

Supplementary report to
those charged with
governance concerning the
audit of the financial
statements

City of Westminster Council

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Reference:	Westminster CC Supplementary SAS6101
Date:	November 2004

Introduction

Statement of Auditing Standard (SAS) 610 requires auditors to report certain matters arising from the audit of the financial statements to 'those charged with governance':

- adjusted misstatements
- material weaknesses in accounting and internal control systems
- other matters that we wish to draw to your attention.

We have agreed with the Council that the communications required under SAS 610 would be with the General Purposes Committee (the Committee). This report is a supplement to the SAS610 report issued to the Committee on 21 July 2004 and sets out the results of the additional work on the cash and bank reconciliation highlighted in our original report.

Status of the audit

Our work on the financial statements is complete. We will not be issuing a certificate closing the audit as there is an outstanding objection from five local government electors in relation to the arrangements for concluding an agreement with the former Leader, Dame Shirley Porter. Our proposed opinion on the accounts is attached at Appendix 1.

Cash and bank reconciliation

We are required to report adjusted misstatements to you which are significant and are relevant to your governance responsibilities. We reported to you in July 2004 that work was ongoing in relation to the cash and bank reconciliation.

As a result of the additional work on the cash and bank reconciliation adjustments have been made with the overall impact being a reduction to the general fund balance of £1,400k.

Of the overall adjustment £1,192k relates to the incorrect treatment of stopped housing benefit cheques. £1,007k relates to 2002/03 and 2003/04 where the incorrect figure was used as part of the reconciliation. This has now been corrected resulting in the amendment. The remaining £185k relates to stopped cheques that were presented. This occurred where the cheque was stopped on the housing benefits system but a delay occurred before the cheque was stopped at the bank. During the delay the cheques were presented. This has now been corrected resulting in the amendment.

An additional provision of £238k has been made in respect of an unexplained item on the housing benefits reconciliation. The provision has been made to allow officers to further investigate the balance.

Other matters

In our July report we highlighted our concern that the bringing forward of the accounts preparation process had led to a failure to prepare clear documentation for all the main balances and hence facilitate an efficient audit within the tight timescales originally requested by the Council. Significant additional effort has subsequently had to be expended by both officers and us as auditors in order to reach the current position where we will be able to issue an unqualified audit opinion. As a result the Council will be charged an additional audit fee to cover the work that was in excess of the agreed audit plan.

Next steps

We are drawing these matters to the General Purposes Committee's attention so that you can consider them before the revised financial statements are approved.

Status of our reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to Councillors or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Councillor or officer in their individual capacity, or to any third party.

Independent Auditor's Report to the City of Westminster Council

We have audited the financial statements on pages 11 to 53, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 15, and the Pension Fund accounts, on pages 54 to 57, which have been prepared in accordance with the accounting policies applicable to pension funds set out on page 55.

This report is made solely to the City of Westminster Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 6, the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

We review whether the statement on internal control, on pages 7 to 10, reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion, the financial statements present fairly the financial position of the City of Westminster Council as at 31 March 2004, and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In our opinion, the financial statements present fairly the financial transactions of the City of Westminster Council Pension Fund during the year ended 31 March 2004, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We have carried out the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors.

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November 2004