

# Audit Findings

*Year ending 31 March 2018*

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Westminster City Council

21 June 2018



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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# Headlines

This table summarises the key issues 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 2018 for those charged with governance.

|                                     |  |   |
|-------------------------------------|--|---|
| <b>Financial Statements</b>         | <p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the group and Council's financial statements give a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, and</li><li>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.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> | <p>We received the draft financial statements in advance of our audit visit on 3 April 2018. Our audit work was completed on site during April. Completing the audit in this timeframe reflects very positively on the Council's commitment to timely financial statements.</p> <p>Our findings are summarised on pages 5 to 9. The draft financial statements for the Council for the year ended 31 March 2018 recorded a surplus on the provision of services of £152,681k (£168,132k for the group), and the audited financial statements show a surplus on the provision of services of £155,561k (£150,708k). Non-trivial audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to receipt of the final, approved letter of representation and approved financial statements, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E, on 21 June following the closure of the period for the exercise of public rights.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of the Council and with the financial statements we have audited.</p> |
| <b>Value for Money arrangements</b> | <p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>   | <p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Westminster City Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on page 12.</p>   |
| <b>Statutory duties</b>             | <p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>  | <p>We have not exercised any of our additional statutory powers or duties. At the time of writing this report, we have not received any objections to the 2017/18 financial statements.</p> <p>Subject to the completion of required procedures on the Whole of Government accounts submission (at the time of writing this report we are awaiting instructions from the NAO), we expect to be able to certify the completion of the audit when we give our audit opinion.</p>  |

## Acknowledgements

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

# Summary

## Overview of the scope of our audit

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 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

## Audit approach

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

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks;
- An evaluation of the components of the group to assess the significance of each component and to determine the planned audit response;
- A review of the methodology used to complete the consolidation, and re-performance of the calculations involved; and
- Targeted audit procedures were required for the following balances relating to City West Homes (CWH) and Westminster Community Homes (WCH):
  - Land and buildings (WCH);
  - Deferred grants (WCH); and
  - Pensions net liability (CWH)

All other elements of the consolidation had a non-material impact on the group's performance and position. We therefore do not consider that there is a risk of material misstatement in the group financial statements arising from these entities.

## 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.

Our methodology for the calculation of materiality remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for the financial statements of Westminster City Council and the group.

Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Misstatements below this 'trivial' threshold may not be reported to the Audit and Performance Committee.

We have not set any specific lower materiality limits, but we have reported all misstatements we have identified in cash, related parties and key management personnel remuneration within this report.

|  | Financial Statement<br>Materiality | Trivial matters |
|--|------------------------------------|-----------------|
| Westminster City Council<br>Single Entity Statements | £20,103k                           | £1,005k         |
| Group Financial Statements                           | £20,425k                           | £1,021k         |

## Conclusion

Subject to receipt of the final, approved letter of representation and approved financial statements, we anticipate issuing an unqualified audit opinion on 21 June (as detailed in Appendix E) following the closure of the period for the exercise of public rights.

The key messages arising from the audit of the financial statements are:

- the Council prepared draft accounts by the first working day of the new financial year;
- officers were responsive to audit requests;
- supporting working papers were of a good standard, although many key working papers were not available at the start of our audit, causing delays to our work.

# Significant audit risks

## Risks identified in our Audit Plan

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

## Commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Westminster City Council, mean that all forms of fraud are seen as unacceptable.

**Therefore we do not consider this to be a significant risk for Westminster City Council.**

### Work performed

We have:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

### Key findings

Our audit work has not identified any issues in respect of improper revenue recognition.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

We identified management override of controls as a risk requiring special audit consideration.

### Work performed

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;
- obtained a full listing of journal entries, identified and tested unusual and significant journal entries for appropriateness; and
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

### Key findings

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

| Risks identified in our Audit Plan  | Commentary   |
|---|--|
| <p><b>3 Valuation of property, plant and equipment</b></p> <p>The Council revalues its land and buildings to ensure that carrying value is not materially different from fair value.</p> <p>The assets are revalued according to the rolling 5-year programme. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p> | <p><b>Work performed</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• considered the competence, expertise and objectivity of any management experts used;</li> <li>• reviewed the basis on which the valuation is carried out and challenged the key assumptions;</li> <li>• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• tested revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements; and</li> <li>• 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 to current value.</li> </ul> <p><b>Key findings</b></p> <p>Testing to date has identified one instance where the Council had incorrectly taken revaluation gains on investment properties to the revaluation reserve, one instance of a property being held in the Council's records twice, and other, smaller valuation issues. This had no impact on the Council's cash position. Further information on this is included on pages 16 and 17.</p> <p>Our audit work has not identified any other issues in respect of the valuation of the Council's property, plant and equipment.</p> |
| <p><b>4 Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>   | <p><b>Work performed</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation;</li> <li>• gained an understanding of the basis on which the valuation is carried out;</li> <li>• undertaken procedures to confirm the reasonableness of the actuarial assumptions made; and</li> <li>• checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p><b>Key findings</b></p> <p>The Council received an updated IAS 19 valuation report on 16 April 2018, resulting in adjustments to the financial statements. Further detail on these is included on page 16.</p> <p>Our audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability.</p>   |

# Significant audit risks

## Risks identified in our Audit Plan

5

### Appeals Provision for National Non-Domestic Rates (Business Rates)

The Council's provision for business rates appeals remains the largest in the country and is a highly material balance in the financial statements.

The provision is based on significant judgements made by management and uses a complex estimation technique to prepare the provision.

## Commentary

### Work performed

We have undertaken the following work in relation to this risk:

- monitored how the appeals process is affecting the Council and any planned changes in the methodology used to calculate the provision;
- identified the controls put in place by management to ensure that the appeals provision is not materially misstated;
- assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;
- reviewed the assumptions made by management and the processes in calculating the estimate;
- tested the calculation and its agreement to supporting documentation; and
- reviewed the disclosures made by the Council in the financial statements.

### Key findings

Our audit work has not identified any significant issues in respect of the Council's provision for business rates appeals. The Council has updated the disclosure note to split the movement on provision between additional provisions required in year, amounts used in year and unused amounts reversed. There is no impact on the provision balance of £66m.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

6

### Employee remuneration

Payroll expenditure represents a significant percentage (11%) of the Council's operating expenses.

As the payroll expenditure comes from a large number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

### Work performed

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;
- agree that payroll costs are complete within the financial statements via review of the reconciliations between the payroll system and the General Ledger; and
- undertake a trend analysis and detailed analytics to ensure pay is materially complete.

### Key findings

Our audit work has not identified any issues in respect of the completeness of the Council's employee remuneration costs. However, work performed on payroll related disclosure notes has identified some minor classification and disclosure issues that have been corrected. Further detail on these is included on page 18.

7

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (89%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Work performed

We have undertaken the following work in relation to this risk:




- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- performed detailed substantive testing on operating expenditure recorded for the financial year; and
- tested operating expenditure to ensure cut-off has been correctly applied.

### Key findings




Our audit work has not identified any significant issues in respect of the completeness of the Council's operating expenditure costs. Some minor issues were found during our testing of the cut-off of expenditure, which are discussed in Appendix B.



# Accounting policies

| Accounting area                 | Summary of policy  | Comments   | Assessment  |
|---------------------------------|--|--|---|
| <b>Revenue recognition</b>      | <p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular, revenue from the sale of goods and the provision of services is recognised when the Council transfers goods or completes delivery of a service to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</p> <p>Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.</p> | <p>The revenue recognition policy is consistent with the Code of Practice on Local Authority Accounting.</p> <p>Following our audit, disclosure of the Council's policy for non-exchange transactions has been added to the Financial Statements.</p> <p>Management have followed the policy in accounting for the Council's revenue streams.</p>  | <br><b>(Green)</b>   |
| <b>Judgements and estimates</b> | <p>Key judgements and estimates include:</p> <ul style="list-style-type: none"> <li>– Valuation and useful lives of operational property</li> <li>– Fair value measurement of investment property</li> <li>– Valuation of the pension fund net liability</li> <li>– Accruals of income and expenditure</li> <li>– Provision for NNDR appeals</li> <li>– Recognition of school assets</li> <li>– Preparation of group accounts</li> </ul>   | <p>Disclosures of critical judgements and assumptions used in Notes 3 and 4 to the Financial Statements are considered to be clear.</p> <p>The policies adopted for material accounting estimates are consistent with the Code of Practice on Local Authority Accounting.</p> <p>Following our audit, disclosures relating to the group boundary and accounting for schools have been amended for clarity.</p> <p>Our testing indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts.</p> | <br><b>(Green)</b>   |
| <b>Other critical policies</b>  |  | <p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p> <p>Following our audit, additional disclosure has been included in the financial statements where policies were previously omitted. See page 18 onwards for further detail.</p>   | <br><b>(Green)</b> |

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

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

| Issue  | Commentary  |
|--|---|
| ① <b>Matters in relation to fraud</b>                | We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.   |
| ② <b>Matters in relation to related parties</b>      | We have completed a review of the Council's register of interests, and registers of gifts and hospitalities. We have discussed management's processes for maintaining and reviewing these registers. We are not aware of any related parties or related party transactions which have not been disclosed.   |
| ③ <b>Matters in relation to laws and regulations</b> | You have not made us aware of any significant instances of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.   |
| ④ <b>Written representations</b>                     | A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Performance Committee papers.<br><br>Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the business rates appeals provision, and the valuation of property, plant and equipment and investment properties. |
| ⑤ <b>Confirmation requests from third parties</b>    | We requested from management permission to send confirmation requests to banks and investment and debt counterparties. This permission was granted and the requests were sent. All responses were received, with the help of management chasing the counterparties, with positive confirmation.   |
| ⑥ <b>Disclosures</b>                                 | Issues and omissions found during our review are summarised in Appendix C.  |
| ⑦ <b>Significant difficulties</b>                    | No significant difficulties were encountered during the completion of our work.   |

# Other responsibilities under the Code

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

| Issue  | Commentary   |
|--|--|
| <b>1 Other information</b>                                     | <p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix E.</p>                     |
| <b>2 Matters on which we report by exception</b>               | <p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>  |
| <b>3 Specified procedures for Whole of Government Accounts</b> | <p>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.</p> <p>As the Council is expected to exceed the specified group reporting threshold, we will examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>We plan to complete this work in June following receipt of instructions from the NAO, prior to issuing our auditor's report.</p> |
| <b>4 Certification of the closure of the audit</b>             | <p>Subject to the completion of required procedures on the Whole of Government accounts submission above, we expect to be able to certify the completion of the audit when we give our audit opinion.</p>  |

# Value for Money

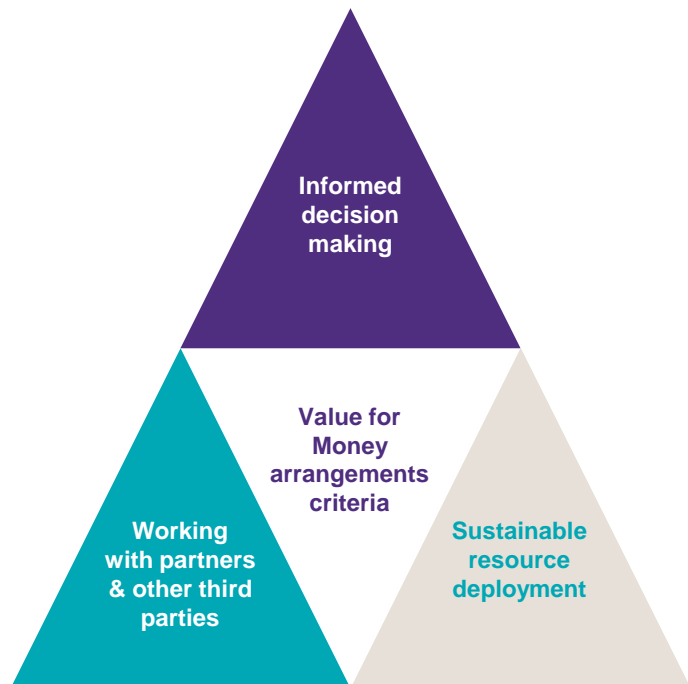
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2018, and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated 1 February 2018.

We will continue our review of relevant documents up to the date of giving our audit report, and at the time of writing this document have not identified any further significant risks where we need to perform further work.

## Our work

We carry out further work only in respect of any significant risks we identify from our ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we will use the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we would report in our VFM conclusion.

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

## Overall conclusion

Based on the work we performed, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix E.

The Council has increased its general fund reserves in recent years to £215.5m at 31 March 2018, including earmarked and schools balances. This reflects the S151 Officer's view of the financial risks the Council faces, but is considered a strong position.

The Council has developed a medium term financial plan which covers the period to 2020/21, and has a strong track record of delivering to budget and achieving its savings plans.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

# Independence and ethics

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

## 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.





| Service  | £     | Threats   | Safeguards   |
|--|-------|---|--|
| <b>Audit related</b>                           |       |   |  |
| Certification of the Teachers Pension Return   | 3,500 | Self-Interest (because this is a recurring fee) | 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 £3,500 in comparison to the total fee for the audit of £185,719 and in particular 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. |
| Certification of Pooled Capital Receipts grant | 9,000 | Self-Interest (because this is a recurring fee) | 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 £9,000 in comparison to the total fee for the audit of £185,719 and in particular 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. |
| <b>Non-audit related</b>                       |       |   |  |
| Subscription to CFO Insights                   | 9,500 | Self-Interest (because this is a recurring fee) | 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 £9,500 in comparison to the total fee for the audit of £185,719 and in particular 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. |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. 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. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.




None of the services provided are subject to contingent fees.

# Action plan

Recommendations have been identified for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment   | Issue and risk  | Recommendations   |
|--|---|---|
| 1<br><br>(Medium) | <p>Audit work on the valuation of investment properties identified that a small number are included in the financial statements at the wrong value due to differences between versions of the valuer's reports.</p> <p>One adjustment will be made as a result of this, detailed on page 17.</p> <p>We are satisfied that this issue has not resulted in a material misstatement in the financial statements for 2017/18.</p> | Management should ensure that effective version controls are in place for all key inputs into the financial reporting process.                      |
| 2<br><br>(Medium) | <p>Testing identified that there were balance sheet codes which contained balances that had not moved for a number of years. There is a risk that these balances are no longer valid.</p> <p>We are satisfied that this issue has not resulted in a material misstatement in the financial statements for 2017/18.</p>  | A review of all such balances should be performed to ensure that these are still relevant in advance of the Council changing general ledger system. |
| 3<br><br>(Low)    | <p>Audit work performed on capital additions in the 2017/18 financial year identified that approximately £3,780k was over-accrued in previous years.</p> <p>These accruals have been de-recognised in 2017/18. We are satisfied that there is not a material misstatement in the 2017/18 financial statements.</p>  | Periodic reviews of capital accruals should be performed in order to identify those that are no longer necessary.                                   |
| 4<br><br>(Low)  | <p>A number of investment properties were reclassified as operational property, plant and equipment during the 2017/18 valuation process.</p> <p>Our testing identified one further asset that was classified incorrectly. We are satisfied that there is not a material misstatement in the financial statements for 2017/18.</p>  | A review of investment properties should be performed each year to ensure that all investment properties are correctly classified.                  |

#### Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

# Follow up of prior year recommendations

**Assessment**  
 ✓ Action completed  
 WIP Implementation in progress  
 X Not yet addressed

We identified the following issues in the audit of Westminster City Council's 2016/17 financial statements, which resulted in a recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

|   | Assessment | Issue and risk previously communicated   | Update on actions taken to address the issue   |
|---|------------|--|--|
| 1 | WIP        | <p>Our sample testing of creditor balances and payments post year end identified items that did not follow guidance.</p> <p>Although we were satisfied that this was not indicative of a material misstatement in the financial statements, we recommended that all budget managers follow the Council's accruals guidance when preparing the year end position.</p> | <p>The Council performed a full analytical review of the outturn against accruals made as at 31 March 2017 as part of their preparations for closing down the 2017/18 general ledger and to resolve the issues that were identified in the prior year audit. From this exercise, the Council have confirmed that a de-minimis level of £10k is appropriate for year-end accruals to ensure that time is not spent on work which has only a trivial impact on the financial statements.</p> <p>The Council's accruals guidance notes were updated following the review, and were issued to all relevant staff to improve upon the processes from last year. Training was also delivered to budget managers to improve compliance. In addition, a strengthened accruals panel provided extra scrutiny and guidance.</p> <p>Our work on the cut-off of revenues and expenditures at the end of the 2017/18 financial year has found some minor errors. We are satisfied that these are not indicative of a material error in the financial statements and that management have made good progress in addressing the issue found during the previous year's audit work. However, we plan to keep this recommendation under review.</p> |

# 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 in the Council's single entity financial statements

All adjusted misstatements are set out in detail below along with the impact on the Council's key single entity statements and the Council's reported net expenditure for the year.

| Detail   | Comprehensive Income and<br>Expenditure Statement<br>£'000     | Balance Sheet<br>£'000   |        |    |                                 |          |  |  |
|--|--|--|--------|----|---------------------------------|----------|--|--|
| <p>1 At the end of the financial year, the Council reclassified items of Investment Property to Property, Plant and Equipment (PPE). At 31 March 2018, these properties have been valued at Fair Value, with the gain on revaluation being posted to the Revaluation Reserve.</p> <p>The correct treatment would have been to transfer these assets to PPE at Fair Value, recognising any gain up until the date of transfer in the CIES. The assets should then have been valued again at the end of the year as PPE.</p> <p>This has been corrected as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">Dr</td> <td style="width: 75%;">Revaluation Reserve</td> <td style="width: 20%; text-align: right;">11,026</td> </tr> <tr> <td>Cr</td> <td>Financing and Investment Income</td> <td style="text-align: right;">(11,026)</td> </tr> </table> <p>This is a technical adjustment, and has no impact on the Council's cash position.</p> | Dr   | Revaluation Reserve  | 11,026 | Cr | Financing and Investment Income | (11,026) |  |  |
| Dr   | Revaluation Reserve  | 11,026   |        |    |                                 |          |  |  |
| Cr   | Financing and Investment Income                                | (11,026)   |        |    |                                 |          |  |  |
| <p>2 The Council misclassified investments as cash equivalents within the Balance Sheet. This was corrected as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">Dr</td> <td style="width: 75%;">Short Term Investments</td> <td style="width: 20%; text-align: right;">40,074</td> </tr> <tr> <td>Cr</td> <td>Cash and Cash Equivalents</td> <td style="text-align: right;">(40,074)</td> </tr> </table> <p>These investments matured on 3 April 2018. This amendment also impacted on disclosures in Notes 21, 22 and 37.</p>   | Dr   | Short Term Investments   | 40,074 | Cr | Cash and Cash Equivalents       | (40,074) |  |  |
| Dr   | Short Term Investments   | 40,074   |        |    |                                 |          |  |  |
| Cr   | Cash and Cash Equivalents                                      | (40,074)   |        |    |                                 |          |  |  |
| <p>3 In order to provide the audit team with draft financial statements ahead of the commencement of the audit on 3 April 2018, the Council's pension net liability for Westminster City Council and the London Pension Fund authority schemes was valued at £683,955k. The actuary provided the Council with an updated IAS19 report on 16 April 2018, which led to the following correction being made to the primary statements:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">Dr</td> <td style="width: 75%;">Total Charge to Comprehensive Income and Expenditure Statement</td> <td style="width: 20%; text-align: right;">13,613</td> </tr> <tr> <td>Cr</td> <td>Pension Fund liability</td> <td style="text-align: right;">(13,613)</td> </tr> </table>  | Dr   | Total Charge to Comprehensive Income and Expenditure Statement | 13,613 | Cr | Pension Fund liability          | (13,613) |  |  |
| Dr   | Total Charge to Comprehensive Income and Expenditure Statement | 13,613   |        |    |                                 |          |  |  |
| Cr   | Pension Fund liability   | (13,613)   |        |    |                                 |          |  |  |



**Impact of adjusted misstatements in the Council's single entity financial statements (continued)**

| <b>Detail</b>  | <b>Comprehensive Income and<br/>Expenditure Statement<br/>£'000</b> | <b>Balance Sheet<br/>£'000</b> |
|--|---|--------------------------------|
| 4 £804k of direct revenue financing was credited to net costs of services when it should be part of taxation and non-specific grant income. In attempting to correct this, the opposite adjustment was made, making the following correction necessary:  | 1,608   |                                |
| Dr Cost of Services  | (1,608)   |                                |
| Cr Taxation and Non-Specific Grant Income  |   |                                |
| 5 Investment Property valuations included in the draft financial statements were taken from a non-finalised version of the valuer's report. The finalised report contained different valuations, resulting in an overstatement of the valuation of Investment Properties, which has been corrected as follows: |   |                                |
| Dr Financing and Investment Income   | 2,180   |                                |
| Cr Investment Properties   |   | (2,180)                        |
| 6 An investment property was identified that was contained in the Council's asset registers twice. This has been removed from the financial statements, as follows:  |   |                                |
| Dr Financing and Investment Income   | 5,818   |                                |
| Cr Investment Properties   |   | (5,818)                        |
| <b>Overall impact</b>  | <b>£7,998k</b>  | <b>(£7,998k)</b>               |

Our work has also identified the following adjustment relating to the 2016/17 financial year.

| <b>Detail</b>   | <b>Comprehensive Income and<br/>Expenditure Statement<br/>£'000</b> | <b>Balance Sheet<br/>£'000</b> |
|---|---|--------------------------------|
| 1 In the 2016/17 year the depreciation written out revaluation of Property, Plant and Equipment was incorrectly posted to the gross book value of Dwellings and Other Land and Buildings, rather than to the revaluation reserve. This has resulted in the following adjustment to the prior period, which has impacted on the prior year primary statements and PPE disclosure note: |   | 36,607                         |
| Dr Property, Plant and Equipment  |   | (36,607)                       |
| Cr Revaluation Reserve  |   |                                |
| An explanation of this adjustment has been included in the prior period adjustment disclosure note to the accounts.   |   |                                |

## Impact of other adjusted misstatements in the group financial statements

These adjustments are in addition to the adjustments made to the Council's single entity financial statements, which are consolidated into the group position, a number of other adjustments have been made to the group position.

### Detail

The group position in the draft Financial Statements was based on the performance of the other group components at the end of February 2018, as the most up to date financial information available at the time that the financial statements were produced.

The position was updated when year-end information was available, and was also corrected for some errors in the formulae within the consolidation schedule. The impact of these adjustments, inclusive of adjustments already detailed for the Council, is a £17,424k decrease in the Group's surplus on provision of services, and a £36,664k decrease in the Group's total comprehensive income.

## 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 Reference                            | Council or Group | Detail   | Adjusted |
|---|------------------|--|----------|
| Comprehensive Income and Expenditure Statement  | Both             | During the audit, the Council identified a number of presentational changes within the CIES. None of these changes impact on the Council's overall performance.<br>Notes 5 and 7 which directly relate to figures within the CIES have also been updated to reflect these changes.   | ✓        |
| Movement in Reserves Statement                  | Both             | Technical inconsistencies were noted between the Council's MIRS and the other single entity primary statements. The MIRS and related notes (Note 16 and Note 29) have been revised to address this.<br>The group MIRS has been revised to incorporate these changes, as well as to update it for the group financial performance and position for the full financial year, in line with the adjustment on the previous page.   | ✓        |
| Balance Sheet                                   | Council          | The Council's draft financial statements did not include a third balance sheet (at 31 March 2016) demonstrating the opening position for the 2016/17 financial year after the inclusion of the prior period adjustment disclosed in Note 38.   | ✓        |
| Cash Flow Statement                             | Both             | Inconsistencies were noted between the Council's CFS and the other single entity primary statements. The CFS has been revised to address this.<br>Amendments have also been made to supporting disclosure notes (Note 31, Note 32 and Note 33). The group CFS has been revised to incorporate these changes, as well as to update it for the group financial performance and position for the full financial year, in line with the adjustment on the previous page. | ✓        |
| Expenditure and Funding Analysis (EFA – Note 8) | Council          | In the draft financial statements, the EFA had been prepared including only those movements that related to un-earmarked reserve balances. This was not in line with the requirements of the Code of Practice on Local Authority Accounting, and has been corrected.<br>In addition, the 2016/17 EFA was not consistent with the 2016/17 CIES. Again, this has been amended.   | ✓        |

### Misclassification and disclosure changes (continued)

| Disclosure Reference                       | Council or Group                     | Detail   | Adjusted |
|--|--------------------------------------|--|----------|
| Better Care Fund<br>(Note 9)               | Council                              | The disclosure of the Council's involvement in the Better Care Fund (titled 'Pooled Budgets' in the draft financial statements) has been revised to better reflect the arrangements in place, as a non-pooled agreement, and to enable the user to gain an understanding of the schemes in place and their financial impact on the Council's accounts.   | ✓        |
| Payroll related disclosures<br>(Note 10)   | Council                              | Minor amendments were made to the narrative, and the classification of balances within the Officers' Remuneration disclosure note.<br>Minor amendments were made to the total value of exit packages in year.  | ✓        |
| Audit Fee Note<br>(Note 11)                | Council                              | Minor amendments have been made to the audit fee note to include all aspects of fees paid to the external auditor in the year in relation to all services provided.  | ✓        |
| Property, Plant and Equipment<br>(Note 18) | Council<br>(incorporated into group) | Note 18b has been amended to show that the property held for sale (£40m) was last valued at 31 March 2018, and that Council Dwellings were last valued at 31 March 2017 (the formal valuation date for these assets being 01 April 2017).<br>Disclosures in the Balance Sheet, Note 18 and Note 20 have been amended to make it clear that the asset held for sale is an investment property.  | ✓        |
| Financial Instruments<br>(Note 21)         | Council                              | Adjustments have been made to the financial instruments disclosures to make them consistent with other areas of the financial statements. Changes have been made to: <ul style="list-style-type: none"> <li>the carrying values of cash equivalents and short term investments, per page 16</li> <li>the fair value of PWLB borrowing has been revised from £229,227k (PY £237,540k) to £208,482k (PY £214,777k). The Council have previously used the premature redemption rate for this debt as a discount factor, rather than the 'new loan' rate, which is considered more appropriate given the requirements of IFRS 13. This amendment is disclosure only, as these loans are held at amortised cost in the balance sheet.</li> </ul> <p>As part of our work on the Fair Values of LOBO loans, we have reviewed the loan agreements and confirmed that there are no unusual terms or conditions.</p> | ✓        |
| Nature and Extent of Risk<br>(Note 22)     | Council                              | This disclosure note has been amended to better reflect the risks specific to the Council. In particular, the disclosure of credit quality has been amended to include all relevant balances and be consistent with other Financial Instrument disclosures.  | ✓        |
| Leases<br>(Note 24)                        | Council                              | The disclosure of assets held under finance leases has been amended to reflect the current value as £30,790k. The draft financial statements disclosed this as £33,169k.<br>Minimum lease payments for operating leases in year have been adjusted to £50,227k. In the draft financial statements this was £48,157k.   | ✓        |

**Misclassification and disclosure changes (continued)**

| <b>Disclosure Reference</b>                    | <b>Council or Group</b>              | <b>Detail</b>  | <b>Adjusted</b> |
|--|--------------------------------------|--|-----------------|
| Provisions<br>(Note 28)                        | Council<br>(incorporated into group) | The movement on the provision for business rates appeals has been split to show separately the amounts used in 2017/18 (£54,794k) and the additional provision made (£46,394k).  | ✓               |
| Defined Benefit Pensions<br>(Note 30)          | Council<br>(incorporated into group) | Upon receipt of the revised actuarial report on 4 April 2018, as discussed on page 16, a number of disclosure amendments were made regarding the movements in the pension liability and pension assets, and the actuarial assumptions used.  | ✓               |
| Related Party Transactions<br>(Note 34)        | Council                              | Additional disclosure was added regarding: <ul style="list-style-type: none"> <li>the Paddington Recreation Ground Charity, as an entity inside the group boundary</li> <li>related party transactions which the Council deemed immaterial, but where disclosure is required by the Code of Practice on Local Authority Accounting</li> </ul>  | ✓               |
| Fair Value<br>(Note 37)                        | Council                              | Adjustments have been made to the fair value disclosures to make them consistent with other areas of the financial statements. Changes have been made to include the following in the 2017/18 disclosure: <ul style="list-style-type: none"> <li>the fair values of available for sale financial assets (£336,102k)</li> <li>assets held for sale (£40,000k)</li> </ul> with corresponding changes made to the reconciliation in Note 37d. | ✓               |
| Events After the Reporting Period<br>(Note 39) | Council                              | This disclosure was omitted from the draft version of the financial statements, but is now included. The Council has confirmed that there are no events to disclose at the time of writing this report.  | ✓               |
| Schools  | Council                              | The draft financial statements did not contain information to enable the reader to understand the impact of local authority schools on the Council's financial statements. Disclosure has been added to show the number of, and the different categories of, maintained schools.   | ✓               |
| Various  | Both                                 | A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.   | ✓               |

# Fees

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

## Audit Fees

|   | Proposed fee    | Final fee       |
|---|-----------------|-----------------|
| Council Audit   | £185,719        | £185,719        |
| Grant Certification relating to the 2016/17 Housing Benefit subsidy claim | £22,410         | £22,410         |
| Objections relating to the 2016/17 Financial Statements                   | n/a             | £7,790          |
| <b>Total audit fees (excluding VAT)</b>                                   | <b>£208,129</b> | <b>£215,919</b> |

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Note that the grant certification fee included in this table relates to the 2016/17 HB subsidy. The indicative fee set by PSAA for the 2017/18 certification work is £25,386.

## Non Audit Fees

| Fees for other services                          | Fees           |
|--|----------------|
| <b>Audit related services:</b>                   |                |
| • Certification of the Teachers Pension Return   | £3,500         |
| • Certification of Pooled Capital Receipts grant | £9,000         |
| <b>Non-audit services:</b>                       |                |
| • Subscription to CFO Insights                   | £9,500         |
|  | <b>£22,000</b> |

# Audit opinion

We anticipate we will provide the Group with an unmodified audit report

## Independent auditor's report to the members of City of Westminster Council Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of City of Westminster Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, and the notes to the financial statements, including the 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 2017/18.

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 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; 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. 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.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual Accounts other than the group and Authority financial statements and our auditor's report thereon, and includes the introduction to the Group Accounts on pages 159 and 160. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 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 the 'Delivering Good Governance in Local Government: Framework (2016)' 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 matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

**Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 29, 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 Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer 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 Section 151 Officer is responsible for assessing the group's and the Authority'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 the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit and Performance Committee is Those Charged with Governance.

**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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Responsibilities of the Authority**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[either]

**Report on other legal and regulatory requirements**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[or]

**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 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



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