westminster City Council

Financial Statements for the year ended 31 March 2023

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 and Westminster Housing Investment Ltd for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 valuation of operational properties and HRA dwellings, valuation of investment properties, valuation of net pension liabilities and provision for business rates appeals. 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.

G. Management Letter of Representation

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council 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. We confirm that we have complied with all applicable equal pay laws and regulations. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

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. We have considered the emerging national issue in respect of Reinforced concrete RAAC and based on inspections to date, and known considerations, we do not consider this to have a material impact of the financial statements and there is no requirement to include a provision or a contingent liability as at 31 March 2023.

xv. We confirm that all amendments to the Annual accounts in respect of 2021-22 financial year have been made in that year and not in 2022-23. We further confirm that adjustment relating to pension upfront payment has been made in 2021-22 to correct the 2022-23 opening balances

xvi. We have updated our going concern assessment. 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 cease the group and Council 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

xvii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xviii. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xix. 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, from whom you determined it necessary to obtain audit evidence.

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

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

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

G. Management Letter of Representation

xxvi. 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.

xxvii. 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

xxviii. 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

xxix. 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 & Performance Committee at its meeting on [ENTER DATE].

Yours faithfully

Name: Gerald Almeroth

Position: Executive Director of Finances and Resources

Date: XX

Signed on behalf of the Council

H. Audit opinion

Our 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 2023, 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, the Group Cash Flow statement, the Housing Revenue Account (HRA) Statement, the Collection Fund Accounts, and notes to the financial statements, including a summary of significant accounting policies. 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 2022/23.

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 2023 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 2022/23; 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 group and the Authority'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 2022/23 that the Authority's 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 2022) 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.

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.

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 and 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.

Our responsibilities and the responsibilities of the Executive Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Accounts, other than the financial statements and our auditor's report thereon. The Executive Director of Finance and Resources' is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, the other information published together with the financial statements in the Annual 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 and the Executive Director of Finance and Resources'

As explained more fully in the Statement of Responsibilities within Annual Accounts, 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 Annual 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

H. Audit opinion

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 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, 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 management 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the recognition of income and expenditure.

We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during audit, particularly those which had an impact on the Comprehensive Income and Expenditure Statement.

- potential management bias in determining the accounting estimates and judgements in relation to:

• The valuation of land and buildings, investment properties and council dwellings.

• The valuation of pension fund net liability; and

• The valuation of national non-domestic rates (NNDR) appeals provisions.

Our audit procedures involved:

• evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

• journal entry testing, with a focus on journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included manual journal entries, large value journals, journals containing keywords which might indicate fraud, and journals posted by selected named officers.

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, council dwellings, defined benefit pensions liability valuation, and national non-domestic rates (NNDR) appeals provisions; 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in expenditure recognition, and the significant accounting estimates related to property, plant and equipment, Investment properties, council dwellings, pension fund net liability and national non-domestic rates (NNDR) appeals provisions.

H. Audit opinion

We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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 in which the group and Authority operates

• understanding of the legal and regulatory requirements specific to the Authority and group including:

o the provisions of the applicable legislation

o guidance issued by CIPFA/LASAAC and SOLACE

o 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 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.

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.

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 2023.

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 2023.

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.

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 January 2023. 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.

H. Audit opinion

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 2023 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

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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 44 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.

Signature:

Joanne E Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Finsbury Square, London

Date:

Grant Thornton

grantthornton.co.uk