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**REPORT FOR: Governance, Audit, Risk Management and Standards Committee (GARMS)**

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**Date of Meeting:** 22<sup>nd</sup> October 2020

**Subject:** Statement of Accounts 2019-20

**Responsible Officer:** Dawn Calvert, Director of Finance and Assurance

**Exempt:** No

**Wards affected:** All

**Enclosures:** Appendix 1 Statement of Accounts 2019-20  
Appendix 2 Pension Fund Annual Report 2019-20  
Appendix 3 Summary Statement of Accounts 2019-20 (to follow)  
Appendix 4 Draft Audit Completion Reports on the Audit of the Statement of Accounts and the Harrow Pension Fund for the year ended 31 March 2020

## **Section 1 – Summary and Recommendations**

This report presents the audited Statement of Accounts for 2019-20 subject to the issue of the audit opinion

**Recommendations:**

The GARMS Committee is requested to :-

1. Consider the draft Audit Completion Report of the External Auditor on matters arising from the audit of the Statement of Accounts 2019-20

- and the Pension Fund Annual Report 2019-20;
2. Approve the audited Statement of Accounts 2019-20 and authorise the signing thereof by the Chair;
  3. Note the Pension Fund Annual Report 2019-20;
  4. Authorise the Director of Finance and Assurance, following consultation with the Chair, to make any final amendments to the Statement of Accounts 2019-20 and Pension Fund Annual Report 2019-20 arising from the external audit prior to the signing by the auditor; and
  5. Note the Summary Statement of Accounts 2019-20.

**Reason:**

Under the accounts and Audit Regulations 2015 the Statement of Accounts must be approved by a committee of Members. Once approval has been given, the Chair of the Committee is required to sign and date the Statement of Accounts.

## Section 2 – Report

### Background

1. In September 2020 the GARMS committee received a report on the draft Statement of Accounts 2019-20. Today's report is on the audited Statement of Accounts 2019-20.
2. The Accounts and Audit Regulations 2015, which came into force on 1<sup>st</sup> April 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Due to the corona virus pandemic the publication deadline for audited Statement of Accounts has been moved from 31<sup>st</sup> July 2020 to 30<sup>th</sup> November 2020 as permitted by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which came into force on 30<sup>th</sup> April 2020.
3. Following the public inspection period, the Regulations require the audited Statement of Accounts to be submitted to a committee for approval. The Statement of Accounts must be signed and dated by the Chair of the committee. At Harrow, the committee nominated to receive and approve the accounts is the GARMS committee.
4. The publication of the Statement of Accounts set out the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's resources.
5. The Pension Fund Committee considered the draft Pension Fund Annual Report and Financial Statements on 9<sup>th</sup> September 2020 and will be asked to consider the Pension Fund external Audit Completion Report and approve the Pension Fund Annual Report on 25<sup>th</sup> November 2020.
6. In accordance with International Standard on Auditing (ISA) 260, the external auditor (Mazars LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts and Pension Fund Annual Report. This report is required to be considered by "those charged with governance" (GARMS) before the external auditor can sign the accounts. This report is attached as appendix 4.
7. This is the second financial year that Mazars LLP have been the external auditors for this Authority, having taken over the role from KPMG LLP.

### Accounts Summary and Audit Progress

8. The **Narrative Report** includes the performance of the Council and provides an outlook for the future. The revenue budget and the capital spend reported in the draft version of the accounts presented at the GARMS meeting in September remain unchanged.

9. The **Expenditure and Funding Analysis** compares the outturn shown in the Narration Report with true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement. The statement has not changed since the approval of the draft accounts.
10. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus reported for the year was £37.6m. No changes have been made to the CIES since the draft accounts were presented to GARMS in September.
11. Under statutory regulations some of the costs disclosed in the CIES (e.g. depreciation, impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents as these are technical accounting adjustments. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The increase in the usable reserves balance of £2.4m and the increase in the unusable reserves of £35.2m have not changed since the September GARMS meeting.
12. The **Balance Sheet** sets out the financial position of the Council as at 31<sup>st</sup> March 2020. The statement shown at 4.3 has not changed from the draft accounts that were presented at the September GARMS committee.
13. The **Cash Flow** statement shows how the Council generates and uses cash.
14. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £6.4m and is unchanged from the amount previously reported.
15. The **Collection Fund** statement shows a net carry forward surplus of £3m made up of Council Tax £2.8m and Business Rates £0.2m. The surplus is paid out as additional precepts to the Council, Central Government and the Greater London Authority in future years. This statement remains unchanged
16. The net assets of the **Pension Fund** at year end are £778m. This is a decrease of £73.6m against the previous year reflecting mainly the reduction in the market value of investments of £96m and an increase of £28m in cash held with investment managers. The Pension Fund figures remain the same as those presented in September to the GARMS committee.
17. Mazars LLP are currently conducting their external audit of the Statement of Accounts 2019-20 and the Pension Fund Annual Report 2019-20. As outlined in the paragraphs above and at the time of writing this report, there have been no changes to the main financial statements.

18. The draft **Audit Completion Report** contains matters raised by the auditor, their recommendations on those issues and the management response. A further update on the progress of the audit will be given verbally at the meeting.
19. The Covid-19 pandemic has had an impact on all markets including property. Officers have proactively considered the potential effects of the pandemic to ensure fair valuations have been included in the financial statements following the issue of the Royal Institute of Chartered Surveyors' (RICS) valuation practice alert, setting out guidance for valuers in the light of the global pandemic.
20. The external auditors have made an initial reference in their Audit Completion Report for the need for a valuation uncertainty clause within the audited Statement of Accounts 2019-20. Further discussions between officers and the external auditors will be held over the next month, with Members being kept informed.

### **Legal Implications**

21. The legal implications are included in the body of the report. The Accounts and Audit Regulations 2015, section 9 sets out the process for signing and approval of the Statement of Accounts.

### **Financial Implications**

22. There are no direct financial implications arising from this report.

### **Risk Management Implications**

23. There are no risk implications

### **Equalities implications / Public Sector Equality Duty**

24. There are no equalities implications

### **Council Priorities**

25. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

## **Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert

Chief Financial Officer

Date: 12<sup>th</sup> October 2020

Name: Joane Mohan

on behalf of the  
Monitoring Officer

Date: 9<sup>th</sup> October 2020

Name: Charlie Stewart

Corporate Director

Date: 8<sup>th</sup> October 2020

**Ward Councillors notified:**

No

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## **Section 4 - Contact Details and Background Papers**

**Contact:** Paul Gower, Interim Technical Accounting Manager, e-mail paul.gower@harrow.gov.uk

**Background Papers:** None