

Resources
222 Upper Street
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Report of: Corporate Director of Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit and Risk Committee	18 March 2024		All
Delete as appropriate		Non-exempt	

2022/23 Report of the External Auditor

1. Synopsis

- 1.1. This report presents the audited versions of the 2022/23 Statement of Accounts, the 2022/23 External Audit Findings Reports for Islington Council and Islington Pension Fund, 2022/23 Annual Governance Statement and 2022/23 Auditor’s Annual Audit Report. These are key outputs from the 2022/23 external audit which demonstrate sound financial management and provide evidence to stakeholders that they should have confidence in the Council’s financial future.
- 1.2. The External Audit Findings Reports highlight a few recommendations to those charged with governance.

2. Recommendations

- 2.1. To approve the audited 2022/23 Statement of Accounts (Appendix A), and to delegate authority to the Section 151 Officer in consultation with the Chair of the Audit and Risk Committee to approve any further audit adjustments that might arise before release of the audit opinions.
- 2.2. To note Grant Thornton’s 2022/23 Audit Findings Reports for Islington Council and Islington Pension Fund and the action plan of recommendations (Appendix B).
- 2.3. To approve the draft Letters of Management Representation for the Islington Council and Islington Pension Fund (Appendix C), and to delegate authority to the Section 151 Officer and Chair of the Audit and Risk Committee to sign on behalf of the organisation once the audit opinions are provided by the auditor.

- 2.4. To approve the audited 2022/23 Annual Governance Statement (Appendix D), signed by the Leader and the Chief Executive.
- 2.5. To note the Auditor's Annual Audit Report 2022/23 covering value for money (Appendix E).

3. Background

- 3.1. Audit and Risk Committee is responsible in the Council's constitution for approving the Statement of Accounts.
- 3.2. Each year the Council's external auditor presents to the Committee their Audit Findings Report (AFR) for the Statement of Accounts and Annual Governance Statement.
- 3.3. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. These statements are required to be presented in the statutory formats, complying with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).
- 3.4. Despite the council publishing the draft 2022/23 Statement of Accounts by the deadline of 31 May 2023, the external audit did not commence on site until October 2023. Therefore, the statutory deadline of 30 September 2023 for publishing audited 2022/23 accounts was not met. This was due to the sector wide external audit issues and delays. Only 1% of local authorities in England met the 30 September 2023 deadline.
- 3.5. The audit was originally scheduled to be completed by the end of December 2023 and the Audit Findings Report due to be presented to the Audit & Risk Committee in January 2024. However, this was not achieved, primarily due to audit resourcing issues. Through a good working relationship between the Council and the auditors, the audit is now on track to be completed before 31 March 2024.
- 3.6. Whilst the audit is not 100% concluded at the time of writing this report, it is substantially complete subject to quality assurance review by the auditors. It is anticipated that audit opinions will be issued soon after the Audit & Risk Committee meeting on 18 March 2024. The audited 2022/23 Statement of Accounts and 2022/23 Annual Governance Statement will be published once the audit opinions are obtained.

4. Statement of Accounts 2022/23 and Audit Findings Reports

- 4.1. Between 12 June 2023 and the 21 July 2023 the Statement of Accounts and supporting documentation were made available for public inspection. The relevant statutory public notice was published on the Council's website. Although there were no comments or objections to the Council's accounts during this period, there remains an outstanding objection relating to the 2020/21 accounts.
- 4.2. This objection relates to apportionment of leasehold service charges and has been outstanding since 2021. This will be dealt with by the Auditors in line with the correct

procedures. The Auditors are satisfied this work does not have a material effect on the financial statements.

- 4.3. Overall the draft audit opinions contained in the Audit Findings Reports state that the financial statements:
- Give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
 - Have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2022/23; and
 - Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014
- 4.4. The Statement of Accounts (including Pension Fund) is expected to receive a clean final audit opinion from the Council's auditors Grant Thornton.
- 4.5. The Auditor's draft Audit Findings Reports for the year ended 31 March 2023 are shown in Appendix B.
- 4.6. The Auditor will attend the Audit and Risk Committee meeting to present their findings and update the Committee on any matters that may have arisen since the publication of their Audit Findings reports. The audit is substantially complete, with quality assurance work and auditor review queries ongoing until the audit opinion can be provided soon after the Audit and Risk Committee meeting.
- 4.7. It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out management representations for main accounts and Pension Fund. Appendix C sets out drafts of the two letters that will be signed on behalf of the organisation by the Council's Section 151 Officer and Chair of the Audit and Risk Committee.
- 4.8. Should there be any further audit adjustments arising from audit findings post this near final version of the Statement Accounts presented to the Audit & Risk Committee, approval will be sought from Section 151 Officer in consultation with the Chair of the Committee.

5. Annual Governance Statement 2022/23

- 5.1. The Annual Governance Statement (AGS) 2022/23 has been audited following some minor amendments arising following the Audit Committee in July 2023. The Leader and the Chief Executive have provided their approval of the AGS (Appendix D).

6. Auditor's Annual Audit Report 2022/23

- 6.1. Grant Thornton external auditor's 2022/23 annual audit report considers and provides an independent view on the Council's performance covering three criteria: (1) financial sustainability, (2) governance, and (3) improving economy, efficiency and effectiveness.
- 6.2. Value for money conclusions are presented in the executive summary in the report (Appendix E). There has been no change in (1) financial sustainability "No significant weaknesses in arrangements identified, but improvements recommendations made". There has been an improvement compared with 2021/22 in 2 areas: (2) governance and (3) improving economy, efficiency and effectiveness criteria with "no significant weaknesses in arrangements identified or improvement recommendations made." This is illustrated by an extract:

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendation made to further enhance reporting of savings to Members	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↔
Governance	No risks of significant weakness identified	G We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↑

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

7. Implications

Financial Implications:

- 7.1. For Islington Council, the 2022/23 external audit fees total £273k, an increase of £44k from the £229k estimated in the Audit Plan. In addition, there is an estimated fee of £12k in relation to resolving the objection to the 2020/21 Statement of Accounts.
- 7.2. For Islington Pension Fund, the 2022/23 external audit fees total £58k, an increase of £13k from the £45k estimated in the Audit Plan.

Legal Implications:

- 7.3. The Council must keep adequate accounting records and prepare an annual Statement of Accounts (3(3)) Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 (SI 2015/234) set out detailed requirements for the preparation, approval and publication of the Statement of Accounts (as amended by The Accounts and Audit (Amendment) Regulations 2021).

Environmental Implications and contribution to net zero carbon by 2030.

7.4. There are no direct environmental impacts arising from this report.

Resident Impact Assessment

7.5. 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.

7.6. 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: documents dated 6 March 2024

Appendix A Statement of Accounts 2022/23

Appendix B Draft Audit Findings Reports 2022/23 for Islington Council and Islington Pension Fund

Appendix C Draft Letters of Management Representation for Islington Council and Islington Pension Fund 2022/23

Appendix D Annual Governance Statement 2022/23

Appendix E Auditor's Annual Audit Report 2022/23 (Value for Money)

Background papers:

None

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