

# Public Document Pack



**Service Director – Legal, Governance and  
Commissioning**

**Julie Muscroft**

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Thursday 28 February 2019

## Notice of Meeting

Dear Member

### **Corporate Governance and Audit Committee**

The **Corporate Governance and Audit Committee** will meet in the **Meeting Room 1 - Town Hall, Huddersfield** at **10.00 am** on **Friday 8 March 2019**.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

A handwritten signature in black ink, appearing to read 'Julie Muscroft', on a light-colored background.

**Julie Muscroft**

**Service Director – Legal, Governance and Commissioning**

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

## **The Corporate Governance and Audit Committee members are:-**

### **Member**

Councillor Hilary Richards (Chair)  
Councillor Carole Pattison  
Councillor Kath Pinnock  
Councillor Ken Sims  
Councillor Julie Stewart-Turner  
Councillor John Taylor  
Councillor Gemma Wilson

When a Corporate Governance and Audit Committee member cannot be at the meeting another member can attend in their place from the list below:-

### **Substitutes Panel**

#### **Conservative**

B Armer  
D Bellamy  
V Lees-Hamilton  
N Patrick  
M Thompson

#### **Green**

K Allison  
A Cooper

#### **Independent**

C Greaves  
T Lyons

#### **Labour**

S Hall  
N Mather  
M Sokhal  
R Walker

#### **Liberal Democrat**

R Eastwood  
C Iredale  
A Munro  
A Pinnock

### **Ex Officio Members**

Councillor Eric Firth  
Councillor Graham Turner – Cabinet Member (Resources)

# Agenda

## Reports or Explanatory Notes Attached

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**Pages**

**1: Membership of the Committee**

This is where Councillors who are attending as substitutes will say for whom they are attending.

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**2: Minutes of Previous Meeting**

1 - 4

To receive and approve the Minutes of the previous meeting held on 25 January 2019.

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**3: Interests**

5 - 6

The Councillors will be asked to say if there are any items on the Agenda in which they have disclosable pecuniary interests, which would prevent them from participating in any discussion of the items or participating in any vote upon the items, or any other interests.

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**4: Admission of the Public**

Most debates take place in public. This only changes when there is a need to consider certain issues, for instance, commercially sensitive information or details concerning an individual. You will be told at this point whether there are any items on the Agenda which are to be discussed in private.

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**5: Deputations/Petitions**

The Committee will receive any petitions and hear any deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also hand in a petition at the meeting but that petition should relate to something on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10 (2), Members of the Public should provide at least 24 hours' notice of presenting a deputation.

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**6: Public Question Time**

The Committee will hear any questions from the general public.

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**7: Report of the Members Allowances Independent Review Panel 2019/20** 7 - 20

To consider the report.

Contact: Carl Whistlecraft, Head of Democracy

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**8: External Audit Plan** 21 - 38

To receive the report.

Contact: Robin Baker, Grant Thornton, External Audit

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Contact Officer: Andrea Woodside

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 25th January 2019**

Present: Councillor Hilary Richards (Chair)  
Councillor Carole Pattison  
Councillor Kath Pinnock  
Councillor John Taylor  
Councillor Gemma Wilson

Apologies: Councillor Julie Stewart-Turner

**1 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Stewart-Turner.

**2 Minutes of Previous Meeting**

That the Minutes of the meeting held on 16 November 2018 be approved as a correct record.

**3 Interests**

No interests were declared.

**4 Admission of the Public**

It was noted that Agenda Item 13 would be considered in private session (Minute No. 13 refers).

**5 Deputations/Petitions**

No deputations or petitions were received.

**6 Public Question Time**

No questions were asked.

**7 Corporate Customer Standards Interim Report 2018-2019**

The Committee received a report which set out an update on Local Government Ombudsman complaints performance during the period April to October 2018, and confirmed the outcome of a formal report issued by the Ombudsman.

The report advised that during the six month period, 29 complaints had been considered by the Ombudsman and that 6 of these had been upheld. The Committee were advised that Kirklees had received 20.5% of complaints across the West Yorkshire region, which was broadly in line with its equivalent population size. The report set out a summary of each of the six cases that had been upheld, and examples of the learning that had arisen from the complaints.

## Corporate Governance and Audit Committee - 25 January 2019

The Committee were briefed on a formal Ombudsman report which had been received on 2 October 2018 relating to Special Educational Needs provision and the action that had been taken in terms of addressing the Ombudsman's recommendations and the subsequent service improvements, which included a significant staffing increase within the service.

Discussion took place with regards to the Council's internal processes for the reporting of complaints and sharing information with management. Concern was raised with regards to the delays incurred through current processes for implementing compensation payments and it was agreed that an alternative process should be put in place to identify a specific point of contact for managing the SAP payments, in order to achieve quicker payments of compensation.

**RESOLVED** - That the report be received and that the Committee's comments regarding the management of the complaints process be noted.

### 8 Treasury Management Strategy Update 2019-2020

The Committee considered a report which set out the Treasury Management Strategy 2019-2020, prior to its submission to Cabinet on 29 January 2019 and 13 February 2019.

The report (i) outlined the outlook for interest rates and credit risk and recommended an investment strategy (ii) outlined the current and estimated future levels of Council borrowing and recommended a borrowing strategy (iii) reviewed methodologies adopted for providing for the repayment of debt and recommended a policy for calculating minimum revenue provision from 2018-2019 onwards (iv) reviewed other treasury management matters, including the policy on the use of financial derivatives, prudential indicators, the use of consultants, and the policy on charging interest to the Housing Revenue Account, and (v) recommended an annual Investment Strategy for the Council in 2019-2020 in line with MHCLG (2017) guidance.

Discussion took place as to the proposals for unwinding MRP over-provision in 2018/19 and 2019/20 and also as to the direction of change for the Fair Funding Formula and the impact which the distributional effects would have locally, including the consequences of the removal of the deprivation indicator from the funding formula.

**RESOLVED** - That the report be received and noted and submitted to the meetings of Cabinet (on 29 January 2019) and Council (13 February 2019) with a recommendation that;

- (i) the Borrowing Strategy, as outlined in paragraphs 2.15 to 2.21, be approved
- (ii) the Investment Strategy (treasury management investments), as outlined in paragraphs 2.22. to 2.32 and appendices A and B, be approved
- (iii) the policy for the provision of repayment of debt (MRP), as outlined in paragraphs 2.33 to 2.37 and appendix C, be approved

- (iv) the treasury management indicators, as set out at appendix C, be approved
- (v) the Investment Strategy (non-treasury investments), as set out at appendix E, be approved

**9 Audit Progress Report and Sector Update**

The Committee received the external audit progress report and sector update, as submitted by Grant Thornton Audit. The report provided an update, as at 14 January 2019, which set out the progress in terms of the financial statements audit and value for money. The report advised that a detailed audit plan was being developed which would set out the proposed approach to the audit of the 2018/19 financial statements and would be submitted to the next meeting of the Committee on 8 March 2019, along with details of any matters arising from the interim audit work undertaken, which involved gaining an understanding of financial systems and reviewing internal audit work/reporting on core financial systems.

The outline audit plan was appended to the considered report and the Committee were informed of two risks (financial resilience and children's services) which required audit consideration in terms of value for money delivery.

The Committee were also updated on trends in Local Authority Trading companies, and the detail of a recently published paper by ICEAW on 'the expectation gap', which set out the variance in the expectations of auditors obligations and expected duties.

**RESOLVED** - That the External Audit Progress Report and Sector Update be received and noted.

**10 External Assessment of Internal Audit Update on Progress**

The Committee received a report which set out an update on progress following on from the external assessment of the Council's internal audit function, which had been carried out during 2018. The report advised that the assessor had considered the audit function to be generally compliant, which reflected the highest grading, but had made a number of recommendations, which were listed at paragraph 2.2 of the considered report and included matters relating to (i) the time spent by the Head of Internal Audit on strategic and operational management issues (ii) securing the skills necessary to address speciality work areas and secure a sustainable workforce and (iii) increasing the number of performance measures used to assess the effectiveness of internal audit.

The report then set out the progress made to date on each of the six recommendations at paragraph 2.3. Discussion took regarding the challenges of creating a sustainable workforce and the possibility of exploring the approach of other West Yorkshire authorities.

The Committee noted the content of the report and were advised that a further update would be undertaken later in the year.

**RESOLVED** - That the report be received and noted.

**11 Quarterly Report of Internal Audit 2018/2019 (Quarter 3)**

The Committee received a report which set out the activities of internal audit during the third quarter of 2018/2019. The report contained information regarding 18 formal opinion based pieces of work, 7 projects and 5 audits related to the Housing Revenue Account and KNH. It was noted that, overall, 83% of the work had reflected a positive outcome, and that the cumulative positive outcome for the year was 77%, which was slightly below the 80% target.

The Committee were also advised that changes to RIPA Policy, reflected GDPR and statutory guidance had been agreed by the meeting of Cabinet on 22 January 2019.

(The Committee considered the exempt information at Agenda Item 13 (Minute No.13 refers) prior to the determination of this item).

**RESOLVED** - That the Internal Audit Quarterly Report (Quarter 3) be received and noted and that the issue of payroll overpayments be addressed within a future piece of audit work.

**12 Exclusion of the Public**

**RESOLVED** - That acting under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, as specifically stated in the undermentioned Minute.

**13 Quarterly Report of Internal Audit 2018/2019 (Quarter 3)**

(Exempt information within Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption, which would protect the interests of the Council and the company concerned, outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.)

The Committee received the Quarter 3 report of Internal Audit, covering the period October to December 2018. The report set out details of internal audit activity and also provided a summary of progress against the actions as set out within the 2017/18 Annual Governance Statement. It was noted that the draft Annual Governance Statement 2018/19 would be submitted to the meeting of the Committee on 26 April 2019.

Discussion took place with regards to the assurance of internal performance management systems, and also salary overpayments which the Committee requested be further considered within a future piece of audit work.

**RESOLVED** - That the Internal Audit Quarterly Report (Quarter 4) be received and noted.



<b>KIRKLEES COUNCIL</b>				
<b>COUNCIL/CABINET/COMMITTEE MEETINGS ETC</b>				
<b>DECLARATION OF INTERESTS</b>				
Corporate Governance and Audit Committee				
Name of Councillor				
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest	

Signed: ..... Dated: .....

## NOTES

### Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
- (b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.



**Name of meeting:** Corporate Governance and Audit Committee

**Date:** Friday 8 March 2019

**Title of report:** Report of the Members Allowances Independent Review Panel (MAIRP) 2019/20

**Purpose of report**

To recommend Council to approve the Members Allowances Scheme for 2019/20, that takes account of recommendations proposed by the Members Allowances Independent Review Panel regarding certain allowances.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Not applicable
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	No
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	No
<b>Date signed off by <a href="#">Strategic Director</a> &amp; name</b>	Rachel Spencer Henshall – Yes – 20 February 2019
<b>Is it also signed off by the Service Director (Finance)?</b>	Yes – 19 February 2019
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	Yes – 19 February 2019
<b>Cabinet member <a href="#">portfolio</a></b>	Cabinet Member responsible for the Corporate Portfolio, namely Councillor Graham Turner

**Electoral wards affected:** All

**Ward councillors consulted:** Not applicable

**Public or private:** Public

**Have you considered GDPR?** Yes. There is no personal data within the report.

## 1. Summary

The Members Allowances Independent Review Panel meets annually to consider and recommend the Members Allowances Scheme to Council having regard to evidence received and associated developments that will affect the Scheme. The Panel met on 30 November 2018. This report captures the outcomes of that meeting and the consequential recommended changes to the scheme that arise as a result.

**NOTE:** This report does not address the issues set out in the motion to Council on 16 January 2109 in respect of parental leave. This will be considered at a separate meeting of the Allowances Panel.

## 2. Information required to take a decision

A meeting of the MAIRP has taken place to consider the Members' Allowances Scheme and make recommendations to the Council on certain allowances within the Scheme. The report of the Panel is attached at Appendix A and puts forward recommendations that:

- (i) The current basic allowance be increased in line with the amount awarded to Kirklees Council officers (2%) with effect from 1 April 2019.
- (ii) The increase of all special responsibility allowances (SRAs) in line with the amount awarded to Kirklees Council (2%) officers with effect from 1 April 2019.
  - (a) That the SRA for the Chair of Standards be paid at Band E with effect from 1 April 2019, subject to review in 12 months;
  - (b) That the SRA Group Business Managers of small groups (3-6 members) be paid at Band E with effect from 1 April 2019;

The draft Members Allowances Scheme for 2019/20 which takes account of the recommendations of the Panel, is attached at Appendix B.

Should the above mentioned recommendations be agreed and implemented the additional cost to the overall scheme will be £28.5k . This can be contained within budgeted resources for 2019/20.

## 3. Implications for the Council

- 3.1 **Working with People**  
Not applicable
- 3.2 **Working with Partners**  
Not applicable
- 3.3 **Place Based Working**  
Not applicable
- 3.4 **Improving outcomes for children**  
Not applicable

### **3.5 Other (eg Legal/Financial or Human Resources)**

None in addition to those detailed above

## **4. Consultees and their opinions**

The Allowances Panel have been consulted on the contents of the attached report and agree it as a correct record of their deliberations and recommendations. The following have also been consulted with regards to the contents and proposals contained therein:

Rachel Spencer Henshall, Strategic Director, Corporate Strategy and Commissioning

Eamon Croston, Service Director, Finance

Julie Muscroft, Service Director – Legal, Governance and Commissioning

## **5. Next steps and timelines**

Following consideration by the Corporate Governance and Audit Committee, this report will be referred for consideration by Full Council at its meeting on 20 March 2019.

## **6. Officer recommendations and reasons**

That Corporate Governance and Audit Committee:

- (i) Notes the recommendations of the Members Allowances Independent Review Panel (as set out at Appendix A);
- (ii) Recommends that Council approves and adopts the Members Allowances Scheme for 2019/20 (as set out at Appendix B) with effect from 1 April 2019.

## **7. Cabinet portfolio holder's recommendations**

That Corporate Governance and Audit Committee recommends that Council approves and adopts the Members Allowances Scheme for 2019/20 (as set out at Appendix B) with effect from 1 April 2019.

## **8. Contact officer**

Carl Whistlecraft

Head of Democracy

[Carl.whistlecraft@kirklees.gov.uk](mailto:Carl.whistlecraft@kirklees.gov.uk)

Tel: 01484 221000

## **9. Background Papers and History of Decisions**

Report of Members Allowances Independent Review Panel, November 2018

## **10. Service Director responsible**

Julie Muscroft, Service Director – Legal, Governance and Commissioning

Report of The

**Kirklees Council  
Members' Allowances  
Independent Review  
Panel**

30 November 2018

Carl Whistlecraft  
Head of Democracy  
Civic Centre 3,  
Huddersfield, HD1 2TG  
01484 221000

## **1 Panel Membership**

The Members of the Independent Review Panel are as follows:

Andrew Taylor (Chair)  
Ian Brown  
Chris West  
Lynn Knowles  
Stephen Thornton  
Fiona Weston

The meeting of the Independent Review Panel took place on 30 November 2018.

The following officers attended the Panel meeting:

Carl Whistlecraft, Head of Democracy  
Deborah Nicholson, Interim Councillor Support & Development Manager

## **2 Terms of Reference**

The Panel's Terms of Reference are:

- (a) To advise the Council on what would be the appropriate level of remuneration for Councillors having regard to the:
  - Roles Councillors are expected to fulfil
  - Varying roles of different Councillors
  - Practice elsewhere and other Local Authorities.
- (b) To consider schemes of Members Allowances for Town and Parish Councils as and when required.
- (c) To make recommendations and provide advice to the Council on any other issues referred to the Panel by regulation or by the Council.
- (d) The Council retains its power to remove a discredited Panel Member.
- (e) The Panel can appoint its Chair from amongst its Members.

## **3 Constitutional Issues**

### **(a) Term of Office**

It was agreed that the current Panel membership be retained and that all relevant terms of office be renewed until December 2019.

### **(b) Election of Chair of Independent Review Panel**

Andrew Taylor was re-elected Chair of the Independent Review Panel.

## **4 The Kirklees Democracy Commission - Update**

The Head of Democracy provided an update to the Panel on the work and recommendations of the Kirklees Democracy Commission which have particular implications for the Panel's

future deliberations.

The Panel noted that a specific piece of work was now underway to revisit the current role profile for a Kirklees Councillor. This has been commissioned by the Democracy Commission Cross Party Working Group and is being led by Councillor Cathy Scott and Councillor John Taylor.

Such work will involve engagement with staff, Councillors and citizens, the outcomes of which will form the basis of a new profile which will thereafter be considered by the Panel in the context of its wider work.

## **5 Councillor Annual Reports**

Councillor Nigel Patrick, Group Business Manager for the Conservative Group, attended the Panel on behalf of his group to discuss the current arrangements governing the production of annual reports by Councillors.

Councillor Patrick questioned the purpose and value of producing annual reports in terms of format, content, the freedom for Councillors to express their views openly and the extent to which they were viewed as important by the public.

In noting the points made by Councillor Patrick on behalf of his wider group, the Panel made reference to the following;

- The importance of Councillors proactively seeking to demonstrate to the residents they represent their work and the impact they are having. This is in line with the Panel's previous recommendations and is also a feature of the Democracy Commission findings;
- It is ultimately a matter for the Council and the Democracy Commission Cross Party Working Group to decide whether or not Councillors should produce annual reports. The Panel is therefore of the view that current arrangements should continue until such a time as other alternatives have been explored. The Panel is keen to see the outcome of such work in the context of the wider allowances scheme;
- The need for reiterating to all Councillors that the way in which they produce their annual report is not governed by a fixed template. There is evidence Councillors have developed different styles / formats and this should be encouraged and supported;
- Arrangements have been put in place to allow Councillors to express their views openly but this means that reports are hosted on third party sites. The consequence of this is that in some instances such reports cannot be hosted on the Council's website;
- The Independent Panel thanked Councillor Patrick for his attendance.

## **6 Members Allowances Scheme 2019-20**

The Panel considered changes to the Members allowance scheme for 2019/20.

In particular the Panel considered the following:

- (a) The Basic Allowance;
- (b) Special Responsibility Allowances (SRAs);
- (c) The SRA for the Chair of Standards;
- (d) The SRA for the Group Business Manager of small groups;



The Panel considered evidence from Julie Muscroft, Service Director for Legal, Governance and Commissioning, in respect of the Chair of Standards role in the context of the wider allowances scheme. The Panel noted the following:

- The changing national and local context with regards to standards;
- The consequential implications for the role of the Chair of Standards in terms of responsibility and volume of work;
- Comparative roles in other Councils in terms of their place in the allowances scheme.

In considering the evidence the Panel acknowledged the growth in both volume and responsibility and recommended that the current role profile should be revised to reflect this, with a particular focus on the enhanced knowledge and skills that are now required. The Panel therefore recommends that the Chair of Standards is paid at Band E, subject to review in 12 months' time.

The Panel considered evidence from Councillor Andrew Cooper, Leader of the Green Group, in respect of the role of Group Business Manager of small groups. The Panel noted the following points made by Councillor Cooper:

- The comparison between the Group Business Manager of small groups and large groups in terms of responsibility and volume of work;
- The extent to which the current thresholds in terms of group numbers were reflective of such responsibilities and volumes;

In considering the evidence the Panel acknowledged that the current scheme did not reflect the role played by the Group Business Manager of small groups in the context of allowances paid. The Panel therefore recommends that Group Business Managers of small groups (3-6 members) should be paid at Band E. The Panel reiterated that where a group has two members there is an expectation that the Leader carries out the Group Business Manager role.

**The Panel recommends:**

- (j) The current basic allowance be increased in line with the amount awarded to Kirklees Council officers (2%) with effect from 1 April 2019.
- (ii) The increase of all special responsibility allowances (SRAs) in line with the amount awarded to Kirklees Council officers (2%) with effect from 1 April 2019.
  - (c) That the SRA for the Chair of Standards be paid at Band E with effect from 1 April 2019, subject to review in 12 months;
  - (d) That the SRA Group Business Managers of small groups (3-6 members) be paid at Band E with effect from 1 April 2019;

Report produced on behalf of the Members Allowances Independent Review Panel by Carl Whistlecraft, Head of Democracy, November 2018

## Kirklees Council Members' Allowances Scheme 2019-2020

This Members' Allowances Scheme is made under the Local Authorities (Members' Allowances) (England) Regulations 2003, and the Local Government Pension Scheme and Discretionary Compensation (Local Authority Members in England) Regulations 2003. In making this scheme the Council had regard to the recommendations of its Members' Allowances Independent Review Panel, which met on 30 November 2018.

1. The Members' Allowances Scheme will apply from 1 April 2019 to 31 March 2020.

### 2. Basic allowances for ward duties

2.1 The amount allocated per annum to each elected councillor for ward duties is £13,627.

2.2 The role of councillor is dynamic and the expectations and responsibilities associated with the role are constantly changing. This is an ongoing consideration in determining the basic allowance which recognises the level of responsibility, time devoted and expenses incurred in dealing with their constituents, political group and cross party discussions on a ward basis.

No additional payment will therefore be made for travel and subsistence costs for duties within the Kirklees district.

2.3 Basic allowances will be paid calendar monthly in arrears to each elected councillor in equal monthly instalments.

2.4 Where the term of office of a councillor begins or ends otherwise than on the 1 April 2019 or 31 March 2020 his/her entitlement to the allowance will be pro-rata.

### 3. Special responsibility allowances

3.1 The amounts allocated per annum to councillors of specific duties, which are additional to the basic allowance are:-

	<b>£ per year</b>
Leader	25,658
Deputy leader	19,243
<b>Band A</b>	
Cabinet member	12,519
<b>Band A1</b>	
Chair of Overview and Scrutiny	11,267
Group Leader (30+ councillors)	11,267
<b>Band B</b>	
Group Leader (7-29 councillors)	10,016
Business Manager (30+ councillors)	10,016
<b>Band B1</b>	8,763

<b>Band C</b>	
Business Manager (20-29 councillors)	7,512
<b>Band C1</b>	
Chairs of Planning Committees	6,260
Lead Members of Scrutiny Panels	6,260
<b>Band C2</b>	
Police and Crime Panel Members	6,120
<b>Band D</b>	
Business Manager (7-19 councillors)	5,009
Chair of Licensing and Safety Committee	5,009
<b>Band D1</b>	
Group Leader (2-6 councillors)	3,757
Deputy Group Leader (12+ councillors)	3,757
Chair of Appeals panel	3,757
<b>Band E</b>	
Chair of Corporate Governance and Audit committee	2,503
Chair of Standards Committee	2,503
Business Manager (3-6 councillors)	2,503
<b>Band E1</b>	
Adoption Panel member	1,251
<b>Day Rate</b>	
Fostering Panel member	116

Chairs of Overview and Scrutiny Ad-Hoc Panels will receive £39.14 day split into half day sessions (2 x 4 hours) to commence at the start of formal meetings to their conclusion. The Overview and Scrutiny Management Committee will place a time allocation on the work of the ad-hoc panel.

- 3.2 The special responsibility allowance recognises the additional time and expenses incurred by those councillors effectively performing additional special responsibilities.
- 3.3 Special responsibility allowances will be paid calendar monthly in arrears to the appropriate councillor in equal monthly instalments.
- 3.4 Where the term of office entitling a councillor to a special responsibility allowance begins or ends otherwise than on the 1 April 2019 or 31 March 2020 his/her entitlement to the allowance will be pro-rata.
- 3.5 No councillor shall receive more than one special responsibility allowance.

#### **4. Renunciation of allowances**

- 4.1 A councillor may, by giving notice in writing to the Service Director – Legal, Governance and Commissioning, elect to forego any part of his/her entitlement to an allowance payable under this scheme.

#### **5. Travel and subsistence outside the district**

- 5.1 Travel and subsistence allowances for approved duties outside the district can be paid only:

- \* approved duty are those as described in paragraph 8 of the Local Authorities (Members' Allowances) (England) Regulations 2003.
- \* any other duty approved by the body, or any duty of a class so approved, for the purpose of, or in connection with, the discharge of the functions of the body, or of any of its committees or sub-committees
- \* for approved duties previously authorised by the appropriate body (Cabinet or Overview and Scrutiny Management Committee) and Service Director – Legal, Governance and Commissioning. The approval must precede the performance of the duty and not be given retrospectively.

Claims for expenses must be made and received by the Service Director – Legal, Governance and Commissioning within two months of the expense being incurred.

- 5.2 Attendance at conferences: The Head of Democracy has delegated powers to determine councillor attendance at conferences etc.
- 5.3 Attendance at training and development events: The council will reimburse a councillor for travel and subsistence costs, at the approved rates, for training and development events. The appropriate Business Manager will approve councillor attendance.
- 5.4 The council will book accommodation on behalf of councillors to a maximum of the rates given in Appendix 1, subject to availability. Councillors requiring overnight accommodation may claim daytime meal allowance(s) in the usual way.
- 5.5 The authority will pay car mileage at HMRC rates and daytime subsistence allowances at the same rates determined for officers by the National Joint Council for Local Government Officers. The allowance rates are given at Appendix 1.
- 5.6 The rate of travel by public transport shall not exceed the amount of an ordinary fare or any available cheap fare and wherever possible should be arranged through Councillor Support to maximise available discounts and concessions.
- Tickets or receipts must always accompany travel and subsistence claims for over £8.
- 5.7 Councillors' use of private motor vehicles should demonstrate either a substantial saving of the councillors' time, or being in the best interests of the council.
- 5.8 The rate of travel by taxicab will not normally exceed the fare for travel by appropriate public transport. In cases of urgency or where no public transport is reasonably available, the council will reimburse the amount of the actual fare and any reasonable gratuity. Taxi receipts more than £8 must support the claim.
- 5.9 Travel by any other hired vehicle is limited to the rate applicable had the vehicle belonged to the member who hired it unless prior approval to the actual cost of hiring.
- 5.10 The rate for travel by air should not exceed the rate applicable to travel by any appropriate alternative means of transport together with the equivalent saving in subsistence allowance.

Where the saving in time is so substantial as to justify payment of the fare for air travel the amount paid will not exceed:-

- (i) the ordinary fare or any cheap fare, or

- (ii) where no such service is available or in case of urgency the fare actually paid by the councillor.

## **6. Pensions**

With effect from 1 April 2014, any Councillor who is not an active member of the Councillors pension scheme will no longer have access to the pension scheme. Councillors who are currently contributing to the pension scheme will only be allowed to remain in it, until the end of their current term in office. Councillors elected after April 2014 will not be entitled to access the pension scheme.

## **7. Maternity/Adoption/Paternity**

### Maternity and Adoption

Councillors are entitled to:

#### Leave

- 52 weeks leave.

#### Pay

- 6 weeks at 90% of the Basic Allowance and any Special Responsibility Allowance payable.
- 33 weeks at half pay plus the equivalent weekly amount paid to staff in receipt of Statutory Maternity/Adoption Pay.

A replacement to cover the period of absence shall be appointed, by Council, Committee or the Leader (dependent of the role being vacated) and the replacement will be paid the appropriate Special Responsibility Allowance subject to any applicable abatement.

#### Paternity

- Councillors can take up to two weeks' Paternity Leave.

If an election is held during the Councillor's Maternity, Adoption or Paternity leave and they are not re-elected, or decide not to stand for re-election, their Basic Allowance and SRA (if appropriate) will cease from the Monday after the election date when they would technically leave office and payments under this agreement would cease at that point. If they otherwise stand down from the post or otherwise lose the position, their Basic Allowance and SRA (if appropriate) will cease from the date which would be the position if the member stepped down or otherwise lost their position.

## **8. Dependants' carers' allowance**

Councillors who need to engage carers to look after dependants whilst undertaking duties specified in regulation 7 of the Local Authorities (Members Allowances) (England) Regulations 2003 may receive a carers' allowance. The criteria are given at Appendix 2.

## **9. Support for a councillor with a disability**

Even though local councillors are not explicitly covered by the Disability Discrimination Act Part II (employment provisions), it is an expectation on councils that they will make every reasonable effort to meet the individual needs of disabled councillors.

The council will provide support for disabled councillors, where appropriate, by actively discussing an individual's needs and putting in place the necessary support mechanisms wherever practicable.

## **10. Information technology**

Each councillor is offered a PC or laptop to be used in their homes through a broadband link and/or a smart device to assist them in the discharge of their functions as a councillor. Use of a smart device abroad is restricted to Council business only and councillors are encouraged to connect to wifi wherever possible.

## **11. Publicity**

- 11.1 The regulations place certain duties on local authorities in connection with publicising the recommendations made by their independent remuneration panel, their scheme of allowances and the actual allowances paid to councillors in any given year:

The regulations require, as soon as reasonably practicable after the end of a year to which the scheme relates, that local authorities must make arrangements for the publication in their area of the total sum paid by it to each recipient, in respect of each of the following:

- Basic allowance
- Special responsibility allowance
- Dependants' carers' allowance
- Travelling and subsistence allowance

## **12. Sickness and holiday**

The scheme recognises the right of councillors to holiday and entitlement to sickness absence.

An entitlement is made for 28 days of holiday. During periods of sickness a councillor is not expected to make up any hours lost as a result of that illness.

## **13. Suspension of Allowance**

Where a Member, since election has been convicted of any offence and has had passed on them a sentence of imprisonment (whether suspended or not) for a period of not less than three months without the option of a fine, the Council shall suspend any part of any allowance payable from the date of sentence. Such suspension shall remain in force until such time as section 80 of the Local Government Act 1972 (disqualification for election and holding office as member of a local authority) takes effect.

## **14. Education appeals panel members**

Members of Education Appeals Panels (who are not elected councillors of Kirklees Council), will receive an allowance of £116 for a full day meeting and £66 for meetings less than four hours. Periods of adjournment will not be included in the allowance payment.

Travel and subsistence rates from 1 April 2019 (for approved duties performed outside Kirklees only)

1. **Motor mileage rates**

**Car**

First 10,000 business miles in the tax year: 45p per mile  
 Each business mile over 10,000 in the tax year: 25p per mile

**Bicycle or other non-motorised forms of transport:** 20p per mile

**Motor cycle (for journeys less than 10,000 miles per year):** 24p per mile

**Passenger supplements:** The supplement remains unchanged; an increase in the above rates by 5p per person per mile not exceeding four passengers.

(Subject to change by HMRC)

Members of the council shall be entitled to an official parking permit for use when undertaking official council duties and otherwise used in accordance with the rules relating to their use, and specifically to take account of the contribution to parking permits in line with any residents charge as agreed by Council on 19 February 2014.

2. **Day subsistence**

**Breakfast allowance** £6.06  
 (more than 3 hours away from normal place of residence before 11.00 a.m.)

**Lunch allowance** £8.37  
 (more than 3 hours away from normal place of residence to include the period 12.00 noon - 2.00 p.m.)

**Tea allowance** £3.29  
 (more than 3 hours away from normal place of residence to include the period 3.00 p.m. - 6.00 p.m.)

**Evening meal allowance** £10.35  
 (more than 3 hours away from normal place of residence ending after 7.00 p.m.)

3. **Overnight accommodation costs up to:**

London/LGA annual conference £105.00  
 Outside London £90.00

(maximum room/bed-breakfast rates per person per night, but subject to availability)

4. **Meals on trains**

Where **main meals (i.e. breakfast, lunch or dinner) are taken on trains** during a period for which there is an entitlement for a day subsistence allowance, the reasonable cost of meals (including VAT) may be reimbursed in full. This reimbursement would replace the entitlement to the day subsistence allowance for the appropriate meal period. Councillors are asked to submit receipts for meals when claiming.

## Kirklees Council

## COUNCILLORS' ALLOWANCES

## Criteria for dependants' carers' allowance

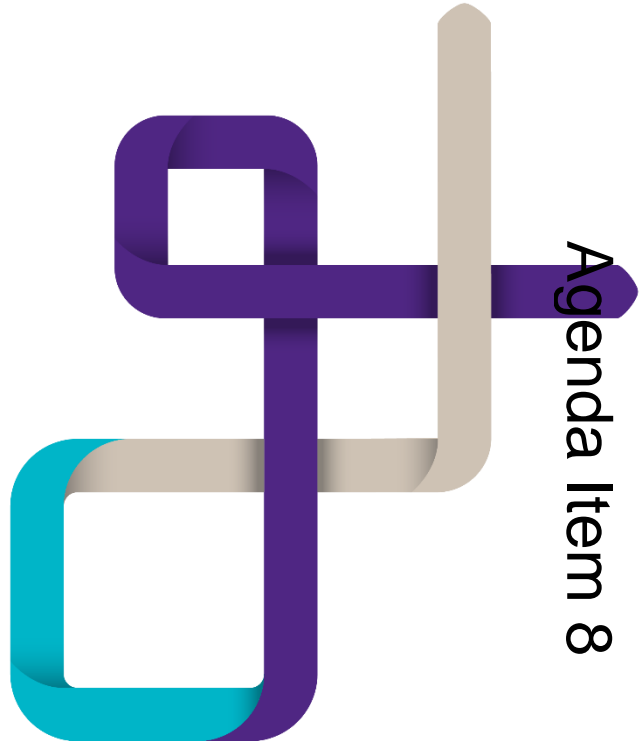
1. Councillors who care for children or dependants can claim a carer's allowance paid at the rate of the national minimum wage for age 21 and above (currently £7.70 per hour), subject to paragraph 3 below.
2. Payment is claimable in respect of children aged 14 years or under. In respect of dependant relatives, payment is claimable subject to written medical or social work evidence.
3. The Corporate Governance and Audit Committee will determine any application by a councillor on the grounds of special circumstances for payment of dependants' carers' allowance at a higher rate than that of the national minimum wage for age 21 and above.
4. The carer must not be a member of the same household.
5. Councillors should submit their claims, using a claim form and supported by receipts and, if applicable, declare any other care payment received from another agency, to the Councillors' Allowances section each calendar month in arrears.
6. Councillors can only claim for the carers' allowance in respect of expenses of arranging for care of their children or dependants necessarily incurred for attendance at meetings and performance of duties specified in the regulations, and any other duties approved by the Council including training sessions held within the induction period following an election. **Approved duties do not include meetings with officers and constituents and attendance at political group meetings.**
7. Any allegations of abuse of the scheme will be investigated through the Council's Standards process.
8. The dependants' carers' allowance is subject to annual review.



# External Audit Plan

*Year ending 31 March 2019*

Kirklees Metropolitan Council  
26 February 2019



# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kirklees Metropolitan Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kirklees Metropolitan Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate Governance and Audit Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Corporate Governance and Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

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<b>Group Accounts</b>	The Authority is required to prepare group financial statements that consolidate the financial information of Kirklees Neighbourhood Housing Limited.
<b>Significant risks</b>	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: <ul style="list-style-type: none"><li>• Management override of controls</li><li>• Valuation of the pension fund net liability</li><li>• Valuation of land and buildings</li></ul> We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.
<b>Materiality</b>	We have determined planning materiality to be £17.3m (PY £15m) for the group and £17.2m (PY £11.5m) for the Council, which equates to 1.75% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.86m (PY £0.75m).
<b>Value for Money arrangements</b>	Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks: <ul style="list-style-type: none"><li>• Financial Sustainability</li><li>• Children's Services Arrangements</li></ul>
<b>Audit logistics</b>	Our interim visit will take place in February/March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £122,221 (PY: £158,729), subject to the Council meeting our requirements set out on page 12.
<b>Independence</b>	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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## 2. Key matters impacting our audit

### External Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. In 2017/18 Kirklees Metropolitan Council delivered an underspend of £1.6m against its revised net expenditure budget of £286.4m. There were significant overspends in Children's Services of £11.3m however £5.8m of this was due to priority Investment in the Children's Improvement Plan. The Council also achieved 89% of its £54m savings programme through transformation activity and service changes, with the remainder being achieved from non-recurrent additional savings.

For 2018/19 the Council originally set a net expenditure budget of £291.2m which recognised increases in the budgets for Children's Services and Adult's Services offset by a requirement to make savings of £16m. At Quarter 2 the Council is forecasting an overspend of £4.8m against the revised budget. The Council's MTFP highlights a budget gap of £26.9m over the 3 year period 2019 to 2022

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

#### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Internal Factors

#### Regulatory reviews of Children's Services

On 25 November 2016 Ofsted published its report from its Inspection of services for children in need of help and protection children looked after and care leavers, and its review of the effectiveness of the Local Safeguarding Children Board. The report rated Children's Services in Kirklees as 'Inadequate'. Following the issue of a statutory direction in January 2018, the Council formalised its partnership arrangements with Leeds City Council in a strategic partnership agreement in March 2018. The Action Plan in response to Ofsted's recommendations is monitored by the Kirklees Safeguarding Children's Board and Ofsted's monitoring reports have acknowledged that improvements continue to be made.

We note the publication of the latest monitoring visit assessment which highlighted the 'significant progress' that has been made in improving the Council's initial response to children and young people who need help and protection.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of group and will review related disclosures in the financial statements.
- We will continue to meet with senior management and consider the Council's financial position and delivery of the savings programme

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

As part of our VFM work, we will:

- consider the arrangements, governance structures and internal monitoring processes in place at the Council to maintain and achieve continued improvements in Children's services
- consider the range of reports and information published and available from third parties including Ofsted.
- continue to meet with senior management to understand the latest position on regulatory inspections and the Council's responses.

### 3. Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
<b>Kirklees Metropolitan Council</b>	Yes		<ul style="list-style-type: none"> <li>Please refer to the significant risks identified in section 4 of this Plan on pages 6 to 8.</li> </ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP
<b>Kirklees Neighbourhood Housing Limited (wholly owned subsidiary)</b>	No		<ul style="list-style-type: none"> <li>Incomplete or incorrect consolidation of material balance for KNHL's net pension fund liability</li> </ul>	<p>Specific scope procedures on the subsidiary's net pension fund liability and relevant disclosures.</p> <p>These procedures will be performed by the Grant Thornton group audit engagement team, to be concluded by 31 July 2019.</p>
<b>Kirklees Stadium Development Limited (joint venture)</b>	No		<ul style="list-style-type: none"> <li>No specific significant risks identified at the planning stage</li> </ul>	Analytical procedures at Group level

#### Key changes within the group:

Up to the time this plan was prepared there have been no significant changes within the Group. Should this change before the year end we will re-assess the components and provide an update to the Corporate Governance and Audit Committee.

#### Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

## 4. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Fraudulent revenue transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Kirklees Metropolitan Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Kirklees Metropolitan Council.</p>	<p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non-domestic rates and central government grants income.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings (rolling valuation).</b>	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing. The Social Housing adjustment factor is prescribed in DCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence indicating that the standard social housing factor is not appropriate to use.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations, impairments and for dwellings the use of the social housing factor, as a significant risk and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert</li><li>• write to the valuers to confirm the basis on which the valuations were carried out.</li><li>• challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding</li><li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li><li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and</li></ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of the pension fund net liability</b>	<p>The pension fund net liability, as reflected in the group balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements and group accounts.</p> <p>The group's pension fund net liability is considered a significant estimate</p> <p>We therefore identified valuation of the group and Council's pension fund net liability as a significant risk and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> <li>• obtain assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and</li> <li>• assess management's arrangements for identifying and evaluating the impact of any subsequent events such as Brexit on asset valuations.</li> </ul>



## 5. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>PFI schemes</b>	<p>The Council has a number of assets that are financed under PFI arrangements.</p> <p>PFI schemes are complex and material accounting transactions arising from these schemes are derived from detailed financial models in particular:</p> <ul style="list-style-type: none"><li>• accounting treatment of the unitary charge</li><li>• derivation of PFI Liabilities and accounting disclosures</li></ul> <p>As this is Grant Thornton's first year of the audit of Kirklees Metropolitan Council we recognise this as a risk to be addressed in 2018/19.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• review the accounting models for the four PFI schemes to confirm the appropriateness of each model in reflecting individual scheme arrangements.</li><li>• review material transactions, balances and disclosures within the financial statements and confirm consistency with financial models.</li></ul>

## 6. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# 7. Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year your previous auditors used the same benchmark and we have discussed with them the outcome of their prior year work and its implications on materiality for 2018/19.

Materiality at the planning stage of our audit is £17.3m (PY £15m) for the group and £17.2m (PY £11.5m) for the Authority, which equates to 1.75% of your prior year gross expenditure.

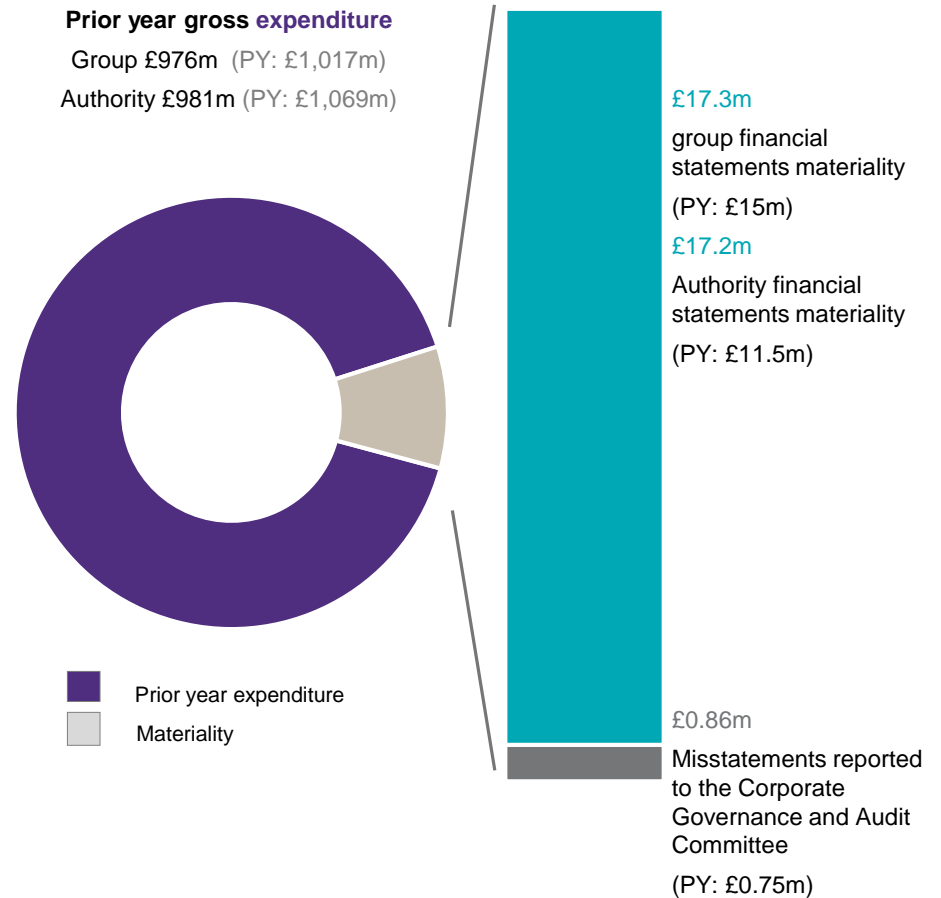
We design our procedures to detect errors in specific accounts at a lower level of precision. The senior officer remuneration disclosure in the financial statements has been identified as an area requiring lower level of materiality of £20,000, due to the sensitive nature of the disclosure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.86m (PY £0.75m).

If management have corrected material misstatements identified during the course of the audit we will consider whether those corrections should be communicated to the Corporate Governance and Audit Committee to assist it in fulfilling its governance responsibilities.



# 8. Value for Money arrangements

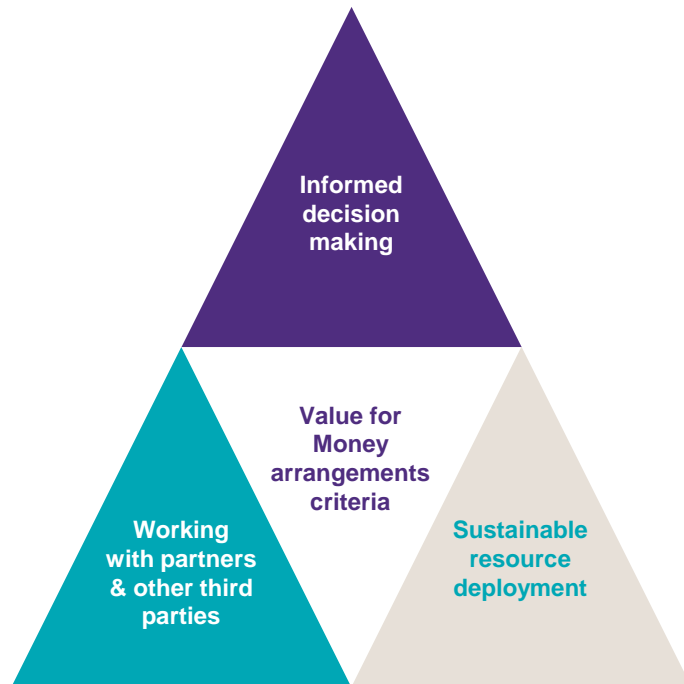
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



**Financial sustainability** – delivery of the 2018-19 budget and savings plan and achievement of Medium Term Financial Plan (MTFP)

The Council, in line with other local authorities, continues to operate under significant financial pressures. For 2018-19, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings, whilst managing cost pressures within Child Protection and Family Support and Adult Social Care at a time of reduced funding. The Council's latest financial projections indicate it is expecting to deliver on budget.

We will review the arrangements the Council has in place to ensure financial resilience, specifically that the Medium Term Financial Plan and saving plans appropriately recognises the financial risks and pressures facing the Council, assumptions are realistic and planned mitigations are robust.



**Children's Services**

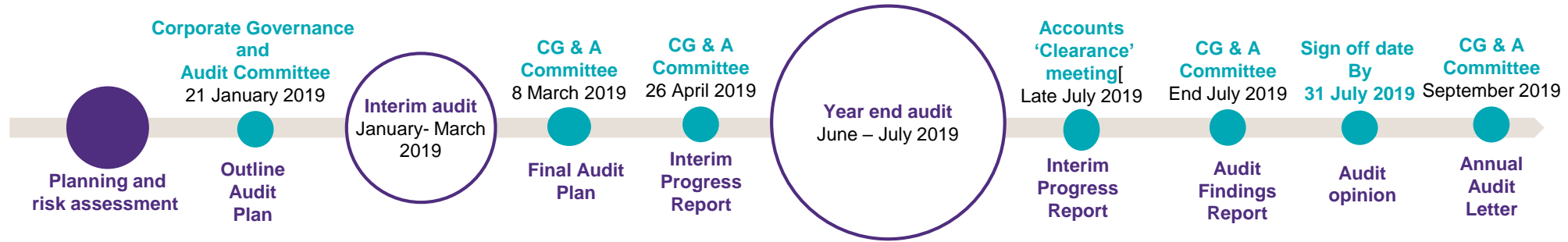
On 25 November 2016 Ofsted published its report from its Inspection of services for children in need of help and protection children looked after and care leavers, and its review of the effectiveness of the Local Safeguarding Children Board. The report rated Children's Services overall in Kirklees as Inadequate. Following the issue of a statutory direction in January 2018, the Council formalised its developing partnership arrangements with Leeds City Council in a strategic partnership agreement in March 2018. The Action Plan in response to Ofsted's recommendations is monitored by the Kirklees Safeguarding Children's Board and Ofsted's monitoring reports have acknowledged that improvements continue to be made.

We will:

- consider the range of reports and information published and available from third parties including Ofsted.
- review the up-to-date responses to the Action Plan to gain assurance that progress continues to be made and improvements embedded.

We note the publication of the latest monitoring visit assessment which highlighted the 'significant progress' that has been made in improving the Council's initial response to children and young people who need help and protection.

# 9. Audit logistics, team & fees



### Robin Baker, Engagement Lead

Robin leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring highest professional standards are maintained and a commitment to add value to the Council.



### Marianne Dixon, Audit Manager

Marianne plans, manages and leads the delivery of the audit. She is the first point of contact for your finance team for discussing any emerging issues.



### Andrew McNeil, Executive In charge

Andrew's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on site audit team.

### Audit fees

The planned audit fee is £122,221 (PY: £158,729) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA.

Kirklees is classified as a Public Interest Entity due to existence of listed debts and as a result we are required to undertake additional procedures and issue a longer form audit report. We are currently considering a small increase in the fee for audits classified as Public Interest Entities (PIEs) due to the additional planning and reporting requirements. If approved by PSAA this will apply to Kirklees Metropolitan Council.

In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

### Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

# 10. Early close

## Meeting the 31 July audit timeframe

The statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Regular liaison

We consider it important to meet on a regular basis to understand the Council's plans and developments, as well as any emerging issues which may impact on the financial statements and our audit work. To this end, we have met with the Chief Executive and Senior Officers. We have also held meetings with senior finance managers on a number of occasions to consider the approach to the 2018/19 audit, specific issues, We will continue to meet on a regular basis throughout the audit process.

## Client and audit responsibilities

To minimise the risk of a delayed audit or additional audit fees, we will work together with you so that you are able to meet your responsibilities to:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# 11. Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following services have been identified for 2018/19.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Housing Benefit certification	£12,000 + £2,130 per 40+ workbook	Self interest (as this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is a fixed fee of £12,000, with variable fees of £2,130 per additional 40+ workbook and not significant in comparison to the total fee for the audit of £122,221 and in particular to Grant Thornton UK LLP's overall turnover. Further there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
CFO Insights	£10,000 - £12,500 per annum	Self Interest (as this is a recurring fee)	This is an online software subscription service that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton & CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities.  It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. These factors mitigate the perceived self-interest threat. The fee for the work is negligible in comparison to the total fee for the audit.
PFI Contract Payment Mechanism	£8,096	None	This is the review of the payment mechanism on an established PFI contract and is a backward looking engagement. It relates to a non-controversial element of the accounts and the amounts involved are not material. No significant threats have been identified.

We have not provided any other services to the Council in 2017-18 prior to our appointment as external auditors to the Council.

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# Appendices

## A. Audit Approach



# Audit approach

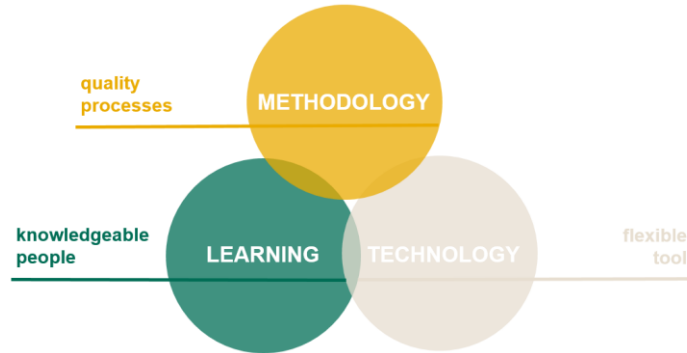
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

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