

Westminster City Council Audit Progress Report including Interim Findings – Council and Pension Fund

Financial year ending 31 March 2022

As at 24 October 2022



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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 PCC and Chief Constable 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.

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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 2022 for 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 undertaken remotely during July-October.

Our work is nearing completion in the core elements of the audit and areas that sit outside of Infrastructure assets. At the time of writing there are no matters of which we are aware that would require modification of our audit opinion,

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited (Subject to final review of updated annual report and accounts).

Most of the audit work at the time of writing is in the audit quality review phase. However, we are still working with management on several presentational and disclosure adjustments in the financial statements. The more significant matters identified, discussed and agreed with Management are included in this update. Further matters may be identified as we conclude our audit, which we will agree with management, considering materiality and the impact on the accounts. A complete list of all adjusted and unadjusted differences will be included in our final Audit Findings Report, concluding our audit. This is anticipated to be in January 2023, on resolution of the infrastructure asset accounting, as outlined.

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 now 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 be in a position to issue our Auditor's Annual Report in December 2022, however, this is subject to the resolution of the national Infrastructure asset issue which we have mentioned in more detail on page 11 of this report.

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 work is underway and an update is set out in the value for money arrangements section of this report.

1. Headlines

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 Auditor's Annual Report in December 2022/January 2023, and our work on the Council's Whole of Government Accounts (WGA) return which will likely take place in December 2022 (depending on when the WGA guidance is finalised and issued to auditors).

Significant Matters

The size and technical complexity of local government accounts in their current form, and the scale of regulatory and audit requirement in respect of those accounts, are significantly greater than they were even 6-7 years ago. In addition, Council finance teams are leaner than they have been historically, in part in response to austerity over the past decade, and capacity is severely constrained, whilst the workload and expectations of finance teams and those preparing accounts is significantly greater than it used to be.

In essence, as much as twice the work is needed from finance teams which now have fewer people involved. Capacity is therefore a significant factor affecting many Councils, and particularly Councils as large and complex as Westminster City Council, which has also been identified by the regulator as having specific areas of higher risk in relation to the levels of Business Rates the Council receives and the size of the NNDR Appeals Provision.

We appreciate the additional level of audit procedures, areas of challenge and detail of review now required adds significant pressure to the finance function which faces a number of other competing pressures. We also note that nationally there are pressures within the Local audit market which reflects these challenges.

In a recent Public Accounts Committee report it was noted the concerns about the timeliness of Local Government reporting, in the context of the Whole of Government Accounts in 2019/20 not being fully published until 26 months after the year end. Through effective partnership working with the finance team, we have made good progress within the context of the above. As at 24 October 2022, our audit work remains in progress and has taken place under a hybrid working arrangement from 15 July to October 2022.

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

2. 2021/22 deliverables

2021/22 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Performance Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	March 2022	Complete
<p>Audit Progress Report and Interim Findings</p> <p>Presented at this Committee.</p>	October	Presented at this meeting
<p>Final Audit Findings Report</p> <p>The Audit Findings Report to be reported to the Audit and Performance Committee.</p>	October	This cannot be completed until the Government finishes its consultation on a national issue regarding Infrastructure assets.
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	January 2023	This is due to the fact the statutory override in relation to Infrastructure assets is not expected to be implemented until 25 December 2022.
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	January 2023	Not yet due

3. Financial Statements

Overview of the scope of our audit

This Audit Progress 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 have been discussed with management prior to being presented to the Audit 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's business and is risk based, and in particular included:

- An evaluation of the group'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; and
- 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. From this evaluation we determined that there were material balances within other entities within the Council's group, on which audit procedures would need to be completed. These procedures were completed by the audit team alongside the audit of the Council.

3. Financial Statements

Conclusion

We have substantially completed our audit of your financial statements. The Key outstanding items include:

- The conclusion of the Government review into the proposed statutory override's in relation to Infrastructure Assets, this is a national issue.
- Completion of detailed testing of Grant sample items.
- Agreement of and finalisation of disclosure and other adjustments to the financial statements.
- Completion of the Grant Thornton audit quality review process.

3. 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	Risk relates to	Commentary
<p>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 Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement..</p>	Group and Council	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our work is near completion in this area subject to any further issues or requirements being identified as part of our review process. We can confirm that the outcome of our testing to date, has not identified any issues or instances where journals have been inappropriately processed.</p>

3. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
<p>Valuation of Investment Property</p> <p>The Council revalues its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£463 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Council and Group	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge 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; and • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. <p>Our work is near completion and we are reviewing the final responses from the Council's valuer Sanderson Weatherall. To date no significant issues have been identified in our work. However increased audit attention on this area has led to us undertaking a more detailed review in a number of areas which has increased the level of time spent on this area.</p>
<p>Valuation of Land and Buildings and Council Dwellings (Rolling Revaluation)</p> <p>The Council revalue its land and buildings and Council Dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and council dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	Group and Council	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instruction to the authority's valuer, the authority's valuer's report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the group's asset register <p>Our work is near completion and we are reviewing the final responses from the Council's valuer Sanderson Weatherall. We have in our work identified issues in relation to assets being incorrectly classified in the Group accounts, however this is simply a disclosure issue and not material to the financial statements.</p>

3. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
<p>Valuation of Pension Fund Net Liability</p> <p>The Authority'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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	Council	<p>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assess the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • test 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; • undertake 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 • obtain assurances from the auditor of the City of Westminster Pension Fund 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. <p>Our work on the Pension Fund liability is substantially complete. We are still awaiting the completion of the Pension Fund audit before we can conclude this work. We have identified some disclosure misstatements in the notes. On top of this we have also identified an issue relating to the councils prefunding arrangements and the way this has been treated through the Reserves which per the Council's paper they plan to adjust the General Fund Reserves by £45m. Before completion this work requires its final review following the completion of the Pension Fund Audit.</p> <p>No other issues have been identified.</p>

4. Financial Statements – Additional Areas of focus in 2021/22 – Other Risk Areas

The significant risks identified in our Audit Plan in March remain unchanged. Here we are noting other key areas of focus in this year's audit.

Significant matter	Commentary
Collection Fund Income- Business Rates	<p>Business Rate income is an area of increased audit focus in particularly for Westminster City Council, due to the 1.547 billion of income of Business Rate income within the Collection Fund. This has led to increased audit focus on this area with us undertaking a more detailed substantive analytical procedure, review of reliefs and Income within the Collection Fund.</p> <p>As has been set out in the Council's papers this has been an area where adjustments have been identified to the draft accounts and we are working on finalising our work on these adjustments with the Council.</p>
NNDR Appeals Provision	<p>The Council's Business Rates Appeal Provision is on an absolute and relative terms one of the largest in the country sitting at £339m in the draft accounts, of which 30% is WCC's share - £101.8m. The Appeals Provision reflects a provision against businesses that have launched the Appeals process with the VOA and the potential refunds the Council would have to pay out if they were successful. Due to the size of this provision, this has been a key focus of regulatory attention and we have expanded our procedures on this area, due to it being a key estimate in the financial statements. In undertaking our work we have undertaken the following procedures:</p> <ul style="list-style-type: none"> • 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. <p>As has been set out in the Council's papers to this report, changes to this provision have been identified during the course of the audit and our audit review of this restatement remains in progress.</p>
Infrastructure Assets	<p>Infrastructure assets contain a variety of assets including Highway assets, Drainage assets, pavements and lighting. The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. In addition, the Code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. Westminster City Council had material infrastructure assets, at both a gross and net book value basis.</p> <p>There have been issues raised nationally about the records Local Authorities have of such assets and whether they are able to effectively derecognise assets when replacement expenditure takes place. There is therefore a potential risk of material misstatement relates to the infrastructure assets balance. Due to concerns nationally about Local Authority's record keeping for this area there has been a consultation launched about potential changes that could be made to the Code. We are still awaiting the outcome of this consultation.</p>

Significant matter**Commentary**

Pension Upfront Payment

The council in year made additional prefunding payments totalling £80m to reduce the future Pension Liability. In terms of the accounting of this within the Balance Sheet and CIES we deem the treatment appropriate. However there are a number of technical statutory accounting adjustments the CIPFA Code requires through the Reserves. In respect of this we identified inconsistencies in the way the Council had treated this balance which has led to material adjustments in this area. We are still in the process of finalising our review of these adjustments with management.

Financial Instruments

During the 2021/22 financial year the Council has increased the long term Loans provided to its subsidiaries. As part of our audit review it was identified that these should be disclosed as part of the financial instruments note as is required by IFRS9. This has led to a restatement of this year and the prior year figures within this note. These disclosures were already captured as debtors in the balance sheet at the Draft position and have now been disclosed in the Financial Instruments note.

5. Materiality



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.

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

We detail in the table to the right our determination of materiality for Westminster City Council Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements.	15,200,000	15,000,000	Materiality has been based on 1.5% of Gross Operating Expenditure.
Performance materiality	9,890,000	9,750,000	Changed due to a decrease in expenditure in the current year accounts.
Trivial matters	760,000	750,000	Based on 5% of materiality.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20,000 (PY £20,000) for senior officer remuneration.



6. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

6. Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The key areas of focus we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Our VFM work is being completed by our specialist team and is scheduled to take place in October and November.

Our risk assessment procedures regarding the Council's arrangements to secure value for money have not identified any risks of significant weaknesses in arrangements. Our work will focus on the arrangements in each of the following areas:

- Delivery of the planned financial performance in 2021-22, along with the future plans of the Council in 2022-23 and beyond.
- Delivery, monitoring and management of the Council's capital plans.
- Procurement matters, within the capital team, and compliance with Council requirements to mitigate against the risk of fraud and corruption.
- Review of arrangements for registering and reporting members' interests.
- Review of arrangements for reporting key strategic risks to members.
- Arrangements to take account of public consultations to inform decision making.
- Implementation of recommendations arising from the Marble Arch project.
- Review of the governance arrangements over the Council's subsidiaries.
- Review of the implementation of arrangements to strengthen contract register and contract performance management process.
- Review of the Council's Affordable Housing project.
- Review of the Council's Governance and decision making over Capital projects, including Capital Project procurement arrangements.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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

Appendix A - Progress on Financial Statement work

Testing Area	Commentary
Consolidated Financial Statements	Work in progress with high level queries with management.
Journal Entries	Work largely complete in Audit quality review phase.
Expenditure Funding Analysis	In progress with Audit Team.
PPE Opening Balances	In progress with Audit Team, also awaiting outcome of Infrastructure Assets consultation.
PPE Additions	Work completed, no issues identified.
PPE Disposals	Work largely complete in Audit quality review phase.
Depreciation	Work largely complete in Audit quality review phase.
HRA Revaluations	Work largely complete in Audit quality review phase.
PPE OLB Revaluations and Investment Properties	Audit team processing information provided by valuers. Increased regulator focus and requirements in this area has the time taken on this area and number of queries raised, with the Council's external valuer.
PPE Closing Balances	Awaiting outcome of Infrastructure Assets consultation.
Heritage Assets	Work largely complete in Audit quality review phase.
Investments	Work largely complete in Audit quality review phase.
Debtors	Near completion subject to resolving final sample queries.
Cash and Cash Equivalents	Work largely complete in Audit quality review phase.
Creditors	Near completion subject to resolving final sample queries.
Borrowings	Work largely complete in Audit quality review phase.
Provisions	In progress with Audit Team- work ongoing due to significant adjustments to the NNDR Appeals Provision.

Testing Area	Commentary
Leases	Finalising disclosure adjustments to this note with the Council.
Grants Received in Advance	Work ongoing with samples with the Council.
Pension Liability	Work largely complete subject to receipt of the Pension Fund auditors letter and work being complete.
Fees and Charges Income	Work largely complete in Audit quality review phase.
Grant Income	Work ongoing with samples with the Council.
Completeness (income/debtors)	Work largely complete in Audit quality review phase.
Employee Benefit Expenditure and data migration	Work largely complete in Audit quality review phase.
Housing Benefit Expenditure	Work completed, no issues identified.
Other Expenditure	Near completion subject to resolving final sample queries
Completeness (expenditure/creditors)	Work largely complete in Audit quality review phase.
Audit Fees	Work largely complete in Audit quality review phase.
Financial Instruments	Work largely complete in Audit quality review phase.
Remuneration Disclosures	Subject to receiving information from the Payroll team.
Pooled Budgets	In progress with Audit Team.
Capital Disclosures	In progress with Audit Team.
Collection Fund	Awaiting updated statement to complete audit work on this area. In addition debtor samples outstanding for this area.
HRA	Subject to quality reviews.
Going Concern	Near completion but awaiting receipt of entities Cash Flow statement which must cover 12 months after the audit sign off date.

Appendix A - Progress on Financial Statement work

Testing Area	Commentary
Laws and Regulations	Work largely complete in Audit quality review phase.
Litigation and Claims	Work largely complete in Audit quality review phase.
Related Parties	Work largely complete in Audit quality review phase.
Annual Governance Statement	In progress with Audit Team.
Narrative Report	In progress with Audit Team.
Cashflow Statement	Work largely complete in Audit quality review phase.
MiRS and Reserves	Work largely complete in Audit quality review phase.

Key:

Audit Quality Review Phase – work largely complete but undergoing Partner and Audit quality Review process.

Auditor Processing- Audit team has received responses to queries and is performing final quality checks on information received.

Awaiting Receipt – Management are responding to latest audit queries in the coming days.

Appendix B-Audit fees

In 2018, PSAA awarded a contract of audit for Westminster City Council to begin with effect from 2018/19. The fee agreed in the contract was £143,004. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 13 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. As in previous years, we are discussing the extent of fee variations for the audit of the current years' financial statements. These discussions are still ongoing and therefore, at this time, we are not able to provide a proposed fee. We will communicate this to you in a future progress report, once it has been agreed with the Corporate Director of Finance and Assets.

In this year's audit cycle the regulator has raised a number of new areas of focus for us to consider in our work:

- An increased focus on Collection Fund Income in particularly for Business rates.
- Greater focus on the NNDR Appeals Provision.
- Increased focus on Infrastructure assets.

This has led to significantly more detailed procedures on the Collection Fund. In this work we have identified with management a number of adjustments. This was in part caused due to changes in staff at the year end which on top of regulatory requirements has led to substantially more work in this area. We are still working with management to determine the changes required in the financial statements for this area.

	2021/22	2022/23
Scale Fee (excluding VAT)	£147,004	£147,004
Proposed Fee (excluding VAT)	£213,004	TBC

Assumptions

In setting the fees, we assume that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we will have regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Appendix B-Certification Fees

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

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 D

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 [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

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 group. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, 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)	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 scale fee for the audit of £147,004 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 Housing Benefit	36,500	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 £36,500 in comparison to the total scale fee for the audit of £147,004 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 Pooling of Housing Capital Receipts	5,000	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 £5,000 in comparison to the total fee for the audit of £147,004 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.
GLA Compliance Checklist	60,000	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 £60,000 in comparison to the total fee for the audit of £147,004 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.



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