

**Report for: GOVERNANCE, AUDIT,
RISK MANAGEMENT
AND STANDARDS
COMMITTEE**

Date of Meeting:	2 August 2022
Subject:	External Audit Plans (Audit Strategy Memoranda) 2021/22
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Exempt:	No
Wards affected:	All
Enclosures:	External Audit Plans for the Council and the Pension Fund 2021/22

Section 1 – Summary and Recommendations

This report provides the Committee with an opportunity to consider the External Audit Plans 2021/22 from the Council's External Auditors.

Recommendations:

The Committee is requested to note the attached External Audit Plans (Audit Strategy Memoranda) for the Council and the Pension Fund.

Section 2 – Report

Background

External Audit Plans (Audit Strategy Memoranda) for 2021/22

1. The External Audit Plans (Audit Strategy Memoranda) provide the Council with clarity about how the external audit of the Council's accounts and Pension Fund accounts for 2021/22 will be conducted. The audit plan sets out the following:-

- a. Engagement and Responsibilities Summary;
- b. the Audit engagement team;
- c. Audit scope, approach and timeline – covers planning, interim work, main audit fieldwork and audit completion;
- d. Significant risks and judgement areas as summarised below:-
 - i. Management override of controls (applies to both Audit Plans) – would include testing of journals, significant accounting estimates and any unusual transactions;
 - ii. Revenue and expenditure recognition - Potential for fraudulent revenue recognition in specific areas – detailed testing of transactions will be undertaken as part of the audit;
 - iii. Property, plant and equipment valuations; including investment properties;
 - iv. Pension Fund defined benefit valuation (from the Authority's view);
 - v. Migration from SAP to D365 (applies to both plans) – LBH moved to a new financial information system during 2021/22
 - vi. Other key areas of management judgement and enhanced risks – the accounting for the Civic Centre falls as an enhanced risk;
 - vii. For the Pension Fund, valuation of investments within level 3 of the hierarchy (unquoted investments);
- e. Value for Money conclusion - this will be reviewed in conjunction with the delivery of the Medium Term Financial Strategy;
- f. Fees for audit and other services;
- g. Auditor's commitment to independence;
- h. Materiality and misstatements – a materiality threshold of around 1.7% of gross revenue expenditure for the Council's accounts and on a benchmark of net assets for the Pension Fund Accounts has been set for the 2021/22 audit (1.0% in 2020/21 for both the Council and Pension Fund). This gives an overall materiality level of £10.5m (£9.1m 2020/21) for the Council and £9.7m (£9.7m 2020/21) for the Pension Fund. The materiality levels for misstatements (the level of triviality) is set at £314k (£279k 2020/21) for the Council and £290k (£430k 2020/21) for the Pension Fund. In addition there are performance materiality levels for both LBH and the Pension Fund, and a specific materiality level for the Pension Fund account;

i. An appendix covering key communication points is included at the end of both audit plans.

2. The Committee is asked to consider the plans.

Legal Implications

There are no direct legal implications arising from this report.

Financial Implications

There are no direct financial implications arising from this report.

Risk Management Implications

Receipt of the audit plans is included within the closure of accounts timetable.

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **n/a**

Equalities implications / Public Sector Equality Duty

Considering the Council's Public Sector Equality Duties under the Equality Act 2010, s.149, is integral to the decision-making process.

Was an Equality Impact Assessment carried out? **No**

There are no direct equalities implications.

Council Priorities

The external audit provides assurance that the Council has managed its finances and delivered value for money in accordance with all the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer:
Chief Financial Officer

Dawn Calvert

Date: 25th July 2022

Statutory Officer:
Signed on behalf of the Monitoring Officer

Caroline Eccles

Date: 20th July 2022

Chief Officer:
Signed by the Corporate Director

Charlie Stewart

Date: 20th July 2022

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Yinka Ehinfun (Chief Accountant)
Email: Yinka.ehinfun@harrow.gov.uk

Background Papers:

None

If appropriate, does the report include the following considerations?

- | | |
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| 1 Consultation | No |
| 2 Priorities | No |