



Annual Audit Letter 2017/18

London Borough of Islington and Pension Fund

—

August 2018

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one

Headlines

This Annual Audit Letter summarises the outcome from our audit work at the London Borough of Islington in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority and its pension fund.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

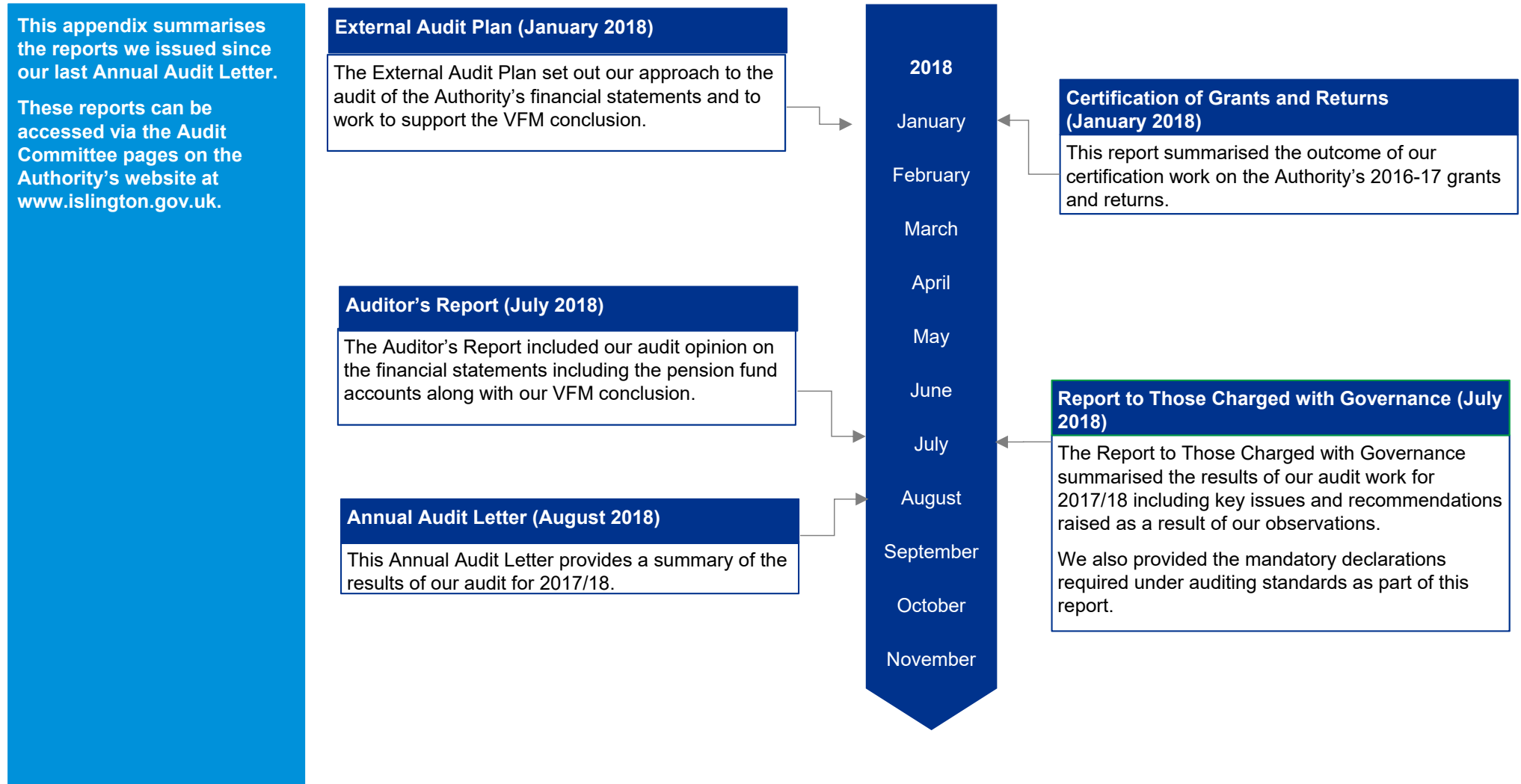
Audit opinion	We issued an unqualified opinion on the Authority's financial statements on the 29 June 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the pension fund, which we issued an unqualified opinion on as part of our audit report.
Financial statements audit	<p>Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £8.6M which equates to approximately 1% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £10M which is approximately 1% of gross assets.</p> <p>We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.4M for the Authority and £0.5M for the Pension Fund.</p> <p>We identified a misstatement of £2.7M, where a School asset was double counted. The Council did not adjust for this as it was not material to the financial statements.</p> <p>Our audit work was designed to specifically address the following significant risks:</p> <ul style="list-style-type: none"> — Management Override of Controls (Council and Pension Fund); and — Valuation of land and buildings (Council only). <p>Other than the misstatement relating to the School asset there were no issues arising from our work in these areas.</p>
Other information accompanying the financial statements	Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

Section one

Headlines

Value for Money conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 29 June 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
High priority recommendations	<p>We made no new recommendations as a result of our 2017/18 work. All four recommendations raised as part of our 2016/17 have been implemented by management.</p>
Certificate	<p>We are not in a position to issue our audit certificate with the audit opinion as the Authority has not provided us with a draft Pension Fund Annual Report. The deadline for the Authority to publish this is 1 December 2018 but we expect to be able to issue our audit report for the Pension Fund Annual Report in September 2018 to allow early publication.</p> <p>In June 2018 we issued certificates for 2013-14, 2014-15, 2015-16 and 2016-17 following the consideration of matters brought to our attention by an elector.</p>
Audit fee	<p>Our fee for the audit was £202,830 excluding VAT (£202,830 excluding VAT in 2016/17). The audit fee for the Pension Fund was £21,000 excluding VAT (£21,000 excluding VAT in 2016/17). These fees are in line with that highlighted in our audit plan approved by the Audit Committee in January 2018.</p> <p>Our work on the certification of Housing Benefits (BEN01) is planned for October 2018. The planned scale fee for this is £24,975 excluding VAT (£24,975 excluding VAT in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,000 excluding VAT (£6,000 excluding VAT in 2016/17).</p> <p>We have not completed any non-audit work at the Authority in year other than the grants and claims which do not fall under the PSAA arrangements referred to above.</p>
Exercising of audit powers	<p>We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.</p> <p>We have not identified any matters that would require us to issue a public interest report.</p>

Appendix 1: Summary of reports issued





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