



ISLINGTON

AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

13 March 2023

SECOND DESPATCH

Please find enclosed the following items:

Item 1 External Audit update - To Follow

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Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 13th March 2023

Subject: Report of the External Auditor - Audit Progress Report

1. Synopsis

- 1.1 Following the commencement of the external audit in October 2022, Grant Thornton UK LLP is presenting an update report to the Committee. This update sets out their progress in delivering on their responsibilities as our external auditor. The report also includes a summary of emerging national and sector related issues which assist those charged with governance in the performance of their role.
- 1.2 At the Audit Committee meeting of the 30th January 2023 the External Auditor presented an update on progress which unfortunately included a delay to the completion of the authority's audit. The external auditor committed to providing an Audit Findings Report to the Committee meeting of the 13th March 2023. In order to support this, the council's finance team continued to prioritise audit queries and samples and ensured all outstanding items on the query log were resolved in short order.
- 1.3 Although disappointing to encounter a further delay, many Local Authorities currently find themselves in a position of not yet having 2020/21 accounts signed off, let alone 2021/22. Indeed, other Local Authorities within London have received letters from their auditors stating that their 2021/22 audit will not begin until after Summer 2023. This is in the context of a statutory date to complete the audit of 30th November 2022.
- 1.4 Since the Audit Committee of the 30th January 2023 Grant Thornton informed council officers that the resources allocated to our audit were being withdrawn in order to prioritise other audits. At this point, the auditors were still confident of achieving an Audit Findings Report for the May 2023 Committee date. Since then, Grant Thornton confirmed that resources have been reinstated earlier than planned.
- 1.5 Within their progress update, the auditor states that they expect to complete their fieldwork by the 14th April 2023. The Council continues to prioritise work to support the achievement of this date. The delay in the sign off of the 2021/22 audit will delay the Council in its endeavours to close the following years accounts, as certain tasks cannot be undertaken unless the prior year activities are finalised.
- 1.6 The Council is preparing for an accelerated 2022/23 year end timetable supported by the finance team's improvement in performance which had previously been acknowledged by Grant Thornton. The Government have recently consulted on its intention to return the statutory deadline for the

completion of Local Authority accounts to the 31st May 2023. The Council will work closely with the auditors once discussions around audit planning begin.

- 1.7 No significant issues or concerns have been raised to date within the audit.
- 1.8 The report also provides an update on the leadership of the audit team within Grant Thornton.

2 Recommendations

- 2.1 It is recommended that the Audit Committee notes the Audit Progress Report.

3 Background

- 3.1 Each year the council's external auditor provides an opinion on the council's Statement of Accounts. The report presents to the Committee the key information that the external auditor feels appropriate to bring to your attention.

4 Implications

- 4.1 **Financial Implications:** There are likely to be additional costs in relation to the overrunning of the audit. This will be considered once the Audit Findings Report is made available.
- 4.2 **Legal Implications:** None
- 4.3 **Environmental Implications:** This report does not have any direct environmental implications.
- 4.4 **Equality Impact Assessment:** The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.
- 4.5 A resident impact assessment has not been carried out since the contents of this report relate to a purely administrative function and there are no direct impacts on residents.

Appendices:

- **Appendix 1** – Islington Council Audit Progress Report and Sector Update

Background papers: None

Responsible Officer:

Dave Hodgkinson, Corporate Director of Resources

Paul Clarke, Director of Finance

Report Authors:

Paul Clarke, Director of Finance

Legal Implications Author:

Marie Rosenthal, Interim Director of Law and Governance

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Islington Council Audit Progress Report and Sector Update

Year ending 31 March 2022

March 2023

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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 Authority 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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Introduction

Your key Grant Thornton team members are:

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This paper provides the Audit Committee and Audit Committee (Advisory) with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee and Audit Committee (Advisory) can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

<https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2023

Introductions

Paul Dossett takes over as the Engagement Lead for the Council and Pension Fund from February 2023 following Paul Grady's departure from the Firm for pastures new. Paul Dossett is the Public Services Partner for London and the South East. Paul has over 35 years worth of public sector experience.

2021/22 financial statements audit update

Our final accounts visit started in mid October 2022. Your finance team provided us with a full set of financial statements as well as substantially most working papers that has enabled us to progress the audit as planned. In some areas, we experienced unexpected delays in receipt of working paper listings, queries on journal reconciling items and reconciliations between accounts.

Most of these queries have now or are in the process of being resolved and we are selecting outstanding samples for testing but this has impacted on the time taken to complete the audit.

The key areas to complete testing excluding follow up queries are as follows:

Financial statements testing:

- select samples and test journals, creditors, leases, employee benefit expenditure processed through accounts payable system
- complete sample testing of:
 - land and building valuation input and assumptions (sample of 50 properties),
 - investment properties yields (sample of 4 IP),
 - grants and other income (23 out of 59 samples processed),
 - classification testing of income & expenditure (7 out of 21 samples processed),

- employee benefit expenditure processed through payroll system (16 out of 24 samples processed),
- operating expenditure (40 out of 101 samples processed),
- debtors (41 samples being processed)
- complete review of pension liabilities, PFI liability disclosures, infrastructure disclosures, Related Party and other disclosures.

Pension fund testing:

- complete Fund investment, income, derivatives and member data testing,
- follow up outstanding hot review queries raised by our Audit Technical team.

Our planned fieldwork was scheduled to conclude at the end of January 2023. As we had not met the end of January target date for completing the audit, we paused the audit as the audit team was committed to another engagement from February. We sought to borrow some additional resources to assist us in concluding the audit during the months of March and April. The audit of both the financial statements and Pension fund has recommenced and we expect to complete our fieldwork by 14 April 2023.

We continue to utilise a query log to track and resolve outstanding items, which was updated and will be shared by the audit team weekly. Weekly meetings with senior finance staff will be reinstated w/c 6 March to highlight key outstanding issues and findings, ensuring that the audit process is as smooth as possible so all involved share the same understanding of progress and planned conclusion.

Progress at March 2023

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required. The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

We issued to management a draft Auditor’s Annual Report in December 2022 for comments. Our review did not identify any significant weaknesses in your arrangements. We made improvement recommendations which we are discussing with management.

The final report will be presented at the May 2023 Audit Committee and Audit Committee (Advisory) meeting along with the Audit Findings Report.

Meetings

We met with Finance Officers regularly as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee and Audit Committee (Advisory) a setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	May 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the March 2023 Audit Committee and Audit Committee (Advisory) .	May 2023	Not yet due
Auditors Report This includes the opinion on your financial statements including Pension Fund.	May 2023	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements. Draft report issued to Management for comments – December 2022.	May 2023	Not yet due (draft issued Dec 2022)

2021/22 Audit-related Deliverables	Planned Date	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	30 Nov 2022	Completed 6 Dec 2022
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2023	Completed 2 March 2023
Pooling of housing capital receipts - certification This is the report we submit to the Department for Levelling Up, Housing and Communities (“DLUHC”). based upon the mandated agreed upon procedures we are required to perform. (DLUHC are delaying the issuance of guidance to reporting accountants until Feb 2023 for 2022 returns)	TBC	Not yet due



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