

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 23rd May 2023

Subject: Report of the External Auditor - Audit Progress Report

1. Synopsis

- 1.1 Following the commencement of the external audit in October 2022, and update provided at the last committee meeting on March 13th, Grant Thornton UK LLP is presenting the draft audit findings report for 2021/22.
- 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 Councils finance team continued to prioritise audit queries and samples and ensured all outstanding items on the query log were resolved in short order. This was unfortunately not delivered as anticipated.
- 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 At the Audit Committee of March 13th Grant Thornton informed council officers that the resources allocated to our audit were being withdrawn in order to prioritise other audits.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, and the draft report will be circulated in advance of this meeting.
- 1.5 Officers have been working hard to manage audit queries alongside the 2022/23 closedown process and have progressed the majority to conclusion.
- 1.6 The Council is preparing for an accelerated 2022/23 year-end timetable supported by its 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. Officers are continuing to work to this date despite many local authorities openly indicating they will not. Audit Planning for 2022/23 will not take place until the summer.
- 1.7 There are two areas that continue to delay the conclusion of the 2021/22 audit, and these are:

- 1.7.1 **Property Valuations:** The auditors valuers Gerald Eve (GE) have many queries outstanding with Islington's Valuer, Wilks Head and Eve (WHE). The two valuers currently have open differences of opinion on some valuation methodologies. There are several minor queries that still need to be resolved. This has been a result of increased Financial Reporting Council scrutiny on property valuations.
- 1.7.2 **IAS19 Liability Valuations:** The Council's delayed 2021/22 accounts audit process has coincided with the approval of the 2022 Triennial Valuation for the Pension Fund. This has included updated assumptions to reflect the latest membership data and will change the size of the liability. As such the 2021/22 figures now require restatement. This is a national issue which has impacted all authorities and is outside of both Council officer's and audit control.
- 1.8 Although with accounting for infrastructure assets which was raised at the last committee meeting, these national issues have delayed the audit, which otherwise would have been substantially complete at this stage.
- 1.9 The Council will work closely with the Auditors to discuss planning the 2022/23 audit in the summer.
- 1.10 No significant issues or concerns have been raised to date within the audit.
- 1.11 The Audit Committee will be presented with a post audit version of the accounts once the final changes have been agreed with External audit.

2 Recommendations

- 2.1 It is recommended that the Audit Committee notes and comments on the Audit Findings Report.
- 2.2 It is recommended that the Audit Committee notes and comments on the Annual Value for Money 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 no direct financial implications.
- 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 Draft Audit Findings Report
- **Appendix 2** – Islington Council Annual Value for Money Report

Background papers: None

Responsible Officer:

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