

| Report for: | GOVERNANCE, AUDIT, RISK MANAGEMENT AND STANDARDS COMMITTEE |
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| Date of Meeting: | 2 August 2022 |
| Subject: | External Audit Plans (Audit Strategy Memoranda) 2021/22 |
| 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 2021/22 |
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| Section 1 – Summary and Recommendations |
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| |  | | --- | | This report provides the Committee with an opportunity to consider the External Audit Plans 2021/22 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 2021/22

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 2021/22 will be conducted. The audit plan sets out the following:-

a. Engagement and Responsibilities Summary;

b. the Audit engagement team;

c. Audit scope, approach and timeline – covers planning, interim work, main audit fieldwork and audit completion;

d. 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; including investment properties;

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

v. Migration from SAP to D365 (applies to both plans) – LBH moved to a new financial information system during 2021/22

vi. Other key areas of management judgement and enhanced risks – the accounting for the Civic Centre falls as an enhanced risk;

vii. For the Pension Fund, valuation of investments within level 3 of the hierarchy (unquoted investments);

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

f. Fees for audit and other services;

g. Auditor’s commitment to independence;

h. Materiality and misstatements – a materiality threshold of around 1.7% 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 2021/22 audit (1.0% in 2020/21 for both the Council and Pension Fund). This gives an overall materiality level of £10.5m (£9.1m 2020/21) for the Council and £9.7m (£9.7m 2020/21) for the Pension Fund. The materiality levels for misstatements (the level of triviality) is set at £314k (£279k 2020/21) for the Council and £290k (£430k 2020/21) 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;

i. An appendix covering key communication points is included at the end of both audit plans.

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:**

Chief Financial Officer

Dawn Calvert

**Date:** 25thJuly 2022

**Statutory Officer:**

Signed on behalf of the Monitoring Officer

Caroline Eccles

**Date:** 20thJuly 2022

**Chief Officer:**

Signed by the Corporate Director

Charlie Stewart

**Date:** 20thJuly 2022

## Mandatory Checks

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

## Section 4 - Contact Details and Background Papers

**Contact:** Yinka Ehinfun (Chief Accountant)

Email: Yinka.ehinfun@harrow.gov.uk

**Background Papers**:

None

If appropriate, does the report include the following considerations?

1 Consultation No

2 Priorities No