

# The Audit Findings for Islington Council

Year ended 31 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 Council 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.

This Audit Findings 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. Its contents have been discussed with management and the Audit and Risk Committee.

Name: Paul Dossett  
For Grant Thornton UK LLP  
March 2024

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Islington Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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## Financial Statements

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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 Council's financial statements give a true and fair view of the financial position of the Council and the 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 completed on site and remotely during October 2023 through to February 2024. Our findings are summarised on pages 6 to 22. We have identified two classification adjustments to the financial statements that we not material individually or in aggregate and did not impact on your Council's Comprehensive Income and Expenditure Statement. Audit adjustments and disclosure amendments are detailed in Appendix D. We also identified potential understatement of PPE asset values due to errors in valuation calculations. Management have not amended the account for these difference as in aggregate they were not material.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements, subject to the closing procedures set out on page 6.

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.

Our anticipated financial statements audit report opinion will be unmodified and unqualified.

Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

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# 1. Headlines

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## 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 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 completed our VFM work, which is summarised on pages 23 to 24, and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which will be presented at the March 2024 Audit and Risk Committee meeting. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our review did not identify any significant weaknesses in your arrangements and we agreed with management two improvement recommendations to support your Financial Sustainability arrangements.

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## 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 intend to delay the certification for the closure of the 2022/23 audit of Islington Council until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014 in respect of the 2020/21 audit.

We are satisfied that this matter does not have a material effect on the financial statements for the year ended 31 March 2023.

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## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us. The audit team and the Council have worked constructively with the Council to resolve any delays including the audit team working on site alongside Council officers during the audit.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. This risk has been well managed here at the Council. The value of borrowings as at 31 March 2023 stands at £288.5m, an increase of £11m from prior year against an asset base of £5bn.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings 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 and the Audit and Risk 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 Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not altered our audit plan, as communicated to Audit and Risk Committee on 18 September 2023.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Risk Committee meeting on 18 March 2024. These outstanding items include:

- complete our quality review of accounting disclosures
- receipt of management representation letter; and
- review of the final set of financial statements.

### Acknowledgements

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

# 2. Financial Statements



## 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.

Materiality levels remain the same as reported in our audit plan.

We set out in this table our determination of materiality for Islington Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	18,900,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 1.5%.
Performance materiality	13,230,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	900,000	This balance is set at 5% of overall materiality



# 2. 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	Commentary
<p><b>Management override of controls</b></p> <p>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 Fund faces external scrutiny and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, 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>	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"><li>• evaluate the design effectiveness of management controls over journals;</li><li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li><li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li><li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li><li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> <p>Our risk assessment identified a total of 61 journals for testing for the Council. Our journal review has taken substantially longer to complete as part of our process includes documenting our understanding and appropriateness of each journal which often necessitated a Teams meeting with the preparer or approver of the journal. The number of different journal posters within our sample has taken additional time to complete. Our testing is complete.</p> <p>Additionally, we followed up the issue we raised in prior year relating to journals posted by ‘superusers’ as part of our testing. IT system superusers have a greater level of access rights than finance staff with ability amend standing data including the ability to forward or back post journals. Our expectation was they would not be involved in day to day processing of journals. The number of these system-generated journals were over 21,000 (prior year over 22,000). Our sample testing during the year confirm the process is reconciled by a superuser and reviewed by a second superuser. We found no evidence of management override from our sample testing.</p> <p>Management confirmed these transactions are system-generated when bank files are uploaded into Cedar by system administrators. These transactions are cleared from Civica suspense by finance teams. However, if their clearance of these transactions occurs in a later period to the date of the original transaction, the Cedar system will suspend the transaction ‘in error’, as the system does not allow backposting of transactions to a prior period. Clearance of the ‘in error’ transactions can only be done by superusers. Our sample testing during the year confirm the process is reconciled by a superuser and reviewed by a second superuser, which minimising the risk of management override.</p> <p>Our prior year recommendation is not yet addressed. Management confirmed that Internal Audit will be undertaking a review of financial system controls in 2023/24 and will cover this area to help identify any opportunities to improve efficiency and further minimise the risk of management override.</p>



# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

## Commentary

### Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of Islington Council, we have determined that it is likely that the presumed risk of material misstatement due to the improper recognition of revenue can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of public sector bodies, Islington Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for the Council at the time of our planning however we kept this assessment under review. Our assessment remain unchanged.

### Valuation of land and land and buildings including dwellings

The Council carries out a rolling programme of valuations that ensures all land and buildings required to be measured at current value is revalued at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.7 billion as at 31 March 2022) and the sensitivity of this estimate to changes in key assumptions.

Management has engaged the services of a valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of land and buildings including dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement

Audit procedures undertaken in response to the identified risk included:

- 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 to ensure that the requirements of the Code are met;
- challenge the information and assumptions used by the valuer to assess the 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;
- assess the value of a sample of assets in relation to market rates for comparable properties;
- test a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group;
- test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Our review of PPE valuation did take longer to complete due to a number of reasons This was mainly due to the volume of queries and follow up between both management and auditor expert, time taken to respond to auditor queries by valuation experts. We acknowledge there was also some absence of the key audit resource addressing this area in early January.

Our audit work identified the following issues in respect of valuation of land and buildings:

- 3 Depreciated Replacement Cost samples with errors in the data used to calculate the valuations resulting in error of £3.4m
- 2 Existing Use Value samples with errors in number of years yields on the lease applied and differences in yields applied by valuers resulting in an extrapolated error of £4.9m
- 3 trivial errors in sample testing of council dwellings which were subsequently amended by Council valuation expert.

The errors identified individual or in aggregate were not material.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### Accuracy and presentation of the Private Finance Initiative (PFI) and similar contracts liabilities and associated disclosures

You have five schemes to be accounted for as PFI arrangements which cover housing, street lighting, BSF and care homes schemes.

The total liability relating to these schemes on prior year balance sheet was £452m.

As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.

## Commentary

Audit procedures undertaken in response to the identified risk included:

- review your PFI models and assumptions contained therein.
- compare your PFI models to previous year to identify any changes.
- Consider the impact of inflation on the PFI model
- review and test the output produced by your PFI models to generate the financial balances within the financial statements.
- review the PFI disclosures to assess whether they are consistent with International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.

Our audit work has not identified any issues in respect of valuation of PFI.

### Valuation of pension fund net liability

The Council'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.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£219m as at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions.

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.

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.

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.

Audit procedures undertaken in response to the identified risk included:

- update our understanding of the processes and controls put in place by management to ensure that the Council's 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 expert (an 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 Council's pension fund valuation.
- assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases.
- assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report 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.
- Assess the impact of the 2022 triennial on our review of pension assets and liabilities

The methods and assumptions used by the Actuary are reasonable and within the expected ranges of PwC and is consistent with IAS 19.

# 2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Measurement of Infrastructure Assets</b></p> <ul style="list-style-type: none"> <li>The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, that is historic cost less accumulated depreciation and impairment. Depreciation depends upon the use of appropriate useful economic lives.</li> <li>The update to the Code (November 2022) provides a temporary relief from the requirement to report the gross book value and accumulated depreciation for infrastructure assets, because historical information deficits mean that this information is unlikely to faithfully represent the asset position.</li> <li>An amendment to the Local Authority Capital and Finance regulations (SI 2022 No 1232) permits Local Authorities when derecognising components of infrastructure assets, replaced by expenditure on existing assets, to determine the relevant amount to be nil.</li> <li>Islington Council has material infrastructure assets, at net value basis, there is therefore a potential risk of material misstatement related to the infrastructure balance.</li> </ul>	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> <li>reconcile the Fixed Asset Register to the Financial statements</li> <li>using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets</li> <li>obtain assurance that the UEL applied to Infrastructure assets including components are reasonable</li> <li>document our understanding of management’s process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated</li> </ul> <p>The Department for Levelling Up, Housing and Communities issued an update in December 2022 to the Local Authority Capital Finance and Accounting Regulations to remove the requirement to consider component derecognition for infrastructure assets i.e. the statutory override. The Council has opted to adopt the statutory override and amended the infrastructure disclosures.</p> <p>Our review is complete</p>	<p>Our review is complete. No other significant issue arising from our review to report to those charged with governance.</p>
<p><b>Fraud in Expenditure Recognition</b></p> <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets.</p> <p>Having considered the risk factors relevant to Islington Council and Islington Council Pension fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 8</p>	<p>Audit procedures undertaken in response to the identified risk included:</p> <ul style="list-style-type: none"> <li>obtain an understanding of the design effectiveness of controls relating to operating expenditure.</li> <li>perform testing over post year end transactions to assess completeness of expenditure recognition.</li> <li>test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.</li> </ul> <p>Our review is complete.</p>	<p>We have not identified any material issues from our work.</p>

# 2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>IT Control deficiencies</b></p> <p>Our IT audit focused on your design and implementation review of ITGC that supports the financial statement audit. The following applications were in scope of this audit:</p> <ul style="list-style-type: none"> <li>Alusta</li> <li>Cedar</li> <li>CivicaPay</li> <li>ResourceLink</li> </ul>	<p>We completed the following tasks as part of this ITGC review:</p> <ul style="list-style-type: none"> <li>IT General Controls Testing: Design, implementation assessment over controls for security management; technology acquisition development and maintenance; and technology infrastructure.</li> <li>performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas.</li> <li>documented the test results and provided evidence of the findings to the IT team for remediation actions where necessary.</li> </ul>	<p>An overview of our findings is set out on page 17 and recommendations are in Appendix B. There was no evidence from our work that the deficiencies and improvement recommendations has a direct impact on the financial statements</p>
<p><b>PPE Depreciation</b></p> <p>As part of depreciation testing, we note fully depreciated assets of £15.2m were on the Fixed Asset Register.</p>	<p>We compared the gross carried forward and gross brought forward figures and these were in line with our expectation. Management confirmed these assets continue to be use and are not surplus assets.</p>	<p>The value of fully depreciated assets is not material</p>
<p><b>Note 8 Termination Benefit</b></p> <p>We reviewed and tested your termination benefits against your supporting records</p>	<p>We noted the following in your disclosure:</p> <ul style="list-style-type: none"> <li>a small number of termination benefits related to 2021/22 or earlier</li> <li>one termination benefit related to 2023/24 was included in error</li> <li>two termination benefit relating to 2022/23 were omitted in error</li> <li>pension costs estimates were inconsistent with payroll records (not materially).</li> </ul>	<p>We challenged management over the accuracy and completeness of the population of terminal benefits. The challenge and follow up work took additional time and several meetings to resolve.</p> <p>The termination benefits supporting record was updated for the omissions and pension estimate costs were updated with actual cost. The Termination benefit disclosure was amended. We revisited our testing and no further errors were identified.</p> <p>We also identified other minor errors within Note 8 Senior Officer remuneration and remuneration bands. The errors were corrected by management. Details are sent out in Appendix D</p>
<p><b>Movement in Reserves Statement (MIRS)</b></p> <p>We note you MIRS disclosure does not have 'total' columns for statutory GF and statutory HRA (eg including earmarked) per Code requirements</p>	<p>We compared your MIRS disclosure against the Code and not it does not strictly adhere to the recommended disclosure</p>	<p>We recommend as part of your 2023/24 accounts preparations, you include 'total' columns for statutory GF and statutory HRA (eg including earmarked) per Code requirements.</p>

# 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations:</p> <p>Other Land and Buildings £1,234m</p> <p>Investment Properties £43.6m</p>	<p>Other land and buildings which were revalued during the year comprise of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and were required to be valued at existing use value (EUV) at year end. The residual of assets not revalued in year was not material at £1.3m.</p> <p>The Council engaged Wilks Head Eve to complete the valuation of properties including investment properties as at 31 March 2023.</p>	<ul style="list-style-type: none"> <li>We have assessed management's expert, Wilks Head Eve, to be competent capable and objective.</li> <li>The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties.</li> <li>99.8% of properties have been valued as at 31 March 2023.</li> <li>We engaged our own valuation specialist, Gerald Eve, to provide a commentary on the instruction process for Wilks Head Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points.</li> <li>We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report.</li> <li>We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.</li> </ul> <p>Our review is complete. Our testing identified immaterial errors as set out on page 9.</p>	Light purple
<p>Land and Building valuations:</p> <p>Council Dwellings £3,430m</p>	<p>The Council owns 25,428 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks Head and Eve LLP to complete the valuation of these properties. The year end valuation of Council Housing was £3.4 billion, a net decrease of £117m from 2021/22.</p>	<ul style="list-style-type: none"> <li>From the work performed, no material issues have arisen in relation to the valuation of the Council's housing stock included within the accounts.</li> <li>We have assessed management's expert, Wilks Head and Eve LLP, to be competent, capable and objective.</li> <li>The valuer has correctly prepared the valuation using the stock valuation guidance issued by MHCLG and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH).</li> </ul> <p>Our assessment is complete. Our testing identified immaterial errors as set out on page 9.</p>	Light purple

## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £219m</b>	<p>Council's total net pension liability at 31 March 2023 is £219m (PY £917m) comprising the London Borough of Islington Pension Fund and the London Pension Funds Authority obligations. The Council uses Mercer and Barnett Waddingham respectively to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £698m net actuarial gain during 2022/23.</p>	<ul style="list-style-type: none"> <li>We have assessed the actuary, Mercer and Barnett Waddingham to be competent, capable and objective.</li> <li>We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for Mercers comparison of actuarial assumptions:</li> </ul> <table border="1" data-bbox="1077 651 1921 1023"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.8%</td> <td>4.7% - 1.9%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.7%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>1.25%-1.5% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23 / 21.8</td> <td>22.4-24.7 / 21.0 – 22.6</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.8 / 24.1</td> <td>25.3-26.6 / 23.5-24.7</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We reviewed your revised assumptions and disclosures and noted no issues</li> <li>We confirmed there were no significant changes in 2022/23 to the valuation method</li> <li>Our assessment is complete and no issue was identified.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.8%	4.7% - 1.9%	●	Pension increase rate	2.8%	2.7%	●	Salary growth	4.2%	1.25%-1.5% above CPI	●	Life expectancy – Males currently aged 45/65	23 / 21.8	22.4-24.7 / 21.0 – 22.6	●	Life expectancy – Females currently aged 45/65	25.8 / 24.1	25.3-26.6 / 23.5-24.7	●	<b>Light Purple</b>
Assumption	Actuary Value	PwC range	Assessment																								
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## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £554m	<p>The Council continues to consider the nature and terms of each of the various Covid-19 measures in order to determine the appropriate accounting treatment, including whether there was income or expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) for the year.</p> <p>In doing so, management has considered the requirements of section 2.3 of the Code of Practice on Local Authority Accounting which relates to accounting for government grants, as well as section 2.6 which describes how the accounting treatment for transactions within an authority's financial statements shall have regard to the general principle of whether the authority is acting as a principal or agent, in accordance with IFRS 15.</p> <p>The three main considerations made by management in forming their assessment were:</p> <ul style="list-style-type: none"> <li>• Where funding is to be transferred to third parties, whether the Council was acting as a principal or agent, and therefore whether income should be credited to the CIES or whether the associated cash should be recognised as a creditor or debtor on the Balance Sheet</li> <li>• Whether there were any conditions outstanding or unused at year-end, and therefore whether the grant should be recognised as income or a receipt in advance or creditor</li> <li>• Whether the grant was awarded to support expenditure on specific services or was in the form of an un-ringfenced government grant – and therefore whether associated income should be credited to the net cost of services or taxation and non-specific grant income within the CIES.</li> </ul>	<ul style="list-style-type: none"> <li>• We are satisfied that management has effectively evaluated whether the Council is acting as the principal or agent for each relevant support scheme, which has determined whether any income is recognised.</li> <li>• We have evaluated the completeness and accuracy of the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income, and concluded that this was appropriate.</li> <li>• We have considered management's assessment, for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We are satisfied that the presentation in the CIES is appropriate.</li> <li>• Management's disclosure of the Council's accounting treatment for grant income in both the financial statements and Narrative Report is sufficient.</li> </ul> <p>Our assessment is complete and no issue was identified.</p>	Light purple

## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £3.8m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>Since 2017/18, the Council has adopted the asset life (annuity) method (based on a prudent assessment of average asset life) for both 'supported' and 'unsupported' borrowing. In calculating the asset life (annuity) MRP, the average interest rates published by the Public Loans Board in the relevant financial year for new annuity loans is used.</p> <p>The year end MRP charge was £3,767k, a net increase of 545k from 2021/22.</p>	<ul style="list-style-type: none"> <li>The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance</li> <li>The Council's policy on MRP in relation to borrowing taken out for the acquisition of non-housing General Fund assets complies with statutory guidance</li> <li>The Council's policy on MRP was discussed and agreed with those charged with governance and approved by full Council as part of the Treasury Strategy in February 2022.</li> <li>There have been no changes to the Council's MRP policy since 2021/22 although in our view 1.5% (MRP as a percentage of Capital Financing Requirement) slightly below our broader expectations which would be around 2% which we often see elsewhere.</li> </ul> <p>The relative level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year.</p>	Light purple

















## Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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# 2. Financial Statements: Information Technology





This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Alusta	Detailed Roll forward ITGC assessment (design effectiveness)					N/a
Cedar	Detailed Roll forward ITGC assessment (design effectiveness)					N/a
Civica Pay	Detailed Roll forward ITGC assessment (design effectiveness)					N/a
Resource Link	Detailed ITGC assessment (design effectiveness)					N/a

We also performed specific procedures in relation to the Cyber security performed during the audit period. We observed the following results:

IT System	Result	Related significant risks/other risks
Cyber Security	Deficiencies identified, made an improvement recommendation	N/a

## Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

<b>Issue</b>	<b>Commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation will be requested from the Council at the conclusion of the audit.

## 2. Financial Statements: other communication requirements



<b>Issue</b>	<b>Commentary</b>
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to all banking and investment counterparties and component auditors. This permission was granted and the requests were sent and received.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
<b>Audit evidence and explanations/ significant difficulties</b>	All information and explanations requested from management was provided.

# 2. Financial Statements: other communication requirements



## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"><li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li><li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li></ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"><li>• the nature of the Council and the environment in which it operates</li><li>• the Council's financial reporting framework</li><li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, 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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money.</li></ul> <p>We have nothing to report on these matters.</p>



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## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Islington Council in the audit report, as detailed in Appendix I, due to on-going work on an elector query received in 2020/21.

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

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

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# 3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside 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. We did not identify any risks of significant weakness. We agreed with management two improvement recommendations to support your Financial Sustainability arrangements around reporting to Members progress on savings delivery and identifying efficiencies within Children and Adult Social Care. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



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# 4. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. 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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 F.

## 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 [Grant Thornton International Transparency report 2023](#).

# 4. Independence and ethics

## 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 Council. The following non-audit services were identified.

Service	Fee estimate £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	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 proposed fee for the audit of £272,829 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	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 fee for the audit of £272,829 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	32,400	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 £32,400 in comparison to the total fee for the audit of £272,829 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

There are no non-audit related services in 2022/23.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Committee as set out in our Audit Plan. None of the services provided are subject to contingent fees.

# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

<b>Matter</b>	<b>Conclusion</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p><b>Low</b></p>	<p><b>User access within Cedar and Civica Pay is not appropriately revoked for terminated employees</b></p> <p>Formal user management procedures have not been established to ensure consistent processes are followed for removing and reviewing user access.</p> <p>We noted that the user access is only terminated by the Finance Systems team when notification is received from the HR or Zellis. Therefore, the user is not terminated in a timely manner from Cedar and Civica Pay.</p> <p>We understand that the Council has implemented the new user administration process from June 2023 for Civica and Cedar.</p> <p><b>Risks</b></p> <p>Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorized access transactions.</p> <p>There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.</p>	<p>It is recommended that the Council should:</p> <ul style="list-style-type: none"> <li>ensure that a comprehensive user administration procedures are in place to revoke leavers access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/or line managers.</li> <li>Consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner.</li> </ul> <p><b>Management response</b></p> <p>Management accepts the recommendation and has already implemented the recommendation. The management response on the previous year’s audit was that a ‘new workflow tool will be implemented during the course of the next financial year’. The Hornbill solution was implemented later than expected, so the Finance Systems Team have instead developed a new comprehensive user administration process for both Cedar and Civica. Every year the user listings for Civica and Cedar are exported to a report which specifies each user’s manager. The Finance Systems team then e-mail each manager and ask them to confirm if the access is still required.</p> <p>In addition, the Finance Systems Team now receive immediate notifications from HR via Zellis when a user leaves the council. The Finance Systems team also receive a monthly report from HR indicating leavers. They revoke the access within Cedar and Civica when these leaver notifications are received. The final results of this year’s recertification will be available for the next audit period.</p> <p>Also note that the Cedar user profiles automatically get disabled within 30 days</p>

### Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p><b>Low</b></p>	<p><b>Lack of logging and monitoring of security events within Resource Link</b></p> <p>We noted that the Information security event logs, which capture the monitoring of activities such as failed logins and use of privileged user accounts, are maintained but not reviewed periodically.</p> <p><b>Risks</b></p> <p>Without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether or not the attack led to a breach can be inconclusive.</p>	<p>Considering the criticality of Resource Link for financial reporting, information security events such as:</p> <ul style="list-style-type: none"> <li>repeated invalid / unauthorized login attempts to access systems, data or applications</li> <li>privileged user activities</li> <li>privileged generic accounts</li> <li>changes to system configurations, tables and standing data</li> </ul> <p>should be logged and formally reviewed.</p> <p>It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the application] and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>ResourceLink is a hosted application that uses single sign on. Through ResourceLink, the IT service receives notification indicating when an employee leaves the council, which disables network logins and access to ResourceLink.</p> <p>There is monitoring in place which reviews financial information monthly. The report includes the following information:</p> <ul style="list-style-type: none"> <li>investigation of net pay variances for an employee;</li> <li>employees that were paid last month, but not this month and</li> <li>employees that are paid this month but not last month.</li> </ul> <p>The reports are saved to the network and are held in line with LBI's retention policy.</p>
<p><b>Low</b></p>	<p><b>Lack of enforcement of password settings within the Cedar</b></p> <p>Our audit procedures identified that password complexity settings within Cedar application were not configured as per the Council's password policy.</p> <ul style="list-style-type: none"> <li>Password complexity – Disabled (should be enabled as per Council Policy)</li> <li>Password Reset Time – 0 (should be set as 30min)</li> </ul> <p><b>Risks</b></p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorized users. In particular, if password complexity is not configured, users will tend to choose simple, guessable words as their passwords.</p>	<p>The Council should ensure that password settings configured on the Cedar are in line with the organization's password policy.</p> <p>We recommend that password parameters for Cedar should be configured to meet best practice guidelines such as those recommended by NCSC.</p> <p>Where configuration settings cannot be strengthened due to system limitations, management should undertake a risk assessment and implement additional compensating controls.</p> <p><b>Management response</b></p> <p>The Upgrade from Cedar E5.5 to E5.7 (planned to go live in 2024) will include new 'single sign on' functionality. This will ensure that password complexity settings for the Cedar application are aligned with the Council's password policy.</p>

# B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p><b>Insufficient evidence of cyber security controls</b></p> <p>We noted that the Council maintains a high-level risk register with broad risks around phishing, malware and ransomware attacks listed. However, the risk register is limited in the actions taken by the Council to mitigate those cyber risk.</p> <p>We also identified that while these cyber risks are discussed with senior management team, there is a lack of meeting minutes retained to demonstrate the discussion of the risks and action plans.</p> <p><b>Risks</b></p> <p>Cybersecurity risk is the probability of exposure, loss of critical assets and sensitive information, or reputational harm because of a cyber-attack or breach within an organisation's network. Where organisations have a lack of focus to addressing these risks, there is an increased probability of a cyber threat occurring which in turn can easily turn into a cyber-attack.</p>	<p>The Council should formally log cyber risks identified in the risk register along with detailed actions taken to mitigate those risks.</p> <p><b>Management response</b></p> <p>We agree that there should be greater transparency regarding the risk management process. This recommendation is, therefore, accepted.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice



# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><b>Journals</b></p> <p>Our review of journals posted by superusers identified over 22,000 such journals which is unusual. We challenged management to understand why and assess if these group of journals created a greater risk of management override of controls. We understand these journals were income transactions which go through Civica, the Income Management system. Transactions are initially posted into suspense if the transaction doesn't match the rule set against the income account. At the end of each day, clearing takes place superusers and sometime by finance staff, after which a reconciliation document is produced by a system administrator who has processed the batch, which reconciles Cedar records to Civica. Each reconciliation is reviewed and signed off by a different superuser.</p> <p><i>Prior year recommendation</i></p> <p>The use of superusers in day to day finance activities creates a greater risk of management override. However, manual intervention of this magnitude by superusers is inefficient and does not represent value for money.</p> <p>We recommend management review the whole process to minimise the volume of income transactions initially posted to a temporary suspense and clearance of the daily suspense be limited to finance teams only.</p>	<p><i>2022/23 management update</i></p> <p>The 22,000 transactions referred to in this finding are not manual journals. These transactions are system-generated when bank files are uploaded into Cedar by system administrators. Transactions will enter Civica suspense if they do not contain the correct referencing – this is determined by the payer and is not within the council's control.</p> <p>Transactions are cleared from Civica suspense by finance teams, not superusers. However, if their clearance of these transactions occurs in a later period to the date of the original transaction, the Cedar system will suspend the transaction 'in error', as the system does not allow backposting of transactions to a prior period. Clearance of the 'in error' transactions can only be done by superusers. This process is reconciled and reviewed by a second superuser, minimising the risk of management override. We believe restricting access to the 'in error' area of cedar to superusers, and not allowing backposting are essential system controls.</p> <p>Internal Audit are undertaking a review of financial system controls in 2023/24, which will cover this area. This will help identify any opportunities to improve efficiency and further minimise the risk of management override.</p> <p><i>Auditor follow up 2022/23</i></p> <p>Our testing in 2022/23 found similar issues. Per management commentary above, Internal Audit will undertake a review of system controls in 2023/24.</p>

We identified the following issues in the audit of Islington Council's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 3 are still to be completed.

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	<p><b>Working papers and cleansing of data</b></p> <p>Some income, expenditure balance sheet took longer to audit due to the significant number of contra entries and small value of items within the population resulting in larger than expected samples for testing</p> <p>Where both credit and debit items within an item of balance for testing are material, we are required to test both debit and credit items separately, doubling sample sizes in many cases.</p> <p>Risk audit takes additional time to complete and increased cost to the audit.</p> <p><b>Prior year recommendation</b></p> <p>In order to improve the quality of the working papers provided for audit and the efficiency of the audit process, we recommend management continue to review and cleanse individual population listings for sample testing.</p>	<p><b>2022/23 management update</b></p> <p>For the 2022/23 audit, where possible, transaction listings have been cleansed to strip out identifiable contra entries, and the working papers include a complete audit trail for this. We will continue to review and cleanse population listings to support a timely audit.</p> <p><b>Auditor follow up 2022/23</b></p> <p>We accept there have been some improvements, however we have again during 2022/23 identified significant number of contra entries in the following account transactions including:</p> <ul style="list-style-type: none"> <li>• PPE additions testing</li> <li>• Debtors testing</li> <li>• Fees and charges testing</li> <li>• Grant income testing</li> <li>• Operating expenditure testing</li> </ul> <p>This has resulted in additional time to complete and increased cost to the audit.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Investment Properties</b></p> <p>Our testing of Investment properties (IP) held as at 31 March 2022 note the following:</p> <ul style="list-style-type: none"> <li>• One sample from our testing where the annual lease value used in valuation did not include other lease income within the block</li> <li>• One sample where the retrospective rent review had not been considered in the IP valuation</li> </ul> <p>Risk that missed or inaccurate lease income could materially misstate the value of IP</p> <p>Prior year recommendation</p> <p>Recommend IP reviews include all lease income within a block or properties and undertake timely rent reviews prior to IP year end valuations.</p>	<p>2022/23 management update</p> <p>Valuers use the best information made available to them at the time of their valuations. Where management is made aware of further information after the valuations are complete, it will consider whether this could have a material impact on the value of investment properties.</p> <p>Auditor follow up</p> <p>Our testing in 2022/23 did not identify a similar issue. Recommendation closed.</p>
✓	<p><b>Review of post year end income (classification)</b></p> <p>Our review of post year end income in April and May 2022 identified three income invoices ranging £20k to £86k relating to 2021/22 that were not properly accrued for.</p> <p>Risk that low value income are not accrued for and may cumulatively be significant or material</p> <p>Prior year recommendation</p> <p>Recommend you strengthen your closedown arrangements to ensure income above pre agreed closedown thresholds are accrued for at year end</p>	<p>2022/23 management update</p> <p>Our closedown timetable includes dedicated time for finance staff to carry out reviews of post-year end payments, receipts and invoices, to identify any missing accruals. Given the short time available for closedown, we aim to strike a balance between identifying all accruals and producing materially accurate and complete draft accounts by the statutory deadline.</p> <p>Auditor follow up</p> <p>Our testing in 2022/23 did not identify a similar issue. Recommendation closed.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Inadequate oversight around generic users across in scope applications and database	<p>Auditor follow up</p> <p>This finding has been remediated for the in-scope applications and databases.</p> <p>Civica Pay: the generic account, civica.admin, has been disabled and was not active during the audit period.</p> <p>Resource Link: the system administrator 'sa' account and the payroll processing, lbibacsip account have both been disabled and were not active during the audit period.</p> <p>Cedar: the generic user accounts, Support 2 and Support 3, were disabled during 2021 and were not active during the audit period.</p>
X	User access within Cedar and Civica Pay is not appropriately revoked for terminated employees	<p>Auditor follow up</p> <p>This finding has been not remediated.</p> <p>Please refer to Appendix B for further details.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Statement of Financial Position £' 000</b>	<b>Impact on total net expenditure £'000</b>	<b>Impact on general fund £'000</b>
ST Grants received in advance was incorrectly classified as ST creditors	NIL	5,021k (5,021k)	NIL	NIL
Grant Income was incorrectly classified as fees and charges income (Note 12)	1,760k (1,760k)	NIL	NIL	NIL
<b>Overall impact</b>	NIL	NIL	NIL	NIL

# D. Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 6 – Pooled Budgets (PB)	We note that PB income and expenditure were understated by an equal amount (£1.3m) when compared to your supporting records. The PB note was updated	✓
Note 8 – Officers’ Remuneration	A small number of errors and omissions were identified during our review including omission of a prior year comparison, omission from salary bandings when compared to payroll records. The disclosures were updated including updating the narrative disclosure supporting the remuneration table	✓
Note 8 - Termination Benefit	Omission of exit packages paid in the year were omitted from initial records, errors were identified in the Exit packages cost bands and pension estimates were updated with actual pension costs. The supporting records and Termination Benefit disclosures were updated	✓
Note 10 - Audit Fees	Audit Fees was revised to be consistent with proposed audit fees set out in the Audit plan.	✓
Note 12 – Expenditure and Income Analysed by Nature	We identified an item of income which was incorrectly classified as ‘income from council tax and non-domestic rates’ rather than ‘fees, charges and other service income’. The error have no impact on total income reported	✓
Note 20 - Private Finance Initiative and Similar Contracts	Recommended that £214m 'other' movement be better explained in this note and also clearly disclose that Housing Scheme 2 PFI ended in year. Disclosure were amended.	✓
Note 22 - Financial instruments (FI)	Our work identified some minor inconsistencies between the FI disclosure (current and fair value) and corresponding notes such as ST debtors, creditors and other liabilities. Disclosure were amended to make it clearer to the reader of the accounts	✓
Note 27 – Transfers to/from Earmarked Reserves	Note 27 should include prior year comparatives per Code requirement. Prior year comparatives have been disclosed.	✓
Note 30 - Cash Flow Statement – Operating Activities and Investing Activities	We recommend material ‘other’ balances within Operating and Investing activities include a narrative explanation of key items within to comply with Code requirements. Narrative explanations have been disclosed for both material Operating and Investing activities.	✓
Note 35 - Defined Benefit Pension Schemes	We recommend material other remeasurements include a narrative explanation of key items within to comply with Code requirements. Narrative explanations have been disclosed for other remeasurements.	✓

# D. Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 37 Grant Income	Income from a nominal code was omitted from Note 37. The note was updated. Error was not material.	✓
HRA Note 4 - Capital Expenditure and Capital Receipts	HRA capital receipt of £27.3m was incorrectly disclosed as 'Other income'. The note has been amended	✓
Various	Notes to the accounts were updated for a number of minor disclosure errors, omissions, prior year comparisons including Note 1-Accounting Policies; Note 3-Critical Judgements in Applying Accounting Policies; Note 22 and 23-Financial Instruments; Note-18 Investment Properties	✓

# D. Audit Adjustments (continued)

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below.



Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on general fund £'000	Reason for not adjusting
Errors found in OLB Revaluation testing due to the incorrect inputs in number of years and differing valuers' view on yields	NIL	(4,947) 4,947	NIL	Impact is not material.
Errors found in OLB Revaluation testing due to the incorrect inputs in GIA/BCIS/developed land area	NIL	(3,393) 3,393	NIL	Impact is not material
<b>Overall impact</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	Cumulative impact is not material



# E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
New scale fee	£175,429
Reduced materiality	£5,625
Use of expert (engagement)	£14,000
Additional Requirements – Payroll Change of Circumstances (Information Provided by the Entity) IPE Testing, Collection Fund – relief testing	£1,250
Pension valuation and assurance letter	£5,500
Value for Money audit – new NAO requirements	£20,000
ISA 540	£6,000
ISA 315	£5,000
Additional journals testing	£3,000
Infrastructure	£3,500
Triennial valuation work	£3,500
Quality review – (Quality Partner)	£1,500
ITGC review, additional testing on employee remuneration, MRP	£9,750
PPE valuation	£9,400
Raising the bar/regulatory factors	£9,375
<b>Total audit fees (excluding VAT)</b>	<b>£272,829</b>
<b>Objection consideration from 2020/21 (estimate)</b>	<b>£12,000</b>

# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee (estimate)
Audit Related Services includes Housing Capital receipts (in progress), Teachers' Pension (completed) and Housing Benefits (in progress).	£49,900	£52,400
<b>Total non-audit fees (excluding VAT)</b>	<b>£49,900</b>	<b>£52,400</b>

The fees reconcile to the financial statements.	Council (£000)	Audit related services (£000)
• fees per financial statements	229	50
• Teachers' pension fee variation	Nil	2
• Accounts audit fee variation	44	Nil
• <b>Objection 2020/21</b>	<b>12</b>	<b>Nil</b>
• <b>total fees per above</b>	<b>285</b>	<b>52</b>

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

We are also the auditor of the pension fund and fees in relation to Fund are reflected on its separate Audit Findings Report. The final fee will be discussed with Management at the conclusion of the audit. All fees are subject to PSAA approval.

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# G. Audit opinion

Our draft audit opinion is included below and will be an unmodified audit report

Independent auditor's report to the members of London Borough of Islington

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of London Borough of Islington (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Corporate Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and Statement of Accounts, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. The Corporate Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# G. Audit opinion

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters

Responsibilities of the Authority and the Corporate Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# G. Audit opinion

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012), Local Government Act 1972 and the Local Government Act 2003.

We enquired of management and the Audit and Risk Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Risk committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. We determined that the principal risks were in relation to unusual journal entries made during the year which met a range of criteria during the course of the audit, and the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the valuation of the net defined benefit pensions liability. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on testing entries meeting the risk criteria determined by the audit team,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability, and

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

# G. Audit opinion

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for London Borough of Islington for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under section 27 of the Local Audit and Accountability Act 2014.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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# G. Audit opinion

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Paul Dossett**, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:



# H. Audit letter in respect of delayed VFM work

Chair of Audit and Risk Committee  
Islington Council  
Town Hall,  
Upper Street  
London  
N1 2UD  
August 2023

Dear Cllr Nick Wayne, Chair of Audit and Risk Committee, as TCWG

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we 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.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We issued a draft report to management for comments in January 2024 and an interim report will be presented to the Audit and Risk Committee in March 2024. The report will be finalised at the conclusion of the financial statements audit.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Paul Dossett

