

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

Date of Meeting:	13 July 2021
Subject:	INFORMATION REPORT External Audit Plans 2020/21
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 2020/21

Section 1 – Summary and Recommendations

This report provides the Committee with an opportunity to consider the External Audit Plans 2020/21 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 2020/21

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 2020/21 will be conducted. The audit plan sets out the following:-

- a. 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 around 1.5% 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 2020/21 audit (1.5% in 2019/20 for both the Council and Pension Fund). This gives an overall materiality level of £9.1m (£9.3m 2019/20) for the Council and £14.5m (£12.75m 2019/20) for the Pension Fund. The materiality levels for misstatements (the level of triviality) is set at £279k (£279k 2019/20) for the Council and £430k (£382k 2019/20) 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

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:

Signed on behalf of the Chief Financial Officer

Sharon Daniels

Date: 6th July 2021

Statutory Officer:

Signed on behalf of the Monitoring Officer

Rashmi Chopra

Date: 7th July 2021

Chief Officer:

Signed by the Corporate Director

Charlie Stewart

Date: 5th July 2021

Mandatory Checks

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

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:

1. Harrow Council 2020-21 Audit Strategy Memorandum (final)
2. Harrow Council Pension Fund 2020-21 Audit Strategy Memorandum (final)

If appropriate, does the report include the following considerations?

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