

**AUDIT AND GOVERNANCE COMMITTEE  
HELD ON MONDAY, 22 MARCH 2021  
(FROM 5.30 PM – 5.58 PM)**

**PRESENT:** Councillor Steven Jackson in the Chair. Councillor Michael Harrison, Councillor John Ennis and Councillor Matthew Webber.

**Late Arrivals:** None

**Early Departures:** None

**37/20 – APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE:**

Apologies were received from Councillor Alex Raubitschek.

(5.32 pm)

**38/20 – DECLARATIONS OF INTEREST:**

No declarations of interest were made at the meeting.

(5.33 pm)

**39/20 – MINUTES:**

The Minutes of the meeting of the Committee held on 2 February 2021 were unanimously approved as a correct record.

(5.33 pm)

**40/20 – EXEMPT INFORMATION:**

There was no exempt information.

(5.34 pm)

**41/20 – PUBLIC ARRANGEMENTS - QUESTIONS:**

There were no public questions to consider under Standing Order 27.

(5.35 pm)

**42/20 – AUDIT COMPLETION REPORT - YEAR ENDED 31 MARCH 2020  
(MAZARS LLP):**

The Chair welcomed Diane Harold the Senior Manager of Mazars LLP, the Council's external auditor, to the meeting to present the Audit Completion Report for the year ended 31 March 2020, for consideration by the Audit and Governance Committee. The main elements of work were issuing an opinion on the Council's financial statement and a value for money conclusion. The report submitted detailed the audit conclusions, identification of any significant risks and recommendations.

Ms Harold began by explaining that a previous version of the report had been presented to the Audit and Governance Committee at its meeting on 30 November 2020. At that time there were some outstanding items of work, the Committee had therefore noted the report and that an updated version would be brought back once work had concluded. This work had now been finalised and Ms Harold explained that the overall opinion had not changed following completion of this work.

The overall opinion was that the Council's financial statements gave a true and fair view of the financial position of the Council as at 31 March 2020 including income

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and expenditure. The audit report provided assurance that the financial statements had been properly prepared in accordance with the CIPFA/LASAAC Codes of Practice on Local Authority Accounting. The completed audit also concluded there were no matters to report in respect of the value for money conclusion and no use of the auditor's wider powers had been required.

An update was provided to the Committee relating to further work since the meeting on 30 November 2020, this related to property, plant and equipment and investment property valuations. There was material uncertainty in respect of Pension Fund property investment valuations. This was detailed in note four of the financial statements and was a result of the COVID-19 pandemic impacting on the relevant market evidence relating to these investments.

Ms Harold also referred to amendments within the accounts relating to valuations of the Harrogate Convention Centre and shared ownership properties. The Council's valuation of HCC was £0.5 million, which was a profit-based valuation because of the nature of the site. Mazars LLP had sought their own expert to review the valuation of HCC and they estimated the value of HCC as being between £1.3 and £1.6 million. HBC had been satisfied with the lower valuation, which was prudent, so this had been reported as an unadjusted non-material difference between the valuations. Valuations of shared ownership properties required updating due to a social housing adjustment factor and a prior period adjustment was applicable. This was a material adjustment for 2019/20 and the prior year financial statements had been updated to reflect these changes, and there was no impact on the bottom line.

Mazars LLP had provided internal control recommendations that were ranked as high, medium and low. The audit completion report identified no high priority issues. The medium priority issues were Member approval of employee settlement agreements, housing benefits quality assurance checks and adequacy of payroll documentation where more than one post was held. The low priority issues were detailing earmarked reserves in the Medium Term Financial Strategy and formalising the Council's expected credit loss assessment.

The closing procedures involved a final letter of representation from HBC management that would set out statements to provide assurance and it would include a list of the unadjusted misstatements. A summary of unadjusted misstatements was available at section four of the report.

The Committee queried an internal control recommendation from the previous year and clarification was provided that no further issues had arisen relating to this. It was a low risk issue relating to software used by the Council which was unlikely to be replaced. A pragmatic approach had therefore been taken in terms of not including this as a recommendation for the year ended 31 March 2020 or future years.

The Committee discussed the risks associated with management override of controls. Ms Harold explained that the audit approach and the variety of processes used meant that there was a reasonable chance of detecting material fraud, but the audit work was not designed to detect all fraud, this was stated within the parameters of the opinion that was provided from Mazars LLP.

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The Chair thanked Ms Harold and Mazars LLP for their comprehensive report and presentation of the findings.

### **RESOLVED (UNANIMOUSLY):**

That the Committee note the content of the report.

(5.35 pm – 5.42 pm)

(D)

### **43/20 – AUDITED STATEMENT OF ACCOUNTS 2019/20:**

The Financial Services Manager (FSM) submitted the Council's statutory audited Statement of Accounts for the year ended 31 March 2020 for approval. Approval of the Audited Statement of Accounts was considered each year with the Audit Completion Report for the year from the Council's external auditors and the Annual Governance Statement. As was discussed at a meeting of the Committee on 30 November 2020 at Minutes 24/20 and 25/20, there had been a delay in bringing forward the documents for the 2019/20 year but there was no penalty for this and many councils were in a similar situation.

The Audit Completion Report provided by the Council's external auditors Mazars LLP and the Council's Statement of Accounts had been updated to reflect changes to property valuations. This had been discussed at Minute 42/20 and related to valuations of Harrogate Convention Centre and shared ownership properties within the Housing Revenue Account.

The FSM explained that the changes in these valuations meant that at 31 March 2020 the value of assets held on the balance sheet had reduced by £2.9 million. This was in the context of property plant and equipment and investments with a total value of approximately £350 million. The changes had no effect on the net cost to taxpayers in the year and did not affect the value of usable reserves available to the council.

The FSM explained that there would also be some minor changes to the report that had been submitted and published with the documents for the meeting. These amendments were cross-references and a point of clarification to note 30 referencing the amendment made to the opening balance in April 2018. Note 30 related to the revaluation of shared ownership properties and the associated prior period adjustment.

The Committee queried the use of coloured text within the report and the FSM explained this was associated with the level of financial performance and confirmed that a note explaining this could be added to the report.

On behalf of the Committee the Chair thanked the officer team and external auditors for their work and efforts in challenging circumstances.

### **RESOLVED (UNANIMOUSLY):**

That (1) the audited version of the Statement of Accounts is approved; and

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(2) the Chair of the Audit and Governance Committee signs and dates the Statement of Accounts to confirm their approval by the Committee.

The Chair would sign the Audited Statement of Accounts 2019/2020 electronically on behalf of the Committee.

(5.42 pm – 5.52 pm)

(D)

### 44/20 – ANNUAL GOVERNANCE STATEMENT 2019/20:

The Scrutiny, Governance and Risk Manager (SGRM) submitted a written report with the Annual Governance Statement (AGS) 2019/20 appended. The Accounts and Audit (England) Regulations 2015 require all relevant bodies to produce an AGS to append to their Statement of Accounts (as defined in the Regulations) this included a review of internal governance arrangements. As was discussed at a meeting of the Committee on 30 November 2020 at Minutes 24/20 and 25/20, there had been a delay in bringing forward the financial statement documents for the 2019/20 year but there was no penalty for this and many councils were in a similar situation.

The AGS provided details about the Council's governance arrangements and reviewed how the Council had complied with its Code of Corporate Governance for the 2019/20 year. The review for the AGS was evidence based and sought to test annual compliance and identify any significant governance issues and on-going Governance improvements in an improvement action plan. Progress against these issues would be monitored and reported to the Committee in 2021/22. The AGS must include the consideration of any significant issues up to and including the date it was signed. Due to the extended timescales for reporting the 2019/20 AGS there had been another issue identified for inclusion since the draft AGS was reported to the Committee.

The additional Governance issue for inclusion was the external assessment of the Internal Audit service for the Public Sector Internal Audit Standards in particular the lack of a formal quality assurance programme. It was reported that the formal assessment had still to be considered by Management Board and that the internal audit service was already addressing this with details of the work that had been undertaken to be reported to the Audit and Governance Committee at a future meeting.

The AGS also summarised how the Council had dealt with governance issues that had been identified in the previous years' statement, these related to the Council's wholly owned housing company Bracewell Homes in the first year of operation and mandatory staff training.

The significant governance issues identified in the 2019/20 statement were the arrangements and creation of a company to run the Council's sport and leisure services, mandatory staff training, the response to and recovery from the COVID-19 pandemic and Local Government Reorganisation and future devolution.

The Chair thanked the SGRM for the report and the update provided.

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### **RESOLVED (UNANIMOUSLY):**

That the Annual Governance Statement 2019/20:

- (1) is properly supported by evidence;
- (2) fairly reflects the council's corporate governance arrangements; and
- (3) is recommended for approval by the Leader of the Council and the Chief Executive and can be signed by the Chairman.

The Chair would sign the Annual Governance Statement electronically on behalf of the Committee.

(5.52 pm – 5.58 pm)

(D)