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| Harrow Council Logo | |
| REPORT FOR: | GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE | |
| Date of Meeting: | 21 January 2020 | |
| Subject: | **INFORMATION REPORT** -  External Audit Plans 2019/20 | |
| Responsible Officer: | Dawn Calvert, Director of Finance | |
| Exempt: | No | |
| Wards affected: | All | |
| Enclosures: | External Audit Plans for the Council and the Pension Fund 2019/20 | |

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| Section 1 – Summary and Recommendations |
| This report provides the Committee with an opportunity to consider the External Audit Plans 2019/20 from the Council’s External Auditors Recommendations: The Committee is asked to note the External Audit Plans (Audit Strategy Memoranda for the main Council and the Pension Fund) |

# Section 2 – Report

**Background**

External Audit Plans (Audit Strategy Memoranda) for 2019/20

1. The External Audit Plans (Audit Strategy Memoranda) provides the Council with clarity about how the external audit of the Council’s accounts and Pension Fund accounts for 2019/20 will be conducted. The audit plan sets out the following:-

1. Engagement and Responsibilities Summary

b. Audit scope, approach and timeline – the Authority will consider the need for consolidated group accounts;

c. 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;

iv. Pension Fund defined benefit valuation (from the Authority’s view);

v. other key areas of management judgement and enhanced risks – would include accounting estimates – no specific areas have been identified during the audit planning stage;

vi. For the Pension Fund, valuation of unquoted investments;

d. Value for Money conclusion - this will be reviewed in conjunction with the delivery of the Medium Term Financial Strategy;

e. Fees for audit and other services;

f. Auditor’s commitment to independence;

g. Materiality and misstatements – a materiality threshold of 1.5% of gross revenue expenditure for the Council’s accounts and 1.5% of net assets for the Pension Fund Accounts has been set for the 2019/20 audit (1% in 2018/19 for both the Council and Pension Fund in the first year of Mazars being the Council’s external auditors). This gives a overall materiality level of £9.3m (£6.2m 2018/19) for the Council and £12.75m (£8.2m 2018/19) for the Pension Fund. The materiality levels for misstatements (the level of triviality) is set at £279k (£186k 2018/19) for the Council and £382k (£245k 2018/19) 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.

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

The receipt of the audit plans is included within the closure of accounts timetable for officers to ensure the plans have been received.

## Equalities implications / Public Sector Equality Duty

There are no direct equalities implications

## Council Priorities

The Statement of Accounts provides assurance that the Council has managed its finances and delivered value for money in accordance with Council’s corporate vision and priorities.

# Section 3 - Statutory Officer Clearance

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| Name: Sharon Daniels | X |  | on behalf of the Chief Financial Officer |
| Date: 9th January 2020 |  |  |  |
|  |  |  | on behalf of the |
| Name: David Hodge | X |  | Monitoring Officer |
| Date: 7th January 2020 |  |  |  |

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| Name: Charlie Stewart | X |  | Corporate Director |
| Date: 6th January 2020 |  |  |  |

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| Ward Councillors notified: | **NO** |

# Section 4 - Contact Details and Background Papers

**Contact:** **Paul Gower** (Interim Technical Accounting Manager) Tel: 020-8424-1335 Email: paul.gower@harrow.gov.uk

**Background Papers**:

None