

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

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<b>Date of Meeting:</b>	13 July 2021
<b>Subject:</b>	<b>INFORMATION REPORT</b> External Audit Plans 2020/21
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	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:** 6<sup>th</sup> July 2021

**Statutory Officer:**

Signed on behalf of the Monitoring Officer

Rashmi Chopra

**Date:** 7<sup>th</sup> July 2021

**Chief Officer:**

Signed by the Corporate Director

Charlie Stewart

**Date:** 5<sup>th</sup> 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?

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