

**Report for: Governance, Audit,  
Risk Management and  
Standards Committee  
(GARMS)**

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<b>Date of Meeting:</b>	30 <sup>th</sup> November 2021
<b>Subject:</b>	Statement of Accounts 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>	Appendix 1 Statement of Accounts 2020-21 Appendix 2 Pension Fund Annual Report 2020-21 Appendix 3 Summary Statement of Accounts 2020-21 Appendix 4 Draft Audit Completion Reports on the Audit of the Statement of Accounts and the Harrow Pension Fund for the year ended 31 <sup>st</sup> March 2021

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

This report presents the audited Statement of Accounts for 2020-21 subject to the issue of the audit opinion

### **Recommendations:**

The GARMS committee is requested to :

1. Consider the draft Audit Completion Reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2020-21 and the Pension Fund Annual Report 2020-21;
2. Approve the audited Statement of Accounts 2020-21 and authorise the signing thereof by the Chair, subject to recommendation 4 below;
3. Note the Pension Fund Annual Report 2020-21;
4. Authorise the Director of Finance and Assurance, following consultation with the Chair, to make any final minor amendments to the Statement of Accounts 2020-21 and Pension Fund Annual Report 2020-21 arising from the external audit prior to the signing by the auditor; and
5. Note the Summary Statement of Accounts 2020-21.

### **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 July 2021 the GARMS committee received a report on the draft Statement of Accounts 2020-21. Today's report is on the audited Statement of Accounts 2020-21.
2. The Accounts and Audit Regulations 2015 require Local Authorities to prepare Statement of Accounts in accordance with proper practices. Previous timetable deadlines have meant that the draft Statement of Accounts must be published by 31st May with the audited version being published by 31st July each year. Due to the Coronavirus pandemic the legislative requirements have been relaxed and this has continued for 2020-21. The Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263) have revised the deadlines to 31st July 2021 for the draft accounts and 30th September 2021 for the audited accounts. Ongoing audit work has meant that the accounts are still to be signed by the external auditors.

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 13<sup>th</sup> September 2021 and will be asked to consider the Pension Fund external Audit Completion Report and approve the Pension Fund Annual Report at their next meeting.
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. The LBH Audit Completion 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.

### **Accounts Summary**

7. The **Narrative Report** includes the performance of the Council and provides an outlook for the future.
8. **The Expenditure and Funding Analysis** compares the outturn shown in the Narration Report with the true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement (CIES). The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
9. The **Comprehensive Income and Expenditure Account** shows the true economic cost of providing Council services.
10. 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.
11. The **Balance Sheet** sets out the financial position of the Council as at 31<sup>st</sup> March 2021.
12. The **Cash Flow** statement shows how the Council generates and uses cash.

13. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services.
14. The **Collection Fund** statement is an agent's statement that reflects the statutory obligations of the London Borough of Harrow, as billing authority to maintain a separate Collection Fund.
15. The **Pension Fund** Accounts show the net assets of the fund together with associated supporting disclosure notes.

### **External Audit Progress Update**

16. The draft **Audit Completion Report** contains matters raised by the auditor, their recommendations on those issues and the management response provided by officers. A further update on the progress of the audit will be given verbally at the meeting.
17. The external auditor's draft audit opinion states that the financial statements :-
  - Give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2021, and of its expenditure and income for the year then ended, and
  - Have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020-21
18. 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. Officers have updated the narrative text within disclosure note 5.3 to include comments on the valuation uncertainty as a consequence of the Covid-19 pandemic.
19. The inclusion of the "emphasis of matter" paragraph on the valuation of land, buildings, and investment property and the Pension Fund pooled property investments does not modify the draft audit opinion.
20. Findings from the external audit work identified five misstatements to the financial statements. These have been narrated within the misstatement section (pages 25 and 26) of the LBH Audit Completion Report. The first table contains the three items not changed by the Council, with the second table providing details of the two accounting changes incorporated within the final version of the 2020-21 Statement of Accounts.
21. The above changes have impacted on the Comprehensive Income and Expenditure Statement, MIRS, Balance Sheet, Cash Flow Statement and associated disclosure notes. There has been no impact on the Council's usable reserves.
22. The draft Audit Completion Report includes six internal control recommendations. Four of these relate to the 2020-21 financial year, the

other two are forward looking in respect of the new IFRS16 Leasing arrangements and the recent implementation of the Council's new financial information system Dynamics 365. Officers have provided a management response to each of the six recommendations.

23. Mazars are conducting their final management reviews and anticipate signing the accounts by the middle of December 2021.

## **Legal Implications**

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**

There are no direct financial implications arising from this report.

## **Risk Management Implications**

There are no risk management implications.

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 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**

### **Statutory Officer:**

Signed by the Chief Financial Officer

Dawn Calvert

**Date:** 23rd November 2021

### **Statutory Officer:**

Signed on behalf of the Monitoring Officer

Jessica Farmer

**Date:** 24<sup>th</sup> November 2021

### **Chief Officer:**

Signed on behalf of the Corporate Director

Dawn Calvert

**Date:** 24<sup>th</sup> November 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. LBH Statement of Accounts 2020-21
2. LBH Pension Fund Annual Report 2020-21
3. LB Harrow Audit Completion Report 2020-21
4. LB Harrow Pension Fund Audit Completion Report 2020-21

If appropriate, does the report include the following considerations?

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